

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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust and the Sub-Funds dated 28 April 2023. All the capitalised terms used in this Addendum have the same meaning as in the Prospectus, unless otherwise defined herein.

## **Nikko AM Hong Kong Exchange Traded Funds Series**

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

(the “Trust”)

### **Nikko AM Global Internet ETF**

*Stock Codes:*

*9072 (USD counter)*

*3072 (HKD counter)*

### **NikkoAM Metaverse Theme Active ETF**

*Stock Codes:*

*9091 (USD counter)*

*3091 (HKD counter)*

(each a “Sub-Fund”, collectively the “Sub-Funds”)

## **Addendum to the Prospectus**

The Prospectus is hereby supplemented and amended as follows:

1. The definition of “Business Day” under the section “Definitions” on page 2 of the Prospectus is deleted in its entirety and replaced by the following:

“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 included in the relevant Index or the Sub-Fund are traded is open for normal trading; or (iii) if there is more than one such market, the market designated by the Manager is open for normal trading, and (b) (where applicable) the relevant Index is compiled and published, or such other day or days as the Manager and the Trustee may agree from time to time.’

2. The name and biography of Mr. Yasuaki Ogiwara under the section “Management of the Trust and Sub-Funds” on page 39 of the Prospectus are deleted in their entirety.
3. The biography of Mr. Kiyotaka Ryu under the section “Management of the Trust and Sub-Funds” on page 40 of the Prospectus is deleted in its entirety and replaced by the following:

“Kiyotaka Ryu is a director and President of the Manager.

Kiyotaka Ryu has been Chief Administrative Officer (CAO) since July 2018, and in January 2024 took on the additional role of Deputy President of Nikko Asset Management Co., Ltd’s Hong Kong office, before becoming the Manager’s president in October 2024. He is involved in managing the office, while enhancing Nikko Asset Management Group’s strategy in Asia and its relationship with the group’s office in Singapore.

Mr. Ryu joined Nikko Asset Management Co., Ltd in September 2007 and went on to hold key positions related to audit, such as Global Head of Internal Audit and Head of Internal Audit Department. In July 2018, he was also appointed Global Head of Internal Control, and from December 2018 (until the end of March 2022) held the roles of Chief Risk Officer and Global Head of Risk Management. From October 2021, he was also Global Head of Corporate Planning and Head of Corporate Planning Division.

Before joining Nikko Asset Management Co., Ltd, he worked for KPMG Business Assurance (currently known as KPMG Consulting) and the KPMG Sydney Office as a financial and technology auditor and consultant and served clients from various industries including the financial sector.

Mr. Ryu graduated from Waseda University with a Bachelor of Arts in Human Sciences and has also earned a Master of Professional Accounting Degree from the University of New South Wales. Mr. Ryu is a certified public accountant (CPA) and a member of the American Institute of Certified Public Accountants.”

4. The third and fourth paragraphs under the heading “Eligibility Criteria” in the sub-section “Index methodology” under the section “The Index” in Appendix 1 to the Prospectus on page 91 of the Prospectus are deleted in their entirety and replaced by the following:

“The eligible companies must also satisfy the initial revenue exposure criteria for their respective business segments as indicated below. The revenue exposure threshold is further lowered by 10% for existing constituents. Existing constituents that fail to meet the initial revenue exposure criteria for 3 consecutive rebalances will be removed from the Index at the third rebalance cycle.

The relevant RBICS industry classifications and the initial revenue exposure criteria for respective business segments in respect of the Index are set out below:”

Nikko Asset Management Hong Kong Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

The Prospectus may only be distributed if accompanied by this Addendum.

**Nikko Asset Management Hong Kong Limited**  
日興資產管理香港有限公司

**Date: 1 October 2024**



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## **Prospectus**

- **NIKKO AM HONG KONG EXCHANGE TRADED FUND SERIES**
  - NIKKO AM GLOBAL INTERNET ETF
  - NIKKOAM METAVERSE THEME ACTIVE ETF

**28 April 2023**

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**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.

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

# **Nikko AM Hong Kong Exchange Traded Funds Series**

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

## **PROSPECTUS**

*Manager*

**Nikko Asset Management Hong Kong Limited**

**28 April 2023**

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 set out in Part 2 of this Prospectus 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 Nikko AM Hong Kong Exchange Traded Funds Series (the “Trust”) and its sub-funds (the “Sub-Funds”). The Trust is an umbrella unit trust established under Hong Kong law by a trust deed dated 27 August 2019 between Nikko Asset Management Hong Kong Limited (the “Manager”) and BNP Paribas Trust Services (Hong Kong) Limited (as the previous trustee), as amended and/or supplemented from time to time, including by a Deed of Retirement and Appointment of Trustee, pursuant to which BNP Paribas Securities Services, acting through its Hong Kong Branch (as the previous trustee) was formerly appointed as trustee of the Trust in place of BNP Paribas Trust Services (Hong Kong) Limited with effect from 30 August 2021, and subsequently by a Supplemental Deed, pursuant to which BNP Paribas, acting through its Hong Kong Branch (the “Trustee”) was appointed as trustee of the Trust in place of BNP Paribas Securities Services, acting through its Hong Kong Branch with effect from 1 October 2022 (collectively, the “Trust Deed”). The Trust Deed is governed by the laws of Hong Kong.

The Trust may establish sub-funds (each a “Sub-Fund”) in respect of which a separate class or classes of Units will be issued. Where specified in the relevant Appendix, a Sub-Fund may issue both exchange-traded classes of Units (“Listed Class of Units”) and/or unlisted (not exchange-traded) classes of Units (“Unlisted Class of Units”).

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 Sub-Funds which issue both Listed Class of Units and Unlisted Class of Units, a separate set of product key facts statement will be available for each class that is offered to Hong Kong investors.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and the Product Key Facts Statement(s) of each Sub-Fund, 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 in this Prospectus or any Product Key Facts 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”) and 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 of Units only) 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 Sub-Fund is a fund falling within Chapter 8.6 or Chapter 8.10 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 Nikko AM Global Internet ETF and the Listed Class of Units of NikkoAM Metaverse Theme Active ETF have commenced on the SEHK. The Units of Nikko AM Global Internet ETF and the Listed Class of Units of NikkoAM Metaverse Theme Active 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”).

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 US 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 have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any other regulatory agency in the United States, nor has the SEC or any other regulatory agency in the United States passed upon the accuracy or adequacy of this Prospectus or the merits of the Units. Any representation to the contrary is a criminal offence.

The United States Commodity Futures Trading Commission (the "CFTC") has not reviewed or approved this offering or any offering memorandum for the Trust.

This Prospectus may not be distributed into the United States. The distribution of this Prospectus and the offering of the Units may also be restricted in certain other jurisdictions.

Except in a transaction which does not violate the US Securities Act, 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", as defined in the U.S. "Regulation S" adopted by the SEC.

The Manager may impose restrictions on the Unitholders by any "U.S. Person" and operate (i) compulsory redemption of Units or (ii) transfer of Units held by such "U.S. Person".

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 a Sub-Fund suffering any disadvantage which such Sub-Fund might not otherwise have incurred or suffered.

"U.S. Person" means: (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.

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 ([www.nikkoam.com.hk/etf](http://www.nikkoam.com.hk/etf)) 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.

**Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Investors should read the Prospectus, particularly the section headed "Risk Factors", and the section headed "Specific Risk Factors" in the relevant Appendix, before making their investment decisions.**

**Please note that this Prospectus must be read together with the relevant Appendix and/or Addendum to this Prospectus which relate to a specific Sub-Fund of the Trust. The Appendix and/or Addendum set out the details relating to the Sub-Fund (which may include, without limitation, specific information on the Sub-Fund and**

**additional terms, conditions and restrictions applicable to the Sub-Fund). The provisions of an Appendix and/or an Addendum supplement this Prospectus.**

### **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 3940 3900 during normal office hours.



## DIRECTORY

### *Manager*

**Nikko Asset Management Hong Kong Limited**  
24/F Man Yee Building  
60-68 Des Voeux Road Central  
Hong Kong

### *Trustee*

**BNP Paribas, acting through its Hong Kong Branch**

#### *Registered address:*

60-63/F Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

#### *Correspondence address:*

21/F PCCW Tower  
Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

### *Sub-Manager*

**Nikko Asset Management Asia Limited**  
12 Marina View, #18-02 Asia Square Tower 2  
Singapore 018961

### *Registrar*

**BNP Paribas, acting through its Hong Kong Branch**

#### *Registered address:*

60-63/F Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

#### *Correspondence address:*

21/F PCCW Tower  
Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

### *Global Custodian*

**BNP Paribas, acting through its Singapore Branch**

20 Collyer Quay  
#01-01 Tung Centre  
Singapore 049319

### *Legal Counsel to the Manager*

**Simmons & Simmons**

30th Floor  
One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

### *Fund Accountant*

**BNP Paribas, acting through its Singapore Branch**

20 Collyer Quay  
#01-01 Tung Centre  
Singapore 049319

### *Auditor*

**PricewaterhouseCoopers**

21/F Edinburgh Tower  
15 Queen's Road Central  
Hong Kong

### *Service Agent*

**HK Conversion Agency Services Limited**

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

*Listing Agent*  
**Altus Capital Limited**  
21 Wing Wo Street  
Central  
Hong Kong

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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 of Units, the period which commences on the Listing Date and continues until the relevant Listed Class of Units is terminated.

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

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

“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 included in the relevant Index or the Sub-Fund are traded is open for normal trading; or (iii) if there is more than one such market, the market designated by the Manager is open for normal trading, and (b) (where applicable) the relevant 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 or higher 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 of Units, an amount payable by a Participating Dealer for the account of the Sub-Fund in respect of a Default or a cancellation of Creation Application or Redemption Application, as set out in the Trust Deed, the Participation 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 Settlement Day” means the term “Settlement Day” as defined in the General Rules of CCASS.

“Class” means any one of the classes of Units which may be issued in respect of a Sub-Fund.

“Class Currency” means, in relation to a class of Units, the base currency of the Sub-Fund relating thereto or such other currency of account as the Manager may specify for such class of Units in accordance with the Trust Deed.

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

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

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

descriptions given in (a); or

- (c) any member of the group of which that company forms part; or
- (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

“Conversion Agency Agreement” means the agreement by which the Conversion Agent agrees with the Manager to provide its services in respect of the Listed Class of Units of a Sub-Fund entered amongst the Manager, the Conversion Agent and HKSCC.

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

“Dealing Day” means, in relation to a Sub-Fund, each Business Day during the continuance of such 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” means, in relation to a Sub-Fund and a Dealing Day, the time on 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.

“Deed of Retirement and Appointment of Trustee” means a supplemental deed relating to the retirement and appointment of trustee dated 9 June 2021 entered into by the Manager, BNP Paribas Trust Services (Hong Kong) Limited and BNP Paribas Securities Services, acting through its Hong Kong Branch, pursuant to which BNP Paribas Securities Services, acting through its Hong Kong Branch (as the previous trustee) was formerly appointed as trustee of the Trust in place of BNP Paribas Trust Services (Hong Kong) Limited.

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

- (a) a Creation Application to deliver the requisite Securities and/or any relevant cash amount;  
or
- (b) a Redemption Application to deliver the 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 terms of the Trust Deed for the account of the relevant Sub-Fund but excluding (i) Income Property standing to the credit of the distribution account of such Sub-Fund (other than interest earned thereon), and (ii) any other amount for the time being standing to the credit of the distribution account of such Sub-Fund.

“Dual-Counter” means, in respect of a Listed Class of Units, the facility by which the Units of a Sub-Fund traded in two currencies (HKD and USD) are each assigned separate stock codes on the SEHK and are accepted for deposit, clearance and settlement in CCASS in more than one eligible currency (HKD and USD) as described in the relevant Appendix of this Prospectus.

“Duties and Charges” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager or the Trustee to be made for the purpose of compensating or reimbursing the Trust for the difference between (a) the prices used when valuing the Securities in the Trust Fund for the

purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Trust in order to realise the amount of cash required to be paid out of the Trust Fund upon such redemption of Units. For the avoidance of doubt, when calculating 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/depository or otherwise created by the terms of the Participation Agreement, the Trust Deed or any agreement between the Manager, the Trustee and the relevant Participating Dealer.

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

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

“FDIs” means financial derivative instruments.

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

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

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

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

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

“Government and other Public Securities” has the meaning as set out in the Code.

“HKFRS” means Hong Kong 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 applications; (d) all compensations relating to the cancellation of applications in respect of Units 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 (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 the index or benchmark, if any, against which an Index Tracking Sub-Fund may be benchmarked or may otherwise be referenced 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 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.

“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.

“Initial Issue Date” means in respect of each Sub-Fund (or Class), the date of the first issue of Units of that Sub-Fund (or Class).

“Initial Offer Period” means, in respect of any Class of Units, such period as may be agreed between the Trustee and the Manager for the purpose of making an initial offer of Units of such Class, as set out in the relevant Appendix.

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

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

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

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

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

“Manager” means Nikko Asset Management Hong Kong 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, the SEHK or such other stock exchange from time to time determined by the Manager, and any over-the-counter transaction conducted in any part of the world and in relation to any Security shall be deemed to include any bilateral agreement with a responsible firm, corporation or association in any country in any part of the world dealing in the Security which the Manager may from time to time elect.

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

“Net Asset Value” means the net asset value of a Sub-Fund 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 of Units, the guidelines for the creation and redemption of Units of the Class as set out in the schedule to each Participation Agreement as



amended from time to time by the Manager with the approval of the Trustee, and 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 Class of Units applicable at the time of the relevant Application.

“Participating Dealer” means 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 Participation Agreement in form and substance acceptable to the Manager and Trustee, and any reference in this Prospectus to “Participating Dealer” shall include a reference to any agent or delegate so appointed by the Participating Dealer.

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

“Prohibited Person” has the meaning given to it under the Trust Deed.

“PD Agent” means 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 a Listed Class of Units.

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

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

“Redemption Price” means, in respect of Unlisted Class of Units, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.

“Redemption Value” means, in respect of a Listed Class of Units, 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.

“Securities” means any shares, stocks, debentures, loan stocks, bonds, securities, depositary receipts, interests in collective investment schemes, 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 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” or “Conversion Agent’s Fee” means, in respect of a Listed Class of Units of a Sub-Fund, the fee which may be charged for the benefit of the Service Agent or Conversion Agent (as the case may be) 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 or Conversion Agent (as the case may be) and set out in this Prospectus.

“Service Agreement” means each agreement by which the Service Agent provides its services in respect of the Listed Class of Units 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 of Units, 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 Class or 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.

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

“Supplemental Deed” means a supplemental deed dated 15 July 2022 entered into by the Manager, BNP Paribas Securities Services, acting through its Hong Kong Branch, and BNP Paribas, acting through its Hong Kong Branch, pursuant to which BNP Paribas, acting through its Hong Kong Branch was appointed as trustee of the Trust in place of BNP Paribas Securities Services, acting through its Hong Kong Branch.

“Transaction Fee” means the fee, in respect of a Listed Class of Units, which may be charged for the benefit of the Service Agent or Conversion Agent (as the case may be), 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 Nikko AM Hong Kong Exchange Traded Funds 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 constituting the Trust dated 27 August 2019 between the Manager and BNP Paribas Trust Services (Hong Kong) Limited (as the previous trustee), as amended, supplemented and/or restated from time to time, including by the Deed of Retirement and Appointment of Trustee and subsequently by the Supplemental Deed.

“Trust Fund” means, with respect to each Sub-Fund all the property held or deemed to be held by the Trustee upon the trusts hereof, including the Deposited Property and Income Property attributable to that Sub-Fund, and subject to the terms and provisions of the Trust Deed, except any amount for the time being standing to the credit of the distribution account attributable to that Sub-Fund, and where such term is used generically, “Trust Fund” means the Trust Fund attributable to all Sub-Funds taken together.

“Trustee” means BNP Paribas, acting through its Hong Kong Branch 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.

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

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

“Valuation Point” means, in respect of a Sub-Fund (or Class), unless otherwise specified in the relevant Appendix of a Sub-Fund, the official close of trading on the Market on which the Securities 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 issue, creation and redemption of Units.

## INTRODUCTION

### **The Trust**

The Trust is an umbrella unit trust created by the Trust Deed between the Manager and BNP Paribas Trust Services (Hong Kong) Limited (as previous trustee) made under Hong Kong law. By way of the Deed of Retirement and Appointment of Trustee, BNP Paribas Securities Services, acting through its Hong Kong Branch (as previous trustee) was formerly appointed as trustee of the Trust in place of BNP Paribas Trust Services (Hong Kong) Limited with effect from 30 August 2021, and subsequently by way of the Supplemental Deed, the Trustee, BNP Paribas, acting through its Hong Kong Branch, was appointed as the trustee of the Trust in place of BNP Paribas Securities Services, acting through its Hong Kong Branch with effect from 1 October 2022.

The Trust and each Sub-Fund is authorised as a collective investment scheme by the SFC under Section 104 of the SFO and each Sub-Fund falls within Chapter 8.6 (Nikko AM Global Internet ETF) or Chapter 8.10 (NikkoAM Metaverse Theme Active ETF) 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 establish different Sub-Funds 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 of Units of all Sub-Funds 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, Units in a Sub-Fund may be available for trading on the SEHK using a Dual-Counter. Each Sub-Fund will have its own Appendix.

Each Sub-Fund may issue Listed Class of Units and Unlisted Class of Units. In respect of Sub-Funds which offer both Listed Class of Units and Unlisted Class of Units, please refer to the table set out in the relevant Appendix which sets out the key similarities and differences between each Class of Units.

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

### **Investment Objective**

A Sub-Fund may be an Index Tracking Sub-Fund or an actively managed Sub-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 actively managed Sub-Fund is set out in the relevant Appendix.

### **Investment Strategy**

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

#### Index Tracking Sub-Funds

Each Index Tracking Sub-Fund will adopt a full replication and/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 constituting the Index in substantially the same weightings (i.e. proportions) as these Securities have in the Index. When a Security ceases to be a constituent of the Index, rebalancing occurs which involves, among other things, selling the outgoing Security and potentially using the proceeds to invest in the incoming Security.

##### *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 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 that are included in the relevant Index, and may hold a portfolio of Securities 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 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 constituting the Index, the liquidity of such Securities, any restrictions on the ownership of such Securities, 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.

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

## Actively managed Sub-Funds

An actively managed Sub-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.

### 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 permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code in respect of an Index Tracking Sub-Fund;
  - (1) investments in Securities issued by such entity;
  - (2) exposure to such entity through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;
- (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of a 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 of 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, except, for an Index Tracking Sub-Fund, such limit may be exceeded with the approval of the SFC;
- (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, an Index Tracking Sub-Fund which has been authorised by the SFC as an index fund 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; 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 (i) listed Securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (ii) 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);
  - (iv) 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
  - (v) 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 a underlying scheme or the management company of a 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.

A Sub-Fund shall not:

- (a) invest in a security of any Class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that Class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs));
- (c) make short sales if as a result a Sub-Fund would be required to deliver Securities exceeding 10% of the Net Asset Value of the 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 a 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 Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;
- (f) enter into any obligation in respect of a Sub-Fund or acquire any asset or engage in any transaction for the account of a 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 a 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 a 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 in relation to Index Tracking Sub-Fund: 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. Given the investment objective of each Index Tracking Sub-Fund and nature of the relevant Index, an Index Tracking Sub-Fund is allowed under Chapter 8.6(h) of the Code to hold investments in 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 an Index Tracking 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. In determining this limit, the

relevant 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. 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. In addition, subject to the SFC's prior approval, more than 30% of the latest available Net Asset Value of the relevant Sub-Fund may also be invested in Government and other Public Securities in any number of different issues.

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.

### **Securities Lending, Sale and Repurchase or Reverse Repurchase Transactions**

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

### **Borrowing**

Subject always to the provisions of the Trust Deed and the Code, borrowing against the assets of each Sub-Fund is allowed up to a maximum of 10% of its latest available Net Asset Value. 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 concur to borrow for the account of a Sub-Fund any currency, and charge or pledge assets of that Sub-Fund for securing such borrowing for the account of that Sub-Fund, and interest thereon and expenses thereof), 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 such Sub-Fund; or
- (c) for any other proper purpose as may be agreed by the Manager and the Trustee.

### **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 FDIs, for hedging or non-hedging (investment) purposes.

Please refer to the relevant Appendix for the policy regarding use of FDIs for each Sub-Fund. Where a Sub-Fund invests in FDIs, the Manager will set out its policy regarding FDIs and collateral in the relevant Appendix.

A Sub-Fund may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purpose if they 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.

Where specified 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 the avoidance of doubt:

- (a) 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 position;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and
- (c) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

Subject to 7.26 and 7.28 of the Code, 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, in which the Sub-Fund may invest according to its investment objectives and policies;
- (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 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.

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;
- 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 Chapter 7 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.

## DETERMINATION OF NET ASSET VALUE

### Calculation of Net Asset Value

The Manager shall procure the calculation of the Net Asset Value of each Sub-Fund, 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. The Manager has appointed the Fund Accountant to calculate the Net Asset Value and Net Asset Value per Unit of each Sub-Fund.

Where a Sub-Fund has more than one Class of Units, to ascertain the Net Asset Value of a Class, a separate Class account will be established in the books of the Sub-Fund. An amount equal to the proceeds of issue of each Unit will be credited to the relevant Class account. The Net Asset Value of each Class of Units as at any Valuation Point shall be calculated by:

- allocating among each Class the Net Asset Value of the Sub-Fund pro rata in accordance with the Net Asset Value of each Class, then adding the subscriptions and deducting the redemptions in respect of each Class, immediately prior to the relevant Valuation Point; and
- deducting from the Net Asset Value of the Class in question the fees, costs, expenses or other liabilities attributable to that Class not already deducted in ascertaining the Net Asset Value of the Sub-Fund and adding to the Net Asset Value, assets specifically attributable to that Class in order to arrive at the Net Asset Value of that relevant Class.

Set out below is a summary of how various Securities held by the relevant Sub-Fund are valued:

- (a) Securities (other than interests in exchange traded funds) 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 each interest in any listed collective investment scheme (including any exchange traded fund) shall be the latest available (i.e. last published) net asset value or last official closing price per share or unit of such listed collective investment scheme, or if not available, the indicative net asset value per share or unit of such listed collective investment scheme; all as advised by the Manager;
- (d) futures contracts will be valued based on the formulae set out in the Trust Deed;
- (e) 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 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);

- (f) 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
- (g) notwithstanding the foregoing, the Manager may adjust the value of any investment if, having regard to relevant circumstances and after consultation with the Trustee, 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, in 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 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 or other property for the time being included 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 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, the Registrar or any agent 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 epidemic, 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, in the case of an Index Tracking Sub-Fund, 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 [www.nikkoam.com.hk/etf](http://www.nikkoam.com.hk/etf) (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 issued or redeemed during any period of suspension of the determination of the Net Asset Value of the relevant Sub-Fund.



## 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. Where any levels of fees and expenses applicable to a particular Sub-Fund differs from the following, such fees and expenses will be set out in full in the relevant Appendix. Investors should note that certain fees and expenses are applicable only to Listed Class of Units, and certain other fees and expenses are applicable only to Unlisted Class of Units.*

### Fees and Expenses Payable in respect of the Listed Class of Units only

<b>Fees and expenses payable by Participating Dealers (unless otherwise specified) on creations and redemptions (as applicable) of Listed Class of Units (applicable both during the Initial Offer Period and After Listing)</b>	<b>Amount</b>
Transaction Fee	Nil for cash creation and cash redemption  USD 1,500 <sup>1</sup> per in-kind Creation and Redemption Application  <u>plus</u>
Partial delivery request fee	USD 1,200 <sup>2</sup> per transaction  <u>plus</u>
Service Agent's Fee	HKD 1,000 <sup>1</sup> per book-entry deposit and book-entry withdrawal transaction
Application cancellation fee	USD 1,200 <sup>3</sup> per Application
Extension Fee	USD 1,200 <sup>4</sup> per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable (up to 0.50% of the Issue Price or Redemption Value)

<b>Fees and expenses payable by investors of Listed Class of Units</b>	<b>Amount</b>
<b><i>(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during</i></b>	

<sup>1</sup> The Transaction Fee is payable by a Participating Dealer to the Trustee for the benefit of the trustee and/or Registrar. The Service Agent's fee is payable by a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction. A Participating Dealer may pass on to the relevant investor such fees.

<sup>2</sup> A partial delivery request fee is payable to the Trustee on each occasion the Manager, upon a Participating Dealer's request, grants the Participating Dealer a partial settlement in respect of a Creation Application.

<sup>3</sup> An application cancellation fee is payable to the Trustee in respect of either a withdrawn or failed Creation Application or Redemption Application.

<sup>4</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.

<b><i>the Initial Offer Period and After Listing)</i></b>	
Fees and charges imposed by the Participating Dealer <sup>5</sup>	Such amounts as determined by the relevant Participating Dealer
<b><i>(ii) Fees payable by all investors in respect of dealings in the Units on SEHK (applicable After Listing)</i></b>	
Inter-counter transfer	HKD5.00 <sup>6</sup>
Brokerage	Market rates
Transaction levy	0.0027% <sup>7</sup> of the trading price
FRC transaction levy	0.00015% <sup>8</sup> of the trading price
SEHK trading fee	0.00565% <sup>9</sup> of the trading price
Stamp duty	Nil

<b>Fees and expenses payable by a Sub-Fund</b>	See Appendix
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### **Fees and Expenses Payable in respect of the Unlisted Class of Units only**

The following fees and charges are payable by investors of Unlisted Class of Units:

#### ***Subscription Fee***

Under the Trust Deed, the Manager is entitled to impose a subscription fee on the issue of Unlisted Class of Units of any Sub-Fund of up to a maximum of 5% of the subscription monies.

The subscription fee is payable in addition to the Subscription Price per Unit. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the subscription fee (either in relation to a Sub-Fund or a particular class) of a Sub-Fund.

#### ***Redemption fee***

Under the Trust Deed, the Manager is entitled to impose a redemption fee on the redemption of Unlisted Class of Units of any Sub-Fund of up to a maximum of 5% of the redemption proceeds payable in respect of such Units.

The redemption fee is deducted from the redemption proceeds payable to a Unitholder in respect of each Unlisted Class of Unit redeemed. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the redemption fee (either in relation to a Sub-Fund or a particular class) of a Sub-Fund.

#### ***Switching fee***

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

<sup>6</sup> 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>7</sup> Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.

<sup>8</sup> FRC transaction levy of 0.00015% of the trading price of the Units, payable by each of the buyer and the seller.

<sup>9</sup> Trading fee of 0.00565% of the trading price of the Units, payable by each of the buyer and the seller.

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Unlisted Class of Units of up to 5% of the redemption proceeds payable in respect of the Unlisted Class of Units of the Existing Sub-Fund being switched.

The switching fee is deducted from the amount realised from redemption of the Existing Sub-Fund and reinvested in the New Fund. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the switching fee (either generally or in any particular case) of a Sub-Fund.

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

The following fees and charges are payable out of the assets of each Sub-Fund:

#### *Management Fee*

The Manager is entitled to receive a management fee of up to the maximum of 2% per annum of the Net Asset Value of the relevant Sub-Fund or Class, unless a lower percentage is specified in the relevant Appendix in respect of a relevant Sub-Fund or Class. The current management fee percentage in respect of each Sub-Fund or Class is set out in the relevant Appendix and is accrued daily and calculated as at each Dealing Day and payable monthly or quarterly (as may be specified in the relevant Appendix) in arrears. This fee is payable out of the Trust Fund.

A Sub-Fund 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 which does not employ a single management fee structures, the following fees and expenses may be payable out of and borne by the relevant Sub-Fund: Trustee's fee, Registrar's fees, custodian's fees, fees of Service Agent or Conversion Agent (as the case may be), fees, expenses of the auditors, ordinary out-of-pocket expenses incurred by the Manager or the Trustee and costs and expenses of licensing indices used in connection with the Sub-Fund and all other general expenses authorised by the Trust Deed to be charged to the Sub-Fund.

Remuneration for the sub-investment manager (if any) for a Sub-Fund shall be borne by the Manager out of the Manager's management fee.

The Manager may pay a distribution fee to any distributor or sub-distributors of a Sub-Fund out of the management fees it receives from the relevant Sub-Fund. 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 an annual trustee fee, payable monthly in arrears, accrued daily and calculated as at each Dealing Day, of the greater of (i) up to 1% per year of the Net Asset Value of a Sub-Fund or Class and (ii) the applicable annual minimum. For a Sub-Fund which does not employ a single management fee structure, the applicable trustee fee percentage is set out in the relevant Appendix of the Sub-Fund.

The Global Custodian, the Fund Accountant and the Registrar are entitled to fees for their services in respect of each Sub-Fund. Fees payable to the Global Custodian, the Fund Accountant and the Registrar may be included as part of a single trustee fee. Please refer to the relevant Appendix of each Sub-Fund.

The trustee fee will be included in the Management Fee if a Sub-Fund employs a single management fee structure.

#### *Other charges and expenses*

Each Sub-Fund will bear the charges, fees, expenses or liabilities expressly authorised by the Trust

Deed which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs, charges, fees, expenses or liabilities will be allocated between all Sub-Funds pro-rata to the Net Asset Value of each Sub-Fund, unless otherwise determined by the Manager with the approval of the Trustee.

#### *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, and the actual ongoing charges of any existing Sub-Fund or Class are the sum of actual ongoing expenses of the relevant Sub-Fund expressed as a percentage of its actual average Net Asset Value. The ongoing charges figure is disclosed in the product key facts statement of each Sub-Fund or Class. Where a Sub-Fund 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 may also be included in the ongoing charges calculation payable by a Sub-Fund and in those cases will be clearly disclosed. Ongoing expenses may be deducted from the assets of a Sub-Fund where these are permitted by the Trust Deed, the Code and the law. These include all types of cost 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.

#### *Promotional Expenses*

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

#### **Establishment Costs**

The establishment costs of the Fund and the initial Sub-Fund (i.e. Nikko AM Global Internet ETF) are of such amount as set out in the Appendix of the initial Sub-Fund and will be borne by the initial Sub-Fund. The establishment costs will be amortised over the first 3 Financial Years (as defined in the Trust Deed). Where subsequent Sub-Funds are established in the future, the Manager may determine that the unamortised establishment costs of the Trust or a part thereof may be re-allocated to such subsequent Sub-Funds.

The establishment costs and payments incurred in the establishment of subsequent Sub-Funds are to be borne by the relevant Sub-Fund to which such costs and payments relate and amortised over the first 3 Financial Years.

Investors should also note that under HKFRS, establishment costs should be expensed as incurred and that amortisation of the expenses of establishing Sub-Funds is not in accordance with HKFRS; however, the Manager has considered the impact of such non-compliance and has considered that it will not have a material impact on the financial statements of Sub-Funds. To the extent that the accounting basis adopted by a Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

#### **Increase in Fees**

The current fees in respect of each Sub-Fund as described in the relevant Appendix may be increased on not less than one month's notice (or such shorter period of notice as the SFC may permit) to Unitholders, subject to the maximum rates set out in the Prospectus.

**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.**

## **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 all Sub-Funds. 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 your 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 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 it holds, less expenses incurred. A Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, an 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 would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security in the portfolio or, for an Index Tracking Sub-Fund, 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 in which the Sub-Fund invests may underperform or outperform returns from other Securities markets or from investment in other assets. Different types of securities tend to go through cycles of out-performance and underperformance when compared with other general Securities markets.

#### *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 companies in which a Sub-Fund invests or (for an Index Tracking Sub-Fund only) a constituent of the relevant Index may have an adverse effect on the Index's (if any) 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 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 an Index Tracking Sub-Fund, because there can be no guarantee that such a Sub-Fund will fully replicate the relevant Index, it is also subject to the above management risk.

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

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

#### *Single Region / Single Industry Sector / Concentration Risk*

A Sub-Fund may be subject to concentration risk as a result of having a strategy of concentrating in a single region or industry sector or (for an index tracking Sub-Fund) tracking the performance of a single geographical region or country 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*

A Sub-Fund is subject to the risk of the inability of any counterparty (including any custodian(s)) to perform with respect to transactions, whether due to insolvency, bankruptcy or other circumstances. Such Sub-Fund is also subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements. In the event of any counterparty (including a custodian) entering an insolvency procedure, the Manager could experience delays in liquidating the Sub-Fund's positions and incur significant losses, including the loss of that portion of the Sub-Fund's portfolio financed through such a transaction, a decline in value of its investment during the period in which the Manager seeks to enforce its rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

#### *Indemnity Risk*

Under the Trust Deed, the Trustee and the Manager and their respective directors, officers, employees and agents 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 or Class 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 in the relevant Sub-Fund outstanding is less than USD20 million (or such other amounts as specified in the relevant Appendix); or (ii) any law or regulation 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) (for an Index Tracking Sub-Fund) the relevant Index is no longer available for benchmarking or (for a Sub-Fund which only has Listed Class of Units) if the Units are no longer listed on the SEHK or any other Recognised Stock Exchange (iv) (for a Sub-Fund which only has Listed Class of Units) at any time, the relevant Sub-Fund ceases to have any Participating Dealer; or (v) the Manager is unable to implement its investment strategy in respect of the relevant Sub-Fund. Upon a Sub-Fund being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments included 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 are requested by the Participating Dealers in respect of Listed Class of Units or by Unitholders of Unlisted Class of 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 (for Listed Class of Units) or Unitholders of Unlisted Class of Units 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*

Underlying investments of a Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund and a substantial portion of the revenue and income of a Sub-Fund may therefore be received in currencies other than its base currency. Any fluctuation in the exchange rate of the base currency of such Sub-Fund relative to the relevant foreign currencies will affect the Sub-Fund's Net Asset Value regardless of the performance of its underlying investments. As a Sub-Fund's Net Asset Value is calculated in its base currency, an investor may lose money if the relevant foreign currencies depreciate against the Sub-Fund's base currency, irrespective of the positive performance of the underlying investments.

#### *Foreign Security Risk*

A Sub-Fund may invest entirely within the equity markets of a single country or region. These markets may be subject to special risks associated with foreign investment including market fluctuations caused by factors affected by political and economic development. Investing in the Securities of non-Hong Kong companies involves special risks and considerations not typically associated with investing in Hong Kong companies. These include differences in accounting, disclosure, auditing and financial reporting standards, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, the imposition of restrictions on the expatriation of funds or other assets of a Sub-Fund, political instability which could affect local

investments in foreign countries, and potential restrictions on the flow of international capital. Non-Hong Kong companies may be subject to less governmental regulation than Hong Kong companies. Moreover, individual foreign economies may differ favourably or unfavourably from the Hong Kong economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions.

#### *Risk of War or Terrorist Attacks*

There can be no assurance that there will not be any terrorist attacks which could have direct or indirect effect on the markets in which investments of a Sub-Fund may be located and the corresponding political and/or economic effects arising therefrom if any, may in turn adversely affect the operation and profitability of such Sub-Fund.

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

Securities acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund's portfolio securities 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, pursuant to the Trust Deed.

#### *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.

A 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.

#### *Risk associated with high volatility of the equity market in Asia*

A Sub-Fund may invest in Asian equity markets. High market volatility and potential settlement difficulties in certain Asian markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of a Sub-Fund.

#### *Risk associated with regulatory / exchanges policies of certain equity markets*

A Sub-Fund may invest in stock exchanges in overseas markets. Certain stock exchanges, for example some exchanges in Asia, 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 Sub-Fund.

#### *Emerging market risk*

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 related with hedging techniques*

The Sub-Fund may seek to hedge its foreign currency exposure but will necessarily be subject to foreign exchange risks and there can be no assurance that any hedges which are put in place will be effective. Prospective investors whose assets and liabilities are predominantly in currencies other than the currency in which their Units will be denominated should take into account the potential risk of loss arising from fluctuations in value between the currency in which their Units will be denominated, the currency of investment and the currencies of their assets and liabilities.

The Sub-Fund may utilise such instruments as the Manager deems appropriate including, but not limited to, currency futures, currency forwards, put options and non-deliverable forwards, when seeking to hedge against currency fluctuations. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Manager wishes to use them or will be able to be liquidated when the Sub-Fund wishes to do so. In addition, the Manager may choose not to enter into hedging transactions with respect to some or all of its positions. Currency exchange costs will be incurred when the Sub-Fund changes investments from one country to another.

#### *Financial Derivative Instruments*

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.

#### *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.

## **Risks associated with investment in an Index Tracking Sub-Fund**

### *Passive Investment Risk*

An Index Tracking Sub-Fund is not actively managed. Accordingly, such a Sub-Fund may be affected by a decline in the market segments relating to the relevant Index or Indices. Investors may lose a significant part of their respective investments if the Index falls. Each Index Tracking Sub-Fund invests in the Securities 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 individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of an Index Tracking 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 in its Index and may invest in Securities 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 held by an Index Tracking Sub-Fund may also be over or underweight relative to the Securities in its Index. It is therefore possible that such a Sub-Fund may be subject to larger tracking error.

### *Tracking 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.

An Index Tracking's 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 constituting its Index, rounding of share prices, foreign exchange costs, changes to the Indices 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 will achieve its investment objective at any time of corresponding to the performance of the relevant 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.

## **Risk associated with differences in trading, fee and cost arrangements between Listed Class and Unlisted Class of Units**

Each Sub-Fund is an exchange traded fund, which may offer both Listed Class of Units and Unlisted Class of Units. Dealing arrangements in respect of Listed Class of Units and Unlisted Class of Units are different, and depending on market conditions, investors of the Listed Class of Units may be at an advantage compared to investors of the Unlisted Class of Units, or vice versa. The Net Asset Value per Unit of each of the Listed Class of Units and Unlisted Class of Units may also be different due to the different fees (such as the Management Fee) and costs applicable to each such class of Units.

In addition, investors should note that different cost mechanisms apply to Listed Class of Units and Unlisted Class of Units. For Listed Class of Units, the Transaction Fee and Duties and Charges in respect of Creation and Redemption Applications are paid by the Participating Dealer applying for or redeeming such Units and/or the Manager. Investors of Listed Class of Units in the secondary market will not bear such Transaction Fees and Duties and Charges (but for the avoidance of doubt, may bear other fees, such as SEHK trading fees, as described under the section “Fees and Expenses”). On the other hand, the subscription and redemption of Unlisted Class of Units may be subject to a subscription fee and redemption fee respectively, which will be payable to the Manager by the investor subscribing or redeeming. In addition, the Manager may, in its absolute discretion, in addition to the Subscription Price and/or Redemption Price, in certain circumstances, add a further amount to reflect the Subscription Adjustment Allowance or Redemption Adjustment Allowance (as defined in Schedule 2) (as the case may be) so as to ensure that investors of the Unlisted Class of Units will not be prejudiced in the event of substantial subscriptions or redemptions. Please refer to the sections “Subsequent Issue of Unlisted Class of Units” and “Payment of Redemption Proceeds” for further information. Any or all of these factors may lead to a difference in the Net Asset Value of the Listed Class of Units and Unlisted Class of Units.

#### *Trading arrangements in respect of Unlisted Class of Units*

Unlike investors of Listed Class of Units who may buy and sell Units in the secondary market during SEHK trading hours, investors of Unlisted Class of Units are only able to subscribe and redeem at the relevant Subscription Price and Redemption Price (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 of Units would have intra-day trading opportunities which will not be available to holders of Unlisted Class of Units. In a stressed market scenario, holders of Listed Class of Units can sell their units on the secondary market during SEHK trading hours if the market continues to deteriorate, while holders of Unlisted Class of Units will not be able to do.

#### *Trading arrangements in respect of Listed Class of Units*

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

Please also refer to “Risks associated with market trading (applicable to Listed Class of Units only)” below for additional risks relating to Listed Class of Units.

### **Risks associated with Dual-Counter (applicable to Listed Class of Units only)**

#### *Other Currency Distributions Risk*

Investors should note that all Units will only receive distributions in the base currency of the Sub-Fund. In the event that the relevant Unitholder has no account in the base currency of the Sub-Fund, the Unitholder may have to bear the fees and charges associated with the conversion of such distribution from the base currency 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.

#### *Dual-Counter Risk*

The Dual-Counter arrangement for exchange traded funds listed on the SEHK may involve certain

risks as described below.

There is a risk that the market price on the SEHK of Units traded in one counter may deviate significantly from the market price on the SEHK of 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 Units in each counter is determined by market forces (such as investor demand for Units in each counter). Accordingly, when selling Units or buying 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 Units took place on such other counter. There can be no assurance that the price of Units in each counter will be equivalent.

It should also be noted that inter-counter transfers may not always be available. If there is a suspension of the inter-counter transfer of Units between different counters for any reasons, for example, operational or systems interruption, Unitholders will only be able to trade their Units in one counter only and this may inhibit or delay such Unitholder's dealing.

Investors without an account in the relevant trading currency (such as USD) may buy and sell HKD traded Units only. Such investors will not be able to buy or sell Units traded in such other trading currencies (such as USD).

It is possible that some brokers and CCASS participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in another, (ii) carry out inter-counter transfers of Units, or (iii) trade 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 Units in one currency. Investors should check with their brokers in advance if they intend to engage Dual-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).

### **Risks associated with market trading (applicable to Listed Class of Units only)**

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

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

#### *No Trading Market in the Listed Class of Units Risk*

Although the Listed Class of 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 of Units or that such Market Maker(s) may cease to fulfil that role. Further, there can be no assurance that Listed Class of 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.

#### *Suspension of Trading Risk*

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

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

Listed Class of 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 of Units fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the Listed Class of Units may deviate significantly from Net Asset Value particularly during periods of market volatility. Any of these factors may lead to the Listed Class of Units of the relevant Sub-Fund trading at a premium or discount to the Net Asset Value. On the basis that Listed Class of Units can be created and redeemed in Application Units at Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term.

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

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

Investors should note that investing in a Listed Class of Units of a Sub-Fund is not like investing in 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 of 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 of Listed Class of Units 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 of 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 of Units under certain circumstances. Alternatively, investors may realize the value of their Listed Class of Units by selling such Units through an intermediary such as a stockbroker on the SEHK, although there is a risk that dealings on the SEHK may be suspended. Please refer to the section headed "Creations and Redemptions (Primary Market)" for details in relation to the circumstances under which creation and redemption applications can be rejected.

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

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

#### *Secondary Market Trading Risk*

Listed Class of 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 of Units. On such days, Listed Class of 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 Market Makers Risk*

Where a Dual-Counter has been adopted in respect of the Listed Class of Units of a Sub-Fund, although the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker to maintain a market for the Listed Class of Units traded in each counter, it should be noted that liquidity in the market for the Listed Class of Units may be adversely affected if there is no Market Maker for Listed Class of Units traded in one or more counter(s). 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 the Listed Class of Units for each counter gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market making agreements. It is possible that there is only one Market Maker to a counter 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 of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Creation and redemption of Listed Class of Units may be suspended in certain circumstances (please refer to the "Suspension of Creations and Redemptions" section). 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 Listed Class of Units will not always be created or redeemed at a particular time. To the extent that the Participating Dealers are unable or do not proceed with creation or redemption orders with respect to the Listed Class of Units of a Sub-Fund and no other Participating Dealers are able or willing to do so, the Listed Class of Units may trade at a premium or discount to the Net Asset Value of the relevant Class and this may lead to liquidity issues.

### **Risks Associated with the Indices (applicable to Index Tracking Sub-Funds only)**

#### *Fluctuations Risk*

The performance of the Units of an Index Tracking Sub-Fund 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*

In respect of each Index Tracking Sub-Fund, the Manager is granted a licence by the Index Provider to use the Index to create the relevant Sub-Fund based on the Index and to use certain trade-marks and any copyright in the Index. An Index Tracking 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 the Index Tracking Sub-Fund’s Appendix. Although the Manager will seek to find a replacement Index, an Index Tracking 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 of each Index are determined and composed by the relevant Index Provider without regard to the performance of the relevant Index Tracking Sub-Fund. Each Index Tracking 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 Index Tracking Sub-Fund or other persons regarding the advisability of investing in Securities generally or in the relevant Index Tracking Sub-Fund particularly. Each Index Provider has no obligation to take the needs of the Manager or investors in the relevant Index Tracking 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 Index Tracking Sub-Fund, the Manager or investors.

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

The Securities constituting an Index will change as the Securities of the Index are delisted, or as the Securities mature or are redeemed or as new Securities are included in the Index or where the methodology of the Index is changed by the Index Provider. When this happens the weightings or composition of the Securities owned by the relevant Index Tracking Sub-Fund will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units of an Index Tracking Sub-Fund 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 an Index Tracking Sub-Fund will, at any given time accurately reflect the composition of the Index (please refer to the section on “Tracking Error Risk”).

#### *Errors and inaccuracies of Index Risk*

There may be inaccuracies, errors, omissions or mistakes in the compilation or calculation of the Index, which may result in significant deviations between the Net Asset Value of the Units of an Index Tracking Sub-Fund and the relevant Index. The accuracy and completeness of the calculation of an Index may be affected by, without limitation, the availability and accuracy of prices for its constituent securities, market factors and errors in its compilation. The Manager and the Trustee are not responsible or involved in the compilation or calculation of any Index, and thus cannot be held responsible or liable for any inaccuracies, errors, omissions or mistakes in such compilation or calculation.

### **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 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 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 relevant Sub-Fund (as applicable) will be terminated.

#### *General Legal and Regulatory Risk*

Each 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 relevant Sub-Fund. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the performance of the Index or the Securities in a Sub-Fund's Portfolio and as a result, the performance of a Sub-Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for a Sub-Fund. In the worst case scenario, a Unitholder may lose a material part of its investments in a Sub-Fund.

#### *Listed Class of Units may be Delisted from the SEHK Risk*

*The SEHK imposes certain requirements for the continued listing of Securities, including the Listed Class of Units, on the SEHK. Investors cannot be assured that any Sub-Fund will continue to meet the requirements necessary to maintain the listing of the Listed Class of Units on the SEHK or that the SEHK will not change the listing requirements. If the Listed Class of Units of a Sub-Fund are delisted from the SEHK, Unitholders will have the option to redeem their Listed Class of 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 the Listed Class of 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 United States ("US") Internal Revenue Code of 1986, as amended (the "IRS Code"), impose rules with respect to US and certain non-US persons, such as the Trust or each Sub-Fund. Payments of interest and dividends from securities of US issuers 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 US 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 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 US 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 US-sourced dividends, interest and certain other payments. It is possible that certain non-US source payments attributable to amounts that would be subject to FATCA withholding (referred to as "foreign passthru payments") may also be subject to FATCA withholding under FATCA rules later introduced, though the definition of "foreign 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 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 or each Sub-Fund) complying with the FFI Agreement will generally not be subject to the above described 30% withholding tax.

The Trust 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 or a Sub-Fund is not able to comply with the requirements imposed by FATCA or the terms of the FFI Agreement, the Trust 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.

The Trust or each Sub-Fund has been or will be registered with the US IRS.

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

#### *Contagion Risk*

The Trust Deed allows the Trustee and the Manager to issue Units in separate Sub-Funds and Classes. The Trust Deed provides for the manner in which the liabilities are to be attributed across the various Sub-Funds and Classes within a Sub-Fund under the Trust (liabilities are to be attributed to the specific Sub-Fund or Class of a Sub-Fund (as the case may be) 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 or Class (in the absence of the Trustee granting that person a security interest). However, the Manager and 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 or Class (as the case may be) being compelled to bear the liabilities incurred in respect of other Sub-Funds or Classes (as the case may be) 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 Manager and/or Trustee. Accordingly, there is a risk that liabilities of one Sub-Fund or Class (as the case may be) may not be limited to that particular Sub-Fund or Class and may be required to be paid out of one or more other Sub-Funds or Classes.

#### *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.

## MANAGEMENT OF THE TRUST AND SUB-FUNDS

### The Manager

The Manager of the Trust and each Sub-Fund is Nikko Asset Management Hong Kong Limited, a limited liability company incorporated under the laws of Hong Kong and regulated by the SFC. The Manager is licensed to carry out the following regulated activities in Hong Kong: Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) under the SFO with CE Number AFH646. For Type 1 regulated activity, the Manager shall only perform distribution function for collective investment schemes. For Type 9 regulated activity, the Manager shall not provide a service of managing a portfolio of futures contracts for another person. Also, the Manager shall not hold client assets.

The Manager is a wholly owned subsidiary of Nikko Asset Management International Limited, an indirectly owned subsidiary of Sumitomo Mitsui Trust Holdings, Inc..

The Manager may from time to time appoint other sub-investment managers or investment delegates in relation to any Sub-Fund subject to prior SFC approval. The details of any sub-investment manager or investment delegates will be disclosed in the Appendix of the relevant Sub-Fund. The remuneration of such sub-investment manager or investment delegates will be borne by the Manager unless otherwise stated in the relevant Appendix.

The Directors of the Manager and their biographies are set out below:

#### *Yasuaki Ogiwara*

Yasuaki Ogiwara joined Nikko Asset Management Co., Ltd in April 2015 and is now the president of the Manager. He is responsible for supporting the Manager's delivery of integrated solutions to investors throughout Asia. Mr. Ogiwara started his career at the Marubeni Corporation in April of 1981. Later he moved to Nomura Securities in September of 1987. He had extensive international experience while at Nomura, including roles as President and Managing Director at Nomura Nederland, Nomura Europe Finance (NEF) and Nomura Asset Management Hong Kong Limited.

#### *Eleanor Seet Oon Hui*

Eleanor is a non-executive director of the Manager.

Eleanor joined Nikko Asset Management Asia Limited in 2011 as the President and an executive director. She became the Head of Asia ex-Japan of the Nikko Asset Management group in 2015 with expanded responsibility for driving its growth in the region. She has oversight of Nikko Asset Management group's Singapore and Hong Kong offices, with a total staff strength of approximately 140. Additionally, she has oversight of Nikko Asset Management group's joint venture relationships in China and Malaysia and is a board member of Affin Hwang Asset Management Berhad.

Active in industry, Eleanor currently serves as vice-chairman on the Executive Committee of the Investment Management Association of Singapore (IMAS) and is also a member of the Institute of Banking and Finance Fund Management Workgroup. She is a founding member of the Bloomberg Women's Buy-side Network, which tracks future investment trends and aspires to serve as role models for the next generation of asset managers in the region. She is a member of CAMRI Advisory Council, part of the NUS Business School.

In 2017, Eleanor was conferred the IBF Fellow distinction by the Institute of Banking and Finance Singapore. The IBF Fellow title recognises industry veterans who exemplify thought leadership and commitment to industry development.

Eleanor is a pioneer in the asset management industry with over 20 years of experience. Prior to joining Nikko Asset Management Asia Limited, She led the distribution efforts for iShares concentrating on the wealth segments across Asia ex Japan.

Previously, Eleanor spent 12 years at AllianceBernstein, where she was responsible for building and

developing the firm's distribution channels and business. In that capacity, she was responsible for the overall strategy and execution of the firm's product offerings in South East Asia via intermediaries.

She graduated with a Bachelor of Economics from the University of New South Wales, Sydney.

#### *Kiyotaka RYU*

Kiyotaka is a non-executive director of the Manager.

Kiyotaka was appointed as Chief Administrative Officer of Nikko Asset Management Co., Ltd in July 2018, and as Acting Chief Risk Officer of Nikko Asset Management Co., Ltd in December 2018. He is responsible for overall business planning and management to support Middle and Back Office functions, as well as leading the global risk management function in Nikko Asset Management Co., Ltd.

Kiyotaka joined the Internal Audit Department of Nikko Asset Management Co., Ltd in September 2007 and went on to become the Head of Internal Audit where he led the Nikko Asset Management Co., Ltd group's Internal Audit practice for three and a half years.

Before joining Nikko Asset Management Co., Ltd, he worked for KPMG, as a financial and technology auditor. He served clients from various industries including the financial sector.

He is a qualified accountant and a member of the American Institute of Certified Public Accountant.

He graduated from Waseda University with a Bachelor of Arts in Human Sciences and has also received a Master of Professional Accounting degree from the University of New South Wales.

#### **The Trustee**

The Trustee of the Trust is BNP Paribas, acting through its Hong Kong Branch. BNP Paribas is a bank organised under the laws of France under No. 662 042 449 and a public limited company incorporated under the laws of France with its registered office at 16 boulevard des Italiens, 75009 Paris, France, and is authorised and supervised by the European Central Bank and by the *Autorité de Contrôle Prudentiel et de Résolution* in France. The Trustee is authorised as a licenced bank in Hong Kong by the Hong Kong Monetary Authority pursuant to the Banking Ordinance of Hong Kong and is also registered with the SFC pursuant to the SFO to carry on Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities in Hong Kong.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust and each Sub-Fund, subject to the provisions of the Trust Deed.

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

Subject to the preceding paragraph, the Trustee shall not be responsible for any act or omission of

or be liable for any loss or damage caused by: (i) any agents and persons appointed by the Manager; (ii) any depository or clearing system in relation to any Security deposited with such depository or clearing system; or (iii) any Registrar (other than where the Trustee is the Registrar), Participating Dealers, counterparties, third party service providers and advisers.

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.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or each Sub-Fund from and against any action, costs, claims, damages, liabilities, expenses (including all legal, professional and other similar expenses) or demands (together, "Indemnified Claims"), other than those imposed under Hong Kong law or resulting from breaches of trust through fraud or negligence on the part of the Trustee, to which it may be put or may incur in the exercise of any powers, authorities or discretions vested in it and for this purpose shall have recourse to the assets of the relevant Sub-Fund in respect of which such Indemnified Claims have been made or arose out of or, where such Indemnified Claims relate to the Trust as a whole, the Trust Fund or any part thereof. Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud, negligence or wilful default by it or any officers, employees, agents or delegates appointed by it, be liable for any losses, costs or damage or inconvenience to the Trust, any Sub-Fund or any Unitholder.

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

The Trustee is entitled to the fees set out under the section on "Fees and expenses payable by a Sub-Fund" and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

### **The Global Custodian**

The Trustee has appointed BNP Paribas, acting through its Singapore Branch with its registered address at 20 Collyer Quay #01-01, Singapore 049319, as the global custodian of the Trust ("Global Custodian"). BNP Paribas, acting through its Singapore Branch is a licensed bank in Singapore regulated by the Monetary Authority of Singapore. Its banking license was granted with effect from 20 October 1999.

BNP Paribas is a bank organised under the laws of France under No. 662 042 449 and a public limited company incorporated under the laws of France with its registered office at 16 boulevard des Italiens, 75009 Paris, France, and is authorised and supervised by the European Central Bank and by the *Autorité de Contrôle Prudentiel et de Résolution* in France.

Pursuant to the global custodian agreement between the Trustee and the Global Custodian, the Global Custodian will act as the custodian of the Trust's and the Sub-Funds' assets, which may be held directly by the Global Custodian or through its agents, sub-custodians or delegates pursuant to the relevant custodial services agreement.

### **The Registrar**

BNP Paribas, acting through its Hong Kong Branch has been appointed as Registrar and transfer agent, to maintain responsibility for registrar functions including keeping the respective registers of Unitholders up-to-date and accurate and arranging for the issue and realisation of Units of each Sub-Fund.

Subject to the provisions of the Trust Deed, BNP Paribas, acting through its Hong Kong Branch (in its capacity as the Trustee and the Registrar) and other entities in the BNP Paribas Group (collectively, "BNP") (i) have not independently verified the information contained in this Prospectus other than the disclosures concerning BNP, (ii) are not responsible for the preparation of this Prospectus other than consenting to the disclosures concerning BNP, and (iii) have not caused or otherwise authorised the issue of this Prospectus. Neither BNP nor its employees or officers accept any responsibility or liability arising in any way for errors or omissions in this Prospectus. BNP is not involved in the management

of the Trust and does not guarantee the success or the performance of the Trust and its Sub-Funds nor the repayment of capital or any particular rate of capital or income return.

### **The Fund Accountant**

The Manager has appointed BNP Paribas, acting through its Singapore Branch with its registered address at 20 Collyer Quay #01-01, Singapore 049319, as the Fund Accountant of the Trust. BNP Paribas, acting through its Singapore Branch is a licensed bank in Singapore regulated by the Monetary Authority of Singapore. Its banking license was granted with effect from 20 October 1999.

Pursuant to the administration agreement between the Manager and the Fund Accountant, the Fund Accountant will act as accountant to the Trust and each Sub-Fund. The Fund Accountant's role will include, amongst other things, keeping the accounts, financial books and records of each Sub-Fund, determining the Net Asset Value and liaising with the auditors in respect of preparation of financial statements.

### **The Service Agent or Conversion Agent (applicable in respect of Listed Class of Units only)**

HK Conversion Agency Services Limited acts as Service Agent or Conversion Agent (as the case may be for each Sub-Fund) under the terms of the Service Agreement or Conversion Agency Agreement. It performs, through HKSCC, certain of its services in connection with the creation and redemption of Listed Class of Units in the Sub-Fund by Participating Dealers.

### **The Auditor**

The Manager has appointed PricewaterhouseCoopers Hong Kong 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 of 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. Different Sub-Funds may have different Participating Dealers. The latest list of the Participating Dealers in respect of each Sub-Fund is available at the website of each Sub-Fund (please refer to the relevant Appendix; 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 of Units only)**

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Listed Class of 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 Class of Units on the SEHK. Market Makers facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, the Manager will use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for each Listed Class of Units, and where a Dual-Counter has been adopted in respect of the Listed Class of Units of a Sub-Fund, for the Listed Class of Units of each available counter. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will use its best endeavours to put in place arrangements so that there is at least one other Market Maker per Class (or a Sub-Fund adopts a Dual-Counter, each counter) to facilitate the efficient trading of Listed Class of Units. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker per Class (or a Sub-Fund adopts Dual-Counter, each counter) gives not less than 3 months' notice prior to terminating the market making arrangement. The latest list of Market Makers for each Sub-Fund is available at [www.hkex.com.hk](http://www.hkex.com.hk) and [www.nikkoam.com.hk/etf](http://www.nikkoam.com.hk/etf) (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC). Please refer to the section on "Website Information" for the warning and the disclaimer regarding information contained in such website.

## **The Listing Agent (applicable in respect of Listed Class of Units only)**

In respect of each Sub-Fund with a Listed Class of Units, 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 the 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 Sub-Fund is set out in the relevant Appendix for that Sub-Fund.

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

The Manager, the Trustee and the Sub-Manager may, from time to time, act as manager, sub-investment manager, investment delegates, 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, the Sub-Manager and any of their Connected Persons may buy, hold, deal in or advise on any securities or other property for their own account or for the account of their other customers (as applicable) notwithstanding that the same or similar securities 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, any investment delegate 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 type, size and term, in the same currency and with institutions of similar standing, negotiated at arm's length in accordance with ordinary and normal course of business. Any such deposits shall be maintained in a manner that is in the best interests of Unitholders.
- (f) Neither the Trustee nor the Manager nor the Sub-Manager nor 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.

The Manager may also enter into trades for the account of a Sub-Fund with the accounts of other clients of the Manager or its Connected Persons ("cross trades") when the Manager considers that, as part of its portfolio management, such cross trades would be in the best interests of the Unitholders to achieve the investment objective and policy of the Sub-Fund. Such cross trades will only be undertaken where (i) the sale and purchase decisions are in the best interests of both the Sub-Fund and the other client and fall within the investment objectives, restrictions and policies of the Sub-Fund and such other client, (ii) the cross trades are executed on arm's length terms at current market value, and (iii) the reasons for such cross trades are documented prior to execution.

It is, therefore, possible that any of the Trustee, the Manager, the Sub-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 relevant Sub-Fund and the Unitholders and will endeavour to ensure that such conflicts are resolved fairly.

Subject to applicable rules and regulations, the Manager, its delegate or any of its Connected Persons may enter into portfolio transactions for or with a 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 relevant Sub-Fund.

None of the Manager, its delegates (including investment delegates, if any) 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, its delegates (including investment delegates, if any) or any of its Connected Persons may receive, and are entitled to retain, goods, services or other benefits, such as research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publication (known as soft dollar benefits) which are of demonstrable benefit to the relevant Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its Connected Persons in providing services to the relevant Sub-Fund (as may be permitted under the Code, applicable rules and regulations), from brokers and other persons through whom investment transactions are carried out ("brokers") provided that the quality of transaction execution is consistent with best execution standards, brokerage rates are not in excess of customary institutional full-service brokerage rates and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, such goods and services do not include travel accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the relevant Sub-Fund's annual report.

The services of the Trustee provided to the Trust and the Sub-Fund(s) 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 Sub-Manager, the Registrar, the custodian, sub-custodians, the Service Agent or Conversion Agent (as the case may be) 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 interests of Unitholders. For so long as a Sub-Fund is/are authorised by the SFC and it is an applicable requirement of the Code, the Manager, if transacting with brokers or dealers connected to the Manager, investment delegates, the Trustee or any of their

respective Connected Persons, must ensure it complies with the following obligations:

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



## STATUTORY AND GENERAL INFORMATION

### Reports and Accounts

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

Only an English version of the audited annual accounts and the half-yearly unaudited 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 accounts and reports shall provide a comparison of each Sub-Fund's performance and the actual relevant Index performance over the relevant period and such other information as is required under the Code.

The Manager intends to adopt HKFRS in drawing up the annual financial accounts of each Sub-Fund. It should however be noted that in amortising the establishment costs of the Sub-Fund in accordance with the section headed "Establishment Costs", possible deviation from such account standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual financial accounts in order to comply with HKFRS and to include a reconciliation note in the Trust's audited accounts.

### Trust Deed

The Trust and each Sub-Fund were established under Hong Kong law by the Trust Deed. 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 Indemnified Claim 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 in relation to its duties 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 in any Sub-Fund, 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, charges, fees and expenses incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of any 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 involving material changes, modifications, alterations and additions 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 by the SFC or the Code.

## **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 is unable to find a person acceptable to act as the new Manager within 30 days after the removal of the Manager for the time being, or the person nominated fails to be approved by an extraordinary resolution passed by Unitholders; 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 and 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 USD50 million (or such other amounts as specified in the relevant Appendix); (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; (iii) in the opinion of the Manager, it is impracticable or inadvisable to continue the Trust (including without limitation, a situation where it is no longer economically viable to operate the Trust); (iv) if all Sub-Funds under the Trust are Index Tracking Sub-Funds and the respective Index/Indices of all such Sub-Fund(s) is/are no longer available for benchmarking; (v) if all Sub-Funds under the Trust only has Listed Class of Units and the Units of all such Sub-Funds are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager (vi) if all Sub-Funds under the Trust only has Listed Class of Units and, at any time, all such Sub-Funds cease to have any Participating Dealer; or (vii) 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 USD20 million (or such other amounts as specified in the relevant Appendix); (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) its Index (if any) is no longer available for benchmarking or if the Units of the a Sub-Fund which only has Listed Class(es) of Units are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (iv) (in respect of a Sub-Fund with only Listed Class(es) of Units) at any time, the relevant Sub-Fund ceases to have any Participating Dealer; or (v) the Manager is unable to implement its investment strategy. Further, the Unitholders may at any time authorise termination of the Trust or the relevant Sub-Fund(s) by extraordinary resolution.

The Trustee may, in its absolute discretion, by notice in writing to the Manager, terminate a Sub-Fund if: (i) the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver shall be appointed over any of its assets and shall not be discharged within 60 days; (ii) the Trustee forms the opinion for good and sufficient reason and shall so state in writing to the Manager that the Manager is incapable of performing its duties under this Deed satisfactorily; (iii) the Manager fails to perform its duties under this Deed satisfactorily or the Manager shall do any other thing which in the opinion of the Trustee is calculated to bring the Trust into disrepute or to be harmful to the interests of the

Holders; (iv) any law is passed which renders it illegal or, in the opinion of the Trustee and the Manager, impracticable or inadvisable to continue the Trust; (v) either the Trustee is 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 by the Trustee shall fail to be approved by an extraordinary resolution at a meeting of the Unitholders; and (vi) the Trustee has decided to retire but within 60 days of the Trustee giving written notice to the Manager of its desire to retire the Manager shall be unable to find a suitable person who is willing to act as trustee.

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 relevant 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 subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Investors should note that, due to the nature of the listing of the Listed Class of Units on the SEHK, the termination procedures applicable to Listed Class of Units and Unlisted Class of 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.

Where specified in the relevant Appendix, the Manager may at its discretion make distributions (i) out of capital or (ii) 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 a Sub-Fund or Class, resulting in an increase in distributable income for the payment of distributions by the relevant Sub-Fund or Class and therefore, the relevant Sub-Fund or Class 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 or Class' capital may result in an immediate reduction of the Net Asset Value per Unit.

There can be no assurance that such entities will declare or pay dividends or distributions.

### **Inspection of Documents**

Copies of the following documents in respect of each 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 (b) free of charge and in the case of (a) at a reasonable fee per set of copy documents:

- (a) Trust Deed; and
- (b) 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 of Listed Class of Units 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).

## **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, liquidity profile, and redemption policy for 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, 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.

The following tools may be employed by the Manager to manage liquidity risks:

- Limitation on the number of Units for redemption on any Dealing Day;
- Fair market valuation; and
- Dealing suspension (under extreme liquidity constraints)

As a liquidity risk management tool, the Manager may limit the number of Units of a Sub-Fund Units (both Listed Class of Units and Unlisted Class of Units) 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 total Net Asset Value in such a Sub-Fund (both Listed Class of Units and Unlisted Class of Units) then in issue (subject to the conditions under the sections titled “Deferred Redemption”).

Investors may refer to the sub-sections headed “Suspension of Creations and Redemptions” and “Deferred Redemption”, as well as the sections “Determination of Net Asset Value” of this Prospectus for details of the above tools and their impact on investors. Investors should note that there is a risk that such tools may not be effective in managing liquidity and redemption risks at all times.

#### **Index Licence Agreements (applicable in respect of Index Tracking Sub-Funds only)**

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

#### **Material Changes to an Index (applicable in respect of 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 (applicable in respect of 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 included in 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;
- (i) the instruments and techniques used for efficient portfolio management not being available; and
- (j) the Manager is of the view that there is a more suitable index for the relevant Sub-Fund.

The Manager may change the name of a 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 website of each Sub-Fund (please refer to the relevant Appendix) (the websites have not been reviewed or approved by the SFC) and, where applicable, HKEx's website [www.hkex.com.hk](http://www.hkex.com.hk) 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 Unlisted Class of Units to Hong Kong investors, a separate set of product key facts statement will be available for each of the Listed Class of Units and Unlisted Class of 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 creations and redemptions of Units, the suspension of the calculation of its Net Asset Value, changes in its fees (in respect of the Listed Class of Units) and the suspension and resumption of trading in its Units;
- (e) (in respect of the Listed Class of Units) the real-time or 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 and each trading currency of the Sub-Fund;
- (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 Sub-Fund in the base currency and each trading currency of the Sub-Fund (updated on a daily basis on each Dealing Day);
- (g) the past performance information of each Sub-Fund;
- (h) (in respect of each Index Tracking Sub-Fund) the annual tracking difference and tracking error of each Sub-Fund;
- (i) full portfolio information on a daily basis;
- (j) (in respect of the Listed Class of Units) the latest list of the Participating Dealers and Market Makers; and
- (k) if applicable to a 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.

The near real time indicative Net Asset Value per Unit referred to above are indicative and for reference only. This is updated every 15 seconds during SEHK trading hours.

For the Nikko AM Global Internet ETF and the NikkoAM Metaverse Theme Active ETF, 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 provided by ICE Data Services. Since the indicative Net Asset Value per Unit in USD will not be updated when the underlying share market(s) are closed, the change in the indicative Net Asset Value per Unit in HKD (if any) during such period is solely due to the change in the near real time foreign exchange rate. The last closing Net Asset Value per Unit in HKD is indicative and for reference only and is calculated using the official last closing 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 WM Co Reuters for HKD at 4:00 p.m. (London time, which is (i) equivalent to 11:00 p.m. (Hong Kong time) during British Summer Time; and (ii) otherwise equivalent to 12:00 a.m. (Hong Kong time)) as of the same Dealing Day.

Real-time updates about the Index can be obtained through other financial data vendors. It is your own responsibility to obtain additional and the latest updated information about the Index (including without limitation, a description of the way in which the Index is calculated, any change in the composition of the Index, any change in the method for compiling and calculating the Index) via the Manager's website ([www.nikkoam.com.hk/etf](http://www.nikkoam.com.hk/etf)) and the Index Provider's website (<https://www2.sgx.com/indices/products/ifid>) in respect of the Nikko AM Global Internet ETF (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**

Nikko Asset Management Hong Kong Limited  
24/F Man Yee Building  
60-68 Des Voeux Road Central  
Hong Kong

### **Trustee<sup>^</sup>**

BNP Paribas, acting through its Hong Kong Branch  
21/F PCCW Tower  
Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

<sup>^</sup> This is the correspondence address of the Trustee for receiving all notices and communications to the Trustee. For the registered address of the Trustee, please refer to the Directory of this Prospectus.

## Website Information

The offer of the Units is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. Neither the Manager nor the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Manager and the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, the Trust's website [www.nikkoam.com.hk/etf](http://www.nikkoam.com.hk/etf) (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**

#### *Hong Kong 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.

#### *Other Jurisdictions*

Notwithstanding that profits or income of the Trust and each Sub-Fund are exempt from Hong Kong profits tax, the Trust and the Sub-Funds may be subject to tax in certain jurisdictions, such as the United States of America, where investments are made on income and/or capital gains derived from such investments. The Trust or a Sub-Fund may also be indirectly subject to withholding tax on any cash dividends and distributions that the Trust or the Sub-Fund receives from investment in other jurisdictions. As such, any distribution to Unitholders will be net of such taxes, if applicable.

### **Taxation of the Unitholders**

#### *Hong Kong 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 a 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 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 trading nature. Whether an asset is of “trading” or “capital” in nature will depend on the particular circumstances of each of the Unitholders. Unitholders should take advice from their own professional advisers as to their particular tax position.

A two-tiered profits tax regime was enacted on 29 March 2018. It will be applicable to any year of assessment commencing on or after 1 April 2018. Under the two-tiered tax rates, for corporations, the first HK\$2 million of assessable profits of a nominated corporation within the group will be subject to a reduced tax rate at 50% of the standard profits tax rate for corporations (i.e. 8.25%), with certain exceptions, and the remaining profits will be subject to the standard rate of 16.5%. For individuals and unincorporated business, the first HK\$2 million of assessable profits will be subject to a reduced tax rate at 50% of the standard profits tax rate for individuals and unincorporated business (i.e. 7.5%), and the remaining profits will be subject to the standard rate of 15%.

Distributions by the Trust/a Sub-Fund should generally not be subject to Hong Kong profits tax (whether by way of withholding or otherwise) 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).



## *Hong Kong 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 (Cap.17) of Hong Kong (the “Stamp Duty Ordinance”). Note that no Hong Kong stamp duty is payable by Unitholders in relation to an issue of Units or on the redemption of Units.

Under a remission order issued by the Secretary for the Treasury on 20 October 1999, no Hong Kong stamp duty is payable on transfer of Hong Kong stocks to the Trust / a Sub-Fund (which have been authorised under Section 104 of the SFO), in exchange for issue of Units or transfer of Hong Kong stocks from the Trust / a Sub-Fund in consideration for redemption of 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 not payable. Accordingly transfers of 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 requirements regarding tax reporting**

The Inland Revenue (Amendment) (No.3) Ordinance 2016 came into force on 30 June 2016 (together with subsequent ordinances on such subject matter, the “Ordinance”). This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“AEOI”). The AEOI requires financial institutions (“FIs”) in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with the FIs and controlling persons of certain entities holding accounts with FIs, and report the relevant information to the Hong Kong Inland Revenue Department (“IRD”) for the purpose of AEOI exchange. The information of account holders who are tax resident in an AEOI reportable jurisdiction will generally automatically be exchanged with that jurisdiction. The Trust 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 an FI with obligations to report as a financial institution in accordance with the Ordinance. This means that the Trust or its agents shall collect and provide to the IRD the required information relating to Unitholders.

The Ordinance as implemented by Hong Kong requires the Trust to, amongst other things: (i) register the Trust as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e. Unitholders) to identify whether any such accounts are considered “Reportable Accounts” under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is generally 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(s), taxpayer identification number(s) (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 hold Units in a Sub-Fund, Unitholders acknowledge that they are required to enable the Trust to comply with AEOI by providing the required information to the Trust, the Sub-Fund, the Manager, the Trustee 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, the Trustee 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 tax advisor on the administrative and substantive implications of AEOL on its current or proposed investment in the Sub-Fund(s) and on the Trust and each Sub-Fund.

## **SCHEDULE 1 – PROVISIONS RELATING TO THE OFFER, CREATION, REDEMPTION, LISTING AND TRADING OF THE LISTED CLASS OF UNITS**

*This Schedule 1 contains disclosure relating to the Listed Class of Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this Schedule shall be construed to refer to a Listed Class of Units of a Sub-Fund or an Unitholder of such Units. Save for terms defined below, all other terms used in this Schedule shall have the same meanings as assigned to them under the main part of the Prospectus.*

### **THE OFFERING PHASES**

#### **Initial Offer Period**

During the Initial Offer Period, Participating Dealers (acting for themselves or for their clients) may apply for Listed Class of 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 and the Registrar on a Business Day no later than 3 Business Days prior to the Listing Date unless otherwise stated in the relevant Appendix.

If a Creation Application is received by the Manager and Trustee after the deadline as specified in the relevant 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, which is the number of Units specified in the relevant Appendix. The Issue Price during the Initial Offer Period is set out in the Appendix (where applicable).

Please refer to the section on “Creations and Redemptions (Primary Market)” below 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 Listed Class of Units is terminated.

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

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

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

After Listing, all investors can buy and sell Listed Class of 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 due to market demand and supply, liquidity and scale of trading spread for the Listed Class of Units in the secondary market. As a result, the market price of the Listed Class of Units in the secondary market may be higher or lower than Net Asset Value per Unit.

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

### *Creations and Redemptions Through Participating Dealers*

Listed Class of 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. 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 and the Registrar before the Dealing Deadline on 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 on a Dealing Day, that Application shall be treated as having been received and accepted at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Application. Participating Dealers are under no obligation to create or redeem generally or for their clients and may charge their clients such fee or fees as such Participating Dealers determine.

Settlement for subscribing Listed Class of Units in cash is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

Settlement for redeeming Listed Class of Units is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

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

After Listing, all Listed Class of 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 Units. The beneficial interests in Listed Class of 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*

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

The purpose of the Initial Offer Period is to enable Participating Dealers to subscribe for Listed Class of 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 of Units to be available for trading on the Listing Date by creation. No redemptions are permitted during the Initial Offer Period.

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

Participating Dealers may have their own application procedures for their respective clients and may set application and payment cut-off times for their respective clients which are earlier than those set out in this Prospectus and which may change from time to time. The Dealing Deadline in respect of 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 Units on their behalf.

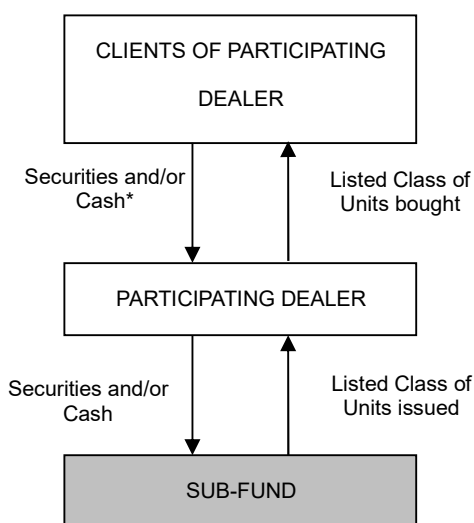
*After Listing*

“After Listing” commences on the Listing Date and continues until the relevant Listed Class of Units is terminated. All investors may buy and sell Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for creation and redemption of Units in the primary market.

**Diagrammatic Illustration of Investment in the Listed Class of Units of a Sub-Fund**

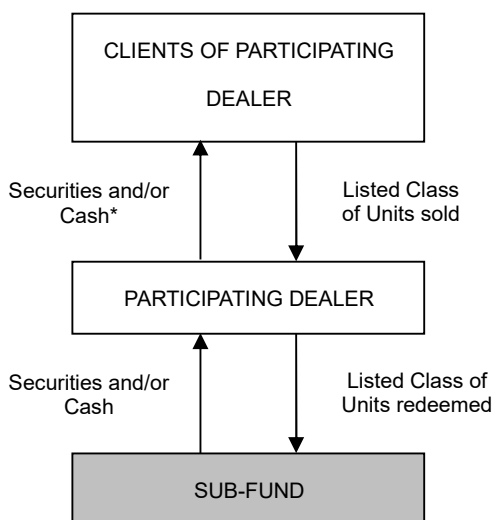
The diagrams below illustrate the issue or redemption and the buying or selling of a Listed Class of Units:

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



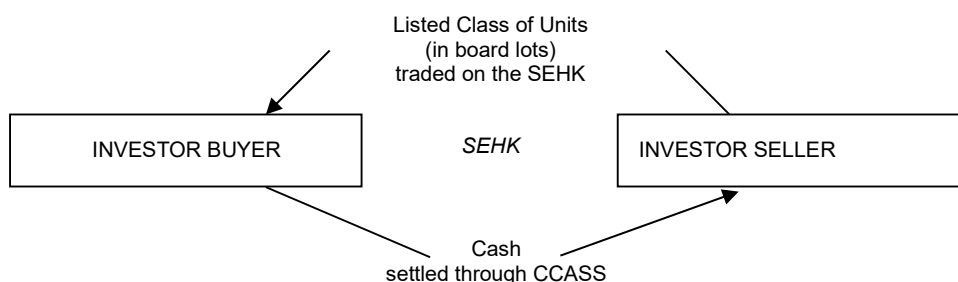
*\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.*

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



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

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



**Summary of Offering Methods and Related Fees**

*Initial Offer Period*

<u>Method of Offering*</u>	<u>Minimum Number of 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

<u>Method of Acquisition or Disposal of Units*</u>	<u>Minimum Number of Units (or multiple thereof)</u>	<u>Channel</u>	<u>Available to</u>	<u>Consideration, Fees and Charges**</u>
Purchase and sale in cash through brokers on the SEHK (secondary market)	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

\* The methods of creation available to the Participating Dealers in respect 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)

### Investment in Listed Class of Units

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

The first method is to create Listed Class of Units at the Issue Price or redeem Listed Class of Units at the Redemption Value directly with the Sub-Fund in the primary market through a Participating

Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the relevant Sub-Fund. Where a Sub-Fund has a Dual-Counter, although a Participating Dealer may, subject to arrangement with the Manager, elect to CCASS to have Units which it creates deposited in the USD counter or HKD counter, all creation and redemption for all 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 of 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 of 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 of Units in the secondary market on the SEHK which is more suitable for retail investors. The secondary market price of Listed Class of Units may trade at a premium or discount to the Net Asset Value of the relevant Sub-Fund.

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

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

Any application for the creation of Listed Class of Units of a Sub-Fund must only be made through a Participating Dealer in respect of an Application Unit size as set out in the “Key Information” section. Investors cannot acquire Listed Class of Units directly from a Sub-Fund. Only Participating Dealers may submit Creation Applications to the Manager and the Registrar.

Listed Class of 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 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 Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund 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 relevant Index or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (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 which 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 Units in exchange for a transfer of Securities) or in cash or (if permitted by the Manager) 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 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 of Units specified in the relevant Appendix. Creation Applications submitted in respect of Listed Class of Units other than in Application Unit size 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 Listed Class of Units of a Sub-Fund to the Manager and the Registrar, following receipt of creation requests from clients or where it wishes to create Listed Class of 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 on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The current Dealing Deadline After Listing on the relevant Dealing Day is specified in the relevant Appendix, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK, the Recognised Futures Exchange or the Recognised Stock Exchange are reduced.

Creation monies should be paid in the Class Currency of the relevant Listed Class of Units. Creation monies in cleared funds should be received within 1 Business Day following (i) the relevant Dealing Day on which the Creation Application was received by the Dealing Deadline or (ii) in the case of applications for Listed Class of Units during the Initial Offer Period, the last day of the relevant Initial Offer Period, or such other period as determined by the Manager. Payment details are set out in the relevant Operating Guidelines.

To be effective, a Creation Application must:

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

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

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

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund 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 that is a constituent of the Index of the relevant Sub-Fund, or (ii) for a Sub-Fund that is not an Index Tracking 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 that is a component of the relevant Index, or (ii) for a Sub-Fund that is not an Index Tracking 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 which make it for all practicable purposes impossible to process the Creation Application;
- (g) any period when the business operations of the Manager, the Trustee, or any agent of the Trustee or the Manager, in relation to the creation of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, 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 of Units which can be created, priority will be given to Participating Dealers and the relevant Creation Applications as set out in the Operating Guidelines.

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

Where the Manager accepts a Creation Application from a Participating Dealer, it shall instruct the Trustee to effect (i) for the account of the Sub-Fund, the creation of Listed Class of 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 of Units to the Participating Dealer, both in accordance with the Operating Guidelines and the Trust Deed.

#### *Issue of Listed Class of Units*

Listed Class of 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 of Units in a Sub-Fund during the relevant Initial Offer Period, the Manager shall procure the creation and issue of Units in that Sub-Fund on the relevant Initial Issue Date.

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 of Units pursuant to a Creation Application shall be effected on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was accepted 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.

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

#### *Fees Relating to Creation Applications*

The Service Agent or Conversion Agent (as the case may be), 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 Units. See the section on "Fees and Expenses" for further details.

In relation to cash creation of Units, the Manager reserves the right to require the Participating Dealer to pay 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 of Units shall not be added to the Issue Price of such 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 informing the Manager may cancel a creation order in respect of any Listed Class

of 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 of 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 of Units deemed created pursuant to a Creation Application as provided for above or if a Participating Dealer otherwise withdraws subject to the Manager's consent a Creation Application (other than in certain circumstances contemplated in the Trust Deed such as when the Manager declares a suspension of creations of Units), any 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 of 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 or Conversion Agent (as the case may be) 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 of Units so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if the Participating Dealer had, on the date on which such Listed Class of Units are cancelled, made a Redemption Application, together with charges, expenses and losses incurred by the Sub-Fund 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 or Conversion Agent (as the case may be) (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 of Units.

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

Any application for the redemption of Listed Class of Units of 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 of Units directly from the relevant Sub-Fund. Only Participating Dealers may submit Redemption Applications to the Manager and the Registrar.

A Participating Dealer may redeem Listed Class of 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 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 Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund 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 relevant Index or (ii) for a Sub-Fund that is not an Index Tracking 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 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 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 the Listed Class of Units of a Sub-Fund to the Manager and the Registrar, following receipt of redemption requests from clients or where it wishes to redeem Listed Class of Units of the relevant Sub-Fund for its own account.

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

To be effective, a Redemption Application must:

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

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

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund 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 a security (that is a constituent of the Index of the relevant 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 in the relevant Index or (ii) for a Sub-Fund that is not an Index Tracking 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, the Registrar, or any agent of the Trustee or the Manager in relation to the redemption of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, 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 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 of 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 of Units*

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

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

The Redemption Value of Listed Class of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of a 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 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.

Payment of redemption proceeds will normally be made within 3 Business Days of the relevant Dealing Day and may be delayed subject to specific circumstances stipulated in the relevant Operating Guidelines. 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 of 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.

In any event, investors should note that payment of the redemption proceeds to the investors may be delayed if the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements, thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, the extended time frame for the payment of redemption money shall reflect the additional time needed in light of the specific circumstances in the relevant market(s).

### *Fees Relating to Redemption Applications*

The Service Agent or Conversion Agent (as the case may be), 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 or Conversion Agent (as the case may be). See the section on “Fees and Expenses” for further details.

In relation to cash redemption of Listed Class of Units, notwithstanding the aforesaid regarding the redemption and cancellation of such 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 the Listed Class of 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 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 of 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 of Units so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if the Participating Dealer had, on the actual date when the Manager is able to repurchase any replacement Securities 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 or Conversion Agent (as the case may be) (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.



## **Compulsory Redemption**

A Unitholder may be required to provide the Manager and/or Trustee with any information or document considered as necessary for the purpose of determining whether any Units are owned directly, indirectly or beneficially by (i) a Prohibited Person or (ii) a U.S. person.

If any time it shall come to the notice of the Manager or the Trustee that Units are owned directly, indirectly or beneficially by any persons mentioned under (i) and (ii) above, the Manager or the Trustee may give notice to such person requiring him to transfer such Units to a person who does not fall within (i) and (ii) above or to request in writing the redemption of such Units in accordance with the provision of the Trust Deed. If any person upon whom such a notice is served does not within thirty calendar days after such notice comply with the instructions of the Manager or the Trustee and establish to the satisfaction of the Manager or the Trustee (whose judgement shall be final and binding) that such Units are not held in contravention of any such restrictions, he shall be deemed upon the expiration of thirty calendar days to have requested in writing the redemption of all such Units pursuant to the provisions of the Trust Deed.

## **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 as permitted by the SFC, if required) of the total Net Asset Value in a Sub-Fund then in issue, the Manager may direct the Trustee to reduce the requests rateably and pro rata amongst all Unitholders (of both Listed Class of Units and Unlisted Class of Units) 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 as permitted by the SFC, if required) of the total Net Asset Value in the relevant Sub-Fund then in issue. Units which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the relevant Sub-Fund themselves exceed 10% (or such higher percentage as the Manager may determine in respect of that Sub-Fund as permitted by the SFC, if required) of the total Net Asset Value in the relevant Sub-Fund then in issue) 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.

## **Suspension of Creations and Redemptions**

The Manager may (in 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 Sub-Fund, suspend the redemption of Units 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 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 that is a constituent of the Index of the relevant Sub-Fund, or (ii) for a Sub-Fund that is not an Index Tracking 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 that is a constituent of the Index of the relevant Sub-Fund, or (ii) for a Sub-Fund that is not an Index Tracking 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 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, as appropriate or disposal of investments for the time being included 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) in respect of 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 Class or when for any other reason the value of any Securities or other property for the time being included 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; or
- (i) during any period when the business operations of the Manager, the Trustee, or any agent of the Trustee or the Manager in respect of the creation or redemption of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

The Manager may, in consultation with the Trustee, suspend the right to subscribe for Units of the relevant Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Units in accordance with its investment objective, the Trust collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single entity. In addition, where 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.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Trust's website at [www.nikkoam.com.hk/etf](http://www.nikkoam.com.hk/etf) (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 Trustee for 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 of 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 of Units deposited with

the CCASS and is holding such Units for the participants in accordance with the General Rules of CCASS. Furthermore, the Trustee and the Manager acknowledge that pursuant to the General Rules of CCASS neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Listed Class of Units. Investors owning Listed Class of 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**

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

- (a) a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Listed Class of 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;
- (b) in the circumstances which, in the Manager's opinion, may result in the Trust or the Sub-Fund incurring any tax or withholding liability or suffering any other potential; or actual pecuniary disadvantage or might result in the Trust or the Sub-Fund, the Trustee, the Manager or the Unitholders being subject to any additional regulatory compliance which the Trust or the Sub-Fund, the Trustee, the Manager or the Unitholders might not otherwise have incurred or suffered; or
- (c) a breach of, or deemed by the Manager, the Trustee or the Registrar to be a breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on a Unitholder.

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

### **Transfer of Listed Class of 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 of Units will be held in CCASS, an investor is entitled to transfer such Listed Class of 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 of Units are deposited, cleared and settled in CCASS, HKSCC Nominees Limited will be the sole Unitholder of Listed Class of Units, holding such Units for the persons admitted by HKSCC as a participant of CCASS and to whose account any such Units are for the time being allocated in accordance with the General Rules of CCASS.

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

### *General*

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

market.

The market price of a Listed Class of Units listed or traded on the SEHK may not reflect the Net Asset Value per Unit. Any transactions in the Listed Class of Units on the SEHK will be subject to the customary brokerage commissions and/or transfer taxes associated with the trading and settlement through the SEHK. There can be no guarantee that once the Units are listed on the SEHK they will remain listed.

The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Listed Class of Units of each Sub-Fund. Where a Dual-Counter 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 available 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 of 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 of Units, the Market Makers may make or lose money based on the differences between the prices at which they buy and sell Listed Class of Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying Securities included in the Index. 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 of Units on the secondary market, you should contact your brokers.

If trading of the Listed Class of 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 of Units.

Listed Class of Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units of any 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 of Units on the SEHK until dealings begin on the SEHK.

Please also refer to the sub-sections on "General" and "Dual-Counter" (where applicable) in the relevant Appendix of the Sub-Fund for additional disclosures on secondary market trading.

## **ISSUE PRICE AND REDEMPTION VALUE**

The Issue Price which is the subject of a Creation Application during the Initial Offer Period of a Sub-Fund will be a fixed amount per Unit, or (for an Index Tracking Sub-Fund 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 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 Listed Class of Units created and issued by a Creation Application, will be the prevailing Net Asset Value of the relevant Sub-Fund attributable to the Listed Class of Units as at the relevant Valuation Point divided by the total number of Listed Class of Units 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 on a Dealing Day shall be the prevailing Net Asset Value of the relevant Sub-Fund attributable to the Listed Class of Units as at the relevant Valuation Point divided by the total

number of Listed Class of Units 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 Class of Units.

The latest Net Asset Value of the Units is available at the website of each Sub-Fund (Please refer to relevant Appendix; the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or published in such other publications as the Manager decides.

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

## **SCHEDULE 2 – PROVISIONS RELATING TO THE OFFER, SUBSCRIPTION, CONVERSION AND REDEMPTION OF THE UNLISTED CLASS OF UNITS**

*This Schedule 2 contains disclosure relating to the Unlisted Class of Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this Schedule shall be construed to refer to an Unlisted Class of Units of a Sub-Fund or an Unitholder of such Units. Save for terms defined below, all other terms used in this Schedule shall have the same meanings as assigned to them under the main part of the Prospectus.*

### **SUBSCRIPTION OF UNLISTED CLASS OF UNITS**

#### **Initial Issue of Unlisted Class of Units**

During an Initial Offer Period, Unlisted Class of Units in a Sub-Fund will be offered to investors at an initial Subscription Price of a fixed price per Unit determined by the Manager in its absolute discretion as specified in the relevant Appendix.

If specified in the relevant Appendix, in the event that the total amount received by the Trustee from the subscription of the Unlisted Class of Units reaches a maximum amount for aggregate subscriptions (as specified in the relevant Appendix) at any time during an Initial Offer Period, the Manager is entitled (but not obliged) to close the relevant Class of Units to further subscriptions before the end of the relevant Initial Offer Period.

If specified in the relevant Appendix, the Manager may decide not to issue any Unlisted Class of Units in the event that less than a minimum amount for aggregate subscriptions (as specified in the relevant Appendix) is raised during the relevant Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by cheque by post or by telegraphic transfer or such other means as the Manager and the Trustee consider appropriate at the applicant’s risk (without interest and net of expenses) promptly after the expiry of the Initial Offer Period.

Unlisted Class of Units will be issued immediately following the close of the Initial Offer Period or such other Business Day as the Manager may determine. Dealing of the Unlisted Class of Units will commence on the Dealing Day immediately following the closure of the relevant Initial Offer Period.

#### **Subsequent Issue of Unlisted Class of Units**

Following the close of the relevant Initial Offer Period, Unlisted Class of Units will be available for issue on each Dealing Day at the relevant Subscription Price.

The Subscription Price on any Dealing Day will be the price per Unlisted Class of Units ascertained by dividing the Net Asset Value of the relevant Class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class of that Sub-Fund then in issue and rounded to 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Class. The Subscription Price will be calculated and quoted in the relevant Class Currency of the relevant Sub-Fund.

The Manager is entitled to impose a subscription fee on the subscription monies for the application for the issue of Unlisted Class of Units. The Manager may, either generally or in any particular case, differentiate as to the amount of the subscription fee to be levied in respect of different Sub-Funds or classes of Units, differentiate between applicants as to the amount of the subscription fee to be levied and/or allow to persons a discount to the subscription fee on such basis or on such scale as the Manager may think fit. For the avoidance of doubt, the Manager will charge the same rate of subscription fee for all applicants in the same Unlisted Class of Units. The Manager may retain the benefit of such subscription fee or may pay all or part of the subscription fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its absolute discretion determine. Details of the subscription fee are set out in the section headed “Fees and

Expenses” in the Prospectus.

The Manager may require an applicant to pay, in addition to the Subscription Price of the subscription proceeds and any subscription fee, a further amount which it reasonably considers to represent an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees or registration fees, or (c) other charges which are customarily incurred in investing a sum equal to the application monies and issuing the relevant Units or of delivery or issue of certificates in respect thereof or the remittance of money to the Trustee (the “Subscription Adjustment Allowance”). Any such Subscription Adjustment Allowance will be paid to the Trustee and will form part of the assets of the relevant Class of Units.

### **Application Procedure**

To subscribe for Unlisted Class of Units, an applicant should complete a subscription application form (a “Subscription Form”) and return the original Subscription Form, together with the required supporting documents, to the Registrar by post, facsimile or other electronic means from time to time determined by the Manager or the Trustee. The original application form is not required to be submitted unless otherwise required by the Manager or the Trustee. Applicants who choose to send an application form by fax or other electronic means bear the risk of the form not being received by the Trustee. Applicants should therefore, for their own benefit, confirm with the Trustee safe receipt of an application form. Neither the Manager nor the Trustee (nor any of their respective officers, employees, agents or delegates) will be responsible to an applicant for any loss resulting from non-receipt or illegibility of any application form sent by fax or other electronic means or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons.

Applications for Unlisted Class of Units during the relevant Initial Offer Period must be received by the Registrar no later than 12:30 pm (Hong Kong time) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the Registrar by the relevant Dealing Deadline. Application requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Unlisted Class of Units but no certificates will be issued.

Applicants may apply for Unlisted Class of 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 of Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures.

Where an applicant applies for Unlisted Class of Units through a distributor, the Manager and the Trustee will treat the distributor (or its nominee) as the applicant. The distributor (or its nominee) will be registered as Unitholder of the relevant Unlisted Class of Units. The Manager and the Trustee will treat the distributor (or its nominee) as the Unitholder and shall not be responsible for any arrangements between the relevant applicant and the distributor regarding the subscription, holding and redemption of Unlisted Class of Units and any related matters, as well as any costs or losses that may arise therefrom. The Manager will, however, take all reasonable care in the selection and appointment of distributors.

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

The Manager may, at its discretion, reject in whole or in part any application for Unlisted Class of Units. In the event that an application is rejected, application monies will be returned without interest and net of expenses by cheque through the post or by telegraphic transfer or by such other means as the Trustee considers appropriate at the risk of the applicant.

No applications for Unlisted Class of Units will be dealt with during any periods in which the

determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see "Suspension of Determination of Net Asset Value" in the main Prospectus).

### **Payment Procedure**

Subscription monies should be paid in the Class Currency of the relevant class of Unlisted Class of Units. Subscription monies in cleared funds should be received within 3 Business Days following (i) the relevant Dealing Day on which an application was received by the Dealing Deadline or (ii) in the case of applications for Unlisted Class of Units during the Initial Offer Period, the last day of the relevant Initial Offer Period, or such other period as determined by the Manager. Payment details are set out in the Subscription Form.

Subscription monies paid by any person other than the applicant will not be accepted.

The Manager may exercise its discretion to accept late payment of subscription monies, provisionally allot Unlisted Class of Units by reference to the Net Asset Value of the relevant class of Units in the relevant Sub-Fund and charge interest on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate. However, if payment of subscription monies in cleared funds are not made within such period as determined by the Manager, the application may, at the discretion of the Manager, be considered void and cancelled. Upon such cancellation, the relevant Unlisted Class of Units shall be deemed never to have been issued and the applicant shall have no right to claim against the Manager or the Registrar and any loss will be borne by the applicant, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager may require the applicant to pay, for the account of the relevant Sub-Fund, in respect of each such Unit cancelled, the amount (if any) by which the Subscription Price on the relevant Dealing Day exceeds the applicable Redemption Price on the date of cancellation; and (iii) the Trustee shall be entitled to charge the applicant a cancellation fee for the administrative costs involved in processing the application and subsequent cancellation.

Payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Class Currency, they will be converted into the relevant Class Currency and the proceeds of conversion (after deducting the costs of such conversions) will be applied in the subscription of Unlisted Class of Units in the relevant class of the relevant Sub-Fund. Conversion of currencies may involve delay. Bank charges (if any) incurred in converting the subscription monies shall be borne by the relevant applicant and accordingly will be deducted from the subscription proceeds.

### **General**

All holdings of Unlisted Class of Units will be in registered form and certificates will not be issued. Evidence of title of Unlisted Class of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details. Fractions of a Unit may be issued rounded down to the nearest 4 decimal places. Subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Unitholders.

## **REDEMPTION OF UNLISTED CLASS OF UNITS**

### **Redemption Procedure**

Unitholders of Unlisted Class of Units who wish to redeem their Units in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Registrar.

Any redemption request must be received by the Registrar before the Dealing Deadline. Investors redeeming Unlisted Class of Units through a distributor (or its nominee) should submit their redemption requests to the distributor (or its nominee) in such manner as directed by the distributor (or its nominee). Distributors (or their nominees) may have different dealing procedures, including earlier cut-off times for receipt of redemption requests. Where an investor holds its investment in Unlisted Class of Units through a distributor (or its nominee), the investor wishing to redeem such



Units must ensure that the distributor (or its nominee), as the registered Unitholder, submits the relevant redemption request by the Dealing Deadline. Redemption requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

A redemption request may be sent by post, facsimile or other electronic means from time to time determined by the Manager or the Trustee. The redemption request must specify: (i) the name of the Sub-Fund, (ii) the relevant Class and the value or number of Unlisted Class of Units to be redeemed, (iii) the name(s) of the registered Unitholder(s) and (iv) payment instructions for the redemption proceeds.

Unless otherwise requested by the Manager or the Trustee, the original of any redemption request is not required to be submitted. A Unitholder who chooses to send an application form by fax or other electronic means bears the risk of the form not being received by the Trustee. Unitholders should therefore, for their own benefit, confirm with the Trustee safe receipt of a redemption request. Neither the Manager nor the Trustee (nor any of their respective officers, employees, agents or delegates) will be responsible to a Unitholder for any loss resulting from non-receipt or illegibility of any redemption request sent by fax or other electronic means or for any loss caused in respect of any action taken as a consequence of such request believed in good faith to have originated from properly authorised persons.

Partial redemption of a holding of Unlisted Class of Units in a Sub-Fund by a Unitholder may be effected, provided that such redemption will not result in the Unitholder holding Unlisted Class of Units in a class less than the minimum holding for that Class specified in the relevant Appendix. In the event that, for whatever reason, a Unitholder's holding of Unlisted Class of Units in a class is less than such minimum holding for that class, the Manager may give notice requiring such Unitholder to submit a redemption request in respect of all the Unlisted Class of Units of that class held by that Unitholder or deem such request to have been made in respect of all Units of the relevant Class held by the Unitholder. A request for a partial redemption of Unlisted Class of Units with an aggregate value of less than the minimum amount for each class of Units specified in the relevant Appendix (if any) will not be accepted.

All redemption requests must be signed by the Unitholder or, in the case of joint Unitholders, such one or more joint Unitholders who have been authorised to sign such requests on behalf of the other joint Unitholders (where such authorisation has been notified in writing to the Registrar) or, in the absence of such notification, by all joint Unitholders.

### **Payment of Redemption Proceeds**

The Redemption Price on any Dealing Day will be the price per Unlisted Class of Units ascertained by dividing the Net Asset Value of the relevant Class of the relevant Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such Class then in issue and rounded to 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Class. The Redemption Price will be calculated and quoted in the relevant Class Currency of the relevant Sub-Fund.

In determining the Redemption Price, the Manager is entitled to deduct an amount which it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees or registration fees, or (c) other charges which are customarily incurred in selling the Securities constituting the Trust Fund of the relevant Sub-Fund or the remittance of money to the Trustee (the "Redemption Adjustment Allowance"). Any such Redemption Adjustment Allowance will be retained by the Trustee on behalf of the relevant Sub-Fund and will form part of the Trust Fund of the relevant Sub-Fund or the relevant Class of Units.

The Manager may at its option impose a redemption fee in respect of the Unlisted Class of Units to be redeemed as described in the section headed "Fees and Expenses" in the main Prospectus. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Trust Deed)

on each Unitholder.

The amount due to a Unitholder on the redemption of a Unit of an Unlisted Class will be the Redemption Price, less any redemption fee. The redemption fee will be retained by the Manager.

Unitholders should note that redemption proceeds will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Registrar) and all other supporting documents, if any are required, have been received by the Registrar; (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Registrar; and (c) any such other procedures as the Registrar may reasonably require have been completed.

Subject as mentioned above, and save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid at the risk and expense of the redeeming Unitholder in the Class Currency of the relevant Sub-Fund by telegraphic transfer to the Unitholder's pre-designated bank account as specified in the redemption request, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the markets in which a substantial portion of the relevant Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable, but in such a case the details of such legal or regulatory requirements will be set out in the relevant Appendix and the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets. Any bank and other administrative charges associated with the payment of such redemption proceeds as well as the costs incurred in currency conversion, if any, will be borne by the redeeming Unitholder and deducted from the redemption proceeds. With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than the Class Currency of the relevant class of Unlisted Class of Units of the relevant Sub-Fund being redeemed. Payment will only be made to a bank account in the name of the Unitholder. No third party payments will be made.

The Trust Deed provides that redemptions may be, in whole or in part, made in specie at the discretion of the Manager. However, the Manager does not intend to exercise this discretion in respect of any Sub-Fund unless otherwise specified in the relevant Appendix. In any event, redemptions may only be made in specie, in whole or in part, with the consent of the Unitholder requesting the redemption.

### **Compulsory Redemption**

A Unitholder may be required to provide the Manager and/or Trustee with any information or document considered as necessary for the purpose of determining whether any Units are owned directly, indirectly or beneficially by (i) a Prohibited Person or (ii) a U.S. person.

If any time it shall come to the notice of the Manager or the Trustee that Units are owned directly, indirectly or beneficially by any persons mentioned under (i) and (ii) above, the Manager or the Trustee may give notice to such person requiring him to transfer such Units to a person who does not fall within (i) and (ii) above or to request in writing the redemption of such Units in accordance with the provision of the Trust Deed. If any person upon whom such a notice is served does not within thirty calendar days after such notice comply with the instructions of the Manager or the Trustee and establish to the satisfaction of the Manager or the Trustee (whose judgement shall be final and binding) that such Units are not held in contravention of any such restrictions, he shall be deemed upon the expiration of thirty calendar days to have requested in writing the redemption of all such Units pursuant to the provisions of the Trust Deed.

### **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), whether by sale to the Manager or by cancellation by the Trustee, representing in aggregate more than 10 per cent. (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the total Net Asset Value in a Sub-Fund then in issue, the Manager may direct the Trustee to reduce the requests rateably and pro rata amongst all Unitholders

(in respect of both Listed Class of Units and Unlisted Class of Units) seeking to redeem Units on the relevant Dealing Day and carry out only sufficient redemptions which, in aggregate, amount to 10 per cent. (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the total Net Asset Value in the relevant Sub-Fund then in issue. Units which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the relevant Sub-Fund themselves exceed 10 per cent. (or such higher percentage as the Manager may determine in respect of that Sub-Fund) of the total Net Asset Value in such Sub-Fund then in issue) in priority to any other Units in that Sub-Fund for which redemption requests have been received. Units will be redeemed at the Redemption Price prevailing on the Dealing Day on which they are redeemed. If requests for redemption are so carried forward, the Manager will promptly inform the Unitholders concerned.

### **Suspension of Redemptions**

The Manager may suspend the redemption of Unlisted Class of Units of any Sub-Fund, or delay the payment of redemption proceeds in respect of any redemption request received, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details please see the section headed "Suspension of determination of Net Asset Value" in the main Prospectus).

The Manager shall also 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 subscription or issue of Unlisted Class of Units of the relevant Sub-Fund, (ii) the redemption of Unlisted Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the redemption application would have an adverse effect on the relevant Sub-Fund;
- (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 in the relevant Index or (ii) for a Sub-Fund that is not an Index Tracking 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 and/or any of its Connected Persons necessary for compliance with applicable legal and regulatory requirements; or
- (e) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the redemption application.

In the event of such rejection, the Manager shall notify the Trustee of its decision to reject such redemption application.

### **Restrictions on Unitholders**

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

- (a) a breach of the law or requirements of any country or governmental authority 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.

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

### **Transfer of Unlisted Class of 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. 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 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.

### **General**

Fractions of a Unit may be redeemed rounded up to the nearest 4 decimal places. Redemption monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund.

### **SWITCHING OF UNLISTED CLASS OF UNITS**

The Manager may from time to time permit Unitholders to switch some or all of their Unlisted Class of Units of any Sub-Fund (the "Existing Sub-Fund") into unlisted shares, units or interests in other collective investment schemes managed by the Manager or its Connected Persons and which has been authorised by the SFC (the "New Fund"). Switching to such other collective investment schemes will be by way of redeeming the Unlisted Class of Units held by the relevant Unitholders in accordance with the redemption procedures set out in the section headed "Redemption of Unlisted Class of Units" above and by re-investing the redemption proceeds thereof in such other collective investment schemes in accordance with the provisions of the relevant offering documents for such other collective investment schemes. A request for the switching of part of a holding of Unlisted Class of Units will not be effected if, as a result, the Unitholder would hold less than the minimum holding specified for the New Fund (if any) and/or the Existing Sub-Fund.

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units of up to 5 per cent. of the redemption proceeds payable in respect of the Unlisted Class of Units of the Existing Sub-Fund being switched. The switching fee will be deducted from the amount reinvested in the New Fund and will be paid to the Manager.

Where a request for switching is received by the Trustee prior to the Dealing Deadline in respect of a Dealing Day, switching will be effected as follows:

- (a) redemption of the Unlisted Class of Units of the Existing Sub-Fund will be dealt with by reference to the Redemption Price on that Dealing Day (the "Switching Redemption Day") subject to paragraph (c) below;
- (b) where the Existing Sub-Fund and the New Fund have different currencies of denomination, the redemption proceeds of Unlisted Class of Units of the Existing Sub-Fund, after deduction of any switching fee, shall be converted into the currency of denomination of the New Fund; and
- (c) the resulting amount will be used to subscribe for units of the New Fund at the relevant subscription price on the relevant dealing day in respect of the New Fund (the "Switching Subscription Day"). The Switching Subscription Day shall be the same day as the Switching Redemption Day (in the case where the relevant Dealing Day of the Existing Sub-Fund is not a Dealing Day in respect of the New Fund, the Switching Redemption Day will be the immediately following Dealing Day that is a dealing day for the New Fund), provided that the Trustee shall receive cleared funds in the relevant currency of the New Fund within such period as determined by the Manager. In the event that cleared funds are not received within

the applicable period, the Switching Subscription Day shall be the day on which the Trustee receives cleared funds in the relevant currency by the dealing deadline of the New Fund, unless otherwise determined by the Manager.

The Manager may suspend the switching of Unlisted Class of Units during any period in which the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for details see “Suspension of Determination of Net Asset Value” in the main Prospectus).

Investors should note that switching between Listed Class of Units and Unlisted Class of Units is not available.

### **SUSPENSION OF THE ISSUE, SUBSCRIPTION AND REDEMPTION OF UNLISTED CLASS OF UNITS**

The Manager may at its discretion (in consultation with the Trustee), suspend the issue and/or switching and/or redemption of Units 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 Units of any Sub-Fund in the following circumstances:

- (a) during any period when a market on which (i) for an Index Tracking Sub-Fund, a Security that is a constituent of the Index of the relevant Sub-Fund, or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund, has its primary listing has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (b) during any period when dealing on a market on which (i) for an Index Tracking Sub-Fund, a Security that is a constituent of the Index of the relevant Sub-Fund, or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund, has its primary listing is restricted or suspended;
- (c) during any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depository (if any) of such market is disrupted;
- (d) during the existence of any state of affairs as a result of which delivery or purchase of Securities, 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;
- (e) (in respect of an Index Tracking Sub-Fund only) during any period when the relevant Index is not compiled or published;
- (f) 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 class or when for any other reason the value of any Securities 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;
- (g) 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” in the main Prospectus arises; or
- (h) during any period when the business operations of the Manager, the Trustee, the Registrar, or any agent of the Trustee or the Manager in respect of the issue or redemption of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

The Manager will, in consultation with the Trustee, suspend the right to subscribe for Units of the relevant Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Units in accordance with its investment objective, the Trust collectively holds or would hold in aggregate more than 10 per cent. of the ordinary shares issued by any single issuer. In addition, where the Sub-Funds under the Trust hold in aggregate more than the limit of 10 per cent. of the ordinary shares issued by any single issuer, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Trust's website at [www.nikkoam.com.hk/etf](http://www.nikkoam.com.hk/etf) (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.

## **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 and listed on the SEHK. 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 Appendix to “Index” refer to the relevant Index details of which are set out in that Appendix.

## APPENDIX 1: Nikko AM Global Internet 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>	iEdge-Factset Global Internet Index
<b>Type of Index</b>	Net total return
<b>Initial Issue Date</b>	23 October 2019
<b>Listing Date (SEHK)</b>	24 October 2019
<b>Issue Price during the Initial Offer Period</b>	USD10
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	9072 – USD counter 3072 – HKD counter
<b>Stock Short Name</b>	NIKKOAM INET-U – USD counter NIKKOAM INET – HKD counter
<b>ISIN Number</b>	HK0000518578 – USD counter HK0000518586 – HKD counter
<b>Trading Board Lot Size</b>	10 Units
<b>Base Currency</b>	United States Dollars (USD)
<b>Trading Currency</b>	United States Dollars (USD) Hong Kong dollars (HKD)
<b>Distribution Policy</b>	Subject to the Manager’s discretion, the Manager may pay distributions to Unitholders. There is no guarantee to the payment of distributions or frequency of payment. <b>Distributions will be paid in the base currency (USD) only<sup>10</sup></b> . 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 (in USD only) and in-kind
<b>Application Unit Size (only by or through Participating Dealers)</b>	<u>Cash Application</u> : 5,000 Units (or such higher number of Units in multiples of 1,000) <u>In-kind Application</u> : 50,000 Units (or multiples thereof) Unless otherwise waived by the Manager at their discretion.

<sup>10</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.



<b>Dealing Deadline</b>	<u>Cash Application</u> : 12:30 p.m. (Hong Kong time) <u>In-kind Application</u> : 5:30 p.m. (Hong Kong time)
<b>Valuation Point</b>	4:00 p.m. (U.S. Eastern time) on the relevant Dealing Day i.e. 4 a.m. (Hong Kong time, with U.S. daylight savings time); or 5 a.m. (Hong Kong time without U.S. daylight savings time) on a day following the relevant Dealing Day
<b>Management Fee</b>	Currently 0.60% per annum of the Net Asset Value
<b>Investment Strategy</b>	Full replication strategy. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	30 June
<b>Sub-Manager</b>	Nikko Asset Management Asia Limited
<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers<sup>11</sup></b>	Flow Traders Hong Kong Limited Phillip Securities Pte Ltd.
<b>Participating Dealers<sup>10</sup></b>	Haitong International Securities Company Limited Nomura International (Hong Kong) Limited Phillip Securities (Hong Kong) Limited Mirae Asset Securities (HK) Limited Korea Investment & Securities Asia Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="http://www.nikkoam.com.hk/etf/global-internet-etf">www.nikkoam.com.hk/etf/global-internet-etf</a>

### What is the investment objective?

The Sub-Fund’s investment objective is to seek to provide investment results that, before fees and expenses, closely correspond to the performance of the iEdge-Factset Global Internet Index (the “Index”). There can be no assurance that the Sub-Fund will achieve its investment objective.

### What is the investment strategy?

In order to achieve the investment objective, the Sub-Fund intends to primarily adopt a full replication strategy through investing directly in stocks included in the Index in substantially the same weightings as these stocks have in the Index.

The Sub-Fund may switch between the replication strategy and the representative sampling strategy without prior notice to investors, in its absolute discretion, and as often as it believes is appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely as possible to the benefit of investors. As disclosed in the section “Investment Restrictions” in Part 1 of this

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<sup>11</sup> Please refer to the Sub-Fund’s website for the latest lists of market makers and participating dealers.

Prospectus, the Manager may cause the Sub-Fund to deviate from the Index weighting (in pursuing a representative sampling strategy) on the condition that the maximum deviation from the index weighting of any constituent will not exceed 4 percentage points above or below such weighting.

The Index aims to track the performance of developed market securities in the internet technologies segments. In order to provide the performance of the Index, the Sub-Fund may invest in stocks listed in United States of America, United Kingdom, France, Germany, Hong Kong, Japan, Korea and Singapore, and may include or exclude other markets from time to time. Please refer to the section “The Index” below for further information.

The Sub Fund will not engage in short selling.

Currently, the Manager has no intention for the Sub-Fund to (i) invest in any FDIs for hedging or non-hedging (i.e. investment) purposes, (ii) invest in structured deposits, asset backed securities, asset backed commercial papers and mortgage backed securities, (iii) enter into securities lending transactions, sale and repurchase or reverse repurchase transactions or other similar over-the-counter transactions, or (iv) enter into securities borrowing 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 restrictions set out in Part 1 of this Prospectus.

### **The Sub-Manager**

Nikko Asset Management Asia Limited has been appointed by the Manager as the Sub-Manager of the Sub-Fund. The Manager has delegated its management functions in relation to the Sub-Fund to the Sub-Manager.

The Sub-Manager is a wholly owned subsidiary of Nikko Asset Management International Limited, an indirectly owned subsidiary of Sumitomo Mitsui Trust Holdings, Inc.. The Sub-Manager, whose principal activities consist of the business of fund management, was incorporated in Singapore on 16 June 1982 as a public company limited by shares under the laws of Singapore. It holds a Capital Markets Services Licence for the regulated activity of fund management and dealing in capital markets products (securities, collective investment schemes, exchange-traded derivatives contracts and over-the-counter derivatives contracts) issued by the Monetary Authority of Singapore.

### **Specific Risk Factors**

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 and the Sub-Manager, considered to be relevant and presently applicable to the Sub-Fund.

#### *Concentration risk*

Due to the concentration of the Index in the software, internet and related services sectors, which is characterised by relatively higher volatility in price performance when compared to other economic sectors, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Software, internet and related services industries risks*

Many of the companies in the software, internet and related services industries have a relatively short operating history. Rapid changes could render obsolete the products and services offered by the companies in which the Sub-Fund invests and cause severe or complete declines in the prices of the securities of those companies. Additionally, companies in these sectors may face dramatic and often

unpredictable changes in growth rates and competition for the services of qualified personnel. Any errors or vulnerabilities that may be discovered in the code of an internet company after release may adversely affect the business and operating results of such company. If the Sub-Fund invests in any of these companies, its investment may be adversely affected.

There may be substantial government intervention in the internet industry, including restrictions on investment in internet companies if such companies are deemed sensitive to relevant national interests. Some governments in the world have sought, and may in the future seek, to censor content available through internet, restrict access to products and services offered by internet companies that the Sub-Fund invests in from their country entirely or impose other restrictions that may affect the accessibility of such products and services for an extended period of time or indefinitely. In the event that access to the internet products and services is restricted, in whole or in part, in one or more countries, the ability of such internet companies to retain or increase their user base and user engagement may be adversely affected, and their operating results may be harmed. This may in turn affect the value of investment of the Sub-Fund.

The internet business is subject to complex laws and regulations including privacy, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or advertisement engagement, or otherwise harm the internet business. They may also delay or impede the development of new products and services. Compliance with these existing and new laws and regulations can be costly and may require significant time and attention of management and technical personnel. All these may have impact on the business and/or profitability of the internet companies in which the Sub-Fund invests and this may in turn adversely affect the value of investment of the Sub-Fund.

#### *Reliance on the Sub-Manager Risk*

Although the Manager has experience of managing SFC authorised funds, the Manager has limited experience of managing exchange traded funds. It has delegated the investment discretion of the Sub-Fund to the Sub-Manager and will rely on the Sub-Manager's expertise and systems for the Sub-Fund's investments. Any disruption in the communication with or assistance from the Sub-Manager or a loss of service of the Sub-Manager or any of its key personnel may adversely affect the operations 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.

#### **The offering phases**

##### *After Listing*

Dealings in the Units on the SEHK commenced on 24 October 2019.

The current Dealing Deadline After Listing is 12:30 p.m. (Hong Kong time) (in respect of cash Creation

and Redemption Applications) or 5:30 p.m. (Hong Kong time) (in respect of in-kind Creation and Redemption Application) 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.

Applications for creation of Units may be made by way of cash Creation Application (in USD) or in-kind Creation Application. Settlement for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

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

## **Dual 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 Dual-Counter arrangement. 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. Units traded in HKD counter will be settled in HKD and Units traded in USD counter will be settled in USD. 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 (as set out in the section “Key Information” above), different stock short names and different ISIN numbers.

Normally, investors can buy and sell Units traded in the same counter or alternatively buy in one counter and sell in the other counter provided their brokers provide HKD and USD trading services at the same time and offer inter-counter transfer services to support Dual-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 Dual-Counter, including inter-counter transfers. Investors’ attention is also drawn to the risk factor above entitled “Risks Associated with Dual-Counter”.

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

### *General*

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

Dealings on the SEHK in Units traded in HKD and USD began 24 October 2019. Units will trade on the SEHK in board lots of 10 Units.

## **Redemptions**

Units can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in USD) or in-kind. Any accepted Redemption Application will be effected by the payment of cash or transfer of Securities (as the case may be) in accordance with the Operating Guidelines and the Trust Deed.

## **Distribution policy**

The Manager may declare and distribute net dividends to Unitholders at the Manager's discretion. There is no guarantee to the payment of distributions or frequency of payment. 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.

Each Unitholder will receive distributions in USD only. Unitholders may have to bear the fees and charges associated with the conversion of such dividend from USD into HKD or 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 [www.nikkoam.com.hk/etf/global-internet-etf](http://www.nikkoam.com.hk/etf/global-internet-etf). 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 2% per annum of the Net Asset Value of the Sub-Fund. The current management fee is 0.60% per annum 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.

The fees payable to the Sub-Manager are included in the management fee.

### *Trustee's fee*

The Trustee is entitled to receive out of the Sub-Fund a fee of up to 1% per annum of the Net Asset Value of the Sub-Fund (the "Trustee's Fee"). The current Trustee's Fee is calculated as a percentage per annum of the Net Asset Value of the Sub-Fund at a rate of up to 0.095% per year of the Net Asset Value (subject to a minimum of USD38,000 per annum), inclusive of fees payable to the Global Custodian, Fund Accountant and Registrar, accrued daily and calculated as at each Dealing Day and payable monthly in arrears.

The Global Custodian, the Fund Accountant and the Registrar are entitled to receive a fee out of the Sub-Fund, as well as various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred in the performance of their duties.

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 of the 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 information on the Index**

The Index of the Sub-Fund is the iEdge-Factset Global Internet Index. The Index aims to track the performance of developed market securities in the internet technologies segments. Stocks captured within the Index include companies primarily in internet and data services, general internet and online services, internet support services, financial software and services, virtual reality and engineering software and online retail business segments. The Index has a basket size of 30 stocks and is free float market capitalisation weighted with a 10% stock cap on each individual Index constituent.

The Index is compiled and published by Singapore Exchange Limited (the "Index Provider"). The Manager (and each of its Connected Persons) is independent of the Index Provider.

The Index is a net total return index. A net total return index calculates the performance of the Index constituents on the basis that any after tax dividends or distributions are reinvested. The Index is denominated and quoted in USD.

The Index was launched on 14 December 2018 and had a base level of 1,000 on 24 September 2012. As at 31 August 2022, the Index comprised 30 constituent stocks and has a market capitalisation of USD3,711 billion.

### **Index methodology**

#### **Eligibility Criteria**

The Index has a selection universe of stocks listed in developed markets. The selection universe includes the United States of America, United Kingdom, France, Germany, Hong Kong, Japan, Korea and Singapore, and may include or exclude other markets from time to time.

In addition to the country eligibility criterion, companies must satisfy the theme eligibility criterion to be eligible for inclusion in the Index. The revenue breakdown of a company is obtained and based using the RBICS industry classification system. The Revere Business Industry Classification System (RBICS) is a classification system as provided by the Index Provider's research partner, FactSet. Constituents of the Index are classified in accordance to RBICS classification system, across a six-level hierarchical structure and about 1,400 sector groups, with precise revenue percentages attributable to each business segment. If a company's classification or revenue attribution changes, the Index Provider will implement the appropriate index actions. These actions will be effective on the first rebalancing period after the reclassification takes is in effect.

The eligible companies must also satisfy the revenue exposure criteria for their respective business segments.

The relevant RBICS industry classifications and the revenue exposure criteria for respective business segments in respect of the Index are set out below:

<b>RBICS Level 6 Classification Names (Minimum Revenue 50%)</b>		
Blockchain Technology	Web Portal Sites and Software	Internet Entertainment Retail
Cryptocurrency Trading and Exchanges	General Internet and Online Services	Internet Footwear Retail
City Guides Content Providers and Sites	Home and Office Virtual Reality Software	Internet Furniture and Home Furnishing Retail
Communication and Collaboration Content Sites	Internet Accessories Retail	Internet Motor Vehicle Sales
Diversified Electronic Media and Sites	Internet Apparel Retail	Internet Office Supplies Retail
Mobile Platform Application Software	Internet Automotive Parts Sales	Internet Off-Price Retail
Online Game Website and Software	Internet Building Materials/ Garden Supply Retail	Internet Pet and Pet Supply Retail
Software Development Software	Internet Department Stores	Internet Warehouse/Superstore Retail
Virtual Reality Design and Engineering Software	Internet Discount Stores	Other Internet Health and Personal Care Retail
Web Development Software Makers	Internet Electronics Retail	Handheld and Smart Phone Games Software

<b>RBICS Level 5 Classification Names (Minimum Revenue 50%)</b>		
Internet Support Services	Web-Related Content Providers	

<b>RBICS Level 4 Classification Names (Minimum Revenue 50%)</b>		
Internet Hosting Services	Web-based Data and Services	

<b>RBICS Level 3 Classification Names (Minimum Revenue 60%)</b>		
Internet and Data Services		

<b>RBICS Level 6 Classification Names (Exclusion List)</b>		
Institutional Financial and Research Content Sites	Execution and Quote Platform Services	Financial Reference Data Content Providers/Sites
General Professional Content Providers and Sites	Multi-Type Financial Data Content Providers/Sites	REIT

### *Liquidity Criterion*

All eligible companies will be screened for liquidity semi-annually, at each index review date in March and September. Newly listed companies are treated as new constituents, with liquidity screened from the date of listing to the review cut-off dates.

New constituents must meet a minimum daily traded velocity of 0.10%. Existing constituents must meet a minimum daily traded velocity of 0.08%. Daily traded velocity is defined as the quotient of a company's median daily traded value divided by the same company's free-float market capitalisation.

### *Free-float Criterion*

The Index Provider adjusts the market capitalisation of stocks to account for only shares deemed publicly available to investors ("free-float"). A company's free-float is reviewed annually.

New constituents must meet a minimum free-float of 20%, measured at each index review date. Existing constituents must have a free-float of at least 15% to maintain inclusion.

### *Free-float Market Capitalisation Criterion*

All eligible companies will be screened for minimum 6-month median free-float market capitalisation semi-annually, at each index review date in March and September. New constituents must meet a minimum of USD\$200 million 6-month median free-float market capitalisation measured at each index review date. Existing constituents must have a minimum of USD\$150 million 6-month median free-float market capitalisation to maintain inclusion.

### *Index review*

The Index is reviewed semi-annually in March and September. The index review process follows the steps below in sequence:

- **Screening:** All companies are screened for eligibility in accordance with the rules described in the section on “Eligibility Criteria” above. They are then screened for liquidity and free-float. Companies which fail the screening processes described above will not be considered for index inclusion. Companies that were removed from the Index in the last index review will also not be considered for inclusion in the current index review.
- **Ranking:** The remaining companies are then ranked by 6-month median free-float market capitalisation. The company with the largest 6-month median free-float market capitalisation value will have the highest ranking and vice versa for the company with the smallest 6-month median free-float market capitalisation value.
- **Inclusion:** A new entrant will be included in the Index if an existing constituent becomes ineligible for index inclusion. A new entrant can also be included if both of the following conditions are met: (i) an existing constituent that ranks equal or worse than 10% of the quota of 30 stocks for the Index will be removed, and the highest-ranking new entrant will be included in the Index; and (ii) a new entrant that ranks equal or better than 10% of the quota of 30 stocks for the Index will be included, and the lowest-ranking existing constituent will be removed from the Index.

The Index is weighted by free-float market capitalisation. Index constituents will have their index weights capped at 10% at each semi-annual rebalance date. As a result, the ‘excess index weights’ will be proportionally redistributed to the remaining constituents.

### *Index Calculation*

The Index is calculated in accordance with the following formula:

$$\text{Index}_t = \frac{\sum_t^N (P_{i,t} \times E_t \times S_{i,t} \times F_{i,t} \times A_{i,t})}{D}$$

- $\text{Index}_t$  Index at time,  $t$
- $P_{i,t}$  Price of constituent  $i$ , at time,  $t$
- $E_t$  Exchange rate at time,  $t$
- $S_{i,t}$  Shares outstanding of constituent  $i$ , at time,  $t$
- $F_{i,t}$  Free-float of constituent  $i$ , at time,  $t$
- $A_{i,t}$  Adjustment factor of constituent  $i$ , at time,  $t$
- $D$  Index divisor

You can obtain additional information of the Index at <https://www2.sgx.com/indices/products/ifid>.



### ***Index Provider disclaimer***

The Units are not in any way sponsored, endorsed, sold or promoted by Singapore Exchange Limited and/or its affiliates (collectively, "SGX") and SGX makes no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the iEdge-Factset Global Internet Index and/or the figure at which the iEdge-Factset Global Internet Index stands at any particular time on any particular day or otherwise. The iEdge-Factset Global Internet Index is sponsored, calculated and administrated by SGX. SGX shall not be liable (whether in negligence or otherwise) to any person for any error in the Nikko AM Global Internet ETF and the iEdge-Factset Global Internet Index and shall not be under any obligation to advise any person of any error therein.

"SGX" is a trade mark of SGX and is used by Nikko Asset Management Hong Kong Limited under license. All intellectual property rights in the iEdge-Factset Global Internet Index vest in SGX.

### ***Index licence agreement***

The initial term of the licence of the Index commenced on 24 October 2019 and should continue until 24 October 2020 on which date the licence should be renewed for successive terms of 1 year unless either party to the licence agreement serves a written notice of termination of at least 120 days (or such lesser period of time as may be agreed in writing by the parties to the licence agreement) 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 dated 28 April 2023**

## APPENDIX 2: NikkoAM Metaverse Theme Active ETF

### *This is an active exchange traded fund*

Investors should note that this Sub-Fund has both Listed Class of Units and Unlisted Class of Units and this Appendix contains information about the Listed Class of Units only. All references to “Units” in this Appendix shall refer to the Listed Class of Units. The Unlisted Class of Units will not be offered to Hong Kong investors.

#### 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>	United States Dollars (USD)
<b>Investment Strategy</b>	Please refer to the section on “What is the investment strategy?” below
<b>Valuation Point</b>	4:00 p.m. (U.S. Eastern time) on the relevant Dealing Day i.e. 4 a.m. (Hong Kong time, with U.S. daylight savings time); or 5 a.m. (Hong Kong time without U.S. daylight savings time) on a day following the relevant Dealing Day
<b>Dealing frequency</b>	Daily
<b>Financial Year End</b>	30 June (The first annual report for the Sub-Fund will be published for the financial year ending 30 June 2021)
<b>Sub-Manager</b>	Nikko Asset Management Asia Limited
<b>Website</b>	<a href="http://www.nikkoam.com.hk/etf/metaverse-theme-active-etf">www.nikkoam.com.hk/etf/metaverse-theme-active-etf</a>
<b>Initial Issue Date</b>	15 June 2020
<b>Listing Date (SEHK)</b>	16 June 2020
<b>Issue Price during the Initial Offer Period</b>	USD10
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	9091 – USD counter 3091 – HKD counter
<b>Stock Short Name</b>	A NIKKOAMMETA – U – USD counter A NIKKOAMMETA – HKD counter
<b>ISIN Number</b>	HK0000601028 – USD counter HK0000601036 – HKD counter
<b>Trading Board Lot Size</b>	10 Units
<b>Trading Currency</b>	United States Dollars (USD)

	Hong Kong dollars (HKD)
<b>Creation/Redemption Policy</b>	Cash (in USD only) and in-kind
<b>Application Unit Size (only by or through Participating Dealers)</b>	<u>Cash Application</u> : 5,000 Units (or such higher number of Units in multiples of 1,000) <u>In-kind Application</u> : 50,000 Units (or multiples thereof) Unless otherwise waived by the Manager at their discretion.
<b>Dealing Deadline</b>	<u>Cash Application</u> : 12:30 p.m. (Hong Kong time) <u>In-kind Application</u> : 5:30 p.m. (Hong Kong time)
<b>Distribution Policy</b>	Subject to the Manager's discretion, the Manager may pay distributions to Unitholders. There is no guarantee to the payment of distributions or frequency of payment. <b>Distributions will be paid in the base currency (USD) only</b> <sup>12</sup> . Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion.
<b>Management Fee</b>	Currently 0.75% of Net Asset Value of the Units per annum
<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers<sup>13</sup></b>	Flow Traders Hong Kong Limited Phillip Securities Pte Ltd.
<b>Participating Dealers<sup>2</sup></b>	Haitong International Securities Company Limited Phillip Securities (Hong Kong) Limited Mirae Asset Securities (HK) Limited Korea Investment & Securities Asia Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited

### What is the investment objective?

The Sub-Fund's investment objective is to achieve long term capital growth by primarily investing in companies involved in activities relating to, or that provide products, services, technologies or technological capabilities that contribute to, the development of the Metaverse (as defined below) (collectively "**Metaverse Business**"). There is no assurance that the Sub-Fund will achieve its investment objective.

### What is the investment strategy?

The Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value ("**NAV**")) in equities of

<sup>12</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.

<sup>13</sup> Please refer to the Sub-Fund's website for the latest lists of market makers and participating dealers.

companies which are involved in the Metaverse Business.

The equities (which may include listed American Depositary Receipts (“**ADRs**”) and Global Depositary Receipts (“**GDRs**”)) in which the Sub-Fund will primarily invest may be listed on any exchange globally. The Sub-Fund will invest up to 85% of its NAV in emerging markets. Exposure to these equities may be obtained by investing in exchange traded funds (“**ETFs**”) as a means of transition management if access to such equities is not yet available to the Sub-Fund. Investments in ETFs by the Sub-Fund are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the Code.

The “**Metaverse**” can be described as a persistent virtual, three-dimensional, fully immersive world that allows a substantial number of users to seamlessly interact as they do in the real world. The Metaverse provides for the redefinition of content creation and ownership, facilitate individual creator economies<sup>14</sup>, enhance digital content curation and aggregation, potentially transforming existing business models and economics across various industries. The Metaverse will need to be supported by both physical infrastructure and virtual layers.

In assessing whether a company is involved in the Metaverse Business, the Manager will consider multiple criteria, including, the company’s revenue and profits, revenue and/or profit growth, research and development investments as well as business plan or product pipeline.

The following is a non-exhaustive list of categories of companies involved in the Metaverse Business in which the Sub-Fund will primarily invest:

- (i) **Hardware:** Companies that are engaged in the development of physical technologies and devices, such as augmented/virtual reality devices (for example, virtual reality headsets), mobile phones and enterprise hardware that will allow individuals and businesses to seamlessly interact in a virtual environment.
- (ii) **Computing:** Companies that are engaged in delivering computer power to support the operation of the Metaverse. This includes semiconductor companies and companies that provide services such as rendering, data matching and even artificial intelligence.
- (iii) **Connectivity:** Companies that are engaged in providing high bandwidth or network which will enable data transmission on the Metaverse. This includes companies such as cloud service providers and telecommunication companies providing fiber networks.
- (iv) **Platforms:** Companies that are engaged in the creation and operation of immersive three-dimensional worlds in the Metaverse. Examples include online game platforms and social medial platforms.
- (v) **Tools:** Companies that are engaged in the provision of protocols such as Web 3.0 and the facilitation of 3D rendering. Examples include creation of digital twins (i.e. virtual replicas of physical objects, processes or systems that use data to run simulations and to optimise performance) and encryption.
- (vi) **Payments:** Companies that facilitate transactions in the Metaverse. In the Metaverse, payments may be required for contents (live, streamed, etc.), services rendered, interactions via various Metaverse platforms, or purchase of items. As such, payment protocols will need to be developed and maintained in the Metaverse to facilitate these transactions. Such payments may be digital via fiat currency on-ramps, non-fungible tokens (“**NFTs**”),

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<sup>14</sup> Web 3.0, which is one of the tools that will aid the development of the Metaverse, will effectively allow individuals to create content (be it a music video, or a podcast or an app, or a digital painting, for example), maintain ownership of and monetise the content into perpetuity (for example being paid each time the digital content is used). This will incentivise content creation, and economies that will spawn from this.

cryptocurrencies and/or other blockchain solutions.

- (vii) **Content:** Companies that facilitate the creation, storage, distribution and protection of digital assets. Examples of digital assets include games, online avatars, NFTs of paintings and digital replicas of physical goods. This includes companies such as electronic game developers and companies that offer NFTs on underlying assets.

The first three categories of companies set out above, namely, (i) Hardware, (ii) Computing, and (iii) Connectivity, relate to the physical infrastructure of the Metaverse, whereas the remaining four categories of companies, namely, (iv) Platforms, (v) Tools, (vi) Payments, and (vii) Content, relate to the virtual layers of the Metaverse, which cover software solutions serving different functions.

The Sub-Fund may use financial derivatives instruments for hedging purposes only.

Currently, the Manager has no intention for the Sub-Fund to (i) invest in any financial derivative instruments for non-hedging (i.e. investment) purposes, (ii) invest in structured deposits, asset backed securities, asset backed commercial papers and mortgage backed securities, (iii) enter into securities lending transactions, sale and repurchase or reverse repurchase transactions or other similar over-the-counter transactions, or (iv) enter into securities borrowing transactions. The Manager will seek the prior approval of the SFC (if required) 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 restrictions set out in Part 1 of this Prospectus.

In addition to the relevant investment restrictions set out in the Code, the Sub-Fund is subject to the following additional restrictions. The Sub-Fund does not currently:

- (i) intend to invest more than 5% of its net asset value in aggregate into collective investment schemes (excluding any collective investment scheme which is listed and traded on any exchange);
- (ii) intend to acquire shares in any single company if, as a result of such acquisition, the total number of shares in such company held by all collective investment schemes which are managed by the Manager would exceed 50% of the total number of all issued and outstanding shares in such company; or
- (iii) intend to engage in short selling.

### **The Sub-Manager**

Nikko Asset Management Asia Limited has been appointed by the Manager as the Sub-Manager of the Sub-Fund. The Manager has delegated its management functions in relation to the Sub-Fund to the Sub-Manager.

The Sub-Manager is a wholly owned subsidiary of Nikko Asset Management International Limited, an indirectly owned subsidiary of Sumitomo Mitsui Trust Holdings, Inc.. The Sub-Manager, whose principal activities consist of the business of fund management, was incorporated in Singapore on 16 June 1982 as a public company limited by shares under the laws of Singapore. It holds a Capital Markets Services Licence for the regulated activity of fund management and dealing in capital markets products (securities, collective investment schemes, exchange-traded derivatives contracts and over-the-counter derivatives contracts) issued by the Monetary Authority of Singapore.

### **Specific Risk Factors**

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 and the Sub-Manager, considered to be relevant

and presently applicable to the Sub-Fund.

#### *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.

#### *Equity market risk*

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.

The Sub-Fund may invest in small and mid-capitalisation companies. The stocks of such companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

#### *Depositary receipts risk*

Exposure to depositary receipts including ADRs and GDRs may generate additional risks compared to a direct exposure to the underlying stocks, in particular the risk of non-segregation under applicable law of the depositary bank who hold 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 and GDRs. 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. Also, depositary receipts holders generally do not have the same right as the direct shareholders of the underlying stocks. The performance of depositary receipts may also be impacted by the related fees, for example fees charged by banks for the custody of underlying assets of depositary receipts. The Sub-Fund may also be subject to liquidity risk as depositary receipts are often less liquid than the corresponding underlying stocks. These may negatively affect the performance and/or liquidity of the Sub-Fund.

#### *Sector concentration risk*

The Sub-Fund's investments are concentrated in the companies involved in the Metaverse Business, which may experience relatively higher volatility in price performance when compared to other economic sectors. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant sector.

## *Metaverse risk*

The Metaverse is a new theme. Some aspects of the Metaverse may be based on untested technologies. The risks that the Metaverse may present to companies involved in the Metaverse Business may not emerge until the technologies are more widely used. The Metaverse may expose users to fraud or scams as certain users or groups of users may engage in fraudulent activities or transactions through the dishonest or illegal use of technologies or services provided by companies involved in the Metaverse Business. Future regulatory developments could also affect the viability of the Metaverse and the business prospects of the companies involved in the Metaverse Business. The values of the companies involved in the Metaverse Business may not be a direct reflection of their connection to the Metaverse, and may be based on other business operations. The Metaverse may not exist on a scale that provides identifiable economic benefit to many or all of the companies involved in the Metaverse Business.

### *Risks related to companies involved in the Metaverse Business*

Many companies involved in the Metaverse Business have relatively limited operating histories. Prices of the securities of these companies have historically been more volatile than other securities, especially over the short term. Also, companies involved in the Metaverse Business generally face intense competition, both domestically and internationally, which may have an adverse effect on their profit margins. In addition, they may have limited markets, financial resources or personnel. Companies involved in the Metaverse Business may also be subject to the following risks:

**Changes in technology risk.** The profitability of companies involved in the Metaverse Business is particularly susceptible to product or service obsolescence due to rapid technological developments, frequent new product or service introduction and unpredictable changes in growth rates and competition for the services of qualified personnel. Failure to introduce new products or services which respond to market demands or development in a timely manner or to achieve general market acceptance for their products or services may have a material adverse effect on these companies' business performance and their profitability. The operating results of these companies may also be significantly affected by aggressive pricing and accelerated rate of technological developments.

**Regulatory risk.** The Metaverse Business is subject to increasing regulatory scrutiny, including laws and regulations with respect to privacy, data protection, content regulation, intellectual property and competition. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to business practices, monetary penalties, increased cost of operations or declines in user growth or user engagement or otherwise undermine the Metaverse Business. They may also delay or impede the development of new products and services. Compliance with the relevant laws and regulations can be costly and may require significant time and attention of the management and technical personnel. Any of these may have a material adverse impact on the business operations and/or profitability of the companies in which the Sub-Fund may invest and may in turn affect the Net Asset Value of the Sub-Fund.

**Intellectual property risk.** The business operations of companies involved in the Metaverse Business are heavily dependent on intellectual property and licences. There is no assurance that the steps taken by these companies are adequate to protect their intellectual property rights or to prevent the misappropriation of their technology or that their competitors will not independently develop technologies which are substantially equivalent to or more advanced than their technology. The cost of obtaining (or failing to obtain) patent approvals, the cost of litigating patent infringement, the loss of patent, copyright or trademark protection for products (which may significantly increase pricing pressures and can materially reduce profitability with respect to such products) or the loss or revocation of licences could result in undesirable legal, financial, operational and reputational consequences and may adversely affect their profitability.

**Governmental intervention risk.** Companies involved in the Metaverse Business are vulnerable to substantial governmental intervention, including restrictions on investments in or import/export of the

products of these companies if they are deemed sensitive to relevant national interests. In the event that investments in these companies and/or access to their products are restricted, whether in whole or in part and in one or more countries, the financial condition and operating results of these companies may be adversely affected.

**Significant capital investment risk.** As the markets in which companies involved in the Metaverse Business generally compete face rapidly evolving industry standards as well as frequent new service and product introductions and enhancements, these companies generally incur significant capital investments on the research and development of their products or services and may require substantial expenditures to improve or modify their services, products or infrastructure to adapt to rapid technological changes, which may result in competitive pressure on their capital costs and financial condition and in turn adversely affect their profit margins and may even result in significant operating losses in the foreseeable future. There is also no guarantee that the products or services developed by these companies will be successful or widely accepted by the general market or at all.

**Cyberattack risk.** Companies involved in the Metaverse Business are prone to failures of or breaches in cybersecurity, which include cyberattacks such as unauthorised access to digital systems through hacking or malicious software coding for the purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption, or outside attacks such as denial-of-service attacks through efforts to make network services unavailable to intended users. While companies may be susceptible to network security breaches in general, certain companies involved in the Metaverse Business may be particular targets of hacking and potential theft of proprietary or consumer information or disruptions in service. Such risks, if materialise, could result in substantial loss of business or user data or information and material adverse impact on their performance.

#### *Financial sector risk*

The Sub-Fund may invest in companies engaged in digital payments which may belong to the financial sector. Companies in the financial sector are subject to extensive governmental regulation, which may affect the scope of their activities, the prices they can charge and the amount of capital they must maintain. Governmental regulation may change frequently. The financial services sector is exposed to risks that may impact the value of investments in the financial services sector more severely than investments outside this sector, including operating with substantial financial leverage. The financial services sector may also be affected by fluctuations in interest rates, availability of money or asset valuations and conditions in other related markets. This may affect the performance of the Sub-Fund.

#### *Information technology sector risk*

Companies engaging in the Metaverse Business are often involved in development of new technology and are therefore affected by the risks affecting the information technology sector. Companies in the information technology sector face intense competition, both domestically and internationally, which may have an adverse effect on their profit margins. The products or services of these companies may become less competitive or obsolete due to technological advancements and frequent new product or service innovation in the industry, unpredictable changes in growth rates and competition for qualified and skilled personnel. Certain information technology companies may be reliant on limited product lines, markets, financial resources and/or certain key personnel. Other risk factors may include substantial capital investment requirements, increased government regulations and imposition of taxes. Price movements of company stocks within the information technology sector may be more volatile than other sectors.

#### *Robotics and artificial intelligence sector risk*

The Sub-Fund may invest in the equity securities of companies in the robotics and artificial intelligence sector and, as such, is particularly sensitive to risks to those types of companies. These risks include, but are not limited to, small or limited markets for such securities, changes in business



cycles, world economic growth, technological progress, rapid obsolescence, and government regulation. Securities of robotics and artificial intelligence companies, especially companies which have a relatively small market capitalisation and limited operating history, tend to be more volatile than securities of companies that do not rely heavily on technology. Rapid change to technologies that affect a company's products could have a material adverse effect on such company's operating results. Robotics and artificial intelligence companies may rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies. There can be no assurance that the steps taken by these companies to protect their proprietary rights will be adequate to prevent the misappropriation of their technology or that competitors will not independently develop technologies that are substantially equivalent or superior to such companies' technology. Increasing global regulatory scrutiny in relation to the collection, storage and usage of data may also impede the development of new robotics and artificial intelligence products, hamper the commercial rollout of such products and affect the market demand.

Companies in the robotics and artificial intelligence sector also typically rely on heavy and significant spending on research and development, and there is no guarantee that the products produced by these companies will materialise into commercially successful products.

Furthermore, as the robotics and artificial intelligence sector may be deemed sensitive to national interests, the sector may be subject to government intervention, sanctions and trade protectionism. Companies in the robotics and artificial intelligence sector may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expires or are discontinued, or contracts are unavailable due to changes in government policies.

The success of companies in the robotics and artificial intelligence sector is typically dependent on the companies' ability to maintain relationships with their technology partners. If a company's relationship with a technology partner were impaired or terminated, the company may not be able to enter into a new technology alliance on a timely basis or on commercially favourable terms, which could result in significant additional cost or disruptions to its businesses.

#### *Industrial sector risk*

Companies engaging in the Metaverse Business may be involved in the manufacturing of hardware or equipment which allow users to interact in the Metaverse, and therefore may also be subject to the risks affecting the industrial sector. The profitability of companies in the industrial sector may be affected by the supply of and demand for the specific product or service and the industrial sector in general. Government regulations, labour relations, world events, economic conditions, taxes, exchange rates, product liability claims and liability for environmental damage may affect the performance of companies in the industrial sector, and in turn affect the performance of the Sub-Fund.

#### *Semiconductor sector risk*

The Sub-Fund may invest in companies involved in the development and provision of semiconductors. The Sub-Fund is therefore subject to the risk that companies that are in the semiconductor industry may be particularly affected by certain factors as specified below, which may, in certain circumstances, cause the value of securities of all companies within the semiconductor sector of the market to deteriorate. Specific factors faced by semiconductor companies which may affect the value of their securities include, but are not limited to, domestic and international competition pressures (including competition from subsidised foreign competitors with lower production costs), rapid obsolescence of products as a result of the fast-developing nature of the semiconductor industry, the economic performance of the customers of semiconductor companies which may in turn affect the growth and market outlook of the semiconductor industry, capital equipment expenditures which could be substantial and suffer from rapid obsolescence and potential shortages of raw materials or equipment which could result in an increase in prices of raw materials or equipment, longer delivery time of

products or even production stoppage. Companies in the semiconductor sector also typically rely on heavy and significant spending on research and development, and there is no guarantee that the products produced by these companies will materialise into commercially successful products.

Furthermore, as the semiconductor sector may be deemed sensitive to national interests, the sector may be subject to government intervention, sanctions and trade protectionism. Companies in the semiconductor sector may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expires or are discontinued, or contracts are unavailable due to changes in government policies.

The success of companies in the semiconductor sector is typically dependent on the companies' ability to maintain relationships with their technology partners. If a company's relationship with a technology partner were impaired or terminated, the company may not be able to enter into a new technology alliance on a timely basis or on commercially favourable terms, which could result in significant additional cost or disruptions to its businesses.

The semiconductors sector is also characterised by cyclical market patterns and periodic overcapacity. Business conditions in this industry may change rapidly from periods of production shortages and strong demand to periods of weak demand. Any future downturn in the industry could harm the business and operating results of semiconductor companies.

The stock prices of companies in the semiconductor sector have been and likely will continue to be extremely volatile.

#### *Video games and e-sports sector risk*

Video games and e-sports companies face intense competition, both domestically and internationally, may have limited product lines, markets, financial resources or personnel, may have products that face rapid obsolescence, and are heavily dependent on the protection of patent and intellectual property rights. Video games and e-sports companies may be dependent on one or a small number of product or product franchises for a significant portion of their revenue and profits. They may also be subject to shifting consumer preferences, including preferences with respect to gaming console platforms, and changes in consumer discretionary spending. Such factors may adversely affect the profitability and value of these companies. Video games and e-sports companies are also subject to increasing regulatory constraints, particularly with respect to cybersecurity and privacy, and may be subject to sophisticated intellectual property infringement schemes and piracy efforts. These companies may be subject to specific government regulations which may negatively impact the businesses of these companies and may cause them to incur substantial costs to change business practices in compliance with any such regulations. In addition, video games and e-sports companies depend heavily on their brand name and distinctive logo as well as their reputation in the gamer community and among millennials for their sales and future growth. All of these may affect the companies which are directly related to or involved in the video games and e-sports sector, as well as companies which are indirectly related to the sector (including companies providing ancillary services to companies in this sector), and may in turn affect the value of the Sub-Fund's investments in these companies.

#### *Communication services sector risk*

The Sub-Fund may invest in companies involved in the communication services sector and is therefore subject to the risks which such sector may face. Communication services companies are particularly vulnerable to the potential obsolescence of products and services due to technological advancement and the innovation of competitors. Companies in the communication services sector may also be affected by other competitive pressures, such as pricing competition, as well as research and development costs, substantial capital requirements and government regulation. Additionally, fluctuating domestic and international demand, shifting demographics and often unpredictable

changes in consumer tastes can drastically affect a communication services company's profitability. While all companies may be susceptible to network security breaches, certain companies in the communication services sector may be particular targets of hacking and potential theft of proprietary or consumer information or disruptions in service, which could have a material adverse effect on their businesses.

#### *Entertainment industry risk*

Companies involved in the Metaverse Business may include companies offering and/or producing entertainment content streamed online as well as producers of interactive gaming products and educational software used primarily in the home, which are involved in the entertainment industry. Companies in the entertainment industry can be significantly affected by several factors, including fierce competition in the industry, particularly in formulation of products and services using new technologies, cyclicalities of revenues and earnings, a potential decrease in the discretionary income of targeted individuals, changing consumer tastes and interests as well as the potential increase in government regulation. Products or services offered by companies in the entertainment industry may become obsolete quickly. Also, advertising spending can be an important revenue source for entertainment companies. However, during economic downturns, advertising spending typically decreases and, as a result, entertainment companies tend to generate less revenue. Moreover, a weakening general economy can lead to a decrease in consumer spending on subscription-based services provided by entertainment companies. These may affect the business and/or profitability of the entertainment companies in which the Sub-Fund invests and may in turn adversely affect the value of investment of the Sub-Fund.

#### *Consumer discretionary sector risk*

The companies involved in Metaverse Business in which the Sub-Fund may invest may belong to the consumer discretionary sector. The performance of companies in the consumer discretionary sector are correlated to the growth rate of the consumer market, individual income levels and their impact on levels of domestic consumer spending, which in turn depend on the worldwide economic conditions. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. Any future changes in the economy or shifts in consumer spending in the relevant market may materially affect the business of the companies in the consumer discretionary sector. This may affect the performance of the Sub-Fund.

#### *Technology theme risks*

The Sub-Fund has high exposure to at least one of these themes which relate to technology: augmented/virtual reality, fintech (such as blockchain, NFTs and digital payments) and digital infrastructure (such as cloud computing). Many of the companies with a high business exposure to a technology theme have a relatively short operating history. Rapid changes could render obsolete the products and services offered by these companies and cause severe or complete declines in the prices of the securities of those companies. Additionally, companies with one of these technology themes may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. There may be substantial government intervention in the technology industry, including restrictions on investment in internet and technology companies if such companies are deemed sensitive to relevant national interests. Some governments have sought, and may in the future seek, to censor content available through internet, restrict access to products and services offered by these companies from their country entirely or impose other restrictions that may affect the accessibility of such products and services for an extended period of time or indefinitely. In the event that access to the internet products and services is restricted, in whole or in part, in one or more countries, the ability of such companies to retain or increase their user base and user engagement may be adversely affected, and their operating results may be harmed.

The technology business is subject to complex laws and regulations including privacy, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or advertisement engagement, or otherwise harm the technology business. They may also delay or impede the development of new products and services. Compliance with these existing and new laws and regulations can be costly and may require significant time and attention of management and technical personnel. These companies are also subject to the risks of loss or impairment of intellectual property rights or licences, cyber security risks resulting in undesirable legal, financial, operational and reputational consequences.

All these may have an impact on the business and/or profitability of the technology companies that may be invested by the Sub-Fund and this may in turn affect the Net Asset Value of the Sub-Fund.

#### *Past performance risk*

As a result of the change in investment objective and strategy on 6 September 2022, past performance of the Sub-Fund prior to such date was achieved under circumstances that no longer apply. Investors should exercise caution when considering the past performance of the Sub-Fund prior to 6 September 2022.

#### *Reliance on the Sub-Manager risk*

Although the Manager has experience of managing SFC authorised funds, the Manager has limited experience of managing exchange traded funds. It has delegated the investment discretion of the Sub-Fund to the Sub-Manager and will rely on the Sub-Manager's expertise and systems for the Sub-Fund's investments. Any disruption in the communication with or assistance from the Sub-Manager or a loss of service of the Sub-Manager or any of its key personnel may adversely affect the operations of the Sub-Fund.

#### *Investing in other ETFs risk*

The ETFs in which the Sub-Fund may invest into may not be regulated by the SFC. Investing in other ETFs may expose the Sub-Fund to the following risks:

Additional fees associated with investing in other ETFs: The value of the shares or units of the ETFs will take into account their fees and expenses, including fees (in some cases including performance fees) charged by their management companies or investment managers. Some ETFs may also impose fees or levies which may be payable by the Sub-Fund when it subscribes to or redeems out of such ETFs in the primary market. There may also be certain fees or levies associated with trading of units or shares of such ETFs. 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 ETFs may involve another layer of fees, in addition to the fees charged by the Sub-Fund.

Investment objective risk: Although the Manager will use due diligence procedures to select and monitor such other ETFs, the Sub-Fund does not have control over the investments of these ETFs, and there can be no assurance that an ETF's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interest risk: The Sub-Fund may from time to time invest in other funds managed by the Manager or Connected Persons of the Manager. In such circumstances, in accordance with the Sub-Fund's investment restrictions, all initial charges and redemption charges on the ETF must be waived for the Sub-Fund and 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 the ETF or its manager or any quantifiable monetary benefits in connection with investments in any such ETF. However, despite such measures, conflicts of interest may nevertheless arise out of such investments, and in such event the Manager

will use its best endeavours to avoid and resolve such conflicts fairly.

Liquidity risks: There is also no guarantee that the ETFs will always have sufficient liquidity to meet the Sub-Fund's redemption requests in the primary market as and when they are made.

#### *Eurozone risk*

In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. 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.

#### *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**

#### *After Listing*

Dealings in the Listed Class of Units on the SEHK commenced on 16 June 2020.

The current Dealing Deadline After Listing is 12:30 p.m. (Hong Kong time) (in respect of cash Creation and Redemption Applications) or 5:30 p.m. (Hong Kong time) (in respect of in-kind Creation and Redemption Application) 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.

Applications for creation of Units may be made by way of cash Creation Application (in USD) or in-kind Creation Application. Settlement for subscribing for Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

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

#### *Dual 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 Dual-Counter arrangement. 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. Units traded in HKD counter will be settled in HKD and Units traded in USD counter will be settled in USD. 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 (as set out in the section "Key Information" above), different stock short names and different ISIN numbers.

Normally, investors can buy and sell Units traded in the same counter or alternatively buy in one counter and sell in the other counter provided their brokers provide HKD and USD trading services at the same time and offer inter-counter transfer services to support Dual-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 Dual-Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor above entitled "Risks Associated with Dual-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)" in Schedule 1 to Part 1 of this Prospectus for further information.

Dealings on the SEHK in Units traded in HKD and USD began on 16 June 2020. Units will trade on the SEHK in board lots of 10 Units.

#### *Redemptions*

Units can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in USD) or in-kind. Any accepted Redemption Application will be effected by the payment of cash or transfer of Securities (as the case may be) in accordance with the Operating Guidelines and the Trust Deed.

#### **Distribution policy**

The Manager may declare and distribute net dividends to Unitholders at the Manager's discretion. There is no guarantee to the payment of distributions or frequency of payment. 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.

Each Unitholder will receive distributions in USD only. Unitholders may have to bear the fees and charges associated with the conversion of such dividend from USD into HKD or 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 [www.nikkoam.com.hk/etf/metaverse-theme-active-etf](http://www.nikkoam.com.hk/etf/metaverse-theme-active-etf). 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**

The Manager is entitled to receive out of the assets of the Sub-Fund a maximum management fee of up to 0.95% per annum of the Net Asset Value of the Units. Any increase over this maximum rate will be subject to SFC's prior approval. The current management fee is 0.75% per annum of the Net Asset Value of the Units and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears. The fees payable to the Sub-Manager are included in the management fee.

Please refer to the section "Fees and Expenses" in Part 1 of the Prospectus for other fees and expenses payable in respect of the Units.

#### *Trustee's fee*

The Trustee is entitled to receive out of the Sub-Fund a fee of up to 1% per annum of the Net Asset Value of the Sub-Fund (the "**Trustee's Fee**"). The current Trustee's Fee is calculated as a percentage per annum of the Net Asset Value of the Sub-Fund at a rate of up to 0.095% per year of the Net Asset Value (subject to a minimum of USD38,000 per annum), inclusive of fees payable to the Global Custodian, Fund Accountant and Registrar, accrued daily and calculated as at each Dealing Day and payable monthly in arrears.

The Global Custodian, the Fund Accountant and the Registrar are entitled to receive a fee out of the Sub-Fund, as well as various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred in the performance of their duties.

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 of the assets of the Sub-Fund all out-of-pocket expenses incurred.

### **Appendix dated 28 April 2023**

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