

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

## **PHILLIP ETF SERIES OFC**

*(a Hong Kong public umbrella open-ended fund company with variable capital, limited liability and segregated liability between sub-funds and authorized under section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"))*

### **PHILLIP HK NEWLY LISTED EQUITIES INDEX ETF**

Stock Code: 2835

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## **PROSPECTUS**

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### **MANAGER**

Phillip Capital Management (HK) Limited

9 November 2022

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission 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 Company has been registered with the SFC as an open-ended fund company. The Company and each Sub-Fund have each been authorised as collective investment schemes by the SFC. Registration with and authorisation by the SFC do not represent a recommendation or endorsement of the Company or any of the Sub-Funds nor do they guarantee the commercial merits of the Company, any of the Sub-Funds or their performance. They do not mean the Company or any of the Sub-Funds is suitable for all investors nor do they represent an endorsement of their suitability for any particular investor or class of investors.

Important – while section 112S of the SFO provides for segregated liability between sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to section 112S of the SFO.

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## PARTIES

*Directors*  
**WONG Wai Kit, Louis**  
**LOH Yang Nee**  
**LAU Suk Tung**

*Company*  
**Phillip ETF Series OFC**  
11/F United Centre  
95 Queensway  
Hong Kong

*Manager*  
**Phillip Capital Management (HK) Limited**  
11/F United Centre  
95 Queensway  
Hong Kong

*Sub-Manager*  
**Phillip Capital Management (S) Ltd.**  
250 North Bridge Road #06-00 Raffles City Tower  
Singapore 179101

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

*Sub-Custodian*  
**The Hongkong and Shanghai Banking Corporation Limited**  
1 Queen's Road Central  
Hong Kong

*Administrator and Registrar*  
**The Hongkong and Shanghai Banking Corporation Limited**  
1 Queen's Road Central  
Hong Kong

*Participating Dealers<sup>#</sup>*  
*Please refer to the relevant Appendix of sub-fund*

*Market Makers<sup>#</sup>*  
*Please refer to the relevant Appendix of sub-fund*

*Legal Counsel to the Manager*  
**Deacons**  
5/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

*Auditor*  
**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

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

*Service Agent / Conversion Agent*  
**HK Conversion Agency Services Limited**  
8th Floor, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

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

## PRELIMINARY

This Prospectus relates to the offer in Hong Kong of Shares in the Company and its sub-fund(s). The Company is a public umbrella open-ended fund company incorporated in Hong Kong on 29 September 2022 with variable capital and limited liability. The Company can have a number of Sub-Funds with segregated liability among them. Phillip Capital Management (HK) Limited has been appointed as the management company of the Company and each Sub-Fund. HSBC Institutional Trust Services (Asia) Limited has been appointed as the custodian of the Company and each Sub-Fund.

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

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and the KFS 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 KFS misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with *The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the *Code on Unit Trusts and Mutual Funds*, the *Code on Open Ended Fund Companies* and the “Overarching Principles” of the *SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products* for the purposes of giving information with regard to the Shares in each Sub-Fund.

Each Sub-Fund is a fund falling within Chapter 8.6 of the UT Code. Certain Sub-Fund(s) may also be subject to additional Chapters of the UT Code. The Company has been registered with the SFC as an open-ended fund company under Section 112D of the SFO. The Company and each Sub-Fund are authorised by the SFC in Hong Kong under Section 104 of the SFO. The SFC takes no responsibility for the financial soundness of the Company, any Sub-Fund or for the correctness of any statements made or opinions expressed in this Prospectus. Registration with and authorisation by the SFC do not represent a recommendation or endorsement of the Company or any of the Sub-Funds nor do they guarantee the commercial merits of the Company, any of the Sub-Funds or their performance. They do not mean the Company or the Sub-Funds are suitable for all investors nor do they represent an endorsement of their suitability for any particular investor or class of investors.

You should consult your financial adviser or your tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable you to acquire Shares 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.

The Shares of Phillip HK Newly Listed Equities Index ETF have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the date of commencement of dealings in the Shares of Phillip HK Newly Listed Equities Index ETF on the SEHK or such other date as may be determined by HKSCC. 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 Shares 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 Shares 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 Company 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. Shares 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 Shares will not constitute a violation under ERISA, Section 4975 of the Internal Revenue Code and any applicable Similar Law.

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

You should note that any amendment or addendum to this Prospectus will only be posted on the Manager’s website ([phillipfunds.com.hk](http://phillipfunds.com.hk)) (the contents of which, and of any other websites referred to in this Prospectus, have not been reviewed by the SFC). This Prospectus (including the KFS) 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.

### **Enquiries and Complaints**

Investors may raise any questions on or make any complaints about the Company (including the Sub-Fund(s)) by contacting the Manager at its address as set out in the Directory of this Prospectus or calling the Manager on +852 2277 6698 during normal office hours.

## 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.*

**“Administrator”** means The Hongkong and Shanghai Banking Corporation Limited in its capacity as the administrator of the Sub-Funds or such other person or persons for the time being duly appointed and acting as administrators hereof in succession thereto.

**“AFRC”** means the Accounting and Financial Reporting Council in Hong Kong or its successors.

**“After Listing”** means the period which commences on the Listing Date and continues until the relevant Sub-Fund is terminated.

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

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

**“Application Share”**, in relation to each Sub-Fund, means such number of Shares or whole multiples thereof as specified in this Prospectus for the relevant Sub-Fund or such other number of Shares from time to time determined by the Manager, approved by the Custodian and notified to the Participating Dealers.

**“Auditor”** means the person appointed and acting as auditor of the Company and the Sub-Fund(s) for the time being.

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

**“Cancellation Compensation”** means an amount payable by a Participating Dealer for the account of a Sub-Fund in respect of a Default or a cancellation of Creation Application or Redemption Application in accordance with the Instrument, 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.

**“Company”** means Phillip ETF Series OFC 輝立交易所買賣基金系列開放式基金型公司.

**“Connected Person”** has the meaning as set out in the UT 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) above; 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) above.

**“Conversion Agency Agreement”** means the agreement by which the Conversion Agent agrees with the

Manager to provide its services may from time to time be entered amongst the Company, the Manager, the Conversion Agent and HKSCC.

**“Conversion Agent”** means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as conversion agent in relation to a Sub-Fund.

**“Creation Application”** means an application by a Participating Dealer for the creation and issue of Shares in an Application Share size in accordance with the Operating Guidelines and the Instrument.

**“Custodian”** means, unless otherwise specified in Part 2 of this Prospectus, HSBC Institutional Trust Services (Asia) Limited or such other person for the time being duly appointed as custodian by the Company in succession thereto under the Instrument to whom all the Scheme Property of a Sub-Fund is entrusted for safe keeping subject to and in accordance with the Laws and Regulations.

**“Custody Agreement”** means the custody agreement dated 4 November 2022 between the Company for itself and each Sub-Fund and the Custodian by which the Custodian is appointed.

**“Dealing Day”** means each Business Day during the continuance of the relevant Sub-Fund, and/or such other day or days as the Manager may from time to time determine either generally or for a particular class or classes of Shares.

**“Dealing Deadline”** means, in relation to any Dealing Day, such time or times as the Manager may from time to time in consultation with the Custodian determine generally or in relation to any particular class or classes of Shares of a Sub-Fund or any particular place for submission of Application(s) by a Participating Dealer.

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

- (a) a Creation Application to deliver the requisite Securities, Futures Contracts and/or any relevant cash amount; or
- (b) a Redemption Application to deliver the Shares which are 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 Company for the time being held or deemed to be held by the Company 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.

**“Directors”** means the directors of the Company for the time being or the directors of the Company present at a meeting of directors at which a quorum is present and includes any committee of the Directors duly constituted for the purposes relevant in the context in which any reference to the Directors appears or the members of such committee present at a meeting of such committee at which a quorum is present, and **“Director”** shall be construed accordingly.

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

Fund in order to realise the amount of cash required to be paid out of the Sub-Fund upon such redemption of Shares.

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

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

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

**“FDI”** means a financial derivative instrument.

**“Fund Administration Agreement”** means the agreement for the time being subsisting between the Company for and on behalf of the relevant Sub-Fund(s) and The Hongkong and Shanghai Banking Corporation Limited relating to its appointment and duties as the Administrator and the Registrar of the relevant Sub-Fund(s).

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

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

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

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

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

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

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

**“IFRS”** means International Financial Reporting Standards.

**“Income Property”** means, in respect of a Sub-Fund, (a) all interest, dividends and other sums deemed by the Manager, (after consulting the Auditor 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 Custodian in respect of the Deposited Property of the relevant 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 Company in respect of (a), (c) or (d) of this definition; (c) all cash component payments received or receivable by the Custodian for the account of the relevant Sub-Fund in respect of an Application; (d) all Cancellation Compensation received by the Custodian for the account of the relevant Sub-Fund; and (e) any payments to be received or are receivable by the Company 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 relevant Sub-Fund or previously distributed to Shareholders; (iii) gains for the account of the relevant Sub-Fund arising from the realisation of Securities and/or Futures Contracts (as the case may be); and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Company from the Income Property of the relevant Sub-Fund.



**“Index”** means, in respect of a Sub-Fund, the index or benchmark (as the context required) against which the relevant Sub-Fund may be benchmarked or may otherwise be referenced as set out in the relevant Appendix.

**“Index Provider”** means, in respect of a 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.

**“Initial Issue Date”** means, in respect of each Sub-Fund (or class of Shares), the date of the first issue of Shares of that Sub-Fund (or class) as set out in the relevant Appendix.

**“Initial Offer Period”** means, in respect of each Sub-Fund (or class of Shares), such period as may be determined by the Manager for the purpose of making an initial offer of Shares of that Sub-Fund (or 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.

**“Instrument”** means the instrument of incorporation of the Company filed to the Companies Registry of Hong Kong on, and effective as of, 29 September 2022, including its Schedules and Appendices, as amended from time to time.

**“Issue Price”** means, in respect of a Sub-Fund, the price at which Shares may be issued, determined in accordance with the Instrument.

**“Laws and Regulations”** means all applicable laws and regulations including the SFO, Securities and Futures (Open-ended Fund Companies) Rules (Chapter 571AQ of the Laws of Hong Kong), as amended from time to time, the OFC Code, the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (including the UT Code, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC) and the SFC Fund Manager Code of Conduct (as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC).

**“Listing Date”** means the date on which the Shares in respect of a Sub-Fund (or class of Shares) are first listed and from which dealings therein are permitted to take place on SEHK, the expected date of which is set out in the relevant Appendix for the Sub-Fund.

**“Management Agreement”** means the discretionary management agreement dated 29 September 2022 between the Company for itself and each Sub-Fund and the Manager by which the Manager is appointed.

**“Manager”** means Phillip Capital Management (HK) Limited or such other person or persons for the time being duly appointed as investment manager or investment managers by the Company in succession thereto under the Instrument from time to time to whom all the investment management functions of the Company are delegated subject to and in accordance with the Laws and Regulations.

**“Market”** means in any part of the world:

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

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

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

**“Multi-Counter”** means the facility by which the Shares of a Sub-Fund traded in more than one currency 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 as described in the relevant Appendix. Where the Share of a Sub-Fund is traded in two eligible currencies, the facility is referred to as a **“Dual Counter”**.

**“Net Asset Value”** or **“NAV”** means the net asset value of the Company or, as the context may require, the net asset value of a Sub-Fund or class of Shares calculated under the Instrument.

**“OFC Code”** means the Code on Open-Ended Fund Companies issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.

**“Operating Guidelines”** means, in respect of a Sub-Fund, the guidelines for the creation and redemption of Shares of a 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 Custodian and the Administrator, 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 agreed with or notified in writing by the Manager in advance to the relevant Participating Dealer (as the case may be). Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the relevant class of Shares 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 Company, the Manager and the Custodian, 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 Company, the Manager, the Custodian, the Administrator 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 Applications. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

**“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 Shares.

**“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 an application by a Participating Dealer for the redemption of Shares in Application Share size (or whole multiples thereof) in accordance with the Operating Guidelines and the Instrument.

**“Redemption Value”** means, in respect of a Share, the price per Share at which such Share is redeemed, calculated in accordance with the Instrument.

**“Registrar”** means The Hongkong and Shanghai Banking Corporation Limited or such person as may from time to time be appointed by the Company (and acceptable to the Manager) as registrar in respect of each Sub-Fund to keep the register of the Shareholders of the Sub-Fund.

**“Reverse Repurchase Transactions”** means transactions whereby a Sub-Fund purchases Securities from a counterparty of Sale and Repurchase Transactions and agrees to sell such Securities back at an agreed price in the future.

**“Sale and Repurchase Transactions”** means transactions whereby a Sub-Fund sells its Securities to a

counterparty of Reverse Repurchase Transactions and agrees to buy such Securities back at an agreed price with a financing cost in the future.

**“Scheme Property”** means all the property of the Company.

**“Securities”** means any shares, stocks, debentures, loan stocks, bonds, securities, commercial paper, acceptances, trade bills, warrants, participation notes, certificates, structured products, treasury bills, instruments or notes of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, and whether listed or unlisted, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):

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

**“Securities Lending Transactions”** means transactions whereby a Sub-Fund lends its Securities to a security-borrowing counterparty for an agreed fee.

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

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

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

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

**“Settlement Day”** means the Business Day which is two Business Days after the relevant Dealing Day (or such other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as determined by the Manager in consultation with the Custodian from time to time and notified to the relevant Participating Dealers, either generally or for a particular class or classes of Shares, pursuant to the Operating Guidelines or as otherwise described in the relevant Appendix.

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

**“SFO”** means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time.

**“Share”** means such number of undivided shares or such fraction of an undivided share of a Sub-Fund to which a Share relates as is represented by a Share of the relevant class and, except where used in relation to a particular class of Share, a reference to Shares means and includes Shares of all classes.

**“Share Cancellation Fee”** means the fee charged by the Conversion Agent in respect of the cancellation of Shares in connection with an accepted Redemption Application of a Sub-Fund.

**“Shareholder”** means the person for the time being entered on the Register as the holder of a Share or Shares including, where the context so admits, persons jointly so registered.

**“Sub-Fund”** means a separate part of the Scheme Property which is established pursuant to the Instrument and as described in the relevant Appendix.

**“Sub-Manager”** means Phillip Capital Management (S) Ltd. or such other person or persons for the time being to which the investment management function of all or part of the assets of a Sub-Fund of the Company has been delegated from the Manager.

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

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

**“UT Code”** means the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.

**“Valuation Point”** means, in respect of a Sub-Fund, 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 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 from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Shares.

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

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

The information presented in this Part 1 should be read in conjunction with the information presented in the relevant Appendix in Part 2 of this Prospectus in respect of a particular 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.

## INTRODUCTION

### **The Company**

The Company is a public umbrella open-ended fund company with variable capital with limited liability, which was incorporated in Hong Kong under the SFO on 29 September 2022 with the company number OF98. It is constituted by way of its Instrument filed to the Companies Registry of Hong Kong on, and effective as of, 29 September 2022.

The Company is registered with the SFC under Section 112D of the SFO. The Company 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 of the UT Code. Registration with or authorisation by the SFC does not represent a recommendation or endorsement of the Company or any of the Sub-Funds nor do they guarantee the commercial merits of the Company, any of the Sub-Funds or their performance. They do not mean that the Company or the Sub-Funds are suitable for all investors nor do they represent an endorsement of their suitability for any particular investor or class of investors.

### **The Sub-Fund(s)**

The Company may issue different classes of Shares and the Company shall establish a separate pool of assets in respect of each Sub-Fund to which one or more class of Shares shall be attributable. The assets of a Sub-Fund will be invested and administered separately from the other assets of the Company. All assets and liabilities attributable to each Sub-Fund shall be segregated from the assets and liabilities of any other Sub-Funds, and shall not be used for the purpose of, or borne by the assets of, any other Sub-Fund. Each Sub-Fund will have its own Appendix in Part 2 of this Prospectus.

Each Sub-Fund will be an exchange traded fund listed on the SEHK. Where indicated in the relevant Appendix, Shares in a Sub-Fund may be available for trading on the SEHK using a Multi-Counter.

The Company reserves the right to establish other Sub-Funds and/or issue further classes of Shares relating to a Sub-Fund or Sub-Funds in the future in accordance with the provisions of the Instrument.

## THE OFFERING PHASES

### Initial Offer Period

During the Initial Offer Period, Participating Dealers (acting for themselves or for their clients) may apply for Shares (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.

Unless otherwise stated in the relevant Appendix, the latest date for making a Creation Application for Shares is 5:00 p.m. (Hong Kong time) three Business Days prior to the Listing Date or such other time as the Manager may determine on any day when the trading hours of the SEHK are reduced.

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

If a Creation Application is received by the Company, the Manager and Administrator after the deadline as specified in the Appendix, that Creation Application shall be carried forward and deemed to be received at the opening of business on the Listing Date, which shall be the Dealing Day for the purposes of that Creation Application.

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

Please refer to the section on “**CREATIONS AND REDEMPTIONS (PRIMARY MARKET)**” for the operational procedures in respect of Creation Applications.

### After Listing

The After Listing phase commences on the Listing Date and continues until the relevant Sub-Fund(s) are terminated.

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

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

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

After Listing, all investors can buy and sell Shares 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 be subject to brokerage and other fees and will occur at market prices which may vary throughout the day and may differ from Net Asset Value per Share due to market demand and supply, liquidity and scale of trading spread for the Shares in the secondary market. As a result, the market price of the Shares in the secondary market may be higher or lower than Net Asset Value per Share.

Please refer to the section on “**EXCHANGE LISTING AND TRADING (SECONDARY MARKET)**” for further information in respect of buying and selling of Shares on the SEHK.

### ***Creations and Redemptions through Participating Dealers***

Shares will continue to be created and redeemed in the primary market at the Issue Price and Redemption Value respectively through Participating Dealers in Application Share size or multiples thereof. Where stated in the relevant Appendix, in-kind creations or in-kind redemptions may be permitted by the Manager. The Application Share 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 Company and the Manager (with a copy to the Administrator and/or 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 at the opening of business on the next 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 in cash for subscribing Shares 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 of Shares for redeeming Shares is due 2 Business Days (unless as otherwise stated in the relevant Appendix) after the Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

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

After Listing, all Shares 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 Shares. The beneficial interests in Shares 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 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 Shares either on their own account or for their clients, in accordance with the Instrument and the Operating Guidelines. During this period, Participating Dealers (acting for themselves or for their clients) may apply for Shares 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 Shares 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 Shares 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 Shares on their behalf.

### **After Listing**

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

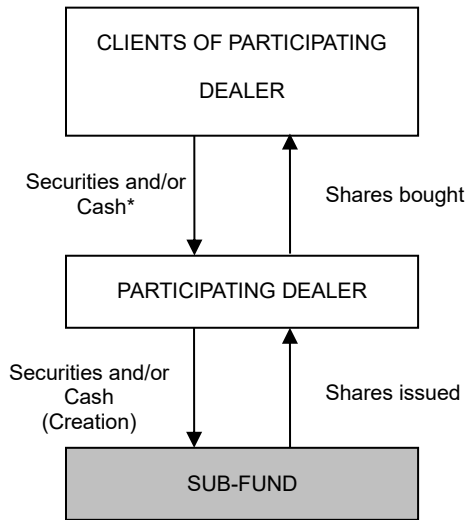
All investors may buy and sell Shares in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for creation and redemption of Shares in the primary market.

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

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

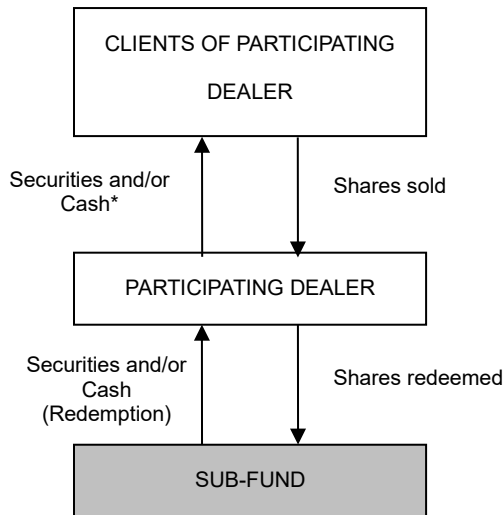
(a) Creation and buying of Shares in the primary market – Initial Offer Period and After Listing





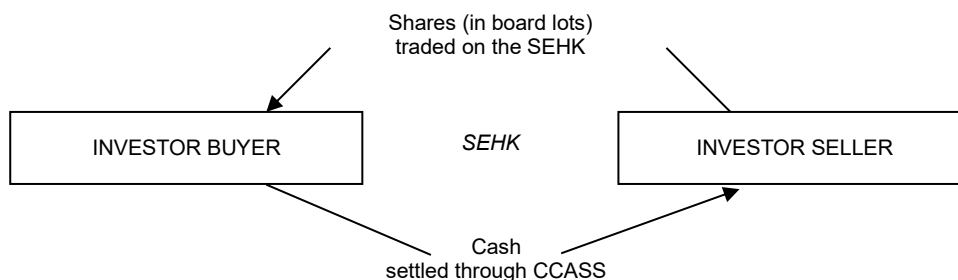
*\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.*

(b) Redemption and selling of Shares 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 Shares in the secondary market on the SEHK – After Listing



**Summary of Offering Methods and Related Fees**

**Initial Offer Period**

Method of Offering*	Minimum Number of Shares (or multiple thereof)	Channel	Available to	Consideration, Fees and Charges**
Cash creation (in the currency as specified in the relevant Appendix)	Application Share size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Brokerage fees and/or 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 Share size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of Securities Cash component Transaction Fee Brokerage fees and/or 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**

Method of Acquisition or Disposal of Shares*	Minimum Number of Shares (or multiple)	Channel	Available to	Consideration, Fees and Charges**
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	thereof)			
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 Shares on SEHK (in HKD only)  Brokerage fees (in such currency as determined by individual brokers)  Transaction levy  Trading fees (in HKD only unless otherwise specified in the relevant Appendix)  AFRC transaction levy
Cash creation and redemption	Application Share size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash (in the currency as specified in the relevant Appendix)  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 Share 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 and/or in cash, are specified in the relevant Appendix.

\*\* Please refer to the section headed "**FEES AND EXPENSES**" for further details. The currency for payment of subscription monies is specified in the relevant Appendix.

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

### Investment Objective

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

### Investment Strategy

Each Sub-Fund will adopt either a full replication or a representative sampling strategy. The investment strategy of each Sub-Fund is stated in the relevant Appendix.

#### *Full Replication Strategy*

Where a Sub-Fund adopts a full 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 in securities that are included in the Index or indirectly through FDIs, 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 (in case of direct investment for physical representative sampling strategy) and FDIs (in case of indirect investment for synthetic representative sampling strategy) which are not included in the Index, provided that these collectively feature a high correlation with the Index.

#### *Switching Between Strategies*

Whilst the full 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 and the Sub-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 and the Sub-Manager may switch between the above investment strategies, without prior notice to investors, in its absolute discretion and as often as they believe 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, a Sub-Fund may be launched with synthetic or futures-based strategies as described in the relevant Appendix for each such Sub-Fund.

### Investment Restrictions

Unless otherwise specifically provided for in the relevant Appendix, the investment restrictions applicable to each Sub-Fund (that are included in the Instrument) 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 total 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 UT Code:
  - (1) investments in Securities issued by such entity;
  - (2) exposure to such entity through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;

- (b) subject to (a) above and Chapter 7.28(c) of the UT 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 total 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 total 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;
- For the purpose of this sub-paragraph (c), cash deposits generally refer to those that are repayable on demand or have the right to be withdrawn by a Sub-Fund and not referable to provision of property or services.
- (d) ordinary shares issued by any single entity (other than Government and other Public Securities) held for the account of a 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 Company collectively may not exceed 10% of the nominal amount of the ordinary shares issued by the entity;
- (e) not more than 15% of the total Net Asset Value of a 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 UT Code;
  - (2) any increase in the overall fees and charges directly or indirectly borne by the Shareholders or the Sub-Fund as a result must be clearly disclosed in the Prospectus; and
  - (3) the Sub-Fund must produce the financial reports as required under 5.10(b) of the UT 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 total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue;
- (h) subject to (g), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues;
- (i) unless otherwise approved by the SFC, a Sub-Fund may not invest in physical commodities;
- (j) for the avoidance of doubt, exchange traded funds that are:
- (1) authorised by the SFC under Chapter 8.6 or 8.10 of the UT Code; or
  - (2) listed and regularly traded on internationally recognised stock exchanges open to the

public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the UT 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 UT Code,

will be considered and treated as listed Securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above. 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 total 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 total 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 UT Code, and where that underlying scheme’s objective is to invest primarily in investments restricted by Chapter 7 of the UT Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the UT Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the UT Code (except for hedge funds under Chapter 8.7 of the UT Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the UT Code) does not exceed 100% of its total net asset value, and exchange traded funds satisfying the requirements in paragraph (j) above in compliance with paragraph (k)(1) and (k)(2);

(ii) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;

(iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);

(3) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and

(4) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the manager of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;

(l) a Sub-Fund may invest 90% or more of its total Net Asset 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 (i.e. feeder fund) and its master fund will be deemed a single entity;
  - (iii) the Sub-Fund (i.e. feeder fund)'s annual report must include the investment portfolio of the master fund as at the financial year end date; and
  - (iv) the aggregate amount of all the fees and charges of the Sub-Fund (i.e. feeder fund) and its underlying master fund must be clearly disclosed;
- (3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, the Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Shareholders or by the Sub-Fund (i.e. feeder fund) may result, if the master fund in which the Sub-Fund (i.e. feeder fund) invests is managed by the Manager or by its Connected Person; and
- (4) notwithstanding paragraph (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and
- (m) if the name of a 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.

### Investment Prohibitions

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) and in the case of investments in such shares and REITs, they shall comply with the investment restrictions and limitations set out in sub-paragraphs (a), (b), (d), (e) and (k) under the section entitled "**Investment Restrictions**" above where applicable. For the avoidance of doubt, where investments are made in listed REITs, 7.1, 7.1A and 7.2 of the UT Code apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then 7.3 and 7.11 apply respectively;
- (c) make short sales if as a result a Sub-Fund would be required to deliver Securities exceeding 10% of the total Net Asset Value of the Sub-Fund (for this purpose Securities sold short must be actively traded on a market where short selling is permitted, and for the avoidance of doubt, a Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable Laws and Regulations);
- (d) 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 UT 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 UT 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 Shareholders 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 for the purposes of Chapters 7.29 and 7.30 of the UT Code.

*Note:* The investment restrictions set out above apply to each Sub-Fund, subject to the following: A collective investment scheme authorised by the SFC under the UT 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 Sub-Fund and nature of the relevant Index, a Sub-Fund is allowed under Chapter 8.6(h) of the UT Code to hold investments in constituent Securities of any single entity exceeding 10% of the relevant Sub-Fund's latest available Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Sub-Fund's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature.

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

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

Subject to approval of the SFC, the investment restrictions in Chapter 7.1A and 7.1B of the UT Code may be modified and the 30% limit in Chapter 7.4 of the UT Code may be exceeded, and a Sub-Fund may invest all of its assets in Government and Other Public Securities in any number of different issues despite Chapter 7.5 of the UT Code.

### **Securities Financing Transactions**

Where indicated in the relevant Appendix, a Sub-Fund may enter into Securities Lending Transactions, Sale and Repurchase Transactions and Reverse Repurchase Transactions or other similar over-the-counter transactions ("**Securities Financing Transactions**"), provided that they are in the best interests of the Shareholders, the associated risks have been properly mitigated and addressed, and the counterparties to the Securities Financing Transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

A Sub-Fund which engages in Securities Financing Transactions is subject to the following requirements:

- (a) it shall have at least 100% collateralisation in respect of the Securities Financing Transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;



- (b) all the revenues arising from Securities Financing Transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the Securities Financing Transactions to the extent permitted by applicable legal and regulatory requirements, shall be returned to the Sub-Fund;
- (c) it shall ensure that it is able to at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the Securities Financing Transactions or terminate the Securities Financing Transactions into which it has entered.

Further details of the arrangements are as follows:

- (a) each counterparty for such transactions will be independent counterparties approved by the Manager with credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies) or which are corporations licensed by the SFC or are registered institutions with the Hong Kong Monetary Authority;
- (b) the Custodian, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under "**Collateral**" below;
- (c) for Sale and Repurchase Transactions, it is the intention of the Manager to sell the Securities for cash equal to the market value of the Securities provided to the counterparty, subject to appropriate haircut. Cash obtained in Sale and Repurchase Transactions will not be re-invested;
- (d) the maximum and expected level of a Sub-Fund's assets available for these transactions will be as set out in the relevant Appendix; and
- (e) where any Securities Financing Transaction has been arranged through the Custodian or a Connected Person of the Custodian, the Manager or the Sub-Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement.

## **Borrowing**

Subject always to the provisions of the Instrument and the UT Code, borrowing against the assets of each Sub-Fund is allowed up to a maximum of 10% of its total Net Asset Value. For this purpose, back-to-back loans do not count as borrowing. 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 Company may 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 Shares 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 from time to time, except to enhance the performance of any Sub-Fund.

## **FDIs**

Subject always to the provisions of the Instrument and the UT Code, the Manager may on behalf of a Sub-Fund enter into any transactions in relation to FDIs, for hedging or non-hedging (investment) purposes.

Where specified 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 or 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.

Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Sub-Fund to meet its hedging objective in stressed or extreme 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 a Sub-Fund pursuant to Chapter 8.8 or Chapter 8.9 of the UT Code), provided that such limit may be exceeded in such circumstances as permitted under the UT Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. 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 Chapter 7.26 and 7.28 of the UT 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 UT 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, currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies. Where a Sub-Fund invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in Chapters 7.1, 7.1A, 7.1B and 7.4 of the UT Code provided that the relevant Index is in compliance with Chapter 8.6(e) of the UT Code;
- (b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC on a case-by-case basis;
- (c) subject to paragraphs (a) and (b) under the section entitled “**Investment Restrictions**” above, the 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. The exposure of a Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by such Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDIs with that counterparty, if applicable; and
- (d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager, the Custodian or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

A 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. Assets that are used to cover the Sub-Fund's obligation should be free from any liens and encumbrances, should exclude any cash or near cash for the purpose of meeting a call on any sum unpaid under a security and cannot be applied for any other purposes. A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should also be covered as follows:

- in the case of FDI transactions which will, or may at the Manager'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. Where it is holding alternative assets as cover, the Sub-Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

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

### **Collateral**

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid market place with transparent pricing;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut – collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. For the avoidance of doubt the price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or Entities within the Same Group and a 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 Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 of the UT 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 Custodian of the Sub-Fund;

- Enforceability – collateral must be readily accessible/enforceable by the Company for the Sub-Fund without further recourse to the issuer of the FDIs, or the counterparty of the Securities Financing Transactions;
- Cash collateral – any re-investment of cash collateral received for the account of the Sub-Fund shall be subject to the following requirements:
  - (i) 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 UT 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 UT Code. For this purpose, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
  - (ii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapter 8.2(f) and (n) of the UT Code;
  - (iii) cash collateral received is not allowed to be further engaged in any Securities Financing Transactions; and
  - (iv) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any Securities Financing Transactions;

Non-cash collateral received may not be sold, re-invested or pledged;

- Encumbrances – collateral should be free of prior encumbrances; and
- Collateral should generally not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

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

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, stocks, funds and money market instruments;
- the issuer of collateral must be of high quality and the rating by a recognised credit rating agency shall be taken into account in the credit assessment process. Securities rated with a non-investment grade credit rating is not eligible for collateral purpose. There is no criteria for country of origin of the counterparty;
- no maturity constraints will apply to the collateral received;
- regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral received;
- the haircut policy takes account of market volatility, the foreign exchange volatility between collateral asset and underlying agreement, liquidity and credit risk of the collateral assets, and the counterparty’s credit risk (for each eligible security type). Haircuts shall be set to cover the maximum expected decline in the market price of the collateral asset (over a conservative liquidation horizon) before a transaction can be closed out. Cash collateral will not be subject to haircut;
- the collateral would be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer;
- the collateral received would be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;

- collateral must be readily enforceable by the Custodian and may be subject to netting or set-off; and
- cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Manager and notified to investors.

Where a Sub-Fund receives collateral, a description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Sub-Fund's annual and interim financial reports for the relevant period as required under Appendix E of the Code.

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 Shareholders of that Sub-Fund.

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

## CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

### Investment in a Sub-Fund

There are two methods of making an investment in a Sub-Fund and of disposing of Shares to realise an investment in a Sub-Fund.

The first method is to create Shares at the Issue Price or redeem Shares 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 Multi-Counter, although a Participating Dealer may, subject to arrangement with the Manager, elect to CCASS to have Shares which it creates deposited in any available counter, all creation and redemption for all Shares must be in the base currency of that Sub-Fund. Because of the size of the capital investment (i.e. Application Share size) required either to create or redeem Shares 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 Shares 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 Shares in the secondary market on the SEHK which is more suitable for retail investors. The secondary market price of Shares may trade at a premium or discount to the Net Asset Value of the relevant Sub-Fund.

This section of this Prospectus describes the first method of investment and should be read in conjunction with the Participation Agreement and the Instrument. The section on “**EXCHANGE LISTING AND TRADING (SECONDARY MARKET)**” relates to the second method of investment.

### Creation of Shares through Participating Dealers

Any application for the creation of Shares of a Sub-Fund must only be made through a Participating Dealer in respect of an Application Share size or whole multiple thereof (save and except for application during the relevant Initial Offer Period, the Manager may accept an Application Share size which is not a whole multiple thereof) as set out in the “**Key Information**” section. Investors cannot acquire Shares directly from a Sub-Fund. Only Participating Dealers may submit Creation Applications to the Company and the Manager (with a copy to the Administrator and/or Registrar).

Shares 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 Company and the Manager (with a copy to the Administrator and/or Registrar).

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

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

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

would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements;

- (d) circumstances outside the control of the Participating Dealer which make it for all practicable purposes impossible to process the creation request; or
- (e) during any period when the business operations of the Participating Dealer are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God.

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

The methods of creation available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the creation of Shares in exchange for a transfer of Securities) or 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 Company 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 Company, the Manager, the Custodian, the Administrator nor the Registrar is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Company, the Manager, the Custodian, the Administrator or the Registrar or to accept any such creation requests received from clients. In addition, neither the Custodian, the Administrator, the Registrar nor the Company can ensure effective arbitrage by Participating Dealer.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any creation request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Creation Application in respect of a Sub-Fund can be submitted by it to the Company and the Manager (with a copy to the Administrator and/or 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 Share size for a Sub-Fund is the number of Shares specified in the relevant Appendix. Save and except for application during the relevant Initial Offer Period, Creation Applications submitted in respect of Shares other than in Application Share size or whole multiples thereof will not be accepted. The minimum subscription for each Sub-Fund is one Application Share.

### ***Creation Process***

A Participating Dealer may from time to time submit Creation Applications in respect of a Sub-Fund to the Company and the Manager (with a copy to the Administrator and/or Registrar), following receipt of creation requests from clients or where it wishes to create Shares 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 may determine in consultation with the Custodian on any day when the trading hours of the SEHK, the Recognised Futures Exchange or the Recognised Stock Exchange are reduced. To be effective, a Creation Application must:

- (a) be given by a Participating Dealer in accordance with the Instrument, the relevant Participation Agreement and the relevant Operating Guidelines;

- (b) specify the number of Shares and the class of Shares (where applicable) which is the subject of the Creation Application; and
- (c) include the certifications required in the Participation Agreement and the Operating Guidelines (if any) in respect of creations of Shares, together with such certifications and opinions of counsel (if any) as either the Company or the Manager may separately consider necessary to ensure compliance with applicable securities and other laws in relation to the creation of Shares which are the subject of the Creation Application.

The Company 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 Shares of the relevant Sub-Fund or class, (ii) the redemption of Shares of the relevant Sub-Fund or class, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund or class of Shares 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 or class;
- (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 a Security and/or Futures Contract, as the case may be (that is a constituent of the Index for the relevant 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 any of the Securities and/or Futures Contracts as the case may be in the relevant Index;
- (e) where acceptance of the Creation Application would render the Company in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Company or the Manager necessary for compliance with applicable Laws and Regulations;
- (f) circumstances outside the control of the Company or the Manager which make it for all practicable purposes impossible to process the Creation Application;
- (g) any period during which the business operations of the Company or any delegate of the Company in respect of a Creation Application in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (h) an Insolvency Event occurs in respect of the relevant Participating Dealer.

In the event of such rejection, the Company shall notify the Administrator and/or the Registrar and the relevant Participating Dealer 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 Shares which can be created, priority will be given to Participating Dealers and the relevant Creation Applications as set out in the Operating Guidelines.

The Company'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 Company may exercise its rights to reject such Creation Application in the circumstances described herein.

Where the Company accepts a Creation Application from a Participating Dealer, it shall instruct the Administrator and Registrar to effect (i) for the account of the Sub-Fund, the creation of Shares in Application Share 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 Shares to the Participating Dealer, both in accordance with the Operating Guidelines and the Instrument.

### ***Issue of Shares***



Shares will be issued at the Issue Price prevailing on the relevant Dealing Day, provided that there may be added 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 Shares in a Sub-Fund during the relevant Initial Offer Period, the Company shall procure the creation and issue of Shares in that Sub-Fund on the relevant Initial Issue Date.

Shares are denominated in the base currency of the relevant Sub-Fund (unless otherwise determined by the Directors) as set out in the relevant Appendix and no fractions of a Share shall be created or issued by the Company.

The creation and issue of Shares pursuant to a Creation Application shall be effected on the relevant Settlement Day for 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, Shares shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and, subject to the Company confirming to the Registrar that settlement has occurred, 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. An Extension Fee may be payable in relation to such an extension. See the section on “**FEES AND EXPENSES**” for further details.

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

#### ***Fees Relating to Creation Applications***

The Conversion Agent, the Service Agent, the Registrar and/or the Administrator 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 Shares and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Creation Applications for the benefit of the Administrator, the Registrar, the Conversion Agent and/or the Service Agent. See the section on “**FEES AND EXPENSES**” for further details.

In relation to cash creation of Shares, the Company reserves the right to require the Participating Dealer to pay or cause to be paid an additional sum for the purpose of compensating or reimbursing the Sub-Fund for the difference between:

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

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

Any commission, remuneration or other sum payable by the Company or Manager to any agent or other person in respect of the issue or sale of any Share shall not be added to the Issue Price of such Share 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 Company. The Company may cancel Shares created and issued in respect of a Creation Application if (a) all the Securities and/or Futures Contracts relating to the Creation Application have not been invested by or on the Initial Issue Date or the relevant Settlement Day (as the case may be) or to the Company’s satisfaction or evidence of title and instruments of transfer satisfactory to the Company have not been produced to or

to the order of the Company; or (b) the full amount of (i) any cash payable in connection with the relevant Creation Application and (ii) any Duties and Charges, incidental costs associated with the creation of Shares and Transaction Fee payable have not been received in cleared funds by or on behalf of the Administrator by such time on the Initial Issue Date or the relevant Settlement Day (as the case may be) as prescribed in the Operating Guidelines, provided that in either event the Company may at its discretion, (i) 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 or otherwise as the Company may determine) as the Directors may determine and in accordance with the provisions of the Operating Guidelines; or (ii) partially settle the Creation Application to the extent to which Securities and/or Futures Contracts and/or cash have been vested in, or to the account of the Sub-Fund, on such terms and conditions as the Directors may determine including terms as to any extension of the settlement period for the outstanding Securities, Futures Contracts or cash.

In addition to the preceding circumstances, the Company may also cancel any creation order for any Shares if the Company 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 Shares deemed created pursuant to a Creation Application as provided for above or if a Participating Dealer otherwise withdraws subject to the Company's consent a Creation Application (other than in certain circumstances contemplated in the Instrument such as when the Manager declares a suspension of creations of Shares), the Securities deposited for exchange that have been vested in the Company and/or any cash received by or on behalf of the Company in connection with the relevant Creation Application (in either case in respect of such cancelled Shares) shall be redelivered to the Participating Dealer (without interest) and the relevant Shares shall be deemed for all purposes never to have been created and the Participating Dealer shall have no right or claim against the Company, the Manager, the Custodian, the Administrator, the Registrar, the Conversion Agent and/or the Service Agent in respect of such cancellation provided that:

- (a) the Administrator may charge the relevant Participating Dealer for the account of the Administrator an application cancellation fee (see the section on "**FEES AND EXPENSES**" for further details);
- (b) the Company may at its absolute discretion require the Participating Dealer to pay to the Company, for the account of the relevant Sub-Fund, in respect of each Share so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Share exceeds the Redemption Value which would have applied in relation to each such Share if the Participating Dealer had, on the date on which such Shares are cancelled, made a Redemption Application, together with charges, expenses and losses incurred by the Sub-Fund as a result of any 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 Company, the Administrator the Registrar, the Conversion Agent and/or the Service Agent (see the section on "**FEES AND EXPENSES**" for further details); and
- (d) no previous valuations of the Scheme Property shall be re-opened or invalidated as a result of the cancellation of such Shares.

### **Redemption of Shares Through Participating Dealers**

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

A Participating Dealer may redeem Shares 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 Company and the Manager (with a copy to the Administrator and/or Registrar).

Each initial Participating Dealer has indicated to the Manager that it will generally accept and submit redemption requests received from its clients, subject always to (i) mutual agreement between the relevant initial Participating Dealer and its clients as to its fees for handling such request(s); (ii) completion to its satisfaction of client acceptance procedures and requirements; (iii) no objection from the Manager to

redeem Shares for the relevant initial Participating Dealer on behalf of its clients (please refer to the subsection on “*Redemption Process*” below for the examples of exceptional circumstances under which the Manager shall have the right to reject a Redemption Application); and (iv) mutual agreement between the relevant initial Participating Dealer and its clients as to the method of effecting such redemption request.

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

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

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

The methods of redemption available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the redemption of Shares in exchange for a transfer of Securities) or in cash, 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 Custodian 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 Administrator 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 Administrator or to accept any such redemption requests received from clients. In addition, neither the Company 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 Company and the Manager (with a copy to the Administrator and/or Registrar). You are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

The Application Share size for a Sub-Fund is the number of Shares specified in the relevant Appendix. Redemption Applications submitted in respect of Shares other than in Application Share size or whole multiples thereof will not be accepted. The minimum redemption for each Sub-Fund is one Application Share.

#### ***Redemption Process***

A Participating Dealer may from time to time submit Redemption Applications in respect of a Sub-Fund to the Company and the Manager (with a copy to the Administrator and/or Registrar), following receipt of redemption requests from clients or where it wishes to redeem Shares of the relevant Sub-Fund for its own account.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next 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 may determine in consultation with the Custodian 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 Instrument, the relevant Participation Agreement and the relevant Operating Guidelines;
- (b) specify the number of Shares and the class of Shares (where applicable) which is the subject of the Redemption Application; and
- (c) include the certifications required in the Participation Agreement and the Operating Guidelines (if any) in respect of redemptions of Shares, together with such certifications and opinions of counsel (if any) as either the Company or the Manager may consider necessary to ensure compliance with applicable securities and other laws in relation to the redemption of Shares which are the subject of the Redemption Application.

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

In the event of such rejection, the Company shall notify the Administrator and/or the Registrar and the relevant Participating Dealer of its decision to reject such Redemption Application in accordance with the Operating Guidelines.

The Company'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 Company may exercise its rights to reject such Redemption Application in the circumstances described herein.

Where the Company accepts a Redemption Application from a Participating Dealer, it shall (i) effect the redemption and cancellation of the relevant Shares; and (ii) require the Custodian and/or the Administrator to transfer to the Participating Dealer Securities and/or cash in accordance with the Operating Guidelines and the Instrument.

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 Shares***

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 Company) has been received and provided further that the Company shall have received (unless otherwise provided in the Operating Guidelines) the original (and not a faxed copy) of the certificates (if any) representing the Shares to be cancelled (or an indemnity in terms acceptable to the Company) and 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, Shares shall be deemed to have been redeemed and cancelled after the Valuation Point on the Dealing Day on which the Redemption Application was received or deemed received. The name of the Shareholder of such Shares shall be removed from the Register in respect of those Shares redeemed and cancelled on the relevant Settlement Day.

The Redemption Value of Shares tendered for redemption and cancellation shall be the Net Asset Value per Share of a Sub-Fund (or class of Shares) 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 Sub-Fund. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received.

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

The Company 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 the Extension Fee or otherwise as the Company may determine) as the Manager and the Custodian may in their discretion determine, in accordance with the Operating Guidelines.

### ***Fees Relating to Redemption Applications***

The Conversion Agent, the Service Agent, the Administrator and/or the Registrar 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 Administrator, the Registrar, the Conversion Agent and/or the Service Agent. See the section on "**FEES AND EXPENSES**" for further details.

In relation to cash redemption of Shares, notwithstanding the aforesaid regarding the redemption and cancellation of Shares based on Net Asset Value, the Participating Dealer may be required to pay an additional sum for the purpose of compensating or reimbursing a Sub-Fund for the difference between:

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

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

The Company 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.

Where a Sub-Fund redeems in-kind in respect of SEHK listed Securities, the Conversion Agent may charge a Share Cancellation Fee in connection with each accepted Redemption Application.

### **Cancellation of Redemption Applications**

A Redemption Application once given cannot be revoked or withdrawn without the consent of the Company. No Security shall be transferred and/or no cash amount shall be paid in respect of any Redemption Application unless Shares, which are the subject of the Redemption Application, have been delivered to the Company free and clear of any Encumbrance for redemption by such time on the Settlement Day or other deadline as the Company shall for the time being prescribe for Redemption Applications generally.

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

- (a) the Administrator may charge the relevant Participating Dealer for the account of the Administrator an application cancellation fee (see the section on “**FEES AND EXPENSES**” for further details);
- (b) the Company may at its absolute discretion require the Participating Dealer to pay to the Company, for the account of the relevant Sub-Fund, in respect of each Share so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Share is less than the Issue Price which would have applied in relation to each such Share if the Participating Dealer had, on the actual date when the Company is able to repurchase any replacement Securities and/or Futures Contracts made a Creation Application in accordance with the provisions of the Instrument plus such other amount as the Company 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 Company, the Administrator, the Registrar, the Conversion Agent and/or the Service Agent (see the section on “**FEES AND EXPENSES**” for further details); and
- (d) no previous valuations of the Scheme Property shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

### **Deferred Redemption**

In the event that redemption requests are received for the redemption of Shares 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) of the total Net Asset Value of Shares in a Sub-Fund then in issue, the Company may reduce the requests rateably and pro rata amongst all Shareholders seeking to redeem Shares 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) of the total Net Asset Value of Shares in the relevant Sub-Fund then in issue. Shares 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) of the total Net Asset Value of Shares in the relevant Sub-Fund then in issue) in priority to any other Shares in the relevant Sub-Fund for which redemption requests have been received. Shares will be redeemed at the Redemption Value prevailing on the Dealing Day on which they are redeemed.

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

The Manager may at its discretion (in consultation with the Custodian and, in respect of redemptions, where practicable following consultation with the relevant Participating Dealers and having regard to the best interests of the Shareholders), suspend the creation or issue of Shares of any Sub-Fund or class of Shares,

suspend the redemption of Shares of any Sub-Fund or class of Shares and/or (subject to all applicable legal or regulatory requirements where payment of redemption proceeds exceeds one calendar month) delay the payment of any monies and transfer of any Securities and/or Futures Contracts, as the case may be, in respect of any Creation Application and/or Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK or any other Recognised Stock Exchange or Recognised Futures Exchange is restricted or suspended;
- (b) during any period when a market on which a Security and/or Futures Contract, as the case may be (that is a constituent of the Index for the relevant 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 a Security and/or Futures Contract, as the case may be (that is a constituent of the Index for the relevant Sub-Fund) has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Securities and/or Futures Contracts, as the case may be in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during the existence of any state of affairs as a result of which delivery or purchase of Securities and/or Futures Contracts, as the case may be, 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 Shareholders of the relevant Sub-Fund;
- (f) during any period when the Index for the relevant Sub-Fund 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 Share of the relevant class or when for any other reason the value of any Securities and/or Futures Contracts or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (h) during any period when the determination of the Net Asset Value of the relevant Sub-Fund or class of Shares is suspended or if any circumstance specified in the section on “**Suspension of Determination of Net Asset Value**” below arises;
- (i) during any period when the business operations of the Company, the Manager, the Custodian, the Administrator, the Registrar or any delegate of the Company or the Manager in respect of a Creation Application or Redemption Application in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (j) in respect of a Creation Application, if as a result of the investment of the proceeds of issue of such Shares in accordance with the investment objective of the Sub-Fund, the Company 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 Company 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 Shareholders.

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 Manager’s website at [phillipfunds.com.hk](http://phillipfunds.com.hk) (this website has not been reviewed by the SFC) or in such other publications as it decides.

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

A Participating Dealer may, at any time after a suspension has been declared and before termination of such suspension, withdraw any Creation Application or Redemption Application by notice in writing to the

Company and the Company shall promptly notify and request the Custodian 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 Shareholding**

Shares will be deposited, cleared and settled by the CCASS. Shares are held in registered entry form only, which means that no Share certificates are issued. HKSCC Nominees Limited is the registered owner (i.e. the sole holder of record) of all outstanding Shares deposited with the CCASS and is holding such Shares for the participants in accordance with the General Rules of CCASS. Furthermore, the Company, the Manager and the Custodian acknowledge that pursuant to the General Rules of CCASS neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Shares. Investors owning Shares 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 Shareholders**

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

- (a) in contravention of any laws or requirements of any country, any governmental authority or any stock exchange on which such Shares are listed;
- (b) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Directors to be relevant) which, in the Directors' opinion, might result in the Company, the Sub-Fund, the Directors, any service provider and/or other Shareholders incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company, the Sub-Fund, the Directors, service provider and/or other Shareholders might not otherwise have incurred or suffered; or
- (c) in breach of any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including without limitation the issue of any warranty or supporting document required to be given to the Company.

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

### **Transfer of Shares**

The Instrument provides that a Shareholder may transfer Shares subject to the provisions of the Instrument. As all Shares will be held in CCASS, an investor is entitled to transfer Shares 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 Directors may from time to time approve. A transferor remains the Shareholder of the Shares transferred until the name of the transferee is entered in the register of Shareholders in respect of the Shares being transferred. Each instrument of transfer must relate to a single Sub-Fund only. To the extent that all Shares are deposited, cleared and settled in CCASS, HKSCC Nominees Limited will be the sole Shareholder, holding such Shares for the persons admitted by HKSCC as a participant of CCASS and to whose account any Shares 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 Shares on the SEHK is to enable investors to buy and sell Shares 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 Shares in the primary market.

The market price of a Share listed or traded on the SEHK may not reflect the Net Asset Value per Share. Any transactions in the Shares 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 Shares are listed on the SEHK they will remain listed.

The Manager use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Shares of each Sub-Fund. Where a Multi-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. Shares 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 Shares, the Market Makers may make or lose money based on the differences between the prices at which they buy and sell Shares, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying Securities or Futures Contracts comprised within the Index. Market Makers may retain any profits made by them for their own benefit and they are not liable to account to the relevant Sub-Fund in respect of their profits.

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

The Shares of Phillip HK Newly Listed Equities Index ETF will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the date of commencement of dealings in the Shares of Phillip HK Newly Listed Equities Index ETF on the SEHK or such other date as may be determined by HKSCC.

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

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

Shares 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 Shares 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 Shares on the SEHK until dealings begin on the SEHK.

Please also refer to the sub-sections on "**Exchange Listing and Trading (Secondary Market)**" in the relevant Appendix of the Sub-Fund for additional disclosures on secondary market trading.

## DETERMINATION OF NET ASSET VALUE

### Calculation of Net Asset Value

The Net Asset Value of each Sub-Fund will be calculated by the Administrator 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 Instrument.

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

- (a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (in consultation with the Custodian) 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 on which the relevant Security is quoted, listed or ordinarily dealt in 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 official closing price or, if unavailable, the last traded price 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 such price as certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager, or, if the Custodian so requires, by the Manager after consultation with the Custodian if the prices on that Market is not available for more than such period of time as may be agreed between the Manager, the Custodian and/or any delegates appointed by the Custodian applicable to the Sub-Fund; (iii) in the case of a Security that is a debt instrument which may or may not be a constituent of the relevant Index, the value shall be determined in accordance with the relevant Index's valuation policy (this being the fair value), and the Manager in consultation with the Custodian shall be entitled to use prices furnished by the Index provider; (iv) interest accrued on any interest-bearing Securities shall be taken into account up to the date as at which the valuation is made, unless such interest is included in the quoted or listed price; (v) the Manager, the Administrator or its delegates may accept as sufficient evidence of the value of any asset of a Sub-Fund or the cost price or sale price thereof, any market quotation or certification by a calculation agent, broker, any professional person, firm or association qualified in the opinion of the Custodian or its delegates or the Manager to provide such a quotation; (vi) the Manager, the Administrator or its delegates may rely upon the established practice and rulings of any market and any committees and officials thereof on which any dealing in any assets of the Sub-Fund or other property is from time to time effected in determining what shall constitute a good delivery and any similar matters; and (vii) the Manager and the Administrator shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the official closing prices or 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 such net asset value is not available or not considered by the Manager to be appropriate, the latest available bid or offer price for such unit, share or other interest;
- (c) Futures Contracts will be valued based on the formulae set out in the Instrument;
- (d) except as provided for in paragraph (b), the value of any investment which is not listed, quoted or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended on behalf of the relevant Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at any time in consultation with the Custodian and shall at such times or at such intervals as the Custodian may request, cause a revaluation to be made by a professional person approved by the Custodian as qualified to value such investments (which may, if the Custodian agrees, be the Manager);
- (e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager in consultation with the Custodian, any adjustment should be made to reflect the value thereof; and
- (f) notwithstanding the foregoing, the Manager in consultation with the Custodian may adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant

circumstances, the Manager considers that such adjustment is more appropriate to fairly reflect the value of the investment.

Currency conversion will be performed at such rates as may be agreed between the Administrator and/or the Custodian with the Manager from time to time.

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

To the extent that the valuation or accounting basis adopted by the Sub-Funds deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS. Any such adjustments will be disclosed in the financial reports, including a reconciliation note to reconcile values arrived at by applying the Company's valuation rules.

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

Subject to the Laws and Regulations, the Manager may, in consultation with the Custodian, declare a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or of any class of Shares for the whole or any part of any period during which:

- (a) there exists any state of affairs prohibiting the normal disposal and/or purchase of the investments of the relevant Sub-Fund;
- (b) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise a substantial part of any Securities and/or Futures Contracts held or contracted for the account of the relevant Sub-Fund or it is not possible to do so without seriously prejudicing the interest of Shareholders 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 a 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 Share of the relevant class or when for any other reason the value of any Securities and/or Futures Contracts or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (e) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the Securities and/or Futures Contracts or other property of the relevant Sub-Fund or the subscription or redemption of Shares 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 Company or any delegate of the Company or the Manager in respect of the determination of the Net Asset Value of the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

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

The Manager shall immediately after declaration of any such suspension by the Manager notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Manager's website at [phillipfunds.com.hk](http://phillipfunds.com.hk) (this website has not been reviewed by the SFC) or in such other publications as the Company decides.

No Shares 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.

### **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 (or a class of Shares) will be a fixed amount per Share, or 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. 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 Shares of a Sub-Fund (or class of Shares) created and issued pursuant to a Creation Application on a Dealing Day, shall be the Net Asset Value of the relevant Sub-Fund (or class of Shares) as at the relevant Valuation Point of the relevant Dealing Day on which the Creation Application is received divided by the total number of Shares 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 Net Asset Value of the relevant Sub-Fund (or class of Shares) as at the relevant Valuation Point of the relevant Dealing Day on which the Redemption Application is received divided by the total number of Shares in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The benefit of any rounding adjustments will be retained by the relevant Sub-Fund.

The latest Net Asset Value of the Shares will be available on the Manager's website at [phillipfunds.com.hk](http://phillipfunds.com.hk) (this website has not been reviewed by the SFC) or published in such other publications as the Manager decides.

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

## FEES AND EXPENSES

There are different levels of fees and expenses applicable to investing in a 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.

<b>Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Shares (applicable both during the Initial Offer Period and After Listing)</b>	<b>Amount</b>
Transaction fee payable to the Administrator	Please refer to the Appendix for the relevant Sub-Fund
Service Agent's Fee	HKD1,000 <sup>1</sup> per book-entry deposit and book-entry withdrawal transaction
Application cancellation fee	HKD5,000 <sup>2</sup> per Application
Extension Fee	HKD5,000 <sup>3</sup> per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Custodian or the Manager in connection with the creation or redemption	As applicable

<b>Fees and expenses payable by investors</b>	<b>Amount</b>
<b><i>(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)</i></b>	
Fees and charges imposed by the Participating Dealer <sup>4</sup>	Such amounts as determined by the relevant Participating Dealer
<b><i>(ii) Fees payable by all investors in respect of dealings in the Shares on SEHK (applicable After Listing)</i></b>	
Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.0027% <sup>5</sup> of the trading price
SEHK trading fee	0.005% <sup>6</sup> of the trading price
AFRC transaction levy	0.00015% <sup>7</sup> of the trading price
Stamp duty	Nil <sup>8</sup>

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

### Fees and Expenses Payable by a Sub-Fund

#### **Management Fee**

The Manager is entitled to receive in respect of a Sub-Fund (or any class thereof), a management fee accrued daily and calculated as at each Dealing Day and payable monthly in arrears as a percentage of the Net Asset Value of such Sub-Fund (or such class) at the rates as specified in the relevant Appendix subject to a maximum fee as specified in the relevant Appendix.

<sup>1</sup> The Service Agent's Fee of HKD1,000 is payable by a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction.

<sup>2</sup> An application cancellation fee is payable to the Administrator in respect of either a withdrawn or failed Creation Application or Redemption Application.

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

<sup>4</sup> The 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>5</sup> Transaction levy of 0.0027% of the trading price of the Shares, payable by each of the buyer and the seller.

<sup>6</sup> Trading fee of 0.005% of the trading price of the Shares, payable by each of the buyer and the seller.

<sup>7</sup> An AFRC transaction levy of 0.00015% of the trading price of the Shares, payable by each of the buyer and the seller.

<sup>8</sup> Stamp duty is waived with effect from 13 February 2015 pursuant to the Stamp Duty (Amendment) Ordinance 2015.

The Manager may pay a distribution fee to any distributor or sub-distributors of the Company out of the Management Fee it receives from the Company. A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

### ***Custodian and Administration Fee***

The Custodian and the Administrator are entitled to receive in respect of a Sub-Fund (or any class thereof), an aggregate fee accrued daily and calculated as at each Dealing Day and payable monthly in arrears as a percentage of the Net Asset Value of such Sub-Fund (or such class) at the rates as specified in the relevant Appendix subject to a maximum fee as specified in the relevant Appendix.

The Custodian and the Administrator are also entitled to receive various safekeeping, transaction and processing fees and other applicable fees as agreed with the Company from time to time and to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by the Custodian and/or the Administrator in the performance of their respective duties.

### ***Registrar Fee***

The Registrar charges a fee of HKD120 per Participating Dealer per transaction. The Registrar is also entitled to receive various transaction and processing fees as agreed with the Company from time to time and to be reimbursed by the relevant Sub-Fund (or the relevant class) properly incurred by it in the performance of its duties.

### ***Directors' Remuneration and Expenses***

Under the Instrument, the Directors shall be entitled to remuneration for their services as Directors up to an amount per annum equivalent to USD10,000 per Director and, where payable, such remuneration shall be allocated fairly as between Sub-Funds by reference to their respective Net Asset Values. Currently, the Directors do not receive any remuneration for their services as Directors of the Company.

The Company may pay any travelling, accommodation and other expenses properly incurred by Directors in connection with their attendance at meetings of Directors, general meetings, separate meetings of the Shareholders or any Sub-Fund or class of Shareholders or the exercise of their powers and the discharge of their responsibilities in relation to the Company.

### ***Estimated Ongoing Charges***

The estimated ongoing charges of any newly established Sub-Fund, which are the sum of anticipated ongoing expenses of the relevant Sub-Fund expressed as a percentage of its estimated average Net Asset Value, and the actual ongoing charges of any existing Sub-Fund, which are the sum of actual ongoing expenses of the relevant Sub-Fund expressed as a percentage of its actual average Net Asset Value, are set out in the KFS of the relevant Sub-Fund. 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 set out in the relevant Appendix. Ongoing expenses may be deducted from the assets of a Sub-Fund where these are permitted by the Instrument, the UT Code, the OFC Code and the law. These include all types of cost borne by a Sub-Fund, 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. Where disclosed in an Appendix of a Sub-Fund, ongoing charges and expenses of that Sub-Fund may be borne by the Manager.

### ***Brokerage Rates***

A Sub-Fund shall bear all costs and brokerage commissions associated with trading transactions through its broker account. Brokerage fees will be charged by a broker at its institutional rates. Such institutional market rates vary with the Security and the market on which the Security is traded.

### ***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 the Sub-Fund will not be paid (either in whole or in part) out of the Scheme Property.

## **Other Expenses**

The Sub-Funds will bear all operating costs relating to the administration of the Sub-Funds including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, index licensing fees, the costs in connection with maintaining a listing of the Shares on the SEHK or other exchange and maintaining the Company's and the Sub-Funds' authorisation under the SFO, costs incurred in the preparation, printing and updating of any offering documents and the costs incurred in the preparation of supplemental deeds, any disbursements or out-of-pocket expenses properly incurred on behalf of the Sub-Funds by the Custodian, the Manager, the Sub-Manager, the Administrator or the Registrar or any of its service providers, the expenses incurred in convening meetings of Shareholders, preparing, printing and distributing annual and interim financial reports and other circulars relating to the Sub-Funds and the expenses of publishing Share prices.

## **Establishment Costs**

The cost of establishing the Company and the initial Sub-Fund (namely Phillip HK Newly Listed Equities Index ETF) including the initial preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs including, if considered appropriate by the Manager, any additional costs of determining the stock code, is approximately HKD1,000,000 (the "**Establishment Costs**") and will be borne by Phillip HK Newly Listed Equities Index ETF (unless otherwise determined by the Manager and set out in the relevant Appendix of any subsequent Sub-Fund) and will be amortised over the first five financial years of Phillip HK Newly Listed Equities Index ETF (or such other period as determined by the Manager after consulting the Auditor and the Custodian).

In 2021, the Hong Kong government established the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the "**Grant Scheme**") to subsidise the setting up of OFC. The Manager will apply to the SFC for a grant under the Grant Scheme on behalf of the Company. If the application for the grant is successful, the Company will receive a grant equivalent to 70% of the Establishment Costs subject to the terms of the Grant Scheme (e.g. the eligibility of the expenses, the cap of HKD1 million per OFC, clawback of the grant if the Company is terminated within two years from the date of incorporation, etc.). The cost of establishing subsequent Sub-Fund(s) will be borne by the relevant Sub-Fund to which such costs relate and will be amortised over the first five financial years of the relevant Sub-Fund (or such other period as determined by the Manager after consulting the Auditor and the Custodian).

The attention of investors is drawn to the risk factor entitled "**Valuation and Accounting Risk**" in the section headed "**RISK FACTORS**".

## **Increase in Fees**

The current fees in respect of each Sub-Fund payable to the Manager, the Custodian and the Administrator as described in the relevant Appendix may be increased up to or towards the maximum rates set out in the relevant Appendix on not less than one week's notice to Shareholders (or such shorter period as may be allowed by the SFC). In the event that such fees are to be increased beyond the maximum rates set out in the relevant Appendix, such increase is subject to the prior approval by the SFC and not less than one month's notice shall be given to Shareholders.

## **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 Shares. A Sub-Fund's investment portfolio may fall in value due to any of the risk factors below and therefore your investment in the Sub-Fund may suffer losses. Investors should carefully evaluate the merits and risks of an investment in the relevant Sub-Fund in the context of your overall financial circumstances, knowledge and experience as an investor. The risk factors set forth below are the risks which are believed by the Manager and its directors to be relevant and presently applicable to each Sub-Fund. You should refer to additional risk factors, specific to each Sub-Fund, as set out in the relevant Appendix.

### **General Investment Risks**

#### ***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 and the Sub-Manager to implement strategies which are designed to minimise tracking error, there can be no assurance that these strategies will be successful. In addition, trading errors are an intrinsic factor in any investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. It is possible that you as an investor may lose a substantial proportion or all of its investment in a Sub-Fund where the relevant Index value declines. As a result, each investor should carefully consider whether you can afford to bear the risks of investing in the relevant Sub-Fund.

#### ***Market Risk***

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

#### ***Asset Class Risk***

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

#### ***Passive Investment Risk***

The Sub-Funds are not actively managed. Accordingly, a Sub-Fund may be affected by a decline in the market segments relating to the relevant Index or Indices. Each Sub-Fund invests (either directly or indirectly) in the Securities and/or Futures Contracts included in or representative of the relevant Index regardless of their investment merit, except to the extent of any representative sampling strategy. The Manager and the Sub-Manager will not have the discretion to adapt to market changes due to the inherent nature of the Sub-Fund and will not take defensive positions in declining markets, which means that falls in the Index or Indices are expected to result in corresponding falls in the Net Asset Value of the Sub-Fund, and investors may lose a significant part of their investment.

#### ***Representative Sampling Risk***

With a representative sampling strategy, a 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 and the Sub-Manager believe will help the Sub-Fund achieve



its investment objective. The Securities held by a Sub-Fund may also be over or underweight relative to the Securities in its Index. It is therefore possible that a Sub-Fund may be subject to larger tracking error.

### ***Possible Business Failure Risk***

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

### ***Management Risk***

Because there can be no guarantee that each Sub-Fund will fully replicate the relevant Index, it is subject to management risk. This is the risk that the Manager's and the Sub-Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager and the Sub-Manager have absolute discretion to exercise Shareholders' rights with respect to Securities and/or Futures Contracts comprising a Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of a Sub-Fund being achieved.

### ***Concentration Risk***

A Sub-Fund may be subject to concentration risk as a result of tracking the performance of a single geographical region or country or industry sector, and the Index may be comprised of a limited number of securities. The value of such Sub-Fund is likely to be more volatile than a fund having a more diverse portfolio of investments, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in the particular geographical region, country or industry sector (including economic, political, policy, foreign exchange, liquidity, tax, legal or regulator event). 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, 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 and/or Futures Contracts Risk***

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

### ***Counterparty Risk***

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

A Sub-Fund may be exposed to the counterparty risk of the Custodian or other depositaries used by the Custodian with which the Scheme Property is deposited. The Custodian or other depositaries may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In the event of the insolvency of the Custodian or other depositaries, a Sub-Fund will be treated as a general creditor of the Custodian or other depositaries in relation to cash holdings of the relevant Sub-Fund. In these circumstances the relevant Sub-Fund may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the relevant Sub-Fund's assets. The Sub-Fund's assets are however maintained by the Custodian and other depositaries in segregated accounts and should be protected in the event of insolvency of the Custodian or such other depositaries.

### ***Equity Market Risk***

Investment in equity Securities by a Sub-Fund 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.

### ***Emerging Market Risk***

Some 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; currency risks/control; 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; legal and taxation risks (such as difficulties in enforcing contracts and imposition of taxes); higher transaction and custody costs; settlement delays and risk of loss; 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 Custodian will have no liability as provided under the provisions of the Instrument; the risk of expropriation of assets and the risk of war.

### ***Tracking Error Risk***

A Sub-Fund may be subject to tracking error risk, which is the risk that its performance may not track that of the Index exactly. This tracking error may result from the investment strategy used, and fees and expenses. The Manager and/or the Sub-Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the relevant Index. A Sub-Fund may incur higher transaction cost due to the potential high turnover of the portfolio as a result of the regular rebalancing/review of the relevant Index upon which the constituents of the Index are subject to change.

### ***Loss of Capital Risk***

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

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

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

### ***Indemnity Risk***

Under the Custody Agreement and the Management Agreement, the Custodian and the Manager (and their respective directors, officers, employees, delegates and agents) shall be entitled, except to the extent of any fraud, negligence, or wilful default on its (or their) part, to be indemnified and held harmless out of the assets of the relevant Sub-Fund in respect of any (in addition to any right of indemnity given by law) actions, proceedings, liabilities, costs, claims, damages, expenses or demands to which it (or they) may be put or which it (or they) may incur or suffer by virtue of the proper performance of its (or their) respective obligations or duties. Any reliance by the Custodian or the Manager on the right of indemnity would reduce the assets of a Sub-Fund and the value of the Shares.

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

Whether a Sub-Fund will pay distributions on its Shares 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. 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 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.

### ***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 a 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 each Sub-Fund and therefore, each 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 Share. 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 Shareholders.

### ***Early Termination Risk***

A Sub-Fund may be terminated early under certain circumstances as set out in the Instrument and summarised under the section headed "**Termination (otherwise than by winding up)**" below. Upon a Sub-Fund being terminated, the Company will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the relevant Sub-Fund to the Shareholders in accordance with the Instrument. Investors may suffer a loss where a Sub-Fund is terminated because any such amount recovered by may be more or less than the capital invested by the Shareholder.

### ***Borrowing Risk***

The Company 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.

### ***Government Intervention and Restriction Risk***

Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions, a ban on short selling or the suspension of short selling for certain stocks. This may affect the operation and market making activities of the Sub-Fund, and may have an unpredictable impact on the Sub-Funds, including increasing or decreasing the level of premium or discount of the Share price to Net Asset Value or the ability of the Sub-Funds to track the relevant Index. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of an Index and as a result the performance of the relevant Sub-Fund.

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

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

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

Shareholders must rely on the Manager and Sub-Manager in implementing the investment strategies and the performance of the Sub-Funds is largely dependent on the services and skills of their officers and employees. In the case of loss of service of the Manager, the Sub-Manager or any of their key personnel, as well as any significant interruption of the Manager's or the Sub-Manager's business operations or in the extreme case of the insolvency of the Manager or the Sub-Manager, the Company may not find successor managers or investment delegates with the requisite skills and qualifications quickly or at all and the new appointment may not be on equivalent terms or of similar quality.

### ***Currency Risk***

Underlying investments of a Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of Shares may be designated in a currency other than the base currency of the Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the

exchange rates between these currencies and the base currency and by changes in exchange rate controls. If the relevant Sub-Fund's Net Asset Value is determined on the basis of HKD, an investor may lose money if he invests in any Sub-Fund if the local currency of a foreign market depreciates against the HKD, even if the local currency value of the Sub-Fund's holdings goes up.

### **Foreign Security Risk**

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.

Some stock exchanges may have the right to suspend or limit trading in any Security traded on the relevant exchange. The government or the regulators in different jurisdictions may also implement policies that may affect the financial markets. Some countries prohibit or restrict foreign investment, or the repatriation of income, capital or the proceeds from sale of Securities. The Sub-Fund may incur higher costs investing in these countries. High market volatility and potential settlement difficulties in the markets in which a Sub-Fund invests may also result in significant fluctuations in the prices of the Securities traded on such markets and thereby may adversely affect the value of the relevant Sub-Fund. All these may have a negative impact on the relevant Sub-Fund and limit the Sub-Fund's ability to invest in these countries, delay the investment or repatriation of capital of the Sub-Fund and impact the Sub-Fund's ability to track the performance of the Index.

### **Securities Financing Transactions Risks**

A Sub-Fund which enters into Securities Financing Transactions may be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral and the following risks:

- *Securities Lending Transactions* – Securities Lending Transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.
- *Sale and Repurchase Transactions* – In the event of the failure of the counterparty with which collateral has been placed, a Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.
- *Reverse Repurchase Transactions* – In the event of the failure of the counterparty with which cash has been placed, a Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

### **Collateral and FDI Risks**

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

significant loss by a Sub-Fund. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

There are risks associated with management of collateral and re-investment of collateral. The value of any collateral received in respect of FDI transactions (if any) may be affected by market events. In the case of collateral assets which are listed Securities, the listing of such Securities may be suspended or revoked or the trading of such Securities on the stock exchanges may be suspended, and during the period of suspension or upon revocation, it may take longer to realise the relevant collateral assets. In the case of collateral assets which are debt Securities, the value of such Securities will be dependent on the creditworthiness of the issuers or obligors in respect of the relevant collateral assets. In the event any issuer or obligor of such collateral assets is insolvent, the value of the collateral assets will be reduced substantially and may cause the relevant Sub-Fund's exposure to such counterparty to be under-collateralised. If the Sub-Fund reinvests cash collateral, it is subject to investment risk including the potential loss of principal.

A Sub-Fund uses investment techniques, including investments in derivatives, such as Futures Contracts that may be considered aggressive. The use of derivatives may result in larger losses or smaller gains than investing in or shorting the Securities included in the relevant Index. Investments in these derivatives may generally be subject to market risks that cause their prices to fluctuate more than an investment directly in a Security and may increase the volatility of Sub-Fund. The use of derivatives may expose each Sub-Fund to additional risks such as counterparty risk, liquidity risk and increased daily correlation risk. When a Sub-Fund uses derivatives, there may be imperfect correlation between the value of the underlying reference assets and the derivative, which may prevent each Sub-Fund from achieving its investment objective.

Any financing, borrowing or other costs associated with using derivatives may also have the effect of lowering the Sub-Fund's return.

### ***Counterparty Risk of Futures Contracts***

A Futures Contract is a contract to purchase or sell a particular Security, or the cash value of an index, at a specified future date at a price agreed upon when the contract is made. Under such contracts, no delivery of the actual Securities is required. Rather, upon the expiration of the contract, settlement is made by exchanging cash in an amount equal to the difference between the contract price and the closing price of a Security or index at expiration, net of the variation margin that was previously paid.

A Sub-Fund may invest in Futures Contracts involving counterparties for the purpose of attempting to gain exposure to a relevant index without actually purchasing those Securities or investments. The use of these derivatives involves risks that are different from those associated with Securities. For example, Futures Contracts have a high degree of price variability and are subject to occasional rapid and substantial changes. Compared to conventional Securities, Futures Contracts can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in their pricing. As a result, a relatively small price movement in a Futures Contract may result in immediate and substantial loss (or gain) to the relevant Sub-Fund. Each Sub-Fund does not specifically limit its counterparty risk with respect to any single counterparty and there is a chance for each Sub-Fund to have single counterparty. Further, there is a risk that no suitable counterparties are willing to enter into, or continue to enter into, transactions with each Sub-Fund and, as a result, each Sub-Fund may not be able to achieve its investment objectives.

### ***Liquidity Risk***

Some Securities held by a Sub-Fund, including derivatives, may be difficult to sell or illiquid, particularly during times of market turmoil. Illiquid Securities may also be difficult to value. Markets for Securities or financial instruments could be disrupted by a number of events, including, but not limited to an economic crisis, natural disasters, new legislation or regulatory changes. Illiquid Securities may also be difficult to value. If a Sub-Fund is forced to sell an illiquid security at an unfavourable time or at a price that is lower than Manager's or the Sub-Manager's judgment of the Security's true market value, each Sub-Fund may be forced to sell the security at a loss. Such a situation may prevent each Sub-Fund from limiting losses, realising gains or achieving its investment objective, thus adversely affecting the Sub-Fund's performance.

## **Risks Associated with Market Trading**

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

The Shares of a Sub-Fund may not initially be widely held upon their listing on the SEHK. Accordingly, any

investor buying Shares in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, one or more Market Makers have been appointed. There can be no assurance that an active trading market for such Shares will develop or be maintained. In addition, if the trading markets for the underlying Securities or Futures Contracts which the Sub-Fund holds are limited, in efficient or absent, or if the bid-offer spreads are wide, this may adversely affect the price at which Securities and/or Futures Contracts may be purchased or sold by a Sub-Fund upon any rebalancing activities or otherwise, and the value of the Shares and the ability of an investor to dispose of its Shares at the desired price. If an investor needs to sell his, her or its Shares at a time when no active market for them exists, the price received for the Shares – assuming an investor is able to sell them – is likely to be lower than the price received if an active market did exist.

### ***Suspension of Trading Risk***

Investors and potential investors will not be able to buy, nor will investors be able to sell, Shares on the SEHK during any period in which trading of the Shares is suspended. The SEHK may suspend the trading of Shares 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 Shares may also be suspended if the trading of Shares is suspended.

### ***Effect of Redemptions Risk***

If significant redemptions of Shares are requested by the Participating Dealers, it may not be possible to liquidate the relevant Sub-Fund's investments at the time such redemptions are requested or the Manager or the Sub-Manager may be able to do so only at prices which the Manager or the Sub-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 Shares are requested by the Participating Dealers, the right of Participating Dealers 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.

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

The Net Asset Value per Share 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 Shares fluctuate continuously throughout the trading hours which are driven by market factors such as the demand and supply of the Shares. Any of these factors may lead to the Shares of the relevant Sub-Fund trading at a premium or discount to the Sub-Fund's Net Asset Value. On the basis that Shares can be created and redeemed in Application Shares at Net Asset Value, the Manager and the Sub-Manager believe 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 Shares 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 Shares 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.

### ***Trading Risk***

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

### ***Restrictions on Creation and Redemption of Shares Risk***

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

### ***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.

### ***Secondary Market Trading Risk***

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

### ***Reliance on Market Maker(s) Risk***

Although the Manager will ensure that at least one Market Maker for each Sub-Fund will maintain a market for the Shares of the Sub-Fund, and that at least one Market Maker per Sub-Fund is required to give not less than 3 months’ prior notice to terminate market making arrangement under the relevant market making agreement, there may be circumstances such as the revocation of the relevant market making approvals or registration or other changes beyond the control of the Manager that may result in the sudden loss of a Market Maker for a Sub-Fund. It should be noted that liquidity in the market for the Shares may be adversely affected if there is no or only one market maker for Shares. There is also no guarantee that any market making activity will be effective.

It is possible that there is only one SEHK Market Maker for each Sub-Fund and therefore it may not be practical for a Sub-Fund to remove the only Market Maker for the Sub-Fund even if the Market Maker fails to discharge its duties as the sole Market Maker.

### ***Reliance on Participating Dealer(s) Risk***

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

### ***Trading Time Differences Risk***

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

the Net Asset Value per Share. When trading Futures Contracts there may be a time difference between the trading times of the Futures Contracts and the underlying index constituents and as such there may be imperfect correlation between the value of the index constituents and the Futures Contracts, which may prevent a Sub-Fund from achieving its investment objective.

## **Risks Associated with the Indices**

### ***Fluctuations Risk***

The performance of the 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 Shares of the Sub-Fund which tracks that Index will vary or decline accordingly.

### ***Licence to Use Index may be Terminated Risk***

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

### ***Compilation of Index Risk***

The Securities and/or Futures Contracts of each Index are determined and composed by the relevant Index Provider without regard to the performance of the relevant Sub-Fund. Each Sub-Fund is not sponsored, endorsed, sold or promoted by the relevant Index Provider. Each Index Provider makes no representation or warranty, express or implied, to investors in any Sub-Fund or other persons regarding the advisability of investing in Securities and/or Futures Contracts generally or in any Sub-Fund particularly. Each Index Provider has no obligation to take the needs of the Manager or investors in the relevant Sub-Fund into consideration in determining, composing or calculating the relevant Index. There is a possibility that the relevant Index tracked by the Sub-Fund may be wrongly compiled, for example, due to the use of incorrect data. There is also a possibility that the calculation of the Index may be incomplete, for example, due to technical failure during the calculation of the relevant Index. In this case, there might be significant difference between the return of the Sub-Fund and the relevant Index. In addition, the process and the basis of computing and compiling the Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by the Index Provider without notice. Consequently there can be no guarantee that the actions of an Index Provider will not prejudice the interests of the relevant Sub-Fund, the Manager or investors.

### ***Risk of Change in Methodology and Composition of an Index***

The composition of the Securities and/or Futures Contracts constituting an Index will change as the Securities and/or Futures Contracts of the Index may be delisted, or as the Securities and/or Futures Contracts mature or are redeemed or as new Securities and/or Futures Contracts are included in the Index. The construction methodology of the relevant Index may also change when the Index Provider deems it necessary to adapt to significant changes in the market condition. When this happens, the weightings or composition of the Securities and/or Futures Contracts owned by the relevant Sub-Fund (either directly or indirectly) will be changed as considered appropriate by the Manager and the Sub-Manager to achieve the investment objective. Thus, an investment in Shares will generally reflect the performance of the relevant Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Shares. However, there can be no guarantee that a Sub-Fund will, at any given time accurately reflect the composition of the relevant Index (please refer to the section on “**Tracking Error Risk**”).

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

Securities and/or Futures Contracts acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the Securities and/or Futures Contracts, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Security and/or Futures Contract



in a Sub-Fund's portfolio is available (for example, when the secondary markets on which a security is traded have become illiquid) the Manager may in consultation with the Custodian apply valuation methods to ascertain the fair value of such securities, pursuant to the Instrument.

## **Risks Associated with Regulation**

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

The Company and each Sub-Fund have been authorised as a collective investment scheme under the UT Code by the SFC under Section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of the Company or any of the Sub-Funds nor does it guarantee the commercial merits of the Company, any of the Sub-Funds or their performance. This does not mean the Company or the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of the Company or a Sub-Fund if the relevant Index is no longer considered acceptable or impose such conditions as it considers appropriate. In addition, any authorisation granted by the SFC may be subject to certain conditions or waivers from the UT Code which may be withdrawn or varied by the SFC. If, as a result of such withdrawal or variation of conditions or waivers from the UT Code, it becomes illegal, impractical or inadvisable to continue the Company or a Sub-Fund, the Company or the Sub-Fund (as applicable) will be terminated.

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

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

### ***Shares may be Delisted from the SEHK Risk***

The SEHK imposes certain requirements for the continued listing of Securities, including the Shares, on the SEHK. Investors cannot be assured that any Sub-Fund will continue to meet the requirements necessary to maintain the listing of Shares on the SEHK or that the SEHK will not change the listing requirements. If the Shares of a Sub-Fund are delisted from the SEHK, Shareholders will have the option to redeem their Shares 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 UT Code will be observed by the Manager including as to notices to Shareholders, 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 Shares may also have to be delisted.

### ***Taxation Risk***

Investing in a Sub-Fund may have tax implications for a Shareholder depending on the particular circumstances of each Shareholder. 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 Shares. Such tax consequences may differ in respect of different investors.

### ***FATCA-related Risks***

The US Foreign Account Tax Compliance Act ("**FATCA**") provides that a 30% withholding tax will be imposed on certain payments to certain foreign financial institutions, such as the Company and each Sub-Fund, including interests and dividends from securities of US issuers, unless the Company provide the withholding agent with certification to comply with FATCA and the Company obtains and reports the name, address and taxpayer identification number of certain persons that own, directly or indirectly, an interest in the relevant Sub-Fund, as well as certain other information relating to any such interest. The US Internal Revenue Service (the "**IRS**") has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements. The United States Department of the Treasury and Hong Kong have entered into an intergovernmental agreement based on the Model 2 arrangement. Although the Company and each Sub-Fund will attempt to satisfy any obligations imposed on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Company and each Sub-Fund will be able to fully satisfy these obligations. If any Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund and its Shareholders may suffer material loss.

The Company and each Sub-Fund's ability to comply with FATCA will depend on each Shareholder providing the Company or its agent with information that the Company requests concerning the Shareholder or its direct and indirect owners. As at the date of this Prospectus, all Shares are registered in the name of HKSCC Nominees Limited. HKSCC Nominees Limited has registered as a participating foreign financial institution.

Please also refer to the sub-section entitled "*FATCA and compliance with US withholding requirements*" under the section headed "**TAXATION**" in this Prospectus for further details on FATCA and related risks.

All prospective investors and Shareholders should consult with their own tax advisers regarding the possible implications of FATCA and the tax consequences on their investments in a Sub-Fund. Shareholders who hold their Shares through intermediaries should also confirm the FATCA compliance status of those intermediaries.

### ***Legal and Compliance Risk***

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

### ***Valuation and Accounting Risk***

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

### ***Contagion Risk***

The Instrument allows the Company to issue Shares in separate Sub-Funds. The Instrument provides for the manner in which the liabilities are to be attributed across the various Sub-Funds under the Company (liabilities are to be attributed to the specific Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant Sub-Fund (in the absence of the Company granting that person a security interest).

### ***Cross Liability Risk***

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

## MANAGEMENT OF THE COMPANY AND SUB-FUNDS

### The Directors

The Directors of the Company are as follows:

#### *WONG Wai Kit, Louis*

Mr. WONG Wai Kit, Louis is a Director of the Company. He joined Phillip HK Group in 1993 and has been the director of Phillip Securities (Hong Kong) Limited and the Manager since 1996 and 2002 respectively. He has over 20 years of investment experience in securities dealing and 19 years in asset management. He has also been the investment advisor to an authorized fund in Thailand which primarily invests in Hong Kong and China.

#### *LOH Yang Nee*

Ms. LOH Yang Nee is a Director of the Company. She has been the director, Fixed Income in the Sub-Manager since 2005. She is responsible for the strategic focus and management of various fixed income and balanced portfolios. She began her career in 1995 covering both equities and fixed income investments. Before joining the Sub-Manager, she was with Navigator Investment Services under the AVIVA Insurance group and The Insurance Corporation of Singapore. She graduated with a Bachelor of Commerce (double majors in Economics and Finance) from Curtin University of Technology, Australia. She possesses more than 14 years' experience in the fund management industry and more than 10 years managing unit trusts. She has 9 years of experience managing money market funds.

#### *LAU Suk Tung*

Mr. LAU Suk Tung is a Director of the Company. He is concurrently a director of Phillip Securities Group. Mr. Lau is in charge of Business Development and has over 20 years of experience. Prior to joining Phillip Securities Group, he served in the financial industry in Hong Kong and held various management positions in Hong Kong Exchanges and Clearing Limited, and a major Mainland financial institution. Mr. Lau holds a Master of Finance degree from the University of Cambridge and a Bachelor's degree from University College London. In his public service, Mr. Lau served as School Manager of C&MA Sun Kei Secondary School and C&MA Sun Kei Primary School (Ping Shek).

### The Manager

The Manager is Phillip Capital Management (HK) Limited.

The Manager was incorporated with limited liability on 14 October 1993 in Hong Kong and is licensed by the SFC for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO with CE number AEP527.

The Manager, a subsidiary of Phillip Securities Group carries out asset management and securities advisory activities in Hong Kong.

The Manager is dedicated to serving investors with integrity and expertise, focusing on strategic asset allocation as to optimize the combination of different investment tools.

The Manager provides discretionary management services and advisory services to both institutional investors and investment funds.

### The Directors of the Manager

The directors of the Manager are Lim Wah Sai, Wong Wai Kit Louis, Lim Wen Sheong Linus and Loh Yang Nee.

#### *LIM Wah Sai*

Mr. Lim Wah Sai holds a MSc in Management Science from Imperial College, University of London in 1982 and a BSc (1st Class Hon) in Control Instrumentation and System Engineering from the City University, London in 1981.

He joined the Phillip Securities Group in 1988 and was seconded to work in Hong Kong since 1993. He is presently the Managing Director and Responsible Officer of the Phillip Securities Group of companies in HK, including Phillip Securities (Hong Kong) Limited, Phillip Commodities (HK) Limited and the Manager. The Manager manages a portfolio of about HK\$1 billion for both the retail and institutional clients and act as an investment advisor to an authorized fund in Thailand which primarily invests in Hong Kong and China.

He is also a member of Derivatives Market Consultative Panel of HKEX. He has over 30 years' experience in the securities, derivatives and banking industries.

#### *WONG Wai Kit, Louis*

Mr. WONG Wai Kit, Louis joined Phillip HK Group in 1993 and has been the Director of Phillip Securities (Hong Kong) Limited and the Manager since 1996 and 2002 respectively. He has over 20 years of investment experience in securities dealing and 19 years in asset management. He has also been the investment advisor to an authorized fund in Thailand which primarily invests in Hong Kong and China.

#### *LIM Wen Sheong, Linus*

Mr. LIM Wen Sheong, Linus focuses on investment strategy as well as product development. Prior to joining Phillip Group, he was with the Regional Investments Business division of Citibank Asia Pacific. He has been with Phillip Group since 2001 where he was involved in equity research and corporate finance business both in Singapore and in the UK. Linus is a graduate from the London School of Economics and holds an MBA from the Anderson School of Management at UCLA. He also holds an Investment Management Certificate IIMR (UK) as well as a Chartered Alternative Investment Analyst (CAIA Association).

He possesses more than 14 years of investment experience and more than 8 years managing unit trusts. Linus is a member of Board of Directors of the Sub-Manager since 2009. Further to that, he has also been appointed to the Board of Directors of several fund management companies since then.

He has been the co-Chief Investment Officer of the Sub-Manager since 2014 overseeing the strategic direction of the fund management business focused on both authorised unit trusts available to retail investors in Singapore as well as the segregated mandates managed for institutional clients. He is the lead manager of an Asia-Pacific REIT equity fund and the segregated portfolio for a sovereign wealth fund.

#### *LOH Yang Nee*

Ms. LOH Yang Nee has been the Director, Fixed Income in the Sub-Manager since 2005. She is responsible for the strategic focus and management of various fixed income and balanced portfolios. She began her career in 1995 covering both equities and fixed income investments. Before joining the Sub-Manager, she was with Navigator Investment Services under the AVIVA Insurance group and The Insurance Corporation of Singapore. She graduated with a Bachelor of Commerce (double majors in Economics and Finance) from Curtin University of Technology, Australia. She possesses more than 14 years' experience in the fund management industry and more than 10 years managing unit trusts. She has 9 years of experience managing money market funds.

### **The Sub-Manager**

Phillip Capital Management (S) Ltd. has been appointed by the Manager as a sub-manager of Phillip HK Newly Listed Equities Index ETF pursuant to an Investment Management Agreement entered into between them. Under the terms of the Investment Management Agreement, the Sub-Manager will manage and invest the property of the Sub-Fund on a full discretionary basis in accordance with the investment objectives and investment restrictions of the Sub-Fund.

Phillip Capital Management (S) Ltd. ("**PCM SG**") is a fund management company, based in Singapore since 1995. PCM SG is the Asset Management arm of Phillip Capital Group, a stock broking company that was established 40 years ago, and is spread across a few cities: Singapore, Kuala Lumpur, Bangkok, Jakarta, Hong Kong, and London. PCM SG manages funds for both individual investors as well as institutions to help clients achieve their financial goals.

The Sub-Manager will be reimbursed out of the Management Fee.

### **The Custodian**

The Custodian of the Company is HSBC Institutional Trust Services (Asia) Limited ("**HCHK**"), which is

incorporated in Hong Kong and is registered as a trust company under the Trustee Ordinance in Hong Kong (Chapter 29 of the Laws of Hong Kong). It is an indirect wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales. HTHK is regulated by the Mandatory Provident Fund Schemes Authority.

Under the Custody Agreement, the Custodian is responsible for the safekeeping of the assets of the Company and each Sub-Fund, subject to the provisions of the Instrument and the SFO.

The Custodian may, however, appoint a person or persons (including a Connected Person of the Custodian) to be agent, nominee, custodian, joint custodian, co-custodian and/or sub-custodian to hold certain assets of any Sub-Fund and may empower any such person or persons to appoint, with no objection in writing by the Custodian, co-custodians and/or sub-custodians. The Custodian may also appoint delegates for the performance of its duties, powers or discretions under the Custody Agreement. The Custodian is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and monitoring of such persons and, (b) be satisfied that such persons retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Sub-Funds provided however that if the Custodian has discharged its obligations set out in (a) and (b) above, the Custodian shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any such person(s) not being the Custodian's Connected Person appointed as agents, nominees, custodians or joint custodians of certain assets of any Sub-Fund. The Custodian however shall remain liable for any act or omission of any such person that is a Connected Person of the Custodian and that is appointed as agent, nominee, custodian, joint custodian, co-custodian and/or sub-custodian to hold certain assets of any Sub-Fund as if the same were the acts or omissions of the Custodian. The Custodian shall not be liable for any act or failure to act by the Custodian that may arise directly or indirectly in connection with the Custody Agreement, other than any liability which is caused directly by negligence or fraud or wilful default of the Custodian.

The Custodian shall not be liable for: (a) any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised or central depositories or clearing system which may from time to time be approved by the Custodian and the Manager; or (b) the custody or control of any investments, assets or other property which is under the custody or control of or on behalf of a lender in respect of any borrowing made by the Custodian for the purposes of the Company or any Sub-Fund.

Subject as provided in the Custody Agreement, the Custodian and its directors, officers and employees are entitled to be indemnified from the assets of the relevant Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses which may be incurred by or asserted against the Custodian or its directors, officers and employees in performing its obligations or duties in connection with the Company and/or the relevant Sub-Fund. Please see further description in **"Indemnities of the Custodian"** under the section headed **"STATUTORY AND GENERAL INFORMATION"**.

In addition, subject to any applicable Laws and Regulations, the Custodian shall not be responsible for or incur any liability for matters prescribed under the Instrument, including, without limitation, (i) any error of law or matter or thing done or omitted to be done in good faith, (ii) authenticity of any signature or seal affixed to any documents affecting the title to or transmission of shares or investments, (iii) acting upon any resolutions purporting to have been passed at any meeting of the Shareholders in respect whereof minutes shall have been made and signed or passed in accordance with terms of the Instrument, (iv) any consequential, special or indirect loss or punitive damages arising under or in connection with the Instrument and the Custody Agreement, whether in contract, in tort, by law or otherwise.

Notwithstanding the aforesaid, the Custodian is neither exempted from any liability to holders imposed under Hong Kong law nor breaches of trust through fraud or negligence nor may it be indemnified against such liability by Shareholders or at Shareholders' expense. Subject to the applicable law and the provisions of the Custody Agreement and the Instrument, the Custodian shall not, in the absence of fraud, negligence or wilful default on the part of the Custodian, be liable for any losses, costs or damage to the Company, any Sub-Fund or any Shareholder.

The Custodian will remain as the primary custodian of the Company until it retires or is removed. The circumstances under which the Custodian may retire or be removed are set out in the Custody Agreement. Where any Sub-Fund is authorised pursuant to section 104 of the Securities and Future Ordinance, any change in the Custodian is subject to the SFC's prior approval and the Custodian will remain as the custodian of the Company until a new primary custodian is appointed. Shareholders will be duly notified of any such changes in accordance with the requirements prescribed by the SFC.

The Custodian will be entitled to the fees described in the section headed “**FEES AND EXPENSES**” above and to be reimbursed for all costs and expenses in accordance with the provisions of the Custody Agreement. The Custodian is not responsible for the preparation or issue of this Prospectus and therefore accepts no responsibility for any information contained in this Prospectus. Neither the Custodian nor any of its subsidiaries, affiliates, directors and other officers, shareholders, servants, employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Prospectus other than the description under this section headed “**The Custodian**”.

### **The Sub-Custodian**

The Custodian has appointed The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) as the Sub-Custodian of the Company. The Sub-Custodian is a bank incorporated under the laws of Hong Kong and is an “authorised institution”, having a valid bank licence under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). It is regulated as a bank by The Hong Kong Monetary Authority (the “**HKMA**”), which is the regulator of authorised institutions in Hong Kong. The Sub-Custodian is also a “registered institution” with the SFC for carrying on regulated activities under the SFO in Hong Kong. Notwithstanding that it is regulated by both the HKMA and the SFC, the Sub-Custodian’s primary regulator in Hong Kong is the HKMA.

### **The Administrator and Registrar**

HSBC has been appointed as the Administrator of each Sub-Fund and shall carry out certain financial, administrative functions and other services in relation to each Sub-Fund on its behalf and is responsible for, among other things: (i) calculating the Net Asset Value and Net Asset Value per Share of any class relating to each Sub-Fund, and (ii) the general administration of each Sub-Fund, which includes the proper book keeping of the each Sub-Fund, and arranging the administration of the issue and redemption of Shares of each Sub-Fund.

HSBC also acts as the Registrar for each Sub-Fund under the terms of the Fund Administration Agreement, unless otherwise stated in the relevant Appendix. The Registrar provides services in respect of the establishment and maintenance of the register of Shareholders of each Sub-Fund.

HSBC, its delegated affiliates, directors, officers and employees of each of them, are entitled to be indemnified by the Company out of the Scheme Property of a Sub-Fund against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, legal costs, expenses or disbursements of any kind or nature whatsoever other than those resulting from the fraud, willful default or negligence on the part of HSBC, its delegated affiliates, directors, officers, employees and each of them which may be imposed on, incurred by or asserted against HSBC, its delegated affiliates, directors, officers, employees and each of them, as a result of or in connection with performing the services under the Fund Administration Agreement between HSBC and the Company for and on behalf of the relevant Sub-Fund.

In performing the services under the Fund Administration Agreement, HSBC is entitled, without verification or further enquiry or liability, to rely on pricing information in relation to specified Investments held by the Company and each Sub-Fund, which would include information provided by the Manager, or, in the absence of any such price sources, any price sources on which HSBC may choose to rely. Without prejudice to the generality of the foregoing, HSBC is not liable or otherwise responsible for any loss suffered by any person other than losses resulting from negligence, willful default or fraud on the part of HSBC or any affiliate by reason of any inaccuracy, error or delay (whether as a result of deliberate action or otherwise) in any pricing or valuation information provided by pricing agents, pricing sources or pricing models provided by any person, including, without limitation, by the manager, administrator or valuation agent of any fund or portfolio into which the Company and the relevant Sub-Fund invest or for any inaccuracy, error or delay (whether as a result of deliberate action or otherwise) in information (including, without limitation, pricing or valuation information) supplied to HSBC.

HSBC will use reasonable endeavours to independently verify the price of any assets or liabilities of the Company and each Sub-Fund using its network of automated pricing services, brokers, market makers, intermediaries or using other pricing sources or pricing models provided by any person.

In the absence of readily available independent pricing sources, HSBC may rely solely upon any valuation or pricing information (including, without limitation, fair value pricing information) about any such assets or liabilities of the Company and each Sub-Fund (including, without limitation, private equity investments) which is processed by it or provided to it by: (i) the Manager, the Company, the Directors (or other governing body); and/or (ii) third parties including, but not limited to, any valuer, third party valuation agent, intermediary or

other third party including, but not limited to, those appointed or authorised by the Manager, the Company, the Directors (or other governing body) to provide pricing or valuation information in respect of the Scheme Property or liabilities to HSBC. HSBC is not liable for any loss suffered by any person as a result of HSBC not providing this information for any such asset or liability of the Company and the relevant Sub-Fund.

HSBC in no way acts as guarantor or offeror of the Shares of the Company or any underlying investment. HSBC is a service provider to the Company in respect of each Sub-Fund and has no responsibility or authority to make investment decisions, or render investment, commercial, accounting, legal or any other advice whatsoever, with respect to the Scheme Property. HSBC is not responsible for, and accepts no responsibility or liability for any losses suffered by the Company or any Sub-Fund or any investors in the Company or any Sub-Fund as a result of any failure by the Manager or the Directors (or other governing body), as applicable, to adhere to any investment objective, investment policy, investment restrictions, borrowing restrictions, operating guidelines or other restrictions applicable to the Company and the relevant Sub-Fund.

HSBC is not liable or otherwise responsible for any loss suffered by any person by reason of (i) any act or omission of any person prior to the commencement date of the Fund Administration Agreement, (ii) any defect, error, inaccuracy, breakdown or delay in any product or service provided to HSBC by any third party service provider or (iii) any inaccuracy, error or delay in information provided to HSBC by or for the Company or any Sub-Fund or the Manager (including any broker, market maker or intermediary or any other third party). HSBC is not otherwise liable for any loss in connection to the services provided to the Company or any other person unless direct loss is sustained as a result of its fraud, willful default or negligence.

In addition, subject to any applicable Laws and Regulations, HSBC shall not be responsible for or incur any liability for matters prescribed under the Instrument, including, without limitation, (i) any error of law or matter or thing done or omitted to be done in good faith, (ii) authenticity of any signature or seal affixed to any documents affecting the title to or transmission of Shares or of investments, (iii) acting upon any resolutions purporting to have been passed at any meeting of the Shareholders in respect whereof minutes shall have been made and signed or passed in accordance with terms of the Instrument, or (iv) any consequential, special or indirect loss or punitive damages arising under or in connection with the Instrument and the Fund Administration Agreement, whether in contract, in tort, by law or otherwise.

Under the terms of the Fund Administration Agreement, HSBC is permitted to delegate certain of its functions and duties to HSBC's affiliates as permitted by applicable Laws and Regulations, provided that HSBC will remain responsible for the performance of its affiliates.

The Fund Administration Agreement provides that the appointment of the HSBC in its capacity as the Administrator, the Registrar and the valuation agent may be terminated without cause by the Company by giving at least 90 days' prior notice in writing to HSBC. The Fund Administration Agreement may be terminated with immediate or subsequent effect by written notice in certain specified circumstances (e.g., in circumstances where a party to the Fund Administration Agreement has committed a material breach of the terms of such agreement).

HSBC will be entitled to the fees described in the section headed "**FEES AND EXPENSES**" above and to be reimbursed for all costs and expenses in accordance with the provisions of the Fund Administration Agreement.

HSBC is not responsible for the preparation or issue of this Prospectus and therefore accepts no responsibility for any information contained in this Prospectus other than with respect to the description above in respect of the Administrator and the Registrar. Neither the Administrator, and Registrar nor any of its subsidiaries, affiliates, directors and other officers, shareholders, servants, employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Prospectus other than the description under this section headed "**The Administrator and Registrar**".

### **The Service Agent or Conversion Agent**

Where a Sub-Fund creates and redeems in-kind in respect of SEHK listed Securities, HK Conversion Agency Services Limited may act as Conversion Agent under the terms of the Conversion Agency Agreement. HK Conversion Agency Services Limited otherwise acts as Service Agent under the terms of the Service Agreement. The Service Agent or Conversion Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Shares in the Sub-Fund by Participating Dealers.

### **The Auditor**

The Directors have appointed PricewaterhouseCoopers to act as the Auditor of the Company and each Sub-Fund. The Auditor is independent of the Manager and the Custodian.

### **The Participating Dealers**

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 [phillipfunds.com.hk](http://phillipfunds.com.hk) (this website has not been reviewed by the SFC).

### **The Market Makers**

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Shares 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 Shares on the SEHK. Market Makers facilitate the efficient trading of Shares 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 use its best endeavours to put in place arrangements so that there is at all times at least one Market Maker for Shares in each available counter. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager use its best endeavours to put in place arrangements so that there is at least one other Market Maker for each available counter of each Sub-Fund to facilitate the efficient trading of Shares. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker for each available counter of each Sub-Fund will give not less than 3 months' notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers for each Sub-Fund is available at [www.hkex.com.hk](http://www.hkex.com.hk) and [phillipfunds.com.hk](http://phillipfunds.com.hk) (this website has 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**

Unless otherwise specified in the relevant Appendix, Altus Capital Limited has been appointed by the Manager as the Listing Agent for each Sub-Fund in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in respect of the relevant Sub-Fund's listing on the SEHK. The Listing Agent is a licensed corporation which holds, amongst others, a Type 6 (advising on corporate finance) regulated activity licence under the SFO with CE Number AGH102.

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

The Manager, the Sub-Manager and the Custodian may, from time to time, act as manager, sub-investment manager, investment delegate, trustee or custodian or in such other capacity in connection with any collective investment scheme separate and distinct from the Company and each Sub-Fund and retain any profit or benefit made in connection therewith.

In addition:

- (a) The Manager, the Sub-Manager or any of their 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 Custodian.
- (b) The Custodian, the Manager, the Sub-Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Shareholder or any company or body any of whose shares or securities form part of the relevant Sub-Fund's assets.
- (c) The Custodian, the Manager, the Sub-Manager or any of their Connected Persons may become the owner of Shares and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Custodian, the Manager, the Sub-Manager or any of their Connected Persons.
- (d) The Custodian, the Manager, the Sub-Manager and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held by a Sub-Fund.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of a Sub-Fund may be made with any of the Custodian, the Manager, the Sub-Manager or any other 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 Shareholders.

- (f) Neither the Custodian 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 Shareholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

It is, therefore, possible that any of the Custodian, 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 Sub-Fund and the Shareholders and will endeavour to ensure that such conflicts are resolved fairly.

Subject to applicable rules and regulations, the Manager, its delegate (including the Sub-Manager) 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 or the Sub-Manager invests a Sub-Fund in shares or units of a collective investment scheme managed by the Manager, its delegates (including the Sub-Manager) or any of its Connected Persons, the manager of the scheme in which the investment is being made by the Sub-Fund must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any of its Connected Persons) borne by the Sub-Fund.

None of the Manager, its delegates (including the Sub-Manager) or any of their Connected Persons shall retain any cash commission rebates or other payment or benefit (except as otherwise provided for in this Prospectus or in the Instrument) 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 the Sub-Manager) or any of their 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 a 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 UT 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 Custodian provided to the Company and each Sub-Fund are not deemed to be exclusive and the Custodian 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 Custodian 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 Custodian in the course of the Custodian 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 Custody Agreement.

Conflicts of interest may also arise due to the widespread business operations of the Custodian, the Manager, the Sub-Manager, the Registrar, the Conversion Agent or the Service 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 Instrument and the relevant agreement(s), 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 Shareholders. For so long as a Sub-Fund is authorised by the SFC and it is an applicable requirement of the UT Code, the Manager, if transacting with brokers or dealers connected to the Manager, investment delegates (including the Sub-Manager), the Custodian 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

### Financial Reports

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

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

The financial reports provide details of the assets of each Sub-Fund and the Manager's statement on transactions during the period under review (including a list of any constituent Securities of the relevant Index, if any, that each accounts for more than 10% of the weighting of the relevant Index as at the end of the relevant period and their respective weighting showing any limits adopted by the relevant Sub-Fund have been complied with). The financial reports shall also provide a comparison of each Sub-Fund's performance and the actual relevant Index performance over the relevant period and such other information as is required under the UT Code.

### The Instrument

The Company was incorporated in Hong Kong under the SFO on 29 September 2022. Its constitution is set out in the Instrument filed to the Companies Registry of Hong Kong on, and effective as of, 29 September 2022 (and as may be further amended, modified or supplemented from time to time). All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Instrument.

### Indemnities of the Manager

Subject to the Instrument, the Company agrees to indemnify the Manager all actions, proceedings, claims, costs, demands, and expenses which may be brought against suffered or incurred by the Manager by reason of its performance or non-performance of its obligations or functions under the terms of the Management Agreement (other than due to fraud, bad faith, wilful default or negligence on the part of the Manager or persons designated by it) including all legal professional and other expenses incurred by the Manager or persons designated by it in the performance of its obligations or functions and including indemnity obligations owed by the Manager to persons designated by it (except such as shall arise from fraud, bad faith, wilful default or negligence in the performance or non-performance of such obligations or functions).

No provision of the Instrument or the Management Agreement shall be construed as (i) providing any exemption of any liability of the Manager to the Shareholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may the Manager be indemnified against such liability by Shareholders or at the Shareholders' expense, or (ii) diminishing or exempting the Manager from any of its duties and liabilities under applicable Laws and Regulations, and no provision shall have the effect of providing any of such exemption or indemnity.

### Indemnities of the Custodian

Under the Custody Agreement, without prejudice to any indemnity to which the Custodian may otherwise be entitled under applicable law, the Company agrees to (i) indemnify the Custodian for all losses, costs, damages, taxes and expenses (including reasonable legal fees and disbursements) (each a "**Loss**") incurred by the Custodian (directly or payable to its agents or sub-custodians) arising in connection with the failure of the Company to perform any of its obligations under the Custody Agreement or arising from or in connection with the Custodian's appointment or performance under the Custody Agreement; and (ii) defend and hold the Custodian harmless from or in connection with any Loss imposed on, incurred by, or asserted against the Custodian (directly or through any of its agents or sub-custodians) or otherwise arising in connection with or arising out of any claim, action or proceeding by any third party, except any Loss resulting from negligence, fraud or wilful default of the Custodian.

Nothing in the Custody Agreement excludes or restricts the liability to the Company which the Custodian may have under the SFO.

No provision of the Instrument or the Custody Agreement shall be construed as (i) providing any exemption of any liability of the Custodian to the Shareholders under Hong Kong law, nor may the Custodian be indemnified against such liability by Shareholders or at the Shareholders' expense, or (ii) diminishing or exempting the Custodian from any of its duties and liabilities under applicable Laws and Regulations, and no provision shall have the effect of providing any of such exemption or indemnity.

### **Modification of the Instrument**

An amendment to the Instrument may be made to the extent permitted by the Laws and Regulations applicable to the Company and in accordance with the Instrument.

No alteration to the Instrument may be made unless:

- (a) the alteration has been approved by Shareholders by a special resolution (as defined in the Instrument); or
- (b) the Custodian certifies in writing that in its opinion the proposed alteration: (i) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements; (ii) does not materially prejudice Shareholders' interests, does not to any material extent release the Directors, the Manager, the Custodian or any other person from any liability to Shareholders and does not increase the costs and charges payable from the Scheme Property; or (iii) is necessary to correct a manifest error.

In all other cases involving any material changes, no alteration may be made except by a special resolution of Shareholders or the approval of the SFC. The Company shall provide written notice to Shareholders in respect of any alteration to this Instrument and any alteration to the Company generally in accordance with the Laws and Regulations applicable to the Company.

Shareholders and intending applicants are advised to consult the terms of the Instrument for further details.

### **Meetings of Shareholders**

A Shareholder is entitled to appoint another person (whether a Shareholder or not) as a proxy to exercise all or any of the Shareholder's rights to attend and to speak and vote at a general meeting of the Company.

HKSCC may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representatives at any meeting of Shareholders.

Where the Shareholder is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meetings of Shareholders or any meetings of any Class of Shareholders in a Sub-Fund provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and Class of Shares in respect of which each such person is so authorised. Subject to the terms of the Instrument, the person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence for substantiating the facts that it is duly authorised and will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Shareholder.

### **Voting Rights**

Shareholders' meetings may be convened by the Directors or by Shareholders representing at least 10% of the Shares in issue, on not less than 21 calendar days' notice in respect of a meeting where a special resolution (as defined in the Instrument) is to be proposed and 14 calendar days' notice in respect of a meeting where an ordinary resolution (as defined in the Instrument) is to be proposed.

These meetings may be used to modify the terms of the Instrument, including removing the Manager or terminating a Sub-Fund at any time. Such amendments to the Instrument must be considered by Shareholders of at least 25% of the Shares in issue and passed by a 75% or more of the votes cast.

Other matters that require an ordinary resolution being passed would be considered by Shareholders of at least 10% of the Shares in issue and passed by a simple majority of more than 50% of the votes cast. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to such day and time not being less than 15 days thereafter and to such place as may be appointed

by the chairman of the meeting. At such adjourned meeting, the Shareholders present in person or by proxy shall be a quorum. Notice of any adjourned meeting of Shareholders shall be given in the same manner as for an original meeting and such notice shall state that the Shareholders present at the adjourned meeting, whatever their number and the number of Shares held by them, will form a quorum.

The Instrument contains provisions for the holding of separate meetings of Shareholders holding Shares of different classes where only the interests of Shareholders of such class are affected.

### **Removal and Retirement of the Directors**

A person ceases to be a Director if the person:

- (a) ceases to be a Director or is prohibited from being a Director under the applicable Laws and Regulations or under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (b) becomes bankrupt or makes any arrangement or composition with the person's creditors generally;
- (c) becomes a mentally incapacitated person;
- (d) resigns from the office of Director by notice in writing of the resignation of not less than 28 days;
- (e) for more than 6 months has been absent without the Directors' permission from Directors' meetings held during that period;
- (f) upon the expiry of any period or notice period stated in an agreement for the provision of services between the Company and the Director or if such agreement is summarily terminated in accordance with its terms; or
- (g) is removed from the office of Director by an ordinary resolution (as defined in the Instrument).

Special notice (in accordance with the applicable Laws and Regulations) is required of a resolution to remove a Director or appoint a person in place of a Director so removed at the meeting at which the Director is removed.

### **Removal and Retirement of the Manager**

Under the Management Agreement, the Manager must retire in the case of (i) below, and must be subject to removal by notice in writing from the Directors in the case of (ii) to (v) below:

- (i) when it ceases to be eligible to be a Manager or is prohibited from being a Manager under the applicable Laws and Regulations, or when the SFC withdraws its approval of the Manager;
- (ii) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets;
- (iii) when for good and sufficient reason, the Directors state in writing that a change in the Manager is desirable in the interests of the Shareholders;
- (iv) if the Manager commits any material breach of its obligations under the Management Agreement and (if such breach shall be capable of remedy) fails within thirty days of receipt of notice served by the Company requiring it so to do to make good such breach; or
- (v) if any law is passed which renders it illegal or, in the opinion of the Directors, impracticable or inadvisable for the Manager to continue to manage the assets of the Company or the Sub-Fund(s).

Subject to the requirement that the Manager may not retire except upon the appointment of a new manager approved by the SFC, the appointment of the Manager shall automatically terminate forthwith if the Manager becomes or is deemed to become resident for tax purposes or carry on business in any jurisdiction (other than in any place or places as may from time to time be approved by the Directors for such purpose) in circumstances which cause the Company to become liable to pay any taxes which it would not otherwise be liable to pay.

The Manager shall be entitled to retire in favour of some other person considered by the Company to be suitably qualified and approved by the SFC, upon giving written notice to the Company in accordance with the Management Agreement and subject to such person entering into a management agreement similar to the Management Agreement.

In the event that the Manager shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under the Laws and Regulations (as defined in the Management Agreement) to act as the investment manager of an open-ended fund company which is approved by the SFC to be the investment manager of the Company in place of the Manager so retiring or being removed on or before the expiry of any period of notice of such retirement or removal.

The Manager may not retire except upon the appointment of a new Manager approved by the SFC.

### **Removal and Retirement of the Custodian**

Under the Custody Agreement, the Custodian must retire in the case of (i) below, and must be subject to removal by notice in writing in the case of (ii) and (iii) below:

- (i) when it ceases to be eligible to be a Custodian or is prohibited from being a Custodian under applicable Laws and Regulations, or when the SFC withdraws its approval of the Custodian;
- (ii) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets; or
- (iii) when for good and sufficient reason, the Directors state in writing that a change in the Custodian is desirable in the interests of the Shareholders.

In the event that the Custodian shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under the Laws and Regulations to act as a custodian of an OFC which is approved by the SFC to be the Custodian in place of the Custodian so retiring or being removed on or before the expiry of any period of notice of such retirement or removal. The retirement of the Custodian should take effect at the same time as the new Custodian takes up office.

The Custodian may not retire except upon the appointment of a new Custodian approved by the SFC.

### **Termination (otherwise than by winding up)**

Without prejudice to any provision in the applicable Laws and Regulations by virtue of which the Company, or a Sub-Fund or a class of Shares may be terminated, the Company, a Sub-Fund or a class of Shares may be terminated, subject to and in accordance with the applicable Laws and Regulations, by the Directors in their absolute discretion if:

- (a) in the case of a Sub-Fund including classes therein, at any date or time the Net Asset Value of the relevant Sub-Fund is less than HKD40,000,000 or its equivalent in the base currency of the Sub-Fund;
- (b) in the case of a class only, there are no Shareholders of such class in a Sub-Fund;
- (c) in the case of the Company, at any date or time the Net Asset Value of the Company is less than HKD40,000,000 or its equivalent in the base currency of the Company;
- (d) any law shall be passed which renders it illegal or in the reasonable opinion of the Directors impracticable or inadvisable to continue the relevant Sub-Fund or the Company;
- (e) in the case of a Sub-Fund including classes therein, the Index is no longer available for benchmarking or if the Shares of the relevant Sub-Fund are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager;
- (f) in the case of a Sub-Fund including classes therein, at any time, the relevant Sub-Fund ceases to have any Participating Dealer; or
- (g) in the case of a Sub-Fund including classes therein, at any time, the relevant Sub-Fund ceases to have any Market Maker.

The Directors shall give reasonable notice of termination of the Company, the relevant Sub-Fund, or the class of Shares (as the case may be) to the Shareholders in the Company, the relevant Sub-Fund or the class of Shares (as the case may be) in such manner and with such contents which are compliant with the applicable Laws and Regulations, and by such notice fix the date on which such termination is to take effect, provided that no less than one month's notice will be given to the relevant Shareholders in case of termination of the Company or a Sub-Fund. Shareholders' approval is not required to effect termination of the Company or a Sub-Fund.

With effect on and from the date as at which the Company or any Sub-Fund is to terminate:

- (a) no Shares of the relevant class or classes may be issued or sold by the Company;
- (b) the Manager shall on the instructions of the Directors realise all the assets then comprised in the relevant Sub-Fund;
- (c) distributions shall be made to the Shareholders of the relevant class or classes in proportion to their respective interests in the relevant Sub-Fund all net cash proceeds derived from the realisation of the relevant Sub-Fund and available for the purpose of such distribution, provided that the Custodian shall be entitled to retain out of any monies in its hands as part of the relevant Sub-Fund full provision for all costs, charges, expenses, claims and demands reasonably incurred by or on behalf of the Company, Directors, the Manager or the Custodian in connection with or arising out of the termination of the relevant Sub-Fund; and

- (d) any unclaimed proceeds or other monies held by the Custodian in the event of a termination may at the expiration of 12 calendar months from the date upon which the same became payable be paid into court, subject to the right of the Custodian to deduct therefrom any expenses it may incur in making such payment.

Every such distribution shall be made in such manner as the Directors shall at their reasonable discretion determine but shall be made only against the production of such evidence relating to the Shares of the relevant class or classes in respect of which the same is made and upon delivery of such form of request for payment as shall be reasonably required.

### **Winding Up**

Subject to any other provisions applicable to the specific Sub-Fund set out in the relevant Appendix to this Prospectus, the rights of the Shareholders to participate in the property comprised in a Sub-Fund on a winding up of the Company or a Sub-Fund shall be proportionate to the proportionate interests in the Sub-Fund represented by the Shares which they hold.

If the Company or a Sub-Fund is wound up and a surplus remains after the payment of debts proved in the winding up, the liquidator:

- (a) may, with the required sanction of a special resolution (as defined in the Instrument) of the Company or Shareholders of the relevant Sub-Fund and any other sanction required by the Laws and Regulations, divide amongst the Shareholders the whole or any part of the assets of the Company or relevant Sub-Fund (whether they consist of property of the same kind or not) and may, for this purpose, set a value the liquidator thinks fair on any property to be so divided; and
- (b) may determine how the division is to be carried out between the Shareholders or different classes of Shareholders.

### **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, its distribution policy (including the currency of such distribution) will be set out in the relevant Appendix. Distributions will always depend on payments on Securities held by the relevant Sub-Fund which will in turn depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and distribution policies of the relevant underlying entities. Unless otherwise specified in the relevant Appendix, no distribution will be paid out of capital and/or effectively out of capital of the Sub-Fund. There can be no assurance that such entities will declare or pay dividends or distributions.

### **Inspection of Documents**

Copies of the following documents in respect of the Company and the Sub-Funds are available for inspection free of charge at all times during normal office hours at the offices of the Manager and copies thereof may be obtained from the Manager upon the payment of a reasonable fee:

- (a) Instrument;
- (b) Management Agreement;
- (c) sub-management agreements between the Manager and the Sub-Manager;
- (d) Custody Agreement;
- (e) Fund Administration Agreement;
- (f) Service Agreement;
- (g) Conversion Agency Agreement (if any);
- (h) Participation Agreement(s); and
- (i) the most recent annual financial statements of the Company and the Sub-Funds (if any) and the most recent interim financial statements of the Company and the Sub-Funds (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 applies to open-ended fund companies whose Securities are listed on the SEHK. However the Company has made a Category 3 application to the SFC for exemption from Part XV of the SFO pursuant to section 309(2) thereof and the Guidelines for the Exemption of Listed Corporations and Other Persons from Part XV of the SFO (Disclosure of Interests). Consequently, Shareholders are not obliged to

disclose their interest in the Company or in a Sub-Fund.

### **Anti-money Laundering Regulations**

As part of the Manager's, the Company's, the Administrator'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 Company, the Administrator, the Registrar, each Sub-Fund or the relevant Participating Dealer is subject, the Manager, the Company, the Administrator, 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 Shares at any time as they think appropriate. The Company may, to the extent permitted by law, delegate the maintenance of its anti-money laundering procedures to a third party service provider or agent. Depending on the circumstances of each application, a detailed verification by the Manager, the Administrator, the Registrar, or the relevant Participating Dealer might not be required where:

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

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

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 Shares held by any Shareholder.

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 Shareholders with its affiliates.

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

Each Shareholder (i) will be required to, upon demand by the Company or its agent, provide any form, certification or other information reasonably requested by and acceptable to the Company or its agent that is necessary for the Company or a Sub-Fund (a) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate or exemption of withholding or backup withholding in any jurisdiction from or through which the Company 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 Company 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 competent authority in any jurisdictions (including but not limited to the IRS and the Inland Revenue Department of Hong Kong ("IRD")), certain information in relation to a Shareholder, including but not limited to the Shareholder's name, address, jurisdiction of birth, date of birth, tax residence, tax identification number (if any), and certain information relating to the Shareholder'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 the relevant competent authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI (as defined below)), 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 Shareholders and safeguard the interests of remaining Shareholders in case of sizeable redemptions. The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption



policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of each Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed “**CREATIONS AND REDEMPTIONS (PRIMARY MARKET)**”, and will facilitate compliance with each Sub-Fund’s obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of each Sub-Fund under normal and exceptional market conditions.

As a liquidity risk management tool, the Manager may limit the number of Shares of a Sub-Fund redeemed on any Dealing Day to Shares representing 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of total Net Asset Value of Shares in such a Sub-Fund then in issue (subject to the conditions under the heading entitled “**Deferred Redemption**” in the section headed “**CREATIONS AND REDEMPTIONS (PRIMARY MARKET)**”).

### **Index Licence Agreements**

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

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

The SFC should be consulted on any events that may affect the acceptability of an Index. Significant events relating to an Index will be notified to the Shareholders 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**

The Manager reserves the right, with the prior approval of the SFC and provided that in its opinion the interests of the Shareholders of the relevant Sub-Fund would not be adversely affected, to replace an Index with another index in accordance with the provisions of the UT Code and the Instrument. 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 Shareholders than the existing Index;
- (e) investing in the Securities and/or Futures Contracts comprised within the Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Index rendering that index unacceptable in the opinion of the Manager; and
- (i) the instruments and techniques used for efficient portfolio management not being available.

The Manager may change the name of 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 in respect of the relevant Index), in the English and Chinese languages (unless otherwise specified), on the following website [phillipfunds.com.hk](http://phillipfunds.com.hk) (this website has 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 KFS in respect of the Sub-Fund(s) (as revised from time to time);
- (b) the latest audited annual and unaudited interim financial reports of the Company and the Sub-Fund(s) (in English only);
- (c) any public announcements made by the Manager in respect of the Sub-Fund(s), including information in relation to the Sub-Fund(s) and the relevant Index, notices of the suspension of the creation and redemption of Shares, the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of trading of Shares;

- (d) any notices relating to material changes to the Sub-Fund(s) that may have an impact on its investors, including notices for material alterations or additions to this Prospectus and KFS of the Sub-Fund(s) or the constitutive documents of the Company and/or a Sub-Fund;
- (e) the near real time indicative Net Asset Value per Share of each Sub-Fund in each trading currency of the Sub-Fund (updated every 15 seconds throughout each dealing day) during SEHK normal trading hours on the SEHK;
- (f) the last Net Asset Value of each Sub-Fund in the relevant base currency and the last Net Asset Value per Share of each Sub-Fund in the relevant 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) the tracking difference and tracking error of each Sub-Fund;
- (i) the full portfolio composition of each Sub-Fund (updated on a monthly basis within one month of the end of each month);
- (j) the latest list of the Participating Dealers and Market Makers for each Sub-Fund; and
- (k) the composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for the last 12 months.

Real-time updates about the relevant Index can be obtained through other financial data vendors. Investors should obtain additional and the latest updated information about the relevant Index (including without limitation, a description of the way in which the Index is calculated, any change in the composition of the relevant Index, any change in the method for compiling and calculating the relevant Index) via the Manager's website at [phillipfunds.com.hk](http://phillipfunds.com.hk) (this website has not been reviewed by the SFC) and the relevant Index Provider's website. Please refer to the section on "**Website Information**" for the warning and the disclaimer regarding information contained in such website.

## **Notices**

All notices and communications to the Company, the Manager, the Sub-Manager and the Custodian should be made in writing and sent to the following addresses:

### **Company**

Phillip ETF Series OFC  
11/F United Centre  
95 Queensway  
Hong Kong

### **Manager**

Phillip Capital Management (HK) Limited  
11/F United Centre  
95 Queensway  
Hong Kong

### **Sub-Manager**

Phillip Capital Management (S) Ltd.  
250 North Bridge Road #06-00 Raffles City Tower  
Singapore 179101

### **Custodian**

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

## **Website Information**

The offer of the Shares 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 Company, the Manager, the Sub-Manager nor the Custodian 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 Company, the Manager, the Sub-Manager and the Custodian 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 Company's website [phillipfunds.com.hk](http://phillipfunds.com.hk) (this website has 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.

### **Queries and Complaints**

Investors may contact the complaint officer of the Manager if they have any complaints or enquiries in respect of the Company or the Sub-Fund(s):

Address: 11/F United Centre, 95 Queensway, Hong Kong  
Telephone Number: +852 2277 6698

Depending on the subject matter of the complaints or enquiries, these will be dealt with either by the Manager directly, or referred to the relevant parties for further handling. The Manager will revert and address the investor's complaints and enquiries as soon as possible.

## 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 Shares. 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 Shares 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.

### Hong Kong

#### ***Taxation of the Company and Sub-Funds***

As the Company and each Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO, profits of the Company and each Sub-Fund are exempt from Hong Kong profits tax pursuant to Section 26A(1A)(a) of the Inland Revenue Ordinance (“IRO”).

#### ***Taxation of the Shareholders***

Where the Shareholders do not carry on a trade, profession or business in Hong Kong or the Shares in a Sub-Fund are held by the Shareholders as “capital assets” for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Shares in the Sub-Fund should be capital in nature and not be taxable. For Shareholders 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. Shareholders should take advice from their own professional advisers as to their particular tax position.

Distributions by the Company or a Sub-Fund should generally not be subject to Hong Kong profits tax in the hands of the Shareholders (whether by way of withholding or otherwise) according to the current law and practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus). There is no withholding tax on dividends and interest in Hong Kong.

#### ***Stamp Duty***

For a transfer effected on or after 13 February 2015 executed for a transaction by which a Share of a Sub-Fund, as an exchange traded fund is transferred, stamp duty is waived pursuant to the Stamp Duty (Amendment) Ordinance 2015.

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

The Inland Revenue (Amendment) (No.3) Ordinance (the “**Ordinance**”) came into effect on 30 June 2016. The Ordinance together with the later amendments is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”). The AEOI comprise, among others, the model Competent Authority Agreement (“**CAA**”) and Common Reporting Standard (“**CRS**”). In addition, the IRD published guidance for financial institutions (“**FIs**”) on 9 September 2016 which is updated and amended from time to time to provide guidance to them for complying with the CRS obligations. The AEOI requires FIs in Hong Kong to obtain certain information and documentation relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report the required information to the IRD for the purpose of automatic exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax residents in a reportable jurisdiction(s) with which Hong Kong has a CAA in force; however, a Sub-Fund and/or its agents may further obtain information and/or documentation relating to the residents of other jurisdictions that are not resident in a reportable jurisdiction for CRS purposes in Hong Kong.

The Company is required to comply with the requirements of the Ordinance, which means that the Company and/or its agents shall obtain and provide to the IRD the required information relating to Shareholders. The

Ordinance requires the Company to, amongst other things, (i) register the Company as a “Reporting Financial Institution” with the IRD to the extent the Company maintains reportable financial accounts; (ii) conduct due diligence on its account holders (i.e. Shareholders) in order to determine whether any of their relevant financial accounts are regarded as “Reportable Accounts” under the Ordinance; and (iii) report to the IRD the required information of such Reportable Accounts. The IRD is expected on an annual basis to exchange the required information reported to it to the competent authorities of the respective reportable jurisdictions. Broadly, AEOI requires that Hong Kong FIs should report on: (i) individuals or entities that are tax residents in a reportable jurisdiction; and (ii) certain entities controlled by individuals who are tax residents in such jurisdictions. Under the Ordinance, details of Shareholders, including but not limited to their name, place of birth, date of birth, address, tax residence, tax identification number(s) (if any), account number, account balance/value regarding their interest in the Company, and income or sale or redemption proceeds received from the Company, should be reported to the IRD and subsequently exchanged with competent authorities in the relevant jurisdictions.

By investing in a Sub-Fund and/or continuing to invest in a Sub-Fund, Shareholders acknowledge that they may be required to provide additional information or documents to the Company and/or its agents in order for the Company to comply with the Ordinance. A Shareholder’s information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Shareholders that are passive non-financial entities as defined under the Ordinance) may be exchanged by the IRD to the competent authorities in the relevant reportable jurisdictions.

Each Shareholder and prospective investor should consult its own professional tax advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Sub-Fund(s).

### **FATCA and compliance with US withholding requirements**

The US Hiring Incentives to Restore Employment Act was signed into US law in March 2010 and includes certain provisions commonly referred to as the “Foreign Account Tax Compliance Act” or “FATCA”. Broadly, the FATCA provisions are set out in sections 1471 to 1474 of the US Internal Revenue Code of 1986, as amended (the “**Revenue Code**”), which impose a reporting regime on foreign financial institutions such as the Company and each Sub-Fund with respect to certain payments, including interest and dividends received. All such payments may be subject to FATCA withholding at a rate of 30%, unless the recipient of the payment satisfies certain requirements intended to enable the IRS to identify United States persons (within the meaning of the Revenue Code) (“**US persons**”) with direct or indirect interests in such payment. To avoid such withholding on payments made to it, foreign financial institutions (including banks, brokers, custodians and investment funds) (an “**FFI**”), such as the Company and each Sub-Fund will be required to enter into an agreement (an “**FFI Agreement**”) with the IRS to be treated as a participating FFI. Participating FFIs are required to identify all investors that are US persons and certain entities that are directly or indirectly owned by US persons and report certain information concerning such US persons to the IRS annually. The FFI Agreement will also generally require that a participating FFI deduct and withhold 30% from certain payments made by the participating FFI to investors who fail to cooperate with certain information requests made by the participating FFI or do not consent to FATCA reporting and disclosure to the IRS (referred to as “recalcitrant account holders”) and may be required to close accounts of such account holders. Moreover, participating FFIs are required to deduct and withhold such payments made to investors that are themselves FFIs but are not compliant with FATCA.

FATCA withholding applies to payments of US source income, including US source dividends and interest, made after 30 June 2014. The 30% withholding may also apply to certain non-US source payments otherwise attributable to amounts that would be subject to FATCA withholding (also known as “foreign passthru payments”) in the future. Unless an exemption applies, withholding agents (which includes participating FFIs) will generally be required to begin withholding withholdable payments made after 30 June 2014.

The United States and a number of other jurisdictions have entered into intergovernmental agreements (“IGAs”). The United States Department of the Treasury and Hong Kong have entered into an intergovernmental agreement (the “Hong Kong IGA”) based on the Model 2 arrangement (“Model 2 IGA”). The Model 2 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. Under the Hong Kong IGA, an FFI (including the Company and each Sub-Fund) will not be required to impose FATCA withholding at 30% on payments to recalcitrant account holders or close the accounts of such account holders (provided information regarding such account holders is reported to the IRS as required). Withholding may apply to withholdable payments covered by FATCA if the Company and each Sub-Fund cannot satisfy the applicable requirements and is determined to be non-FATCA compliant or if the Hong Kong government is found in breach of the terms of the agreed IGA.

The Company has been registered with the IRS as a reporting single FFI with Global Intermediary Identification Number G5P3RY.99999.SL.344. In order to protect Shareholders and avoid being subject to withholding under FATCA, it is the Company's intention to endeavour to satisfy the requirements imposed under FATCA. Hence it is possible that this may require the Company and each Sub-Fund (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Shareholder to the IRS or the local authorities pursuant to the terms of the IGA (as the case may be), including certain Shareholders who fail to provide the information and documents required to identify their FATCA status, or who are non-FATCA compliant financial institutions or who fall within other categories specified in the FATCA provisions and regulations. As at the date of this Prospectus, all Shares are registered in the name of HKSCC Nominees Limited. HKSCC Nominees Limited has registered as a participating foreign financial institution.

Although the Company and each Sub-Fund will attempt to satisfy any obligations imposed by FATCA on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Company and each Sub-Fund will be able to fully satisfy these obligations. If any Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund and its Shareholders may suffer material loss.

The FATCA provisions are complex and their application is uncertain at this time. The above description is based in part on regulations, official guidance, the Hong Kong IGA and model IGAs, all of which are subject to change or may be implemented in a materially different form. Nothing in this section constitutes or purports to constitute tax advice and Shareholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. All Shareholders should therefore consult their own tax and professional advisors regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, Shareholders who hold their Shares through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer the above mentioned withholding tax on their investment returns.

## **PART 2 – SPECIFIC INFORMATION RELATING TO EACH SUB-FUND**

Part 2 of this Prospectus includes specific information relevant to each Sub-Fund established under the Company 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: PHILLIP HK NEWLY LISTED EQUITIES INDEX ETF

### Key Information

Set out below is a summary of key information in respect of Phillip HK Newly Listed Equities Index ETF (the “Sub-Fund”) which should be read together with the full text of this Appendix and the Prospectus.

<b>Investment Objective</b>	To provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Index
<b>Index</b>	Solactive Hong Kong Newly Listed Equities Index (net total return) (the “Index”)
<b>Initial Offer Period</b>	9:00 a.m. (Hong Kong time) of 9 November 2022 to 11:00 a.m. (Hong Kong time) of 16 November 2022, or such other date as the Manager may determine
<b>Initial Issue Date</b>	18 November 2022, or such other date as the Manager may determine
<b>Issue Price during the Initial Offer Period</b>	HKD 10
<b>Listing Date (SEHK)</b>	Expected to be 21 November 2022
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	2835
<b>Short Stock Name</b>	PHILLIP HKNEWEQ
<b>Trading Board Lot Size</b>	100 Shares
<b>Base Currency</b>	HKD
<b>Trading Currency</b>	HKD
<b>Distribution Policy</b>	No distribution is intended to be made. Therefore, any net income and net realised capital gains attributable to Sub-Fund will be reflected in its Net Asset Value.
<b>Creation/Redemption Policy</b>	Cash (HKD) and in-kind
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 100,000 Shares (or multiples thereof) for cash creation/redemption Minimum 100,000 Shares (or multiples thereof) for in-kind creation/redemption
<b>Dealing Deadline</b>	11 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager in consultation with the Custodian may determine
<b>Participating Dealer(s)^</b>	<ul style="list-style-type: none"> <li>• Phillip Securities (Hong Kong) Limited</li> <li>• Mirae Asset Securities (HK) Limited</li> </ul>
<b>Market Maker(s)^</b>	<ul style="list-style-type: none"> <li>• Phillip Securities (Hong Kong) Limited</li> </ul>
<b>Management Fee</b>	Currently 0.60% per year of the Net Asset Value
<b>Financial Year End</b>	31 December (The first annual financial reports and first half-yearly



<b>Website</b>	unaudited reports for the Sub-Fund will be for the period from the fund launch to 31 December 2023 and the half year ending 30 June 2023 respectively.)
	<a href="http://phillipfunds.com.hk">phillipfunds.com.hk</a> (this website has not been reviewed by the SFC)

^ Please refer to the Manager's website set out above for the latest list of Participating Dealer(s) and Market Maker(s).

### What is the Investment Objective?

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Index, namely, Solactive Hong Kong Newly Listed Equities Index (net total return). There is no assurance that the Sub-Fund will achieve its investment objective.

### What is the Investment Strategy?

In order to achieve the Sub-Fund's investment objective, the Manager and/or the Sub-Manager will primarily use a full replication strategy through investing up to 100% of the Net Asset Value of the Sub-Fund directly in Securities constituting the Index ("**Index Securities**") in substantially the same weightings as they appear in the Index.

Where the adoption of a full replication strategy is not efficient or practicable (for example, where the liquidity of certain Index Securities is relatively low) or where the Manager and the Sub-Manager consider appropriate in the best interest of the Sub-Fund and the shareholders, the Manager and the Sub-Manager may pursue a physical representative sampling strategy, and invest in a representative sample of the securities in the Index that collectively reflects the investment characteristics of the Index and aims to replicate its performance. The Sub-Fund, in using a representative sampling strategy, may or may not hold all of the Index Securities, and may overweight or underweight certain Index Securities, provided that the portfolio of the Sub-Fund collectively features a high correlation with the Index. In pursuing a representative sampling strategy, the Manager and the Sub-Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting.

The Manager and/or the Sub-Manager may swap between the two investment strategies, without prior notice to shareholders, in their absolute discretion as often as the Manager and/or the Sub-Manager believe appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely as possible to the benefit of shareholders.

The Manager and/or the Sub-Manager will rebalance the Sub-Fund's portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of Securities in, the Index.

### Securities Lending

The Manager and/or the Sub-Manager may, on behalf of the Sub-Fund, enter into Securities Lending Transactions, with the maximum level for up to 50% and expected level for approximately 20% of its Net Asset Value, and is able to recall the securities lent out at any time. All Securities Lending Transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager and/or the Sub-Manager at their absolute discretion. Please refer to the section "Securities Financing Transactions" under "**Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing**" of Part 1 of the Prospectus regarding details of the arrangements.

As part of the Securities Lending Transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under section "**Collateral**" under "**Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing**" of Part 1 of the Prospectus) of at least 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis. The collateral will be safekept by the Custodian or an agent appointed by the Custodian. Please refer to the section "**The Custodian**" under "**Management of the Company and Sub-Funds**" in Part 1 of the Prospectus in regard to the extent of the Custodian's responsibility for the safekeeping of the assets of the Company and the appointment of agents.

Non-cash collateral received may not be sold, reinvested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the Code. Information as required under the Code will be disclosed in the annual and interim financial reports and on the Manager's website (as the case may be).

To the extent the Sub-Fund undertakes Securities Lending Transactions, all revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Sub-Fund. The cost relating to Securities Lending Transactions will be borne by the borrower.

### Other Investments

The Sub-Fund may also invest not more than 5% of its Net Asset Value in cash and money market funds for cash management purpose.

The Sub-Fund will not use derivatives for any purposes.

The Manager and/or the Sub-Manager does not currently enter into Sale and Repurchase Transactions, Reverse Repurchase Transactions and other similar over-the-counter transactions. Prior approval of the SFC (to the extent required under applicable regulatory requirements) will be sought and not less than one month's prior notice (or such shorter notice period as may be permitted under applicable regulatory requirements) will be given to Shareholders in the event the Manager wishes to invest in Sale and Repurchase Transactions, Reverse Repurchase Transactions and other similar over-the-counter transactions.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in the section entitled "**Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing**" in Part 1 of the Prospectus.

### **The Index**

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

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

The Index is a rules-based equity benchmark designed to track the performance of securities that had a recent initial public offering ("IPO") or new listing on the main board of the SEHK.

The Index is a net total return index which means that the performance of the Index constituents is calculated on the basis that any dividends or distributions are reinvested after withholding tax deduction (if any). The Index is denominated and quoted in HKD.

The Index was launched on 12 October 2022 and had a base level of 1000 on 11 March 2016. As of 12 October 2022, the Index had a total market capitalisation of HKD 5,028,551,559,297 and 35 constituents.

### **Index Universe and Constituents Selection**

The Index universe is comprised of all financial instruments which fulfil the below requirements ("**Index Component Requirements**"):

- Common stock listed on the main board of the SEHK;
- Securities classified as Special Purpose Acquisition Company (SPAC) are not eligible for inclusion;
- Minimum Average Daily Value Traded<sup>9</sup> of HKD 10 million over the past 1-month prior to the Selection Day;
- Minimum Median Daily Value Traded<sup>10</sup> of HKD 10 million over the past 1-month prior to the Selection Day;

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<sup>9</sup> It means, in respect of an Index constituent, the sum of daily value traded over the specified period divided by the number of trading days that fall in the specified period.

<sup>10</sup> It means, in respect of an Index constituent, the median of the daily value traded over the specified period.

- Minimum Share Class Market Capitalisation<sup>11</sup> of HKD 1 billion as of the Selection Day;
- Minimum percentage of Free Float Market Capitalisation<sup>12</sup> over Share Class Market Capitalisation of 25% as of the Selection Day. Securities with a Share Class Market Capitalisation larger than HKD 10 billion as of the Selection Day require a minimum free float percentage of 15%;
- Maximum of 10 non-trading days over the past 3 months. In case a company had its IPO during the last 3 months it should have been trading for at least 5 Business Days and it should have been trading on all those days. This also holds for securities that had a recent listing on the SEHK due to a listing switch, listing by introduction, or spinoff.

For the above purpose, “**Selection Day**” is 5 Calculation Days (i.e. days on which the SEHK is open for general business) before the scheduled Rebalance Day, disregarding any potential change of the Rebalance Day.

The initial composition of the Index and the Quarterly Rebalance (as defined below) will be subject to the conditions below:

- securities that had an IPO or a new listing on the SEHK due to a listing switch, listing by introduction, or spinoff, within the last 756 business days are eligible for inclusion, subject to the conditions below:
  - In case less than 35 securities are eligible for the Index, additional securities are selected with an IPO date longer than 756 business days but less than 1008 business days ago. Securities with the most recent IPO date that are not yet part of the Index are added until a total number of 35 securities is reached. If more than one security had an IPO on the same date, only the largest by Free Float Market Capitalisation is added in order to reach 35 constituents;
  - In case more than 50 securities are eligible for the Index, only the 50 securities with the largest Free Float Market Capitalisation are selected.

The Index will be rebalanced quarterly (“**Quarterly Rebalance**”) on each Rebalance Day<sup>13</sup>.

In addition to the Quarterly Rebalance, the Index has an IPO Review Day<sup>14</sup> where securities that had a recent IPO can enter the Index. A recent listing on the SEHK due to a listing switch, listing by introduction, or spinoff also qualifies. On the IPO Review Day, securities may be added to the Index if they fulfil the requirements below:

- The IPO took place a maximum of 45 days prior to the IPO Review Day;
- The new security should rank in the top 50 by highest Free Float Market Capitalisation respective to the existing components of the Index.

During the IPO Review Day no existing components of the Index are removed unless any of the following liquidity criteria (“**Liquidity Criteria**”) are breached:

- Average Daily Value Traded<sup>10</sup> over the past 1-month period as of the IPO Review Day has dropped below HKD 7.5 million
- Share Class Market Capitalisation<sup>12</sup> has dropped below HKD 500 million as of the IPO Review Day
- Percentage of Free Float Market Capitalisation<sup>13</sup> over Share Class Market Capitalisation<sup>12</sup> has dropped below 15% as of the IPO Review Day

If this leads to less than 35 securities remaining in the Index, the three liquidity criteria above are ignored and the current Index components will remain. If the Index still has less than 35 constituents after the above step, additional securities are added that meet the Index Universe Requirements and had an IPO within the last 756 Business Days. The securities with the largest Free Float Market Capitalisation are added until the Index has 35 constituents. If there are insufficient eligible IPOs during the last 756 Business Days, securities with an IPO that happened earlier but less than 1008 Business Days ago are further added to reach 35 constituents. These securities added according to the most recent IPO date.

<sup>11</sup> The “Share Class Market Capitalisation” is with regard to each of the constituent securities in the Index on a Selection Day the share class-specific market capitalisation for any security in the Index universe. It is calculated as the multiplication of the shares outstanding with the closing price of the share class as of the respective Selection Day.

<sup>12</sup> The “Free Float Market Capitalisation” is with regard to each of the securities fulfilling the Index Component Requirements on a Selection Day the share class-specific free float market capitalisation. It is calculated as the multiplication of the shares outstanding in free float (as sourced from data vendors) with the closing price of the share class as of the respective Selection Day.

<sup>13</sup> the second Friday in March, June, September, and December. If that day is not Business Day, the Rebalance Day will be the immediately following Business Day.

<sup>14</sup> “IPO Review Day” is 5 Calculation Days before the IPO Adjustment Day. IPO Adjustment Day is the second Friday of January, February, April, May, July, August, October, and November. If that day is not a Business Day, the IPO Adjustment Day will be the following Business Day.

## Constituents and Index Weight Adjustment

On each Selection Day and on each IPO Review Day, each Index component is assigned a weight according to Free Float Market Capitalisation<sup>13</sup>. Securities are assigned a maximum weight according to the formula below. Individual Security weights are capped at 10%. Any excess weight is distributed on a pro-rata basis among the remaining Securities that have not reached their cap.

$$w_i \leq \min\left(\frac{80\% * ADV_i}{AUM}, 10\%\right)$$

Where:

$w_i$  = weight of the relevant Security

$ADV_i$  = Average Daily Value Traded<sup>10</sup> of the relevant Security over the past 1-month in HKD

$AUM$  = Assumed level of assets under management equal to HKD 500,000,000

Within the assumed level of assets under management (AUM), all constituents will be capped at the lower of 10% and 80% of the Average Daily Value Traded divided by the assumed AUM figure.

## Index Provider

The Index is compiled and managed by Solactive AG (the “**Index Provider**”).

The Manager, the Sub-Manager and each of their Connected Persons are independent of the Index Provider.

## Index Constituents

You can obtain the Index methodology, the most updated list of the constituents of the Index, the latest market capitalisation amount and number of constituents of the Index, their respective weightings, real time level and last closing level of the Index, additional information and other important news of the Index from the website of the Index Provider at <https://www.solactive.com> (the contents of which has not been reviewed by the SFC).

## Index Codes

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive Hong Kong Newly Listed Equities Index PR	DE000SL0G1M0	HKD	PR	.SOHKNLEP	
Solactive Hong Kong Newly Listed Equities Index NTR	DE000SL0G1N8	HKD	NTR	.SOHKNLEN	SOHKNLEN
Solactive Hong Kong Newly Listed Equities Index TR	DE000SL0G1P3	HKD	GTR	.SOHKNLET	

## Index Licence Agreement

The Manager has been granted a non-exclusive, non-transferable, non-sublicensable and revocable licence to use the Index in connection with the Sub-Fund pursuant to an index licence agreement entered into between the Manager and the Index Provider. The licence shall be effective on and from 21 November 2022 and shall continue for an initial period of two years (“**Licence Initial Term**”) and thereafter shall automatically renew for successive periods of one year (“**Licence Renewal Term**”). The licence may be terminated by either the Manager or the Index Provider by providing written notice to the other party at least one hundred and eighty calendar days prior to the end of: (a) the Licence Initial Term; or (b) a Licence Renewal Term. The index licence agreement may also be terminated on the occurrence of certain circumstances provided in the index licence agreement.

## Index Disclaimer

The Index Provider does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the level of the Index at any certain point in time nor in any other respect. The Index Provider strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for the Index Provider, irrespective of possible obligations to issuers, to advise third parties, including investors and/or financial intermediaries, of any errors in the Index. The publication of the Index by the Index Provider does not constitute a recommendation for capital investment and does not contain any assurance or opinion of the Index Provider regarding a possible investment in a financial instrument based on this Index.

## The Offering Phases

### *Initial Offer Period*

The Initial Offer Period commences at 9:00 a.m. (Hong Kong time) on 9 November 2022 and ends at 11:00 a.m. (Hong Kong time) on 16 November 2022, or such other date as the Manager may determine.

The Listing Date is expected to be on 21 November 2022.

The purpose of the Initial Offer Period is to enable Participating Dealers to subscribe for Shares either on their own account or for their clients, in accordance with the Instrument and the Operating Guidelines. During this period, Participating Dealers (acting for themselves or for their clients) may apply for Shares 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 Shares 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. Investors are therefore advised to consult with the relevant Participating Dealer on its requirements if they want a Participating Dealer to subscribe for Shares on their behalf.

### *After Listing*

“After Listing” commences on the Listing Date.

Dealings in the Shares on the SEHK will commence on the Listing Date, which is expected to be on 21 November 2022.

All investors may buy and sell Shares in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for creation and redemption of Shares in the primary market in Application Share size, from 9:30 a.m. (Hong Kong time) to 11:00 a.m. (Hong Kong time) on each Dealing Day.

Please refer to the section on “The Offering Phases” for details. The following table summarises all key events and the Manager’s expected timetable (all references to times are to Hong Kong time):

<p>Initial Offer Period commences</p> <ul style="list-style-type: none"><li>Participating Dealers may apply for creation for themselves or for their clients in Application Share size</li></ul>	<ul style="list-style-type: none"><li>9:00 a.m. (Hong Kong time) on 9 November 2022</li></ul>
<p>The date that is three Business Days prior to the Listing Date</p> <ul style="list-style-type: none"><li>Latest time for Creation Applications by Participating Dealers for Shares to be available for trading on the Listing Date</li></ul>	<ul style="list-style-type: none"><li>11:00 a.m. (Hong Kong time) on 16 November 2022</li></ul>
<p>After listing (period commences on the Listing Date)</p> <ul style="list-style-type: none"><li>All investors may start trading Shares on the SEHK through any designated brokers; and</li><li>Participating Dealers may apply for creation and redemption (for themselves or for their clients) in Application Share size</li></ul>	<ul style="list-style-type: none"><li>Commence at 9:30 a.m. (Hong Kong time) on 21 November 2022</li><li>9:30 a.m. (Hong Kong time) to 11:00 a.m. (Hong Kong time) on each Dealing Day</li></ul>

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

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in the Shares traded in HKD.

Shares 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 Shares 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 Shares traded in HKD are expected to begin on 21 November 2022.

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

### **Distribution Policy**

The Manager has discretion as to whether or not the Sub-Fund will make any distribution, the frequency and amount of distribution. Currently, no distribution is intended to be made in respect of the Sub-Fund. Therefore, any net income and net realised capital gains attributable to the Shares of the Sub-Fund will be reflected in its Net Asset Value.

The distribution policy may be amended subject to the SFC's prior approval and upon giving not less than one month's prior notice to Shareholders.

### **Fees and Expenses**

#### ***Management Fee***

The Sub-Fund pays a Management Fee, currently at 0.60% per year of the Net Asset Value of the Sub-Fund. The Management Fee may be increased up to 1.00% per year of the Net Asset Value of the Sub-Fund, on one week's notice to Shareholders (or such shorter period as may be allowed by the SFC). In the event that such fee is to be increased beyond this rate, not less than one month's notice should be given to Shareholders.

#### ***Sub-Manager Fee***

The Sub-Manager will be reimbursed out of the Management Fee.

#### ***Custodian and Administration Fee***

An aggregate fee of 0.06% per annum of the Net Asset Value of the Sub-Fund is payable to the Custodian and the Administrator, accrued daily and payable monthly in arrears, subject to a monthly minimum of HKD30,000; and the maximum rate of the aggregate fee is 1.00% per annum of Net Asset Value of the Sub-Fund (the "**Maximum Custodian and Administration Fee Rate**"). The Custodian and the Administrator may, on giving not less than one week's written notice to the relevant Shareholders, increase the rate of the aggregate fee payable in respect of a Sub-Fund up to or towards the Maximum Custodian and Administration Fee Rate. In the event that the aggregate fee is to be increased beyond the Maximum Custodian and Administration Fee Rate, such increase will be subject to the SFC's approval and not less than one month's prior notice to relevant Shareholders.

The Custodian and the Administrator are also entitled to receive various safekeeping, transaction and processing fees and other applicable fees as agreed with the Company from time to time and to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by the Custodian and/or the Administrator in the performance of their respective duties.

#### ***Transaction Fee Payable to the Administrator***

The Participating Dealers pay HKD4,000 per Application and HKD5,000 per cancellation or extension of such Application to the Custodian or the Administrator for the benefit of the Administrator. A Participating Dealer may pass on to the relevant investor such transaction fee payable to the Administrator.

#### ***Establishment Costs***

Please refer to the section "**Establishment Costs**" in Part 1 of this Prospectus on the establishment costs of the Sub-Fund.

## **Risk Factors Specific to the Sub-Fund**

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

### ***New Index Risk***

The Index is a new index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.

### ***Newly Listed Securities risk***

The Index consists of securities that had a recent IPO or new listing on the main board of the SEHK. These newly listed securities are lacking trading history, track record of reporting to investors and research coverage, and thus are often subject to extreme price volatility and speculative trading. Newly listed securities may have above-average price appreciation in connection with the IPO prior to inclusion in the Index. They may not continue to appreciate, and their performance may not replicate the performance exhibited in the past.

The ownership of newly listed securities may include large holdings by venture capital and private equity investors, who may seek to sell their shares of these newly listed securities in public market in the months following an IPO when shares restricted by lock-up are released, causing greater volatility and possible downward pressure during the time that locked-up shares are released.

### ***Proprietary Investment / Seed Money Risk***

The assets under management at any time during the life of the Sub-Fund may include proprietary money (or "seed money") invested by one or more interested parties, such as participating dealers, and such investment may constitute a significant portion of such assets under management. Investors should be aware that such an interested party may (i) hedge any of its investments in whole or part, thereby reducing or removing its exposure to the performance of the Sub-Fund; and (ii) redeem its investment in the Sub-Fund at any time, without notice to Shareholders. Such an interested party is under no obligation to take the interests of other Shareholders into account when making its investment decisions. There is no assurance that any such monies will continue to be invested in the Sub-Fund by an interested party for any particular length of time. As many of the expenses of the Sub-Fund are fixed, a higher amount of assets under management may reduce the expenses of the Sub-Fund per Share and a lower amount of assets under management may increase the expenses of the Sub-Fund per Share. As with any other redemption representing a material portion of the Sub-Fund's assets under management, a significant redemption of any such proprietary investment may affect the management and/or performance of the Sub-Fund and may, in certain circumstances (i) cause remaining investors' holdings to represent a higher percentage of the Net Asset Value of the Sub-Fund, (ii) cause other investors in the Sub-Fund to redeem their investment, and/or (iii) lead the Manager, with the consultation of the Custodian, to determine that the Sub-Fund, has become unmanageable and to consider taking exceptional measures, such as terminating the Sub-Fund, in accordance with the Instrument, in which case Shareholders' investments would be redeemed in their entirety.

### ***Small to Medium Capitalisation Companies Risk***

The Index may consist of the shares of small/medium-capitalisation companies. The shares of small/medium-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

## **Appendix dated 9 November 2022**