# Hang Seng FTSE China 50 Index ETF

**(Stock Code: 2838)**

# Hong Kong Offering Document

**Important – If you are in any doubt about the contents of this document, you should consult your broker, bank manager, solicitor or accountant or other independent professional financial adviser.**

Units of the Hang Seng FTSE China 50 Index ETF (the "**HS FCI50 ETF**") are listed and can be dealt with on The Stock Exchange of Hong Kong Limited. Units of the HS FCI50 ETF may also be listed on one or more other stock exchanges in the future.

The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission in Hong Kong (the "**SFC**") and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document (including the Product Key Facts Statement for the HS FCI50 ETF), 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 document.

The HS FCI50 ETF has been authorised as a Collective Investment Scheme by the SFC. SFC authorisation is not a recommendation or endorsement of the HS FCI50 ETF nor does it guarantee the commercial merits of the HS FCI50 ETF or its performance. It does not mean the HS FCI50 ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

**Hang Seng Investment Management Limited**

**3 September 2026**

**Selling and Holding Restrictions**

Currently, no action has been taken to permit an offering of any Units of the HS FCI50 ETF or the distribution of this offering document (including the Product Key Facts Statement for the HS FCI50 ETF) in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this offering document may not be used for the purpose of, or treated as, an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised unless in the relevant jurisdiction such an offer or solicitation could lawfully be made without compliance with any registration or other legal/regulatory requirement.

In particular:-

(A) Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under the securities laws of any state and Units have not been and will not be registered under the Investment Company Act of 1940, as amended (the "**Investment Company Act**").

Units may not be offered or sold to, transferred to or acquired by any "U.S. Person" (a "**US Person**") and may not be directly or indirectly offered or sold in the U.S. or for the benefit of a US Person. For the purposes of this restriction, the term US Person shall mean the following:

1. An individual:
    i. who is deemed a resident of the U.S. under any U.S. law or regulation; or
    ii. who is a U.S. Citizen or Green Card Holder who has not formally renounced their U.S. citizenship (including a person with dual or multiple nationality) even though they may reside outside of the U.S.

2. An entity:
    i. that is a corporation, partnership, limited liability company, collective investment vehicle, investment company, pooled account, or other business, investment, or legal entity:
        a. that was created or organised under U.S. federal or state law including any non-U.S. agency or branch of such entity; or
        b. where regardless of place of formation or organisation, was organised principally for passive investment (such as an investment company or fund or similar entity other than an employee benefit plan or employee pension scheme for the employees, officers, or principals of a non-U.S. entity having its principal place of business outside the United States);
            - and owned directly or indirectly by one or more US Persons, with respect to which such US Persons (unless defined as a Qualified Eligible Person under CFTC Regulation 4.7(a)) directly or indirectly hold in the aggregate 10% or greater beneficial interest; or
            - where a US Person is the general partner, managing member, managing director or other position with authority for directing the entity's activities; or
            - was formed by or for a US Person principally for the purpose of investing in securities not registered with the Securities and Exchange Commission (SEC); or
            - where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by US Persons; or
        c. that is any agency or branch of a non-U.S. entity located in the U.S.; or
        d. has its principal place of business in the U.S.; or
    ii. that is a trust created or organised under U.S. federal or state law or regardless of the place of creation or organisation:
        a. where the income of which is subject to U.S. income tax regardless of source; or
        b. where the administration of the trust or its formation documents are subject to the supervision of one or more U.S. courts; or
        c. where any settlor, founder, trustee, or other person responsible in whole or in part for investment decisions related to the trust is a US Person; or
    iii. that is an estate of a deceased person:
        a. where, regardless of the deceased person resided while alive where an executor or administrator is a US Person or the estate is governed by U.S. Law; or
        b. who was a resident of the U.S. at the time of death or the income of which is subject to U.S.

income tax regardless of source.

3. An employee benefit plan or pension plan:
    i. established and administered in accordance with the laws of the U.S; or
    ii. established for employees of a legal entity that is a US Person or has its principal place of business in U.S.

4. A discretionary or non-discretionary or similar account (including a joint account) where:
    i. one or more beneficial owners is a US Person or held for the benefit of one or more US Persons; or
    ii. the discretionary or similar account is held by a dealer or fiduciary organised in the U.S.

Units may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An "**ERISA Plan**" is any retirement plan subject to Title 1 of the United States Employee Retirement Income Securities Act of 1974, as amended; or any individual retirement account or plan subject to section 4975 of the United States Internal Revenue Code of 1986, as amended.

For the purpose of this definition, the "United States" and "U.S." means the United States of America (including the States and the District of Columbia), its territories, possessions and other areas of subject to its jurisdiction.

If, subsequent to a Unitholder's investment in the HS FCI50 ETF, the Unitholder becomes a US Person, such Unitholder (i) will be restricted from making any additional investments in the HS FCI50 ETF and (ii) as soon as practicable have its Units compulsorily redeemed by the HS FCI50 ETF (subject to the requirements of applicable law).

(B) Units will not be offered for sale in Canada. In addition, no offer or invitation to subscribe for Units may be made to, and no Units may be held by or transferred to Canadian residents or for the benefit of any Canadian resident. A distribution or solicitation may be deemed to occur in Canada where a distribution or solicitation is made to a person (including an individual, corporation, trust, partnership or other entity, or other legal person) resident or otherwise located in Canada at the applicable time. For these purposes, the following persons will generally be considered to be a Canadian resident:

1. An individual, if
    i. the individual's primary principal residence is located in Canada; or
    ii. the individual is physically located in Canada at the time of the offer, sale or other relevant activity.
2. A corporation, if
    i. the corporation's head office or principal office is located in Canada; or
    ii. securities of the corporation that entitle the holder to elect a majority of the directors are held by Canadian Resident individuals (as described above) or by legal persons resident or otherwise located in Canada; or
    iii. the individuals that make investment decisions or provide instructions on behalf of the corporation are Canadian Resident individuals (as described above).
3. A trust, if
    i. the principal office of the trust (if any) is located in Canada; or
    ii. the trustee (or in the case of multiple trustees, the majority of trustees) are Canadian Resident individuals (as described above) or are legal persons resident or otherwise located in Canada; or
    iii. the individuals that make investment decisions or provide instructions on behalf of the trust are Canadian Resident individuals (as described above).
4. A partnership, if
    i. the partnership's head office or principal office (if any) is located in Canada; or
    ii. the holders of the majority of the interests of or in the partnership are held by Canadian Residents (as described above); or
    iii. the general partner (if any) is a Canadian Resident (as described above); or
    iv. the individuals that make investment decisions or provide instructions on behalf of the partnership are Canadian Resident individuals (as described above).

In addition and without prejudice to the above, the Manager has the power to impose such restrictions as the

Manager may think necessary for the purpose of ensuring that no Units are acquired or held by:

(a) any person in breach of the law or requirements of any country or governmental authority or the SEHK in circumstances which, in the opinion of the Manager, might result in the HS FCI50 ETF suffering an adverse effect; or

(b) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the HS FCI50 ETF incurring any liability to taxation or suffering any other pecuniary disadvantage.

If the Manager becomes aware that any Units are owned directly or beneficially by any person in contravention of any restrictions applied by the Manager, the Manager may require such person to transfer or redeem such Units.

**Enquiries and Complaints to the Manager**

All investors' enquiries and complaints directed to the Manager should be made in writing and sent to the following address:

Hang Seng Investment Management Limited
83 Des Voeux Road Central
Hong Kong

The Manager will respond to investors' enquiries or complaints in writing as soon as practicable.

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**Summary**

*Set out below is a summary of the HS FCI50 ETF. The summary information is derived from, and should be read in conjunction with, the full text of this offering document.* ***Your attention is drawn to the section headed "What are the Risks of Investing in the HS FCI50 ETF?"****.*

*Key Information in respect of the* ***HS FCI50 ETF***

| | |
|---|---|
| **Instrument Type** | Exchange Traded Fund |
| **Tracked Index** | FTSE China 50 Index |
| **Listing Date** | 8 June 2005 |
| **Exchange Listing in Hong Kong** | The Stock Exchange of Hong Kong Limited (SEHK) – Main Board |
| **Stock Code** | 2838 |
| **Trading Board Lot Size** | 100 Units |
| **Trading Currency** | Hong Kong dollars (HKD) |
| **Base Currency** | Hong Kong dollars (HKD) |
| **Dividend Policy** | Semi-annually (if any).<br>The Manager currently intends to make declaration of distribution in June and September of each year. |
| **Market price per Unit in Proportion to the Index** | Approximately 1/100[1] |
| **In-kind Creation/ Redemption (via Participating Dealers only)** | Minimum 50,000 Units (or multiples thereof) |
| **Cash Creation / Redemption (via Participating Dealers only)** | Minimum 50,000 Units (or multiples thereof) |
| **Manager** | Hang Seng Investment Management Limited |
| **Trustee** | HSBC Institutional Trust Services (Asia) Limited |
| **Registrar** | HSBC Institutional Trust Services (Asia) Limited |
| **Website** | www.hangsenginvestment.com (*this website has not been reviewed by the SFC)* |

*What is the HS FCI50 ETF?*

The HS FCI50 ETF is part of the Hang Seng Investment Index Funds Series III (the "**Trust**"), a unit trust established on 1 June 2005 as an umbrella fund under the laws of Hong Kong to facilitate the establishment of various index-tracking funds including ETFs. The HS FCI50 ETF is the first sub-fund of the Trust.

The HS FCI50 ETF is an index-tracking fund that seeks to provide investment returns for investors that match the performance of the Index as closely as practicable. The Manager intends to adopt a replication strategy to pursue this objective.

The Index consists of 50 of the largest and most liquid Chinese stocks (with effect from 18 March 2013, the types of shares eligible for inclusion in the Index include H Shares, Red Chip Shares and P Chip Shares) listed and traded on the SEHK. The constituent stocks of the Index are free-float weighted to ensure that only the investable opportunity set is included within the Index. In respect of each constituent stock, the weighting is capped at 9%. In respect of constituent stocks whose individual weighting exceeds 4.5%, the weighting of such constituent stocks is capped at 38% in aggregate. Each stock comprising the Index is also a constituent stock of the FTSE All-World

[1] This is only a rough approximation and is for reference only (brokerage and other transaction fee not included). The actual proportion may vary due to market demand and supply for the Units, as well as other factors.

Index.

*Trading of Units*

Units in the HS FCI50 ETF are denominated in HKD. Investors may:

(1) purchase and sell Units in the secondary market on the SEHK in board lot of 100 Units (or multiples thereof);
(2) apply for in-kind creation and redemption through authorised participants (the "**Participating Dealers**") in a minimum number of 50,000 Units (or multiples thereof); and/or
(3) apply for cash creation or redemption through Participating Dealers in a minimum number of 50,000 Units (or multiples thereof), subject to the Manager's absolute discretion to decide whether to accept a cash creation application or cash redemption application.

For the Feeder Fund, special creations and redemptions for the Units (both in cash and in-kind) through the Manager are available.

**Is an investment in the HS FCI50 ETF suitable for me?**

The answer really depends on an assessment of your own circumstances. You should satisfy yourself that the HS FCI50 ETF is suitable for you having regard to your own circumstances, including your financial situation, investment experience and investment objectives, before making any decision to invest in the HS FCI50 ETF. Please note that the decision whether or not to invest remains with you. If you have any doubt as to whether or not the HS FCI50 ETF is suitable for you, you should consult your investment adviser and obtain independent professional advice.

By way of background, the HS FCI50 ETF has been established for investors seeking a relatively inexpensive and passive means of investing in a portfolio of shares which are representative of the largest companies in the China equity market that are available to international investors. In tracking the Index, the HS FCI50 ETF will be investing in companies which are listed on the SEHK and the shares of which generally have high market value and liquidity.

You should carefully consider the risks involved in investing in the HS FCI50 ETF together with all other information included in this offering document before making an investment decision. Please specifically see the section headed "What are the Risks of Investing in the HS FCI50 ETF?".

In addition, you should avoid excessive investment in any single type of investment (in terms of its proportion of your overall portfolio) including any proposed investment in Units so as to avoid having your investment portfolio being over-exposed to any particular investment risk.

**What is the Investment Objective of the HS FCI50 ETF?**

The HS FCI50 ETF is an index-tracking fund tracking the performance of the Index, as more fully described below.

The investment objective of an index-tracking fund is to match, before expenses, as closely as practicable, the performance of an underlying index against which the index-tracking fund is benchmarked.

A stock index tracks the performance of its Index Shares which an index provider selects as representative of a market, specific industry sector or market segment.

The index provider determines the relative weightings of the group of Index Shares in an index and publishes the information regarding the market value of the index.

The HS FCI50 ETF seeks to provide investment returns that match as closely as practicable the performance of the Index. For more information about the Index and its constituent stocks (the "**Index Constituent Stocks**"), please see Appendix 2 "Information about the Index".

**What Investment Strategy is used by the HS FCI50 ETF?**

A replication strategy, as more fully described below.

Index-tracking funds are not managed according to traditional methods of active investment management, which involve the buying and selling of securities based on the fund manager's economic, financial and market analysis and investment judgement.

Unlike an actively managed investment fund, an index-tracking fund does not attempt to outperform any particular stock market or sector thereof nor any underlying benchmark or stock index.

Instead, using a passive approach or indexing investment strategy, the fund manager attempts to match, as closely as practicable, the performance of the underlying index relevant to the index-tracking fund.

Whenever local regulations permit and in the best interest of the Unitholders, the HS FCI50 ETF will invest in ETFs managed by the Manager or its associate, unless an appropriate ETF is not available.

*What are indexing investment strategies?*

Indexing investment strategies are used by fund managers to fulfil an index-tracking fund's investment objective. Replication and representative sampling are the two most common strategies.

*Replication Strategy*

Using a replication strategy, an index-tracking fund invests in substantially all the Index Shares in substantially the same weightings (i.e. proportions) as these stocks have in the underlying index. The composition of the Index may change when a stock ceases to be an Index Share or when it is delisted. When a stock ceases to be an Index Share rebalancing occurs which involves selling the outgoing Index Share and using the proceeds to acquire the incoming Index Share. The downside of using a replication strategy is that transaction costs may be higher than when a representative sampling strategy is being used.

*Representative Sampling Strategy*

Using a representative sampling strategy, an index-tracking fund invests in a representative sample of Index Shares selected by the fund manager using quantitative analytical models in a technique known as portfolio sampling. Under this technique, each stock is considered for inclusion in the fund based on its contribution to certain capitalisation, industry and fundamental investment characteristics. The fund manager seeks to construct the portfolio of the fund so that, in the aggregate, its capitalisation, industry and fundamental investment characteristics perform like those of its underlying index. The risk of using a representative sampling strategy is that it may not track the underlying index as closely as a replication strategy would allow, but a representative sampling strategy does provide for a close correlation to the underlying index in a cost- efficient manner.

*What Strategy Is Used for the HS FCI50 ETF?*

The Manager primarily adopts a replication strategy.

In order to maximise portfolio management efficiency, minimise transaction costs and tracking error, exposure to the Index may also be obtained through other index-tracking strategies or FDIs from which the return to the HS FCI50 ETF substantially reflects the performance of the Index. Such strategies and instruments are chosen based on their correlation to the Index and cost efficiency in order to reflect the characteristics of the Index. Hence, the Manager may decide to utilise a representative sampling strategy or another investment strategy from time to time to achieve the HS FCI50 ETF's investment objective.

If a representative sampling strategy is implemented by the Manager, the Manager will apply such strategy in accordance with the HS FCI50 ETF's investment restrictions (please see the section headed "Are there any Investment or other Restrictions Applicable to the HS FCI50 ETF?") thereby enabling the Manager to overweight the Index Constituent Stocks relative to their respective weightings in the Index in accordance with the below limits.

| Stock's weight in the Index | Maximum extra weighting to be allocated |
|---|---|
| Below 10% | 4%(1) |
| 10% - 30% | 4% |
| 30% - 50% | 3% |
| Above 50% | 2% |

*Note:*

(1) Where the weighting of an Index Constituent Stock is below 10% and if the total allocation to this Index Constituent Stock is still below 10% after allocating the maximum extra weighting of 4%, the total allocation to it may be adjusted up to a maximum of 10%.

Disclosures will be made in the HS FCI50 ETF's financial reports whether the above limits have been complied in full.

**Are there any Investment or other Restrictions Applicable to the HS FCI50 ETF?**

Yes. The HS FCI50 ETF is an Authorised Fund authorised by the SFC for sale to investors in Hong Kong, SFC authorisation is not a recommendation or endorsement of the HS FCI50 ETF nor does it guarantee the commercial merits of the HS FCI50 ETF or its performance. It does not mean the HS FCI50 ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC has the right to withdraw such authorisation of the HS FCI50 ETF if it no longer considers the Index is acceptable. In addition, as an Authorised Fund, the HS FCI50 ETF is not permitted to make certain investments or to engage in certain borrowing or lending activities. These investment, borrowing and lending restrictions are summarised below.

If any of the restrictions or limitations set out in this section are breached, the Manager will make it a priority objective to take all necessary steps within a reasonable period to remedy such breach, taking into account the Unitholders' interests.

The Trustee will take reasonable care to ensure compliance with the investment and borrowing limitations set out in the constitutive documents and the conditions under which the HS FCI50 ETF was authorised.

*Investment restrictions*

(a) the aggregate value of the HS FCI50 ETF's investments in, or exposure to, any single entity through the following may not exceed 10% of the Net Asset Value of the HS FCI50 ETF (save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code):

  (1) investments in securities issued by such entity;

  (2) exposure to such entity through underlying assets of FDI; and

  (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs,

(b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of the HS FCI50 ETF's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the Net Asset Value of the HS FCI50 ETF:

  (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 the HS FCI50 ETF's cash deposits made with the same entity or entities within the same group may not exceed 20% of the Net Asset Value of the HS FCI50 ETF, unless:

  (1) the cash is held before the launch of the HS FCI50 ETF and for a reasonable period thereafter

prior to the initial subscription proceeds being fully invested; or

(2) the cash is proceeds from liquidation of investments prior to the merger or termination of the HS FCI50 ETF, 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 purposes herein, "cash deposits" generally refer to those that are repayable on demand or have the right to be withdrawn by the HS FCI50 ETF 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 the HS FCI50 ETF, when aggregated with other holdings of ordinary shares issued by the same entity held for the account of all other sub-funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by the entity;

(e) not more than 15% of the Net Asset Value of the HS FCI50 ETF 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 the HS FCI50 ETF in a market is not in the best interests of investors, the HS FCI50 ETF 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 HS FCI50 ETF, must in aggregate comply with the requirements of Chapter 7 of the Code;

(2) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the HS FCI50 ETF as a result must be clearly disclosed in this offering document; and

(3) the HS FCI50 ETF must produce the reports required by the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the HS FCI50 ETF;

(g) notwithstanding (a), (b) and (d), not more than 30% of the Net Asset Value of the HS FCI50 ETF may be invested in Government and other Public Securities of the same issue;

(h) subject to (g), the HS FCI50 ETF may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the SFC, the HS FCI50 ETF which has been authorised by the SFC as an index fund may exceed the 30% limit in (g) and may invest all of its assets in Government and other Public Securities in any number of different issues;

(i) unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary, the HS FCI50 ETF may not invest in physical commodities;

(j) for the avoidance of doubt, ETFs that are:

(1) authorised by the SFC under Chapter 8.6 or Chapter 8.10 of the Code; or

(2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

may either be considered and treated as (x) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (y) Collective Investment Schemes for the purposes of and subject to the requirements in paragraph (k) below. However, the investments in ETFs shall be subject to paragraph (e) above and the relevant investment limits in ETFs by the HS FCI50 ETF should be consistently applied and clearly disclosed in this offering document;

(k) where the HS FCI50 ETF invests in shares or units of other Collective Investment Schemes ("underlying schemes"),

(1) the value of the HS FCI50 ETF's investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC may not in aggregate exceed 10% of the Net Asset Value of the HS FCI50 ETF; and

(2) the HS FCI50 ETF 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 HS FCI50 ETF's investment in units or shares in each such underlying scheme may not exceed 30% of the Net Asset Value of the HS FCI50 ETF, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in this offering document,

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

(i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the Code. For the avoidance of doubt, the HS FCI50 ETF may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its total net asset value, and ETFs satisfying the requirements in paragraph (j) above in compliance with paragraph (k)(1) and (k)(2);

(ii) where the underlying schemes are managed by the same management company as that of the HS FCI50 ETF that invests in them, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;

(iii) the objective of the underlying schemes may not be to invest primarily in other Collective Investment Scheme(s);

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

(4) the Manager or any person acting on behalf of the HS FCI50 ETF or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of an underlying scheme, or any quantifiable monetary benefits in connection with investments in any underlying scheme;

(l) the HS FCI50 ETF 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 offering document must state that:

(i) the HS FCI50 ETF is a feeder fund into the master fund;

(ii) for the purpose of complying with the investment restrictions, the HS FCI50 ETF and its master fund will be deemed a single entity;

(iii) the HS FCI50 ETF'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 HS FCI50 ETF and its underlying master fund must be clearly disclosed;

(3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Unitholders or by the HS FCI50 ETF may result, if the master fund in which the HS FCI50 ETF 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 paragraphs (k)(1) and (k)(2); and

(m) if the name of the HS FCI50 ETF indicates a particular objective, investment strategy, geographic region

or market, the HS FCI50 ETF 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 HS FCI50 ETF represents.

The Manager shall not, on behalf of the HS FCI50 ETF:

(A) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class, or the directors and officers of the Manager collectively own more than 5% of those securities;

(B) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the investment limits as set out in Chapters 7.1, 7.1A, 7.2, 7.3 and 7.11 of the Code, where applicable. For the avoidance of doubt, where investments are made in listed REITs, Chapter 7.1, 7.1A and 7.2 of the Code apply and where investments are made in unlisted REITs, which are either companies or Collective Investment Schemes, then Chapters 7.3 and 7.11 of the Code apply respectively;

(C) make short sales if as a result the HS FCI50 ETF would be required to deliver securities exceeding 10% of the Net Asset Value of the HS FCI50 ETF (and for this purpose securities sold short must be actively traded on a market where short selling is permitted) . For the avoidance of doubt, HS FCI50 ETF 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 the HS FCI50 ETF, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;

(E) subject to (e), assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;

(F) enter into any obligation in respect of the HS FCI50 ETF or acquire any asset or engage in any transaction for the account of the HS FCI50 ETF which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders is limited to their investment in the HS FCI50 ETF; or

(G) apply any part of the HS FCI50 ETF in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of the HS FCI50 ETF whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in FDIs for the purposes of Chapter 7.29 and 7.30 of the Code.

Note: The investment restrictions set out above apply to the HS FCI50 ETF, subject to the following: A Collective Investment Scheme authorised by the SFC under the Code is usually restricted from making investments which would result in the value of that Collective Investment Scheme's holdings of the securities of any single entity exceeding 10% of the Collective Investment Scheme's total net asset value. HS FCI50 ETF is authorised under Chapter 8.6 of the Code as an index tracking ETF, given the investment objective of the HS FCI50 ETF and the nature of the Index, the HS FCI50 ETF is allowed under Chapter 8.6(h) of the Code to hold investments in constituent securities of any single entity exceeding 10% of the HS FCI50 ETF's Net Asset Value if such constituent securities account for more than 10% of the weighting of the Index and the HS FCI50 ETF's holding of any such constituent securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature. However, the Manager may cause the HS FCI50 ETF to deviate from the Index weighting (in pursuing a representative sampling strategy) under Chapter 8.6(h)(a) of the Code on the condition that (i) the representative sampling strategy must be clearly disclosed in this offering document, (ii) the excess of weightings of the constituent securities held by the HS FCI50 ETF over the weightings in the Index must be caused by the implementation of

the representative sampling strategy and (iii) the maximum deviation from the Index weighting of any constituent will not exceed the percentage as determined by the Manager after consultation with the SFC, as disclosed in the offering document. In determining this limit, the HS FCI50 ETF must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Index and any other suitable factors. The Manager shall report to the SFC on a timely basis if there is any non-compliance with this limit. The annual and interim financial statements of the HS FCI50 ETF shall also disclose whether or not such limit has been complied with during such period and account for any non-compliance in those reports.

*Borrowing restrictions*

The HS FCI50 ETF is permitted to borrow an amount up to a maximum of 10% of its Net Asset Value except that back-to-back loans will not be taken into account when determining whether or not such limit has been breached. The Trustee may at the request of the Manager borrow for the account of the HS FCI50 ETF any currency for the following purposes:

(1) facilitating the subscriptions or redemption of Units or defraying operating expenses;

(2) enabling the Manager to acquire investments for the account of the HS FCI50 ETF;

(3) enabling the Manager to realise Units or to pay expenses of the HS FCI50 ETF; or

(4) for any other proper purpose, as the Manager and the Trustee may agree to.

The assets of the HS FCI50 ETF may be charged or pledged to secure such borrowing for the account of the HS FCI50 ETF.

*Securities financing transactions*

The HS FCI50 ETF can enter into securities lending transactions for a maximum level of up to 30% and expected level of up to 20% of its Net Asset Value. The Manager will be 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 HS FCI50 ETF and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section “Securities financing transactions” under the section “ Appendix 3 – Securities financing transactions and counterparty and collateral policy” of the Hong Kong Offering Document for the details of the arrangements.

Currently, the Manager has no intention to have any sale and repurchase transactions and reverse repurchase transactions or similar over-the-counter transactions entered into for the account of the HS FCI50 ETF. In the future, where the Manager intends to have any sale and repurchase transactions and reverse repurchase transactions or similar over-the-counter transactions entered into for the account of the HS FCI50 ETF, subject to SFC’s prior approval (if necessary), 1 month’s prior notice will be given to the relevant Unitholders.

*Financial Derivative Instruments*

Subject always to the provisions of the Trust Deed and the Code, the Manager may on behalf of the HS FCI50 ETF enter into any transactions in relation to swaps or other FDI.

The HS FCI50 ETF may acquire FDIs for non-hedging purposes (“investment purposes”), subject to the limit that the HS FCI50 ETF’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 pursuant to Chapter 8 of the Code). For the avoidance of doubt:

(a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by the HS FCI50 ETF for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions; and

(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.

Subject to the above, the HS FCI50 ETF may invest in FDIs provided that the exposure to the underlying assets of the FDI, together with the other investments of the HS FCI50 ETF, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in the relevant provisions of Chapter 7 of the Code.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in paragraphs (a) and (b) under the section entitled "Investment restrictions" above and paragraph (c) below will not apply to FDIs that are (i) transacted on an exchange where the clearing house performs a central counterparty role; and (ii) marked-to-market daily in the valuation of their FDI positions and subject to margining requirements at least on a daily basis.

The FDIs invested by the HS FCI50 ETF shall be either listed or quoted on a stock exchange, or dealt in over-the-counter market and comply with the following provisions:

(a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of Collective Investment Schemes, deposits with Substantial Financial Institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates or currencies or other asset classes acceptable to the SFC, in which the HS FCI50 ETF may invest according to its investment objectives and policies. Where the HS FCI50 ETF 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 provided that the index is in compliance with the requirements under Chapter 8.6(e) of the Code;

(b) the counterparties to over-the-counter FDI transactions or their guarantors are Substantial Financial Institutions or such other entity acceptable to the SFC;

(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 HS FCI50 ETF. Exposure of the HS FCI50 ETF to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the HS FCI50 ETF and shall be calculated with reference to the value of collateral and positive marked-to-market value of the over-the-counter FDIs with that counterparty, if applicable; and

(d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through such measures as may be established from time to time. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the HS FCI50 ETF. 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.

The HS FCI50 ETF shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs. The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. A transaction in FDIs which gives rise to a future commitment or contingent commitment of the HS FCI50 ETF should also be covered as follows:

- in the case of FDI transactions which will, or may at the HS FCI50 ETF's discretion, be cash settled, the HS FCI50 ETF 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 HS FCI50 ETF 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 HS FCI50 ETF 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 provided further that the HS FCI50 ETF shall 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 embed financial derivatives as well.

Although FDIs may be used (as aforesaid), they will not be used extensively for investment purpose.

**What are the Risks of Investing in the HS FCI50 ETF?**

Investors should note that the risk factors mentioned below are general risks associated with investments in the HS FCI50 ETF and investors should consider the information included in this offering document before investing in the HS FCI50 ETF. Whilst to the best of knowledge of the Manager, this offering document includes the information necessary for investors to be able to make an informed judgment of their investments and in particular the risks attached thereto, investors should however not solely rely upon such information for any investment in the HS FCI50 ETF. Investors should note that there may be various other risks or considerations arising from the then prevailing political, economic, social and other conditions which may also need to be taken into account before making any decision to invest in the HS FCI50 ETF.

Investors should carefully consider the risks involved in investing in the HS FCI50 ETF together with all other information included in this offering document and satisfy themselves that the HS FCI50 ETF is suitable for them having regard to their own circumstances, including their financial situation, investment experience and investment objectives before making an investment decision. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not the HS FCI50 ETF is suitable for them, they should consult their investment adviser and obtain independent professional advice.

The Net Asset Value per Unit may fall or rise. There can be no assurance that an investor will achieve any return on an investment in the Units or a return on the capital invested. Investors should not invest in the HS FCI50 ETF unless they fully understand and are willing to take the various risks associated with the underlying investments of the HS FCI50 ETF (which may expose the HS FCI50 ETF to significant losses in terms of income as well as principal), and have the financial resources necessary to bear the substantial, or even total, loss of the capital invested.

In addition, investors should avoid excessive investment in any single type of investment (in terms of its proportion in the overall investment portfolio) including any proposed investment in the HS FCI50 ETF so as to avoid having the investment portfolio being over-exposed to any particular investment risk.

Many factors will affect the performance of the HS FCI50 ETF.

The HS FCI50 ETF's Net Asset Value will change based on changes in market conditions in response to other economic, political, monetary and financial developments. HS FCI50 ETF's reaction to these developments will be affected by the types of securities in which HS FCI50 ETF invests, the financial condition, industry and economic sector, and geographic location of an issuer, and HS FCI50 ETF's level of investment in the securities of that issuer.

To the extent that the Index concentrates in the securities of a particular industry or group of industries, the Manager may similarly concentrate the HS FCI50 ETF's investments. HS FCI50 ETF's performance could depend heavily on the performance of that industry or group of industries and could be more volatile than the performance of less concentrated funds.

In addition, because the Manager may invest a significant percentage of the HS FCI50 ETF's assets in a single issuer, the HS FCI50 ETF's performance could be closely tied to that one issuer and could be more volatile than

the performance of more diversified funds.

Index-tracking funds like the HS FCI50 ETF are not actively managed. The Manager does not have the discretion to select stocks individually or to take defensive positions in declining markets. Hence, any fall in the Index will result in a corresponding fall in the value of the HS FCI50 ETF.

When you redeem or sell your Units they may be worth more or less than what you paid for them, which means that you could lose money.

The following additional factors should be borne in mind when deciding to invest in Units.

*Net Asset Value and price fluctuations*

The Net Asset Value per Unit of the HS FCI50 ETF will generally fluctuate with changes in the Index. Intra-day highs and lows of the Index may be significantly different from its level at the end of the trading day. Units may be bought and sold in the secondary market through the SEHK at market prices which will fluctuate during the trading day. Although the market price of a Unit is expected to approximate its Net Asset Value, it is possible that the market price of a Unit and the Net Asset Value per Unit will vary due to, market demand and supply, liquidity and the "bid/ask" spread in the secondary market (as explained further below). As a result, the market price of a Unit in the secondary market could be higher or lower than the Net Asset Value per Unit.

As with any ETF, the market price of Units will be subject to a "bid/ask" spread – being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers. In times of severe market disruption or when there is an insufficient number of buyers and sellers of Units, the bid/ask spread may increase significantly. When the market price of Units is falling rapidly, Units are most likely to be traded at a discount to the Net Asset Value per Unit, which may be the time that you most want to sell your Units. In the case of suspension of creations and/or redemptions of Units, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Units and the Net Asset Value per Unit.

*Correlation to the Index and tracking error risk*

No assurance can be given that the performance of the HS FCI50 ETF at any time will be an exact or identical replication of the performance of the Index, primarily because (i) there are various fees and expenses payable out of the HS FCI50 ETF's assets, (ii) the assets of the HS FCI50 ETF may not be fully invested at all times, for example, minimal cash balances may arise from cash creation applications and cash redemption applications, (iii) the investment strategy used by the Manager may not result in the HS FCI50 ETF holding all of the Index Constituent Stocks in exactly the same weightings as those stocks have in the Index, (iv) of any adjustment made to the Net Asset Value per Unit which is considered to be an appropriate allowance to reflect Duties and Charges (such as stamp duties) which would be incurred if the investments of the HS FCI50 ETF were to be acquired or sold in certain circumstances as referred to in the section headed "Calculation of Issue Price and Redemption Price", (v) of timing differences associated with additions to and deletions from the Index when rebalancing occurs and (vi) the number of shares outstanding of the Index Constituent Stocks may change from time to time. The use of sampling techniques or futures or other derivative positions may also affect the HS FCI50 ETF's ability, for a particular Dealing Day or otherwise, to achieve close correlation with the Index. The Manager will monitor and seek to manage such tracking error risk and to minimise tracking error.

*Index Termination Risk*

In the event that HS FCI50 ETF's Index ceases to be operated or is not available, the Manager will, subject to the prior approval of the SFC and by giving at least one month's notice, and in accordance with the provisions of the constitutive document of HS FCI50 ETF, change the Index to a replacement index that is tradable and has similar objectives to the Index. Although the Manager will seek to find a replacement index, HS FCI50 ETF may also be terminated if the Index ceases to be compiled or published and there is no replacement index using the same or substantially similar formula for the method of calculation as used in calculating the Index. The SFC reserves the right to withdraw the authorisation of HS FCI50 ETF if the Index is no longer considered to be acceptable to the

SFC.

In case the Manager is granted a license by the Index provider to use the Index to create HS FCI50 ETF based on the Index and to use certain trade-marks and any copyright in the Index, if the license agreement is terminated, HS FCI50 ETF may not be able to fulfil its objective and may be terminated. The initial term of the license agreement may be limited in period and thereafter renewable for only short periods. There can be no guarantee that the relevant license agreement will be perpetually renewed.

*Compilation of Index Risk*

The securities of the Index are determined and composed by the Index provider without regard to the performance of HS FCI50 ETF. HS FCI50 ETF is not sponsored, endorsed, sold or promoted by the Index provider. The Index provider makes no representation or warranty, express or implied, to investors in HS FCI50 ETF or other persons regarding the advisability of investing in securities generally or in any HS FCI50 ETF particularly. The Index provider has no obligation to take the needs of the Manager or investors in HS FCI50 ETF into consideration in determining, composing or calculating the Index. There is no assurance that the Index provider will compile the Index accurately, or that the Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling the Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by the Index provider without notice. Consequently, there can be no guarantee that the actions of the Index provider will not prejudice the interests of HS FCI50 ETF, the Manager or investors.

*Trading and listing issues*

If the Index is discontinued or the Manager's license from FTSE is terminated, the Manager may, in consultation with the Trustee, seek the relevant regulators' prior approval to replace the Index with an index that is tradable and has similar objectives to the Index. For the avoidance of doubt, the index-tracking element of the HS FCI50 ETF's investment objective would remain unchanged. Please refer to the section headed "Replacement of the Index" for details.

If the Units are delisted from the SEHK, the Manager may, in consultation with the Trustee, seek the relevant regulators' prior approval to operate the HS FCI50 ETF as a traditional index fund and will notify investors accordingly. In this case, Unitholders would not be subject to any redemption fee should they wish to redeem their Units for cash. Alternatively, in such circumstances, the Manager may liquidate the HS FCI50 ETF if the Trustee deems it to be in the best interests of investors and will notify the investors accordingly. Investors would then receive Net Asset Value per Unit (which may be higher or lower than the amount paid by the investors per Unit at the time of original investment) as of the date of liquidation as a result of the Manager having to liquidate all of the HS FCI50 ETF's investments.

If Units deposited with the CCASS become non-eligible securities for deposit with the CCASS, Units will be transferred out of the CCASS to, and registered in the name of, the respective CCASS Participants through the Manager. CCASS and HKSCC Nominees Limited will inform the CCASS Participants (the nominee holders of Units) about the "de-list day". Any expenses arising from such transfer and registration shall be borne by the HS FCI50 ETF. In such circumstances, the Manager, the Trustee, the CCASS and the CCASS Participants will use their best efforts to ensure that the transfer and registration of Units will be done in a timely manner. However, you should be aware that there could be a delay in transferring and registering the Units.

The composition of the Index may change and Index Constituent Stocks may be delisted.

*Composition of the Index may change risk*

The securities constituting the Index will change as the securities of the Index are delisted, or as the securities mature or are redeemed or as new securities are included in the Index. When this happens the weightings or composition of the securities owned by the HS FCI50 ETF will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units. However, there can be no guarantee that the HS FCI50 ETF will, at any given time accurately reflect the composition of the Index (refer to

"Correlation to the Index and tracking error risk").

*Cost of trading Units*

Trading of Units on the SEHK may involve various types of costs that apply to all securities transactions. When trading Units through a broker, investors will incur a brokerage commission or other charges imposed by the broker. In addition, investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Units (bid price) and the price at which they are willing to sell the Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments.

*Absence of active trading market in the Units and liquidity risks*

Although Units of the HS FCI50 ETF are listed for trading on the SEHK and one or more Market Makers have been appointed, there can be no assurance that an active or liquid trading market for such Units will develop or be maintained or that such Market Maker(s) will not cease to fulfil that role. In addition, if the underlying securities which comprise the HS FCI50 ETF's assets have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of its Units at the desired price. There can be no assurance that Units will experience trading or pricing patterns similar to those of ETFs which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices. If an investor needs to sell its Units at a time when no active market for them exists, the price it receives for its Units (assuming it is able to sell them) is likely to be lower than the price received if an active market did exist.

*Risk of suspension of trading*

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

*General legal and regulatory risk*

The HS FCI50 ETF 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 HS FCI50 ETF. Furthermore, such change in the laws or regulations may have an impact on the market sentiment which may in turn affect the performance of the Index or the securities in the HS FCI50 ETF's portfolio and as a result, the performance of the HS FCI50 ETF. Changes in the laws and regulations in relevant jurisdictions may adversely affect the operations of companies in the HS FCI50 ETF's portfolio. Stock exchanges may also impose certain requirements for the continued listing of securities. Investors cannot be assured that the relevant securities in the HS FCI50 ETF's portfolio will continue to meet the requirements necessary to maintain the listing on the relevant stock exchange, or that the relevant stock exchange will not change the listing requirements. It is impossible to predict whether such an impact caused by any change of law or regulations will be positive or negative for the investments of the HS FCI50 ETF and accordingly for the HS FCI50 ETF. In the worst-case scenario, a Unitholder may lose a material part of its investments in the HS FCI50 ETF.

*Concentration and Mainland market risk*

The HS FCI50 ETF is subject to concentration risk as a result of tracking the performance of a single geographical region (i.e. the PRC). The value of the HS FCI50 ETF may be more volatile than that of a fund having a more diverse portfolio of investments. The Index Constituent Stocks may consist of H Shares, Red Chip Shares and/or P Chip Shares which are securities listed on the SEHK and traded in Hong Kong of companies having substantial business exposure to the Mainland market, an emerging market. Investments of the HS FCI50 ETF may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks,

settlement risks, custody risk and the likelihood of a high degree of volatility.

*Equity market risk*

The HS FCI50 ETF's investments in equity securities including the Index Constituent Stocks are subject to general market risks, and the value of such investments may fluctuate due to various factors such as changes in investment sentiment, political and economic conditions and issuer-specific factors. In the short term, equity prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Securities exchanges normally have the right to suspend or limit trading in any securities traded on the relevant exchanges under certain circumstances. A suspension or limitation on trading means liquidation of such securities is impossible or trading of such securities is limited during the relevant period and where the HS FCI50 ETF invests in these securities, the HS FCI50 ETF may be subject to losses.

*Passive investment risk*

The HS FCI50 ETF is not actively managed. Accordingly, the HS FCI50 ETF may be affected by a decline in the market segments relating to the Index. The Manager will not take defensive positions in declining markets. Investors may lose a significant part of their respective investments if the Index falls. The HS FCI50 ETF invests in the securities included in the Index regardless of their investment merit. The Manager does not attempt to select stocks individually or to take defensive positions in declining markets. You should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of the HS FCI50 ETF will mean that falls in the Index are expected to result in corresponding falls in the value of the HS FCI50 ETF.

*Liquidity risk*

In respect of the underlying investments of the HS FCI50 ETF, liquidity risk exists. It is possible that a particular investment or position cannot be easily unwound or offset in a timely manner and/or at a reasonable price due to insufficient market depth or market disruption. Liquid investments may become illiquid or less liquid in particular during period of market turmoil or economic uncertainty. The liquidity of the underlying investments of the HS FCI50 ETF would have an impact on the ability of the HS FCI50 ETF to meet the redemption applications of its Unitholders. Absence of liquidity of the underlying investments may have an adverse impact on the HS FCI50 ETF and the value of its underlying investments.

In addition, securities exchanges normally have the right to suspend or limit trading in any securities traded on the relevant exchanges under certain circumstances. A suspension or limitation on trading means liquidation of such securities is impossible or trading such securities is limited during the relevant period and where the HS FCI50 ETF invests in these securities, it may be subject to losses. In case of low trading volume in respect of an underlying security, the liquidity of such security may be adversely affected. Accordingly, the ability of the HS FCI50 ETF to meet the redemption applications of its Unitholders may be adversely affected.

*Prohibited securities risks*

The HS FCI50 ETF may not invest in securities of certain companies, for example, companies and/or securities deemed incompatible with the best interest of investors, such as those subject to sanctions, ESG or sustainability concerns or those with potential tax issues ("non-investment in incompatible companies and/or securities"). In addition, in accordance with HSBC Group policy (which applies as the Manager is a member of the HSBC Group) ("HSBC Group policy", together with "non-investment in incompatible companies and/or securities", defined as "policy"), the HS FCI50 ETF may not invest in the securities of companies considered to be involved directly in the use, development, manufacturing, stockpiling, transfer or trade of controversial weapons banned by international convention. As this policy aims to prohibit investment in certain types of securities, investors should be aware that this reduces the investment universe and prevents the HS FCI50 ETF from benefitting from any potential returns from these companies (in case there is originally no such restriction at the fund or index level). The HSBC Group policy does not apply to third party funds or derivative instruments the HS FCI50 ETF may invest in.

*Borrowing risks*

The Trustee, at the request of the Manager, may borrow for the account of the HS FCI50 ETF for various reasons (if applicable), such as facilitating redemptions or to acquire investments for the account of the HS FCI50 ETF. Borrowing involves an increased degree of financial risk and may increase the exposure of the HS FCI50 ETF 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 the HS FCI50 ETF will be able to borrow on favourable terms, or that the HS FCI50 ETF's indebtedness will be accessible or be able to be refinanced by the HS FCI50 ETF at any time.

*Financial Derivative Instruments Risks*

The risks associated with the use of FDIs are different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Both exchange-traded and over-the-counter derivatives may be utilised. 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 a fund are exposed to a higher degree of fluctuation in value than other funds 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. Exposure to FDIs may lead to a high risk of significant loss. There is no assurance that the derivative strategy used by the HS FCI50 ETF (if any) will succeed.

*Short selling*

The HS FCI50 ETF may make short sales in the expectation of covering the short sale with securities purchased in the open market at a price lower than that received in the short sale. However, the possible losses to the HS FCI50 ETF from short selling a security differ from losses that could be incurred from a cash investment in the same security. Such losses are unlimited due to the lack of an upper limit on the price to which a security may rise, whereas the maximum potential loss from a cash investment is a finite amount i.e. the total amount of the cash investment.

*Issuer-specific changes*

Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect the value of an issuer's securities. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Such issuer-specific changes may have an impact on the Index Constituent Stocks.

*Reliance on Market Makers risk*

The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Units. Nevertheless, it should be noted that liquidity in the secondary market for the Units may be adversely affected if there is no Market Maker for the HS FCI50 ETF. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one Market Maker for the Units gives not less than 3 months' notice prior to terminating the relevant market making arrangement(s). It is possible that there is only one Market Maker to the HS FCI50 ETF or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker, and there is also no guarantee that any market making activity will be effective.

*Reliance on Participating Dealers risk*

The creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during

any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of relevant securities through the CCASS is disrupted or the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the HS FCI50 ETF or disposal of the HS FCI50 ETF's securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to have creation or redemption of Units freely.

*Reliance on the same group risk*

The Trustee (also acting as the Registrar) and the Manager (also acting as the Listing Agent) are members of the HSBC Group (the "**Group**"). One or more of the Participating Dealers and/or Market Makers may also from time to time be members of the Group. Whilst these are separate legal entities and operationally independent, in the event of a financial catastrophe or the insolvency of any member of the Group, there may be adverse implications for the business of the Group as a whole or other members of the Group which could affect the provision of services to the HS FCI50 ETF. In such event the Net Asset Value of the HS FCI50 ETF may be adversely affected and its operation disrupted.

It should be noted that the Trustee and the Manager are presently members of the Group, and one or more of the Participating Dealers and/or Market Makers may from time to time be members of the Group. As such, although all transactions will be at arm's length, conflicts of interest in respect of the HS FCI50 ETF may arise from time to time amongst any of them whilst they belong to the Group. The Manager and each of its Connected Persons will have regard to its obligations to the HS FCI50 ETF and Unitholders and will endeavour to ensure such conflicts are resolved fairly. The attention of investors is drawn to the section headed "Conflicts of Interest that may apply to the HS FCI50 ETF".

*No right to control the HS FCI50 ETF's operation risk*

Investors will have no right to control the daily operations, including investment and redemption decisions, of the HS FCI50 ETF.

*Counterparty to custodian risk*

Deposits of securities or cash with a custodian, bank or financial institution ("custodian or depository") will carry counterparty risk as the custodian or depository may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In most cases, the HS FCI50 ETF's assets will be maintained by the custodian or depository in segregated accounts and would be protected in the event of the insolvency of the custodian or depository.

*Risk of termination of the HS FCI50 ETF*

The HS FCI50 ETF may be terminated by the Trustee under certain circumstances as specified in the section headed "Termination of the HS FCI50 ETF". It is possible that, at the time of such termination, investors have to realise their investment loss and will not be able to receive an amount equal to their capital originally invested.

*FATCA related risk*

Although the HS FCI50 ETF will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the HS FCI50 ETF will be able to satisfy these obligations. If the HS FCI50 ETF becomes subject to a withholding tax as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material losses. Please refer to the section "The United States of America – Foreign

Account Tax Compliance Act (FATCA)".

*Risks associated with securities financing transactions*

Where the HS FCI50 ETF engages in securities financing transactions, it will be subject to the following risks:

(A) Risks relating to securities lending transactions

(1) *Counterparty risk*
Securities lending transactions may involve the risk that the counterparty may fail to return the securities lent out in a timely manner. In this event, the HS FCI50 ETF could experience delays in recovering its securities and may possibly incur a capital loss. The value of the collateral may fall below the value of the securities lent out. Securities lending transactions may also involve wrong-way risk which may occur when the probability of counterparty default is negatively correlated with the value of the collateral.

(2) *Collateral risk*
As part of the securities lending transactions, the HS FCI50 ETF must receive at least 100% of the valuation of the securities lent as collateral marked-to-market on a daily basis. However, there is a risk of shortfall of collateral value due to inaccurate pricing of the collateral, adverse market movements in the collateral value, change of value of securities lent. This may cause significant losses to the HS FCI50 ETF if the counterparty fails to return the securities lent out. The HS FCI50 ETF may also be subject to liquidity and custody risk of the collateral, as well as legal risk of enforcement.

(3) *Operational risk*
By undertaking securities lending transactions, the HS FCI50 ETF is exposed to risk of errors or disruptions in the operation processes of securities lending such as settlement, reconciliation and record-keeping. The HS FCI50 ETF is also exposed to operational risks (e.g. error in settlement, collateral management) and resilience risks (e.g. the ability to operate during disruptions) of the securities lending agent. Such delays and disruptions may restrict the HS FCI50 ETF's ability in meeting delivery or payment obligations from redemption requests.

(B) Risks relating to sale and repurchase transactions

Sale and repurchase transactions involve credit risk to the extent that the HS FCI50 ETF's counterparties may avoid such obligations in bankruptcy or insolvency proceedings, thereby exposing the HS FCI50 ETF to unanticipated losses. The amount of credit risk incurred by the HS FCI50 ETF with respect to a particular sale and repurchase transaction will depend in part on the extent to which the obligation of the HS FCI50 ETF's counterparty is secured by sufficient collateral. In the event of the failure of the counterparty with which collateral has been placed, the HS FCI50 ETF 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.

(C) Risks relating to reverse repurchase transactions

If the seller of securities to the HS FCI50 ETF under a reverse repurchase transaction defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the HS FCI50 ETF will seek to dispose of such securities, which action could involve costs or delay. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the HS FCI50 ETF's ability to dispose of the underlying securities may be restricted or the HS FCI50 ETF may have difficulty in realising collateral. It is possible, in a bankruptcy or liquidation scenario, that the HS FCI50 ETF may not be able to substantiate its interest in the underlying securities.

In the event of the failure of the counterparty with which cash has been placed, the HS FCI50 ETF 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.

In addition, if a seller defaults on its obligation to repurchase securities under a reverse repurchase transaction, the HS FCI50 ETF may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

*Risks associated with collateral management and re-investment of cash collateral*

Where the HS FCI50 ETF enters into a securities financing transaction, collateral may be received from or provided to the relevant counterparty.

The HS FCI50 ETF may receive both cash and non-cash collateral from a counterparty.

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 HS FCI50 ETF's exposure to such counterparty to be under-collateralised. Such collateral assets shall be replaced immediately as soon as the credit quality has deteriorated to such a degree that it would undermine the effectiveness of the collateral.

Where cash collateral received by the HS FCI50 ETF is re-invested, the HS FCI50 ETF will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

Where collateral is provided by the HS FCI50 ETF to the relevant counterparty, in the event of the insolvency of the counterparty, the HS FCI50 ETF may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Finance charges received by the HS FCI50 ETF under a securities lending transaction may be reinvested. Similarly, cash collateral received by the HS FCI50 ETF may also be reinvested. In both circumstances, the HS FCI50 ETF will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the financing charges and cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the HS FCI50 ETF to the securities lending counterparty at the conclusion of the securities lending contract. The HS FCI50 ETF would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the HS FCI50 ETF.

Under a sale and repurchase transaction, the HS FCI50 ETF retains the economic risks and rewards of the securities which it has sold to the counterparty and therefore is exposed to market risk in the event that it must repurchase such securities from the counterparty at the pre-determined price if that pre-determined price is higher than the value of the securities at the time of repurchase. If the HS FCI50 ETF chooses to reinvest the cash collateral received under the sale and repurchase transaction, it is also subject to market risk arising in respect of such investment.

If the additional income which is generated through finance charges imposed by the HS FCI50 ETF on the counterparty of a reverse repurchase transaction is reinvested, the HS FCI50 ETF will assume market risk in respect of such investments.

*Risks associated with distribution of dividend out of capital or effectively out of capital*

The Manager may, at its discretion, pay dividend out of capital or effectively out of capital. Payment of dividends out of capital and/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 of dividends involving payment of dividends out of the capital of the HS FCI50 ETF or effectively out of the capital of the HS FCI50 ETF may result in an immediate reduction of the Net Asset Value per Unit of the HS FCI50 ETF. Please refer to the section "Dividend Policy".

*Redemption by proprietary investments / seed money*

The HS FCI50 ETF's Net Asset Value may at any time include, to a significant extent, proprietary money (or "seed money") invested by one or more interested parties, such as Participating Dealers. Investors should be aware that a significant redemption of any such proprietary investment may affect the management and/or performance of the HS FCI50 ETF and may, in certain circumstances (i) cause remaining investors' holdings to represent a higher percentage of the Net Asset Value of the HS FCI50 ETF, (ii) cause other investors in the HS FCI50 ETF to redeem their investment, and/or (iii) lead the Manager, in consultation with the Trustee (where applicable), to consider taking exceptional measures, such as terminating the HS FCI50 ETF in accordance with the Trust Deed.

*General risks of investments associated with the Mainland*

*Political and economic considerations*

The HS FCI50 ETF tracks the Index and its investments may include H Shares, Red Chip Shares and/or P Chip Shares. They are shares of enterprises having substantial business exposure to growth opportunities in the Mainland. However, investors should be aware that the economy of the Mainland differs from the economies of most developed countries in many respects, including with respect to government involvement in its economy, level of development, growth rate and control of foreign exchange. The regulatory and legal framework for capital markets and companies in the Mainland is not well developed when compared with those of developed countries.

Where the HS FCI50 ETF invests in H Shares, Red Chip Shares and/or P Chip Shares, the HS FCI50 ETF is subject to the risks of investing in emerging markets generally and the risks specific to the Mainland market in particular, which are not typically associated with investing in those of developed countries. General risks of investing in emerging markets include but are not limited to:

- less liquid and less efficient securities markets;
- greater price volatility;
- exchange rate fluctuations and exchange controls;
- less publicly available information about issuers;
- the imposition of restrictions on the repatriation of funds or other assets out of the country;
- higher transaction and custody costs and higher settlement risks;
- difficulties in enforcing contractual obligations;
- lesser levels of regulation of the securities markets;
- different accounting, disclosure and reporting requirements;
- more substantial government involvement in the economy;
- higher rates of inflation;
- social, political and economic instability; and
- risk of nationalisation or expropriation of assets and risk of war or terrorism.

The above may affect the ability of the HS FCI50 ETF to fully implement or pursue its investment objective and strategy.

Investors should be aware that, for more than 50 years, the PRC government has adopted a planned economic system. Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Mainland economy. Such reforms have resulted in significant economic growth and social progress. However, many of the economic reforms in the Mainland are unprecedented or experimental and are subject to adjustment and modification, and such adjustment and modification may not always have a positive effect on securities markets. Also, many laws and regulations in the Mainland are new and therefore untested and there is no certainty as to how they will be applied. They may

also be varied in the future.

The Mainland economy has experienced significant growth in the past few years, but such growth has been uneven both geographically and among the various sectors of the economy. Moreover, there can be no assurance that such growth can be sustained.

Investments associated with the Mainland will be sensitive to any significant change in political, social or economic policy in the Mainland. Such sensitivity may, for the reasons specified above, adversely affect the capital growth and thus the performance of these investments.

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

*Legal system*
The legal system of the Mainland in general and for securities markets in particular have been undergoing a period of rapid change over recent years which may lead to difficulties in interpreting and applying newly evolving regulations. The revised Securities Law which came into force on 1 January 2006 has made a comprehensive revision to the old Securities Law relating to the issuing, listing and trading system etc. of securities, and the revised Securities Law was amended on 29 June 2013.

The PRC government has implemented a number of tax reform policies in recent years. There can be no assurance that the current tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of companies in the Mainland.

*PRC tax risk*
Currently, the Manager does not make any tax provision on realised gains derived from trading of H-shares and red chips shares by the HS FCI50 ETF. However, the Manager reserves the right to make any provision for taxes or withhold any tax for the account of the HS FCI50 ETF.

There are still uncertainties as to the application of the laws, rules and/or regulations on PRC Corporate Income Tax and PRC Value-Added Tax and surtaxes. It is also uncertain as to whether the HS FCI50 ETF may be subject to other taxes imposed in the PRC. It is possible that the current tax laws, rules, regulations and practice in the Mainland and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. Where no provision is made by the Manager in relation to all or part of the actual taxes levied by the relevant PRC tax authorities in future, investors should note that the Net Asset Value of the HS FCI50 ETF may be lowered, as the HS FCI50 ETF will ultimately have to bear the full amount of tax liabilities. In this case, such amount of tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged.

Please refer to the section “Taxes and Duties Payable by the HS FCI50 ETF” – “The PRC” – “Corporate Income Tax” and “Value-Added Tax” below for further details.

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

of the inter-bank foreign exchange market on the previous day (rather than the previous morning's official setting). However it should be noted that the PRC government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the HS FCI50 ETF. There can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the State Administration of Foreign Exchange. On the other hand, the existing PRC foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Nevertheless, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

*Non-RMB or late settlement redemption risk*

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

*Future movements in RMB exchange rates risk*

The exchange rate of RMB ceased to be pegged to US dollars on 21 July 2005, resulting in a more flexible RMB exchange rate system. The China Foreign Exchange Trading System, authorised by the PBOC, promulgates the central parity rate of RMB against US dollars, euro, Japanese Yen, pound sterling and HKD at 9:15 a.m. on each business day, which will be the daily central parity rate for transactions on the Inter-bank Spot Foreign Exchange Market and OTC transactions of banks. The exchange rate of RMB against the above-mentioned currencies fluctuates within a range above or below such central parity rate. Effective 11 August 2015, the PBOC changed the central parity system for the US dollars to a more market based system by which the central parity is set by reference to the closing rate of the inter-bank foreign exchange market on the previous day. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US dollars and HKD, are susceptible to movements based on external factors. There can be no assurance that such exchange rates will not fluctuate widely against US dollars, HKD or any other foreign currency in the future. From 1994 to July 2005, the exchange rate for RMB against US dollar and the HKD was relatively stable. Since July 2005, the appreciation of RMB has begun to accelerate. Although the PRC government has constantly reiterated its intention to maintain the stability of RMB, it may introduce measures (such as a reduction in the rate of export tax refund) to address the concerns of the PRC's trading partners. Therefore, the possibility that the appreciation of RMB will be further accelerated cannot be excluded. On the other hand, there can be no assurance that RMB will not be subject to devaluation.

**Liquidity Risk Management**

*Liquidity Risk Management Process*

Liquidity risk management process is in place for the Manager to manage and monitor liquidity profile of the HS FCI50 ETF in a prudent manner under both normal and adverse market situations.

When managing the HS FCI50 ETF, in addition to risk factors such as market risk, credit risk, exchange rate risk, interest rate risk, etc., the portfolio management team of the Manager considers the liquidity of the HS FCI50 ETF's investments and the corresponding impact on the liquidity profile of the HS FCI50 ETF as well as the HS FCI50 ETF's potential liquidity requirement, in a manner which shall facilitate the HS FCI50 ETF to meet its redemption obligations.

An investment liquidity risk monitoring framework is employed by the Manager to assess and manage liquidity risk of the HS FCI50 ETF. Ongoing liquidity risk assessments and monitoring are performed, taking into account the potential liquidity requirements of the HS FCI50 ETF and the market liquidity under normal and stressed

circumstances.

In assessing the potential liquidity requirements of the HS FCI50 ETF, the Manager considers the historical and expected redemption patterns of the HS FCI50 ETF to the extent practicable and how concentration of holding of Units of the HS FCI50 ETF (if any) might impact the redemption profile and hence the level of liquidity risk of the HS FCI50 ETF.

Mechanism is in place for the Manager to assess, review and decide on the actions which may be required at short notice to meet liquidity demands of the HS FCI50 ETF under unexpected stressed conditions.

Independent control monitoring is put in place by the Manager to ensure the ongoing implementation of the liquidity risk management process for the HS FCI50 ETF. Liquidity risk management for the HS FCI50 ETF is also subject to oversight by an internal committee of the Manager.

*Liquidity Risk Management Tools*

The following liquidity risk management tools are in place for the Manager to manage the liquidity risk of the HS FCI50 ETF and to ensure that Unitholders are treated fairly:

*Suspension of the Determination of Net Asset Value and the Right to Redeem Units*
There are circumstances in which the Net Asset Value of the HS FCI50 ETF may not be ascertained or it is not reasonably practicable to realise any investments of the HS FCI50 ETF. In such cases, the Manager may, in consultation with the Trustee, having regard to the best interests of the Unitholders, declare a suspension of the determination of the Net Asset Value of the HS FCI50 ETF and the right to redeem Units of the HS FCI50 ETF. After the Manager has consulted with the Trustee, no Units will be issued or redeemed during such a period of suspension. For details of such circumstances and the relevant notification arrangement by the Manager, please refer to the point below headed "Suspension of the Determination of Net Asset Value and the Right to Redeem Units".

*Borrowings*
There may be circumstances in which sufficient cash is not readily available for payment of redemption proceeds of the HS FCI50 ETF, e.g. redemption payment is due to be settled before proceeds from disposal of underlying investments of the HS FCI50 ETF is received. Borrowing can be used as a liquidity risk management tool for the HS FCI50 ETF to meet redemption obligations, subject to the restrictions as set out in the sub-section headed "Borrowing restrictions" under "Are there any Investment or other Restrictions Applicable to the HS FCI50 ETF?".

*Adjustments to the Issue Price and Redemption Price of the HS FCI50 ETF*
Where there is net cash inflow to the HS FCI50 ETF, the Manager will generally invest for the HS FCI50 ETF; where there is net cash outflow to the HS FCI50 ETF, investments may need to be sold to fulfil the redemption obligations of the HS FCI50 ETF. Duties and Charges (such as stamp duties) so incurred, if significant, will adversely affect the interest of the remaining investors of the HS FCI50 ETF. As such, for cash subscriptions and redemptions, the Manager may make adjustments to Issue Price and Redemption Price to reflect not only the Net Asset Value per Unit but also the appropriate provision for Duties and Charges, as set out in the section headed "Calculation of Issue Price and Redemption Price". This, in effect, is to allocate the costs of subscription to subscribing investors and the costs of redemption to redeeming investors.

*Impact of the Use of the Liquidity Risk Management Tools on the HS FCI50 ETF and Investors*

The liquidity risk management tools aim to protect the interests of Unitholders under circumstances as stated above and determined by the Manager from time to time. Investors should pay attention to the impact of the use of liquidity risk management tools on the HS FCI50 ETF and the investors:

- *Suspension of the Determination of Net Asset Value and the Right to Redeem Units:*
  (1) Any such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value until the Manager shall declare the suspension at an end. No Units will be issued or redeemed during such a period of suspension.
  (2) In the case of suspension of creations and/or redemptions of Units, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Units and the Net Asset Value per Unit.

- *Borrowings:* While borrowings may provide liquidity for the HS FCI50 ETF, it will increase its operating expenses and hence would affect the performance of the HS FCI50 ETF.

- *Adjustments to the Redemption Price of the HS FCI50 ETF:* Adjustments to reflect not only the Net Asset Value per Unit but also the appropriate provision for Duties and Charges in determining the Redemption Price

for the HS FCI50 ETF aim to allocate the costs of redemption to redeeming investors. Investors should note that such costs of redemption charged to the redeeming investors and so received by the HS FCI50 ETF may be greater than or less than the actual costs of redemption incurred by the HS FCI50 ETF.

**Purchase and Sale of Units on the SEHK and Creation and Redemption of Units**

Investors may:

(1) purchase and sell Units in the secondary market on the SEHK;
(2) apply for in-kind creation and redemption through Participating Dealers; and/or
(3) apply for cash creation or redemption through Participating Dealers, subject to the Manager's absolute discretion to decide whether to accept a cash creation application or cash redemption application

For the Feeder Fund, special creations and redemptions for the Units (both in cash and in-kind) through the Manager are available.

*Purchase and sale of Units on the SEHK*

Investors can purchase and sell Units in board lots of 100 Units (or multiples thereof) like ordinary listed stocks through an intermediary such as a broker or any of the share dealing services offered by banks or other financial advisers at any time the SEHK is open.

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

Please refer to the section headed "Fees and Charges Payable by Investors for Dealing in the Units on the SEHK" for fees payable by investors in secondary market trading.

*Creation and redemption*

Investors may also apply for cash or in-kind creation of Units based on Net Asset Value per Unit through Participating Dealers by tendering (in the case of cash creations) a cash payment of an amount equivalent to the aggregate of the Issue Price multiplied by the relevant number of Units, or (in the case of in-kind creations) a Basket and a cash amount (the "**Cash Component**") as determined and announced by the Manager in advance. Cash or in-kind redemptions of Units based on Net Asset Value per Unit can also be made in a similar manner by tendering the relevant number of Units in exchange for (in the case of cash redemptions) a cash payment of an amount equal to the aggregate of the Redemption Price multiplied by the relevant number of Units, or (in the case of in-kind redemptions) the Basket and Cash Component.

Investors should note that creations and redemptions are made in high minimum transaction sizes and the current cash minimum transaction size and in-kind minimum transaction size are both 50,000 Units (or multiples thereof). In addition, by applying for an in-kind creation or an in-kind redemption, investors are essentially exchanging the underlying Index Constituent Stocks for the Units (in the case of creations) and vice versa (in the case of redemptions). There is no material change in market exposure of their holdings. In other words, their exposure to the share market is neither increased nor decreased through an in-kind creation or redemption but investors should note that the HS FCI50 ETF will be subject to tracking error due to fees and other factors.

In determining the composition of the Basket, the Manager will take into account the HS FCI50 ETF's index tracking strategy, the weightings of the Index Constituent Stocks in the Index and any forthcoming index rebalancing event. The Cash Component is the cash value of the difference between the Net Asset Value of the Units comprising the application and the closing market value of the Basket on the Dealing Day the in-kind creation or redemption application is received. The Cash Component may be positive or negative.

The cut-off time (the "**Dealing Deadline**") is 2:00 p.m. Hong Kong time on each Dealing Day (for making a cash creation application and a cash redemption application by a Participating Dealer) and 15 minutes after the official

closing time of the SEHK on each Dealing Day (for making an in-kind creation application and an in-kind redemption application by a Participating Dealer), or such other time prior to the calculation of the Net Asset Value of the HS FCI50 ETF on that Dealing Day as the Manager may determine and agree with the Trustee.

In respect of in-kind creations, Units will be issued against the relevant Basket and Cash Component (or vice versa) two CCASS Settlement Days after receipt of the creation application or on such later date as determined by the Manager. In respect of cash creations, Units will be issued against the cash payment two CCASS Settlement Days after receipt of the creation application, or on such other date as determined by the Manager in accordance with the Operating Guidelines.

Please refer to Appendix 4 for the operational procedures in respect of creation and redemption applications. A Transaction Fee is applied to each creation and redemption, please refer to Appendix 1 for details.

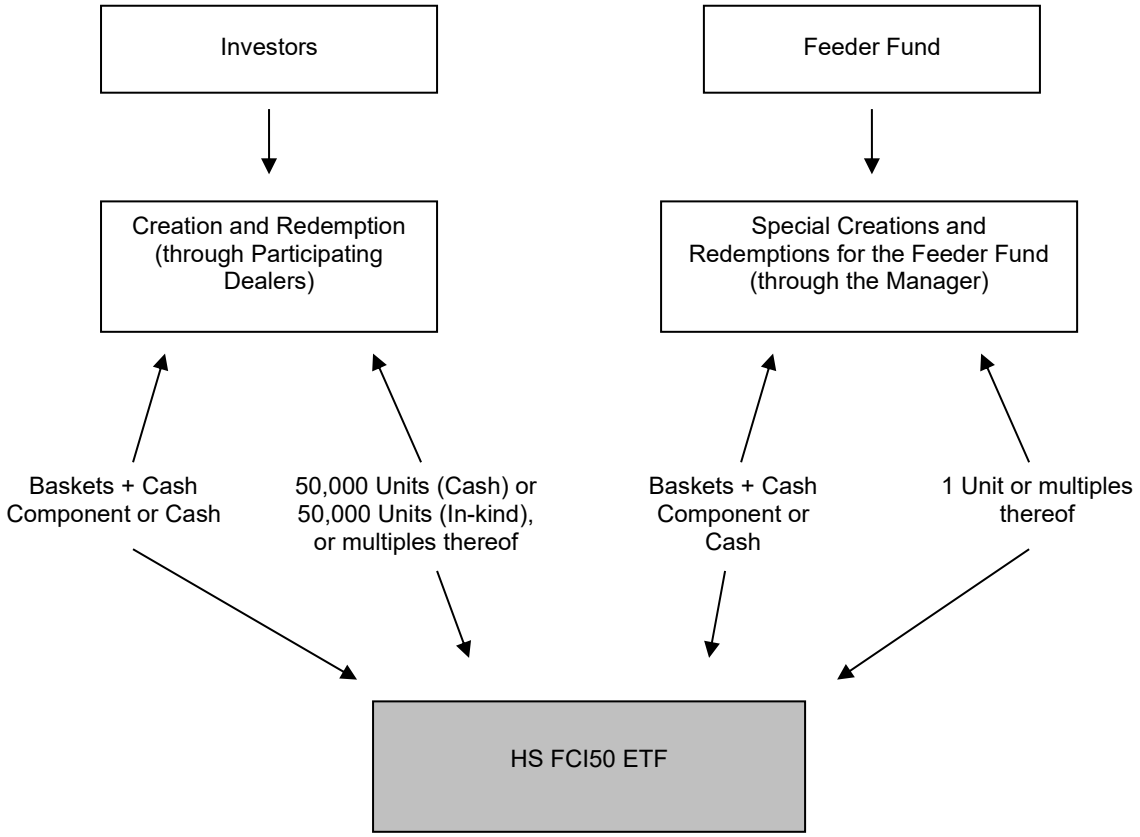
*Special creation and redemption*

The Manager may also facilitate cash subscriptions and cash redemptions and in-kind creations and in-kind redemptions of Units based on Net Asset Value per Unit by the Feeder Fund. The minimum sizes for in-kind creations and in-kind redemptions of Units through Participating Dealers described above do not apply to such cash subscriptions and redemptions for the Feeder Fund.

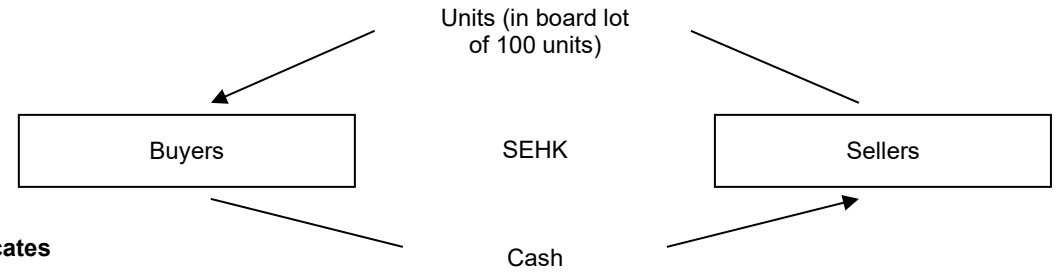
The Dealing Deadline for making a Special Creation Application and a Special Redemption Application by the Feeder Fund is the official closing time of the SEHK on the relevant Dealing Day, or such other time prior to the calculation of the Net Asset Value of the HS FCI50 ETF on that Dealing Day as the Manager may determine and agree with the Trustee.

The diagrams below illustrate the creation and redemption of Units and trading of Units in the secondary market:

(1) Creation and redemption of Units




(2) Trading of Units in the secondary market




**Certificates**

No physical certificates in respect of the Units will be issued.

All Units will be registered in the name of HKSCC Nominees Limited on the register of HS FCI50 ETF. The register of the HS FCI50 ETF is the evidence of ownership of Units. Your beneficial interest in Units shall be established through your account with your chosen CCASS Participant or, as the case may be, other intermediary.

**Summary of Different Trading Methods of Units and Related Fees**

| Different Trading Methods of Units | Minimum Number of Units (multiple of) | Channel | Available to | Consideration, Fees and Charges[1] |
|---|---|---|---|---|
| Purchase and sale in cash through brokers on the SEHK (secondary market) | Board lot of 100 | On the SEHK | **Any investor** satisfying the minimum unit requirements | Market price of Units on the SEHK<br>Brokerage fees<br>Other Duties and Charges |
| Cash creation and redemption | 50,000 | Through Participating Dealers | **Any investor** satisfying the minimum unit requirements and acceptable to the Participating Dealer as its client | Issue Price / Redemption Price[2] (in cash)<br>Transaction Fee<br>Any fees and charges imposed by the Participating Dealer |
| In-kind creation and redemption | 50,000 | Through Participating Dealers | **Any investor** satisfying the minimum unit requirements | Basket<br>Cash Component<br>Transaction Fee<br>Any fees and charges imposed by the Participating Dealer<br>Duties and Charges |
| Special creation and redemption | 1 | Through the Manager | **The Feeder Fund only** | Basket + Cash Component (in-kind) or<br>Issue Price / Redemption Price[2] (in cash) |

[1] For details, please see the sub-section headed “Fees and expenses payable by investors in the HS FCI50 ETF” in Appendix 1.

[2] The appropriate Duties and Charges will be taken into account in determining the Issue Price and Redemption Price. For details please see the section “Calculation of Issue Price and Redemption Price".

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

*Rejection of Applications*

The Manager reserves the right to reject applications to subscribe for/create Units.

*Fractional Units*

The HS FCI50 ETF will not issue fractional Units.

**Determination of Net Asset Value**

The Net Asset Value of the HS FCI50 ETF will be determined in accordance with the Trust Deed. The Manager may, with the prior written consent of the Trustee, adjust the value of any investment made by the HS FCI50 ETF or permit some other method of valuation of such investment to be used if, having regard to exchange rates,

applicable rates of interest, maturity dates, marketability and other considerations the Manager deems relevant, the Manager considers such adjustment or use of such other method is required to reflect the fair value of such investment.

The Net Asset Value will be determined as at each Valuation Point on each Dealing Day.

Set out below is a summary of how assets held by the HS FCI50 ETF are valued:

(a) Investments (including an interest in a Collective Investment Scheme quoted, listed or normally dealt in on a recognised securities market but excluding an interest in an unlisted Collective Investment Scheme or a commodity) shall, at the discretion of the Manager, be calculated by reference to the price appearing to the Manager to be the last traded price or closing price as calculated and published by the recognised securities market for such investment or (if no last traded price or closing price is available) the latest available price on the recognised securities market on which the investment is quoted, listed, traded or normally dealt in for such amount of such investment at or immediately preceding the Valuation Point, as the Manager may consider in the circumstances to provide a fair criterion, provided that: (i) subject to (ii) below, if an investment is quoted, listed, traded or normally dealt in on more than one recognised securities markets, the Manager shall adopt the nominal closing price quoted on the market which, in its opinion, provides the principal market for such investment; (ii) in the case of any investment which is quoted, listed or normally dealt in on a recognised securities market but in respect of which, for any reason, prices on that market may not be available at any relevant time or such market's nominal closing price is not considered to provide a fair value for such investment by the Manager, the value thereof shall be 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 Trustee so requires, by the Manager after consultation with the Trustee; and (iii) interest accrued on interest bearing investments up to (and including) the date as at which the valuation is made should be taken into account, unless such interest is included in the quoted or listed price;

(b) the value of any investment (other than an interest in a Collective Investment Scheme or a commodity) which is not quoted, listed or ordinarily dealt in on a recognised securities market shall be the initial value thereof equal to the amount expended out of the HS FCI50 ETF 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 with the approval of the Trustee and shall at such times or at such intervals as the Trustee may request cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments (which may be the Manager or any Connected Person of the Manager);

(c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof;

(d) futures contracts will be valued based on the formulae set out in the Trust Deed;

(e) the value of each unit, share or other interest in any Collective Investment Scheme (other than an interest in a Collective Investment Scheme quoted, listed, traded or normally dealt in on a securities market) shall be the last published net asset value per unit, share or other interest in such Collective Investment Scheme (where available) or (if the same is not available) a price calculated by aggregating the last published bid price for such a unit, share or other interest and the last published offer price therefor (excluding any preliminary or initial charge included in such offer price) and dividing the result by two, and if no net asset value, bid and offer prices or price quotations are available, the value thereof shall be determined from time to time in such manner as the Manager shall determine; and

(f) notwithstanding the foregoing, the Manager may with the prior written consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations they deem relevant, they consider that such adjustment or use of such other method is required to reflect the fair value thereof.

The above is a summary of the key provisions of the Trust Deed with regard to how the various assets of the HS FCI50 ETF are valued.

**Suspension of the Determination of Net Asset Value and the Right to Redeem Units**

The Manager may, in consultation with the Trustee, having regard to the best interests of the Unitholders, declare the suspension of the determination of Net Asset Value of the HS FCI50 ETF and the right to redeem Units for the

whole, or any part of, any period when:

(1) the SEHK is closed;

(2) dealings on the SEHK, or the Hong Kong Futures Exchange Limited, are restricted or suspended;

(3) the settlement or clearing of dealings via the CCASS is disrupted;

(4) the Index is not compiled or published;

(5) there exists any state of affairs as a result of which delivery or purchase of the Index Constituent Stocks or disposal of investments for the time being comprised in the HS FCI50 ETF cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of investors in the HS FCI50 ETF;

(6) there is any breakdown in the means normally employed in determining Net Asset Value or when, for any other reason, the value of any investment of the HS FCI50 ETF cannot, in the opinion of the Manager, be reasonably, promptly and fairly be ascertained; or

(7) the remittance or repatriation of other funds which will or may be involved in the realisation of, or in the payment for, investments of the HS FCI50 ETF or the issue or redemption of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange.

Any such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following 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 shall exist.

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration, publish a notice on www.hangsenginvestment.com (*this website has not been reviewed by the SFC)* and the SEHK's website www.hkex.com.hk *(this website has not been reviewed by the SFC)* and/or cause a notice to be given to investors and to all those (whether investors or not) whose applications to redeem Units shall have been affected by such suspension stating that such declaration has been made.

No Units relating to the HS FCI50 ETF will be issued or redeemed during such a period of suspension after the Manager has consulted with the Trustee.

In respect of the Units, a Participating Dealer may at any time after a suspension has been declared and before termination of such suspension withdraw a Participating Dealer Application and/or Special Application submitted prior to such suspension by notice in writing to the Manager and the Trustee. If the Manager has not received any such notification of withdrawal of such Participating Dealer Application and/or Special Application (as the case may be) before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Units or redeem Units in respect of such Participating Dealer Application and/or Special Application (as the case may be) and such Participating Dealer Application and/or Special Application (as the case may be) shall be deemed to be received immediately following the termination of such suspension.

**Suspension of Dealings in Units on the SEHK**

Dealings in Units on the SEHK may at any time be suspended by the SEHK if the SEHK considers it necessary for the protection of investors or for the maintenance of an orderly market in such circumstances and subject to such conditions as the SEHK sees fit.

**Calculation of Issue Price and Redemption Price**

The Trust Deed provides that the Issue Price or Redemption Price of each Unit for any relevant Dealing Day will, subject to the qualification below, be based on the Net Asset Value of the HS FCI50 ETF at the Valuation Point divided by the number of Units then in issue or deemed to be in issue, rounded to the nearest four decimal places with any amount of 0.00005 or above being rounded up (unless otherwise agreed by the Manager and the Trustee).

Any amount corresponding to the rounding up or down shall accrue to the HS FCI50 ETF.

To ensure all investors in the HS FCI50 ETF are treated fairly, for cash subscriptions and redemptions, the Manager may, in determining the Issue Price of a Unit, add to the Net Asset Value per Unit (before making any rounding adjustment) an amount, for the account of the HS FCI50 ETF, which it considers to be an appropriate allowance to reflect Duties and Charges (such as stamp duties) which would be incurred if the appropriate number of Index Constituent Stocks were purchased at the values attributed to them in calculating the Net Asset Value per Unit. Similarly, for cash subscriptions and redemptions, the Manager may, when determining the Redemption Price of any Unit, deduct for the account of the HS FCI50 ETF from the Net Asset Value per Unit (before making any rounding adjustment) an amount which it considers to be an appropriate allowance to reflect the Duties and Charges (such as stamp duties) which would be incurred if the appropriate number of the Index Constituent Stocks were to be sold at the values attributed to them in calculating the Net Asset Value per Unit.

**Market Price**

Dealings in the Units on the secondary market may be effected at market prices on the SEHK which may vary throughout the day and may be higher or lower than the Net Asset Value per Unit.

**Fees and Expenses Payable by the HS FCI50 ETF**

For details of the amount of fees and expenses currently payable by the HS FCI50 ETF, please see Appendix 1 “Current Fees and Charges”.

*Management Fee*

The HS FCI50 ETF pays the Manager a monthly fee calculated by reference to daily Net Asset Value. Any increase from the current level up to the maximum level (please refer to Appendix 1) will be announced or published on the SEHK’s website www.hkex.com.hk (*this website has not been reviewed by the SFC)* and via www.hangsenginvestment.com (*this website has not been reviewed by the SFC)*. Any increase in the maximum level must be approved by registered holders of Units in the HS FCI50 ETF at an extraordinary general meeting.

*Trustee Fee*

The HS FCI50 ETF pays the Trustee a monthly fee calculated by reference to daily Net Asset Value. Any increase from the current level up to the maximum level (please refer to Appendix 1) will be announced or published on the SEHK’s website www.hkex.com.hk (*this website has not been reviewed by the SFC)* and via www.hangsenginvestment.com (*this website has not been reviewed by the SFC)*. Any increase of the maximum level must be approved by registered holders of Units in the HS FCI50 ETF at an extraordinary general meeting.

*Other Expenses*

The HS FCI50 ETF bears the expenses which are attributable to it. Such expenses include but are not limited to the costs of the Manager investing on behalf of HS FCI50 ETF (including applicable duties), the fees and expenses of the custodians of its assets, the fees and expenses of the Registrar, the fees and expenses of its auditors, valuation costs, legal fees, index licensing fees, the costs incurred in connection with the listing of the Units on the SEHK and authorisation as a Collective Investment Scheme by the SFC, the costs of preparation and publication of this offering document (including the Product Key Facts Statement for the HS FCI50 ETF) and the Trust Deed, the costs of communicating with and holding meetings of investors, the costs incurred in the preparation and printing of any document or reports to investors (including, as may be agreed to the Manager, postage costs incurred by any nominee for the benefit of the underlying investors in distributing such reports) and all other operating costs. For the avoidance of doubt, no expenses arising out of any advertising or promotional activities in connection with the HS FCI50 ETF will be paid from the assets of the HS FCI50 ETF.

*Soft dollar benefits*

Neither the Manager, its delegates (including any investment delegates) nor its Connected Persons will receive cash or other rebates from brokers or dealers in respect of transactions for the account of the HS FCI50 ETF. However, the Manager, its delegates (including any investment delegates) 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 the HS FCI50 ETF (as may be permitted under the Code, applicable rules and regulations) from brokers and other dealers through whom investment transactions are carried out 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 dollar arrangements will be disclosed in the HS FCI50 ETF's annual report.

**Fees and Charges Payable by Investors for Dealing in the Units on the SEHK**

Investors are required to pay brokerage fees, transaction levies and the SEHK trading fees in respect of any dealing in the Units on the SEHK. For details of the amount of fees currently payable, please see "Appendix 1 - Current Fees and Charges".

**Dividend Policy**

The Manager may, at its discretion, distribute semi-annual cash dividends (if any), which are expected to be in respect of the first half and the second half of each calendar year respectively. The Manager currently intends to make declaration of dividends in June and September of each year. There is no guarantee of regular distribution of dividends and if dividend is paid the amount being distributed.

The Manager may, at its discretion, pay dividend out of capital of the HS FCI50 ETF as contemplated by FAQ34 on the Code issued by the SFC. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the HS FCI50 ETF are charged to/paid out of the capital of the HS FCI50 ETF, resulting in an increase in distributable income for the payment of dividends by the HS FCI50 ETF and therefore, the HS FCI50 ETF may effectively pay dividend out of capital as contemplated by FAQ34.

Payment of dividends 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 of dividends involving payment of dividends out of capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Unit.

The compositions of the dividends (i.e. the percentages of dividends being paid out of (i) net distributable income and (ii) capital) for a rolling 12-month period are available from the Manager on request and on the website www.hangsenginvestment.com (*this website has not been reviewed by the SFC)*. Details of ex-dividend dates and dividend payment dates shall also be published on the website www.hangsenginvestment.com (*this website has not been reviewed by the SFC)* and via the SEHK's website www.hkex.com.hk (*this website has not been reviewed by the SFC)*. Subject to the SFC's approval, where required by the SFC or the Code, the Manager may amend the policy regarding paying dividends out of capital or effectively out of capital by giving not less than 1 month's advance notice to Unitholders.

**Proxy Voting Policy**

The proxy voting guidelines of the Manager can be accessed via the website www.hangsenginvestment.com (this website has not been reviewed by the SFC).

**Reporting to Investors**

*Reports and Accounts*

The year-end of the HS FCI50 ETF is 31 December in each calendar year.

An audited annual financial report will be made available to Unitholders within four months of the end of each

financial year.

The unaudited interim financial reports will also be made available to Unitholders within two months of the period which they cover.

The interim and annual financial reports will be available in both English and Chinese language, and provide a summary illustrating the differences between the daily closing price for the Units on the SEHK and its Net Asset Value per Unit over the reporting period.

Printed copies of the financial reports are available for inspection free of charge when they are issued within the relevant timeframe in the offices of the Manager at Hang Seng Building, 83 Des Voeux Road Central, Hong Kong. Alternatively, soft copies of the financial reports will be available when they are issued within the relevant timeframe on the Manager's website at www.hangsenginvestment.com (this website has not been reviewed by the SFC) and/or the SEHK's website at www.hkex.com.hk (this website has not been reviewed by the SFC).

*HS FCI50 ETF Information on the Internet*

The Manager will publish information with respect to the HS FCI50 ETF, both in Chinese and in English, on www.hangsenginvestment.com *(this website has not been reviewed by the SFC) (*and a hyperlink from the SEHK's website www.hkex.com.hk (*this website has not been reviewed by the SFC)* is also available). You should regularly review such information. Such information will include:

- this offering document (including the Product Key Facts Statement) in respect of the HS FCI50 ETF, as may be updated from time to time;
- the latest annual audited and interim unaudited financial reports of the HS FCI50 ETF;
- the last Net Asset Value in HKD only and the last Net Asset Value per Unit in HKD (updated on a daily basis);
- the near real-time indicative Net Asset Value per Unit (updated every 15 seconds during the SEHK trading hours throughout each Dealing Day) in HKD;
- any notices relating to material changes to the HS FCI50 ETF which may have an impact on its investors, such as material alterations or additions to this offering document or the HS FCI50 ETF's constitutive documents;
- any public announcements made by the HS FCI50 ETF, including information with regard to the HS FCI50 ETF and the Index, as well as notices of suspension of creation and redemption of units, suspension of the calculation of the Net Asset Value, changes in fees and suspension and resumption of trading;
- the latest list of Participating Dealers and Market Makers;
- the full holdings of the HS FCI50 ETF (updated on a daily basis);
- the ongoing charges figure and the past performance information of the HS FCI50 ETF;
- the annual tracking difference and tracking error of the HS FCI50 ETF; and
- the compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for a rolling 12-month period (such information is also available from the Manager on request).
- The trading information of the HS FCI50 ETF shall appear on every Dealing Day via the SEHK's website at www.hkex.com.hk (this website has not been reviewed by the SFC) for Participating Dealer's in-kind creation and redemption of Units.

*Information About the Index*

Information regarding the Index and the Index provider of such index can be found in Appendix 2. Real-time updates about the Index can be obtained through Thomson Reuters, Bloomberg and on www.ftserussell.com *(this website*

*has not been reviewed by the SFC)* *the* latter of which contains the additional and latest updated information about the Index and a description of the way in which such index is calculated. It is your own responsibility to obtain the current Index information (including without limitation, any change in the composition of the Index, any change in the method for compiling and calculating the Index) via the website www.ftserussell.com *(this website has not been reviewed by the SFC).* Please refer to the section headed "References to Websites" for the warning and the disclaimer regarding information contained in such website.

*Information About Index Constituent Stocks*

Information on the individual Index Constituent Stock can be obtained from the SEHK's website at www.hkex.com.hk (*this website has not been reviewed by the SFC)* or by checking the official website of the relevant Index Constituent Stock. It is your own responsibility to check up the latest updated information on the individual Index Constituent Stocks including but not limited to events arising from the affairs of the Index Constituent Stocks such as any price sensitive information disclosed by the issuer of any individual Index Constituent Stock, any announcement regarding any suspension of an Index Constituent Stock from trading on the SEHK. Please refer to the section headed "References to Websites" for the warning and the disclaimer regarding information contained in such websites and sources.

**HS FCI50 ETF Management**

*Manager / Listing Agent*

The Manager, Hang Seng Investment Management Limited, was incorporated in Hong Kong with limited liability in April 1993. It is a wholly-owned subsidiary of Hang Seng Bank and is the investment arm of Hang Seng Bank. It provides investment management services to Hang Seng Bank and Hang Seng Bank's customers and has extensive experience in managing index-tracking funds, retirement funds, institutional accounts and private client portfolios. Founded in 1933, Hang Seng Bank is a principal member of the HSBC Group, one of the world's largest banking and financial services organisations.

The Manager is licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising in securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

The Manager also acts as the Listing Agent of the HS FCI50 ETF.

The Manager may appoint other investment managers or investment delegates to assist the Manager in managing the HS FCI50 ETF. No such investment manager or investment delegate has yet been appointed as at the date of this offering document.

*Trustee, Custodian and Registrar*

The Trustee of the HS FCI50 ETF is HSBC Institutional Trust Services (Asia) Limited which was appointed as trustee of the HS FCI50 ETF in place of HSBC Provident Fund Trustee (Hong Kong) Limited with effect on and from 1 May 2019. The Trustee is also the custodian of the HS FCI50 ETF's assets and its registrar and provides services in respect of the establishment and maintenance of the register of the Unitholders.

The Trustee is incorporated with limited liability in Hong Kong on 27 September 1974. It is an indirect wholly-owned subsidiary of HSBC Holdings plc. It is registered as a trust company under section 78(1) of the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and is an approved trustee under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). It is also registered with the Hong Kong Monetary Authority under a statutory guideline to comply with the Supervisory Policy Manual (SPM) module on "Regulation and Supervision of Trust Business" (TB-1) under section 7(3) of the Banking Ordinance. The Trustee is licensed by the SFC to carry out the Type 13 regulated activity (providing depositary services for relevant Collective Investment Schemes under the SFO and has a Trust or Company Service Provider (TCSP) License under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong).

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the HS FCI50 ETF. The Trustee may also appoint any other person or persons to be the custodian of the HS FCI50 ETF's assets or to act

as registrar.

The Trustee may from time to time (1) appoint such person or persons as it thinks fit (including, without limitation, any of its Connected Persons) to hold as custodian, nominee or agent, all or any of the investments, assets or other property comprised in the Trust Fund or any of the sub-funds and may empower any such custodian, nominee or agent to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians (each such custodian, nominee, agent, co-custodian and sub-custodian a "Correspondent") and (2) delegate all or any of its duties, powers and discretions under any provisions of the Trust Deed to any person or corporation (including a Connected Person of the Trustee) approved by the Manager. The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of Correspondents and delegates and (b) be satisfied that each Correspondent or delegate retained remain suitably qualified and competent on an ongoing basis to provide the relevant services to the HS FC150 ETF. The Trustee shall be liable for the acts and omissions of any Correspondent and of any delegate which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee. Provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent and of any delegate which is not a Connected Person of the Trustee.

The Trustee shall not be liable for: (i) any agents and persons appointed by the Manager; (ii) any depositary or clearing system in relation to any security deposited with such depositary or clearing system;(iii) any Registrar (other than where the Trustee is the Registrar), Participating Dealers, counterparties, third party service providers and advisers (including any third party service providers appointed to provide service in respect of the Trust at the instruction of the Manager, where the Trustee is not involved in the selection of such service providers).

Subject as provided in the Trust Deed, the Trustee shall not be liable for losses caused by the performance of investments made by the Trust and/or the HS FCI50 ETF.

Subject to the terms of the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or the HS FCI50 ETF from and against any action, costs, claims, damages, expenses or demands relating to the HS FCI50 ETF (other than those arising out of any liability or obligation to Unitholders imposed on the Trustee pursuant to the laws of Hong Kong or the Trust Deed or for breach of trust through its fraud or negligence) to which it may be put as Trustee to have recourse to the assets of the HS FCI50 ETF or any part thereof but shall not have a right of recourse to the assets of any other sub-fund under the Trust (if any).

The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment.

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

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

The Trustee is entitled to the fees set out in "Fees and expenses payable by the HS FCI50 ETF" section and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Manager has sole responsibility for making investment decisions in relation to the Trust and/or the HS FCI50 ETF and subject to the terms of the Trust Deed and the requirements of the Code, the Trustee (including its delegate) is not responsible and has no liability for any investment decision made by the Manager. Except as provided in the Trust Deed or expressly stated in this Offering Document and/or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Trust or the HS FCI50 ETF, and they are not responsible for the preparation or issue of this Offering Document other than their description under this section.

*Conversion Agent or Service Agent*

The Conversion Agent or Service Agent in respect of the HS FCI50 ETF is **HKCAS**, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited. The HKCAS performs services as conversion agent under the terms of the Conversion Agency Agreement entered into among the Manager, the HKCAS and HKSCC in connection

with the in-kind creation and in-kind redemption of Units by Participating Dealers, and as Service Agent under the terms of each Service Agreement entered into among the Trustee, the Manager, the Registrar, the Participating Dealer, the agent of the Participating Dealer (if applicable), the HKCAS and HKSCC in connection with the cash creation and cash redemption of Units by Participating Dealers.

*Participating Dealers*

A Participating Dealer is a broker or dealer who acts for its own account or for the account of its clients to make creation and redemption applications for a large minimum number of 50,000 Units (or multiples thereof). The latest list of the Participating Dealers is available at www.hangsenginvestment.com (this website has not been reviewed by the SFC).

*Market Makers*

A market maker is a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market and whose obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for the Units on the SEHK. Market makers facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will endeavour to ensure that there is at least one other Market Maker to facilitate the efficient trading of Units. The latest list of Market Makers is available at www.hkex.com.hk (this website has not been reviewed by the SFC). Please refer to the section headed "References to Websites" for the warning and the disclaimer regarding information contained in such website.

*FTSE International Limited*

FTSE is the proprietor and absolute owner of all of the goodwill, rights, title and interest in the name and mark of the Index, and manages and compiles the Index and is the index provider to the HS FCI50 ETF. FTSE and the Manager are independent of each other. Additional information about FTSE is available at www.ftserussell.com *(this website has not been reviewed by the SFC)*. Please refer to the section headed "References to Websites" for the warning and the disclaimer regarding information contained in such website.

**Conflicts of Interest that may apply to the HS FCI50 ETF**

The Manager, the Trustee or persons connected to them may from time to time act as manager, investment manager, investment delegate, trustee, administrator, registrar, secretary or custodian (as the case may be) or provide other services in relation to, or be otherwise involved in or with, other funds and clients which have a similar investment objective to the HS FCI50 ETF. It is possible that conflicts of interest may arise for the Manager, the Trustee or persons connected to them in the course of transactions between them in so acting for such other funds and clients and the HS FCI50 ETF. If such conflicts arise, the Manager, the Trustee or persons connected to them will use its best efforts to ensure that investors in the HS FCI50 ETF are treated fairly.

The Manager, any investment delegate or any of their Connected Persons may enter into transactions with the HS FCI50 ETF as principal.

Such transactions will be disclosed in the HS FCI50 ETF's audited annual report and shall only be made with the prior written consent of the Trustee except where such transactions are (i) unit creation or redemption applications or (ii) an investment in a Collective Investment Scheme managed by the Manager or the Connected Persons to it, conducted at the prevailing Net Asset Value of the HS FCI50 ETF or, as the case may be, the prevailing net asset value of the Collective Investment Scheme, on no more favourable terms and conditions than those available to any other person.

The Manager, the Trustee and persons connected to the Manager and/or the Trustee may have banking or other financial relationships with a company whose shares are an Index Constituent Stock.

The Manager, the Trustee and persons connected to the Manager and/or the Trustee may hold and deal in Units

or in investments held by the HS FCI50 ETF either for their own account or for the account of their customers.

Monies for the account of the HS FCI50 ETF can be borrowed from any of the Trustee, the Manager, any investment delegate or any of their Connected Persons (being a bank) provided that such person shall charge interest at no higher rate, and any fee for arranging or terminating the loan is of no greater amount, than is in accordance with its normal banking practice at the rate for a commercial loan of the size and nature of the loan in question negotiated at arm's length.

Any arrangements for deposit of any monies for the account of the HS FCI50 ETF may be made with any of the Trustee, the Manager, any investment delegate or any of their Connected Persons being an institution licensed to accept deposits provided that the such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with the ordinary and normal course of business.

The operating parties (including the Manager, the Trustee, Participating Dealers and Market Makers) may have banking or other financial relationships with each other. Situations may arise where there are conflicts of interest among such entities. If such conflicts arise, the Manager will use its best efforts, to ensure that investors in the HS FCI50 ETF are treated fairly.

The Manager is also the manager of the Feeder Fund.

Subject to applicable rules and regulations, the Manager, its delegate or any of its Connected Persons may enter into portfolio transactions for or with the HS FCI50 ETF as agent in accordance with normal market practice, provided that commissions charged to the HS FCI50 ETF 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. For so long as the HS FCI50 ETF is authorised by the SFC and it is an applicable requirement of the Code, the Manager, if transacting with brokers or dealers connected to the Manager, investment delegates 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 report of the HS FCI50 ETF.

The Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest, including conducting all transactions in good faith at arm's length and in the best interest of the HS FCI50 ETF on normal commercial terms.

**Taxes and Duties Payable by the HS FCI50 ETF**

The information below regarding taxation and duties is based on the law and practice in force in Hong Kong and in the PRC at the date of this offering document.

*Hong Kong*

*Profits Tax*
As an Authorised Fund, profits of HS FCI50 ETF arising from the sale or disposal of securities, net investment

income received by or accruing to the HS FCI50 ETF and all other profits of the HS FCI50 ETF are exempt from Hong Kong profits tax.

*Stamp Duty*

Pursuant to section 19(1DA) and Part 2 of Schedule 10 of the SDO and according to the Stamping Circular No.02/2019, the HS FCI50 ETF is an "authorized open-ended collective investment scheme" as defined under the SDO, and, provided that the value of the Hong Kong stock is proportionate to the value of the Unit, any Hong Kong stamp duty (i.e. fixed and ad valorem) on the delivery of Hong Kong stocks as consideration for the allotment of Units will be exempted. Similarly, provided that the value of the Hong Kong stock is proportionate to the value of the Unit, Hong Kong stamp duty on the delivery of Hong Kong stocks as consideration for redemption of Units will also be exempted. The allotment or redemption is considered to be proportionate if the value of the Hong Kong stock sold or purchased is equivalent to the asset value of the HS FCI50 ETF which the allotted or redeemed Unit represents as at the date of allotment or redemption (as the case may be).

No Hong Kong stamp duty is payable by the HS FCI50 ETF on an issue or redemption of Units in cash.

The sale and purchase of the Index Constituent Stocks by the HS FCI50 ETF will be subject to Hong Kong stamp duty under the SDO.

*The PRC*

*Corporate Income Tax*

Under current PRC Corporate Income Tax Law and regulations, if the HS FCI50 ETF is considered as a PRC tax resident enterprise, it will be subject to PRC Corporate Income Tax ("**CIT**") at the rate of 25% on its worldwide taxable income. If the HS FCI50 ETF is considered as a non-PRC tax resident enterprise with an establishment or place of business (a "**PE**") in the Mainland, the profits attributable to that PE would be subject to CIT.

The Manager intends to manage and operate the HS FCI50 ETF in such a manner that the HS FCI50 ETF should not be treated as a PRC tax resident enterprise or non-PRC tax resident enterprise with a PE in the Mainland for CIT purposes, although this cannot be guaranteed.

Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-PRC tax resident enterprises without a PE in the Mainland are subject to CIT on a withholding basis ("**WIT**"), generally at a rate of 10%, to the extent it directly derives the PRC sourced passive income. PRC sourced passive income (such as dividend income) may arise from investments in the H-shares and/or certain red chips shares. Accordingly, the HS FCI50 ETF may be subject to WIT on any cash dividends it receives from its investment in H-shares and/or certain red chip shares. Such WIT will reduce the income from the HS FCI50 ETF and adversely affect the performance of the HS FCI50 ETF. The entity distributing or paying such PRC sourced passive income is required to withhold such tax. The Manager reserves the right to make relevant provision on dividends if the WIT is not withheld at source.

There are still uncertainties as to the application of the PRC Corporate Income Tax Law and its implementation rules. It is possible that the current tax laws, rules, regulations and practice in the Mainland and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. Where no provision is made by the Manager in relation to all or part of the actual tax levied by the relevant PRC tax authorities in future, investors should note that the Net Asset Value of the HS FCI50 ETF may be lowered, as the HS FCI50 ETF will ultimately have to bear the full amount of tax liabilities. In this case, such amount of tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged. The Manager reserves the right to provide for WIT and withhold the tax for the account of the HS FCI50 ETF if so warranted.

*Value-Added Tax*

Under the current PRC Value-Added Tax Law and its implementation rules, gains derived from the trading of PRC securities will be subject to Value-Added Tax ("VAT"), unless exemption is available. If VAT is applicable, there

may also be other surtaxes.

There are still uncertainties as to the application of the PRC VAT Law and its implementation rules (e.g. it is not clear as to whether gains realised on the disposals of the HS FCI50 ETF's investments in H-shares and red chips shares would be subject to VAT and its surtaxes). Where no provision is made by the Manager in relation to all or part of the actual taxes levied by the relevant PRC tax authorities in future, investors should note that the Net Asset Value of the HS FCI50 ETF may be lowered, as the HS FCI50 ETF will ultimately have to bear the full amount of tax liabilities. In this case, such amount of tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged. The Manager reserves the right to provide for VAT and its surtaxes and withhold the taxes for the account of the HS FCI50 ETF if so warranted.

Please refer to the risk factor "PRC tax risk" for further information in this regard.

**Taxes and Duties Payable by Investors**

*You should consult your professional advisers on the consequences to you of acquiring, holding, redeeming, transferring or selling Units under the relevant laws of the jurisdictions to which you are subject, including the tax consequences and any exchange control requirements. The consequences, including the availability of, and the value of, tax relief will vary with the law and practice of your country of citizenship, residence, domicile or incorporation and your personal circumstances.*

The information below regarding taxation and duties is based on the law and practice in force in Hong Kong at the date of this offering document. You should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon your personal circumstances. The following statements are intended as a general guide only and do not necessarily describe the tax consequences for all types of investors in the HS FCI50 ETF.

*Hong Kong*

*Profits Tax*

Hong Kong profits tax is not payable by the investors in respect of profits from the purchase and sale of Units effected outside Hong Kong, profits in the nature of capital gains rather than trading profits and income or profits otherwise exempt under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong).

There is generally no capital gains tax payable on the sale of the Units, save and except that where a person is or is deemed as carrying on a trade, profession or business in Hong Kong, gains or profits on the sale of the Units may be treated as normal trading receipts from that trade, profession or business and thus attract Hong Kong profits tax.

Distributions to the Unitholders are not subject to withholding taxes in Hong Kong.

*Stamp Duty*

Pursuant to section 19(1DA) and Part 2 of Schedule 10 of the SDO and according to the Stamping Circular No.02/2019, the HS FCI50 ETF is an "authorized open-ended collective investment scheme" as defined under the SDO, and, provided that the value of the Hong Kong stock is proportionate to the value of the Unit, any Hong Kong stamp duty (i.e. fixed and ad valorem) on the delivery of Hong Kong stocks as consideration for the allotment of Units will be exempted. Similarly, provided that the value of the Hong Kong stock is proportionate to the value of the Unit, Hong Kong stamp duty on the delivery of Hong Kong stocks as consideration for redemption of Units will also be exempted. The allotment or redemption is considered to be proportionate if the value of the Hong Kong stock sold or purchased is equivalent to the asset value of the HS FCI50 ETF which the allotted or redeemed Unit represents as at the date of allotment or redemption (as the case may be).

No Hong Kong stamp duty is payable by an investor in relation to an issue of Units to him or her or the redemption

of Units by him or her or on the sale and purchase of Units by him or her in the secondary market.

*Automatic Exchange of Financial Account Information*

The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the "**Amendment Ordinance**"), which is the legislative framework for the implementation of Automatic Exchange of Financial Account Information (the "**AEOI**") in Hong Kong, came into force on 30 June 2016.

The AEOI is a system that involves the transmission of financial account information from Hong Kong to a tax jurisdiction with which Hong Kong has entered into an AEOI agreement[2]. Under the Amendment Ordinance, reporting financial institutions in Hong Kong are required to apply due diligence procedures to identify the tax residency of the account holders and controlling persons for the purpose of AEOI[3] and collect the specified information. The financial institution is required to report to the Inland Revenue Department (the "**IRD**") the required information collected in respect of the reportable accounts on an annual basis. IRD will then transmit the information to the tax administration of the relevant jurisdiction of which the account holder is tax resident[4]. Under the Amendment Ordinance, information that may be reported to the IRD includes details of account holders, including but not limited to their name, date of birth, place of birth (if any), address, jurisdiction of tax residence, tax identification number (if any), account number, account balance/value, distribution income and sales/redemption proceeds.

The HS FCI50 ETF, as a reporting financial institution, is required to, amongst other things:

(i) conduct due diligence on its financial accounts to identify whether any such accounts are considered as "Reportable Accounts" for AEOI purpose; and

(ii) report to the IRD the required information on such Reportable Accounts.

By investing and/or continuing to invest in the HS FCI50 ETF, Unitholders acknowledge that:

(i) the IRD may automatically exchange information of the Unitholders (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities) as outlined above with relevant tax authorities in other jurisdictions;

(ii) Unitholders may be required to provide additional information and/or documentation for AEOI purpose; and

(iii) in the event that an Unitholder fails to provide the requested information and/or documentation, irrespective of whether or not that actually leads to non-compliance on the part of the HS FCI50 ETF and/or the Manager, the Manager reserves the right to take remedial actions including, without limitation, to require the Unitholder to transfer the Unitholder's Units or, failing such transfer, redeem such Units in accordance with the Trust Deed, and to the extent permitted by applicable laws and regulations.

Unitholders and prospective investors should consult their professional advisers and obtain independent professional advice on the implications of AEOI on their current and/or proposed investment in the HS FCI50 ETF.

**The United States of America – Foreign Account Tax Compliance Act (FATCA)**

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") impose a 30% withholding tax on certain payments to a foreign financial institution ("**FFI**") if that FFI is not compliant with FATCA. The HS FCI50 ETF is a FFI and thus, subject to FATCA.

This withholding tax applies to payments to the HS FCI50 ETF that constitute interest, dividends and other types

[2] FAQ1 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department http://www.ird.gov.hk/eng/faq/dta_aeoi.htm
[3] FAQ6 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department http://www.ird.gov.hk/eng/faq/dta_aeoi.htm
[4] FAQ3 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department http://www.ird.gov.hk/eng/faq/dta_aeoi.htm

of income from U.S. sources (such as dividends paid by a U.S. corporation).

These FATCA withholding taxes may be imposed on payments to the HS FCI50 ETF unless (i) the HS FCI50 ETF becomes FATCA compliant pursuant to the provisions of FATCA and the relevant regulations, notices and announcements issued thereunder, or (ii) the HS FCI50 ETF is subject to an appropriate Intergovernmental Agreement to improve international tax compliance and to implement FATCA ("**IGA**").

Hong Kong and the U.S. have entered into an IGA for the implementation of FATCA, adopting "Model 2" IGA arrangements. Under these "Model 2" IGA arrangements, FFIs in Hong Kong (such as the HS FCI50 ETF) will be required to register with the U.S. Internal Revenue Service ("**IRS**") and comply with the terms of the FFI Agreement. Otherwise, they will be subject to a 30% withholding tax on relevant US-sourced payments to them. As a sponsoring entity, the Manager has registered with the U.S. IRS on behalf of the HS FCI50 ETF. The HS FCI50 ETF intends to take any other measures that may be required to ensure compliance under the terms of the IGA and local implementing regulations.

In order to comply with its FATCA obligations, the HS FCI50 ETF is required to obtain certain information from its Unitholders so as to ascertain their U.S. tax status, including the appropriate IRS withholding statement on Form W-8 or W-9. If the Unitholder is a specified U.S. person, U.S. owned non-U.S. entity, non-participating FFI ("**NPFFI**") or does not provide the requisite documentation, the HS FCI50 ETF may need to report information on these Unitholders to the appropriate tax authority, as far as legally permitted.

If a Unitholder either fails to provide the HS FCI50 ETF, its agents or authorised representatives with any correct, complete and accurate information that may be required for the HS FCI50 ETF to comply with FATCA or is a NPFFI, to the extent that the HS FCI50 ETF is required to comply with the terms of the IGA, the Unitholder may be subject to withholding on amounts otherwise distributable to the Unitholder (provided that the Manager or the Trustee shall observe relevant legal requirements and shall act in good faith and on reasonable grounds). The HS FCI50 ETF may at its discretion enter into any supplemental agreement without the consent of Unitholders to provide for any measures that the HS FCI50 ETF deem appropriate or necessary to comply with FATCA.

Other countries have adopted or are in the process of adopting tax legislation concerning the reporting of information, including AEOI as described above. The HS FCI50 ETF also intends to comply with such other similar tax legislation that may apply to the HS FCI50 ETF, although the exact parameters of such requirements are not yet fully known. As a result, the HS FCI50 ETF may need to seek information about the tax status of Unitholders under such other country's laws and each Unitholder for disclosure to the relevant governmental authority.

**The disclosure in this section is based on advice received by the HS FCI50 ETF regarding the law and practice in force in the U.S.. Unitholders/Investors should consult their own tax advisors regarding the FATCA requirements with respect to their own situation. In particular, investors who invest in the HS FCI50 ETF through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer FATCA withholding tax on their investment returns.**

**Although the HS FCI50 ETF will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the HS FCI50 ETF will be able to satisfy these obligations. If the HS FCI50 ETF become subject to a withholding tax as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material losses.**

**Trust Deed and Participation Agreements**

The Trust was established under Hong Kong law by the Trust Deed. There are a number of Participating Dealers for the HS FCI50 ETF and each has entered into a Participation Agreement. All investors are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed and those in the form of the Participation Agreement. In the event of any inconsistency between any of the provisions of this offering document (including the Product Key Facts Statement for the HS FCI50 ETF) and those of the Trust Deed or of the form of Participation Agreement, the provisions of the Trust Deed or of the form of Participation Agreement shall prevail. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. You should refer to the relevant terms of the Trust Deed for further details.

**Supply and Inspection of Documents**

Copies of the constitutive documents in respect of the Trust and the HS FCI50 ETF are available for inspection

free of charge during normal business hours on each Business Day at the offices of the Manager.

**Material Changes to the Index**

The SFC should be consulted on any events that may affect the acceptability of the Index. Significant events relating to the Index will be notified to the Unitholders of the HS FCI50 ETF as soon as practicable. These may include a change in the methodology or rules for compiling or calculating the Index, or a change in the objective or characteristics of the Index.

**Replacement of the Index**

The Manager reserves the right, with the prior consent of the Trustee and the prior approval of the SFC and any other relevant regulator(s) and provided that in its opinion the interests of the Unitholders of the HS FCI50 ETF would not be adversely affected, to replace the Index with another index that is tradable and has similar objectives to the Index, in accordance with the provisions of the Code and the Trust Deed. The circumstances under which any such replacement might occur include but are not limited to the following events:

(a) the Index is discontinued; or

(b) the Manager's license from FTSE, the proprietor of the Index and the Index provider, to use the Index is terminated.

The Manager may change the name of the HS FCI50 ETF if the index changes or for any other reasons including if license to use the Index is terminated. Any change to (i) the use by the HS FCI50 ETF of the Index and/or (ii) the name of the HS FCI50 ETF will be notified to Unitholders.

**General Information**

*Anti-Money Laundering Regulations*

As part of the Trustee's and the Manager's responsibility to prevent money laundering, they may require detailed verification of your identity and the source of your payment for any investment in Units.

*The Codes on Takeovers and Mergers and Share Repurchases*

You should be aware that any shareholding of Index Constituent Stocks resulting from an "in-kind" redemption of Units may be subject to the application of the Hong Kong Takeovers Code. In circumstances where you hold a significant amount of Index Constituent Stocks, you should consult a solicitor or financial adviser so as to ensure full compliance with the Hong Kong Takeovers Code.

*Notices to Investors*

With the prior consent of the SFC and the SEHK (as the case may be), notice of general matters may be given to investors in the Units by publication on www.hangsenginvestment.com (*this website has not been reviewed by the SFC)* and via the SEHK's website www.hkex.com.hk *(this website has not been reviewed by the SFC)*. In all other cases, as required by the SFC, notices will be sent to investors by post to their mailing address or, if approved by the SFC and agreed with the relevant investors, by electronic mail, electronic publication or other electronic means.

*Meetings of Investors*

The Trust Deed provides for meetings of investors to be convened by the Trustee or the Manager upon at least 21 days' notice.

Proxies may be appointed. The quorum at any meetings is investors present in person or by proxy holding not less than 10% (or, in relation to a resolution proposed as an extraordinary resolution, 25%) of the Units in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. At an adjourned meeting investors in the Units who are present at the adjourned meeting, whatever their number or the number of units held by them, will form a quorum.

An extraordinary resolution is required under the Trust Deed for certain purposes and is a resolution proposed as

such and passed by 75% or more of the total number of votes cast.

The Trust Deed provides that at any meeting of investors in the Units, on a poll, every investor who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised representative shall have one vote for every Unit of which he is the holder.

*Responsibility Statement*

The Manager accepts full responsibility for the accuracy of the information contained in this offering document (including the Product Key Facts Statement for the HS FCI50 ETF) as at the date of publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

**Termination of the HS FCI50 ETF**

The HS FCI50 ETF may be terminated by the Trustee in the following circumstances:

(a) if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets and is not discharged within 60 days;

(b) if in the opinion of the Trustee the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the HS FCI50 ETF into disrepute or to be harmful to the interests of investors;

(c) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the HS FCI50 ETF;

(d) if the Manager shall have ceased to be the Manager and, within a period of 30 days thereafter, no other person acceptable to the SFC shall have been appointed by the Trustee as successor Manager; or

(e) if the Index is discontinued or the Manager's license with the Index provider and Index proprietor is terminated or if the Units cease to be listed on the SEHK.

Any unclaimed proceeds or other cash held by the Trustee under the provisions in the event of termination may at the expiration of twelve months from the date upon which the same became payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

**References to Websites**

The offer of the Units is made solely on the basis of information contained in this offering document (including the Product Key Facts Statement for the HS FCI50 ETF) and information on the HS FCI50 ETF from time to time published or announced on the SEHK's official website and the website www.hangsenginvestment.com (*this website has not been reviewed by the SFC)*. All references in this offering document 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 offering document. None of the Listing Agent, the Manager or the Trustee accepts any responsibility whatsoever for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Listing Agent, the Manager and the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, its website www.hangsenginvestment.com (*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.

**Appendix 1 – Current Fees and Charges**

**(1) Fees and expenses payable by the HS FCI50 ETF**

| | |
|---|---|
| Management Fee^ | **0.55**% per annum |
| Trustee Fee^ | **0.045**% per annum |

^ Please note that the annual rate stated is the rate charged currently. It may be increased up to a permitted maximum rate (which is 2.5% per annum for Management Fee and 1% per annum for Trustee Fee) as set out in the Trust Deed by giving 1 month's prior notice to relevant Unitholders.

There will be other expenses which will be borne by the HS FCI50 ETF including the fees and expenses of the registrar, auditors, legal fees, index licensing fees, printing costs on publication of this offering document (including the Product Key Facts Statement for the HS FCI50 ETF) and the Trust Deed, etc. Please refer to the section headed "Fees and Expenses Payable by the HS FCI50 ETF" for details.

**(2) Fees and expenses payable by investors in the HS FCI50 ETF**

| **(A) Fees and expenses payable by Participating Dealers for creation or redemption** | **Amount** |
|---|---|
| Transaction fee | |
| (i) Cash creation / redemption | See Note 1 |
| (ii) In-kind creation / redemption | See Note 2 |
| Application Cancellation Fee | HKD10,000 (See Note 3) |
| Extension Fee | HKD10,000 (See Note 3) |
| Partial Delivery Request Fee | HKD10,000 (See Note 3) |
| Corporate action fee (in respect of in-kind creation / in-kind redemption only) | HKD0.80 per board lot (See Note 4) |
| Unit Cancellation Fee (in respect of in-kind redemption only) | HKD1.00 per board lot payable to HKCAS |
| All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption | As applicable |

| **(B) Fees and expenses payable by investors** | **Amount** |
|---|---|
| *(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer* | |
| Fees and charges imposed by the Participating Dealer | Such amounts as determined by the relevant Participating Dealer (See Note 5) |
| *(ii) Fees payable by all investors in respect of dealings in the Units on SEHK (applicable after listing)* | |
| Brokerage | Market rates |
| SFC transaction levy | 0.0027% (See Note 6) |
| AFRC transaction levy | 0.00015% (See Note 7) |
| SEHK trading fee | 0.00565% (See Note 8) |

| | |
|---|---|
| Stamp duty | Nil |

*Notes:*

*(1) The applicable amount is HKD3,000 per application plus a Service Agent's fee, currently in the amount of HKD1,000, payable to the Service Agent for each book-entry deposit or withdrawal transaction. A Participating Dealer may pass on to the relevant investor such Transaction Fee.*

*(2) The applicable amount is up to HKD25,000 per Participating Dealer's aggregate creation or redemption on that day and the current amount is HKD15,000. This fee includes Conversion Agent's fee which ranges from HKD5,000 to HKD12,000 per day per Participating Dealer depending on the aggregate dollar value of creation and redemption applications made on that day by that Participating Dealer, as more fully detailed below:*

| **Total Aggregated Value Transacted Daily** | **Conversion Agent's Fee** |
|---|---|
| HKD1 to HKD2,000,000 | HKD5,000 |
| HKD2,000,001 to HKD5,000,000 | HKD8,000 |
| HKD5,000,001 to HKD10,000,000 | HKD10,000 |
| Over HKD10,000,000 | HKD12,000 |

*A Participating Dealer may pass on to the relevant investor such Transaction Fee.*

*(3) The applicable amount is up to HKD10,000 (actual amount at the Manager's discretion) per Participating Dealer for aggregate creation and redemption on that day.*

*(4) The corporate action fee is payable to HKSCC in respect of any in-kind creation application and in-kind redemption application and is subject to a maximum of HKD10,000 and the tariff specified in the CCASS Operational Procedures in effect from time to time.*

*(5) A 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.*

*(6) SFC transaction levy of 0.0027% of the trading price of the Units is payable by each of the buyer and the seller alike.*

*(7) AFRC transaction levy of 0.00015% of the trading price of the Units is payable by each of the buyer and the seller.*

*(8) SEHK trading fee of 0.00565% of the trading price of the Units is payable by each of the buyer and the seller alike.*

**Appendix 2 – Information about the Index**

The Index is designed to represent the performance of the largest companies in the China equity market that are available to international investors. The Index is denominated in HKD and was launched on 19 April 2001 with a base value of 5000 as of 16 March 2001.

The Index consists of 50 largest and most liquid Chinese stocks (the types of shares eligible for inclusion in the Index include H Shares, Red Chip Shares and P Chip Shares) listed and traded on the SEHK.

The Index is a total return index and adopts a free float-adjusted market capitalisation weighted methodology. In respect of each constituent stock, the weighting is capped at 9%. In respect of constituent stocks whose individual weighting exceeds 4.5%, the weighting of such constituent stocks is capped at 38% in aggregate. Each stock comprising the Index is also a constituent stock of the FTSE All-World Index.

The 50 constituent stocks of the Index are grouped under industries of Technology, Telecommunications, Health Care, Financials, Real Estate, Consumer Discretionary, Consumer Staples, Industrials, Basic Materials, Energy and Utilities.

As at 31 March 2026, the Index comprised 50 constituents with investable market capitalisation of HKD 12,914.5 billion.

The constituent stocks of the Index together with their respective weightings may be accessed via the website of FTSE at www.ftserussell.com (*this website has not been reviewed by the SFC)*.

The Index is updated on an intra-second streaming basis during trading hours of the SEHK and its closing value is based on official closing prices of the constituent stocks of the Index as announced by the SEHK. The constituent stocks of the Index are weighted based on investable market capitalisation of such stocks, so that those stocks with higher investable market capitalisation generally have a higher representation in the Index.

Reuters real-time spot currency rates are used in the intra-day Index calculation and the WM/Reuters Closing Spot Rates™ are used to calculate the closing value.

The Index is calculated using the algorithm described below:

$$\sum_{i=1}^{N} \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where:

- $i$ =1,2,…,N
- $N$ is the number of constituent stocks in the Index.
- $p_i$ is the latest trade price of the constituent stock (or the price of the constituent stock at the close of the Index on the previous day).
- $e_i$ is the exchange rate required to convert the constituent stock's currency into the Index's base currency.
- $s_i$ is the number of shares in issue used by FTSE for the constituent stock, as defined in the Index Ground Rules.
- $f_i$ is the Investability Weighting Factor to be applied to a constituent stock to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE for each constituent stock in the Index.
- $c_i$ is the Capping Factor to be applied to a constituent stock to correctly weight that constituent stock in the index. This factor maps the investable market capitalisation of each constituent stock to a notional market

capitalisation for inclusion in the Index.

- *d* is the divisor, a figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual constituent stocks to be made without distorting the Index.

Investors may obtain the latest price information of the Index from Thomson Reuters or Bloomberg. Further information on the Index (including important news relating to the Index), Index methodology and the Index Ground Rule are available from the website of FTSE at www.ftserussell.com *(this website has not been reviewed by the SFC)*.

*Please note:*

- The list of the constituent stocks of the Index is reviewed on a quarterly basis. The composition of the Index may change and be substituted with other companies if any of the constituent stocks of the Index were to delist its shares.

- The accuracy and completeness of the calculation of the Index may be affected if there is any problem with the system for the computation and/or compilation of the Index.

- In relation to the license regarding the use of the Index in connection with HS FCI50 ETF, the Manager has agreed to indemnify FTSE against all losses, costs, damages and expenses (including reasonable legal expenses) incurred by FTSE arising out of any claim, action or proceeding which relates to the HS FCI50 ETF, the trading of the HS FCI50 ETF by the Manager or the promotion, marketing and/or sale of the HS FCI50 ETF by the Manager and/or its agent, except as a result of FTSE's gross negligence or wilful misconduct in calculating and/or disseminating the Index.

- The process and basis of computation and compilation of the Index and any of the related formula or formulae, the constituent stocks of the Index and factors may at any time be changed or altered by FTSE without further notice by the HS FCI50 ETF to investors.

- No separate notice will be issued by the HS FCI50 ETF in respect of any event relating to the affairs of any of the constituent stocks of the Index including but not limited to any price sensitive information disclosed by the issuer of any individual constituent stocks of the Index and, any announcement regarding any suspension of a constituent stock of the Index from trading on the SEHK. It is your own responsibility to check the latest updated information on the individual constituent stocks of the Index from SEHK's website at www.hkex.com.hk (*this website has not been reviewed by the SFC)* or by checking the official websites of the individual constituent stocks of the Index.

- The Manager and its Connected Persons are independent from the Index provider, FTSE International Limited.

**Index Disclaimer**

The HS FCI50 ETF has been developed solely by the Manager. The HS FCI50 ETF is/are not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). FTSE Russell is a trading name of certain of the LSE Group companies.

All rights in the Index vest in the relevant LSE Group company which owns the Index. "FTSE®" is/are a trade mark(s) of the relevant LSE Group company and is/are used by any other LSE Group company under license.

The Index is calculated by or on behalf of FTSE International Limited or its affiliate, agent or partner. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Index or (b) investment in or operation of the HS FCI50 ETF. The LSE Group makes no claim, prediction, warranty or representation either as to the results to be obtained from the HS FCI50 ETF or the suitability of the Index for the purpose to which it is being put by the Manager.

**Appendix 3 – Securities financing transactions and counterparty and collateral policy**

**Securities financing transactions**

The HS FCI50 ETF may engage in securities financing transactions, provided that they are in the best interests of Unitholders to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

The HS FCI50 ETF may engage in securities lending, sale and repurchase and/or reverse repurchase transactions subject to the maximum limit disclosed in the section headed "Are there any Investment or other Restrictions Applicable to the HS FCI50 ETF?". Under a securities lending transaction, the HS FCI50 ETF lends its securities to a security-borrowing counterparty for an agreed fee subject to a commitment from that counterparty that it will return equivalent securities on a specified future date or when requested to do so by the HS FCI50 ETF. The types of assets that may be subject to securities lending transactions include equity securities, fixed income securities, collective investment schemes, and money market instruments and cash.

Under a sale and repurchase transaction, the HS FCI50 ETF sells its securities to a counterparty of reverse repurchase transactions subject to an agreement to repurchase the securities at an agreed price with a financing cost on a specified future date. Where the HS FCI50 ETF enters into a sale and repurchase transaction under which it sells securities to the counterparty, it will incur a financing cost from engaging in this transaction which will be paid to the relevant counterparty.

Under a reverse repurchase transaction, the HS FCI50 ETF purchases securities from a counterparty of sale and repurchase transactions subject to an agreement to re-sell the relevant securities to the counterparty at an agreed price on a specified future date.

Where the HS FCI50 ETF engages in securities financing transactions, it is subject to the following requirements and arrangements:-

(1) The HS FCI50 ETF shall have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.

(2) All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions shall be returned to the HS FCI50 ETF. Such direct and indirect expenses shall include brokerage fees, stamp duty, and tax levies associated with securities financing transactions, the fees and expenses payable to securities lending agents engaged and the normal compensation for the services rendered by the Manager in the context of such securities lending transactions to the extent permitted by the applicable legal and regulatory requirements for the HS FCI50 ETF from time to time. Such fees and expenses of any securities lending agents engaged for the HS FCI50 ETF, will be at normal commercial rates and will be borne by the HS FCI50 ETF in respect of which the relevant party has been engaged. The securities lending agents engaged for the HS FCI50 ETF may be Connected Persons of the Manager or its investment delegates, and their fees and expenses will be at normal commercial rates and will be borne by the HS FCI50 ETF in respect of which the relevant party has been engaged. Information on the revenues generated under such transactions shall be disclosed in the annual and interim financial reports of the HS FCI50 ETF, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, its investment delegates or any other Connected Persons.

(3) The counterparties to a securities financing transaction will be selected in accordance with the criteria as set out below under the sub-section "**Counterparty and collateral policy**" below.

(4) The HS FCI50 ETF shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the HS FCI50 ETF at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction(s) or terminate the securities financing transaction(s) into which it has entered.

(5) Where any securities financing transaction is arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transactions carried out by or on behalf of the HS FCI50 ETF will be executed at arm's length, on the best available terms and in the best interest of the Unitholders.

(6) The securities financing transactions will be subject to the following safekeeping arrangement:-

*(a)* *Assets received*

Assets (including any collateral) received by the HS FCI50 ETF under a title-transfer arrangement should be held by the Trustee or by duly appointed nominee, agent or delegate.

*(b)* *Assets provided*

Assets (including any collateral) provided to a counterparty under a title-transfer arrangement shall no longer belong to the HS FCI50 ETF. Assets (including any collateral) provided to a counterparty other than under a title-transfer arrangement shall be held by the Trustee or by duly appointed nominee, agent or delegate (which may include the counterparty to the relevant securities financing transaction). Upon the exercise of a right of re-use by a counterparty, such assets will not be safe-kept by the Trustee or by duly appointed nominee, agent or delegate and such counterparty may use the assets at its absolute discretion.

Information on the HS FCI50 ETF's securities financing transactions will be included in the annual report of the HS FCI50 ETF.

For the avoidance of doubt, securities financing transactions in compliance with the requirements set out above are not borrowings for the purpose of, and are not subject to, the restrictions as set out in the sub-section "Borrowing Restrictions" under the section headed "Are there any Investment or other Restrictions Applicable to the HS FCI50 ETF?" above.

**Counterparty and collateral policy**

The Manager employs a counterparty and collateral policy in relation to collateral received in respect of securities financing transactions entered into in respect of the HS FCI50 ETF.

The HS FCI50 ETF may receive collateral from a counterparty to a securities financing transaction in order to reduce its counterparty risk exposure.

*Counterparty policy*

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of securities financing transactions which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparty of securities financing transactions must be financial institutions which are subject to ongoing prudential regulation and supervision.

The counterparty to a securities financing transaction must have a minimum credit rating of Baa1 or BBB+ or equivalent, or must be deemed by the Manager to have an implied rating of Baa1 or BBB+ or equivalent assigned by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's). Alternatively, an unrated counterparty will be acceptable where the Manager is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating acceptable to the Manager, to be assessed on a case by case basis.

*Collateral policy*

Collateral received from counterparties shall comply with the following criteria:-

(1) Nature – the collateral may include both cash and non-cash collateral. Cash collateral may include cash and cash equivalents. Non-cash collateral may comprise of money market instruments, government bonds, or corporate bonds whether long/short term bonds, listed or traded in any regulated markets, supernational bonds, stocks and funds. Collateral does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes. There is no specific criteria on maturity of eligible collateral. The issuer of collateral must be of high quality, good reputation, solid financial status and the rating by a recognised credit rating agency shall be taken into account in the credit assessment process; debt securities must be rated investment grade or above to be eligible.

(2) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;

(3) Valuation – the collateral is marked-to-market daily by using independent pricing sources;

(4) Credit quality – the collateral is of high credit quality provided that, in the event 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, such collateral shall be replaced immediately;

(5) Haircut – the collateral is subject to a prudent haircut policy. Haircuts will take into account the characteristics of the assets such as the credit standing or the price volatility. Assets that exhibit high price volatility will not be accepted by the HS FCI50 ETF as collateral unless suitably conservative hair-cuts are in place. Haircuts are reviewed by the Manager on an ongoing basis to ensure that they remain appropriate for eligible collateral taking into account collateral quality, liquidity and price volatility;

(6) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. The HS FCI50 ETF exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in section headed "Are there any Investment or other Restrictions Applicable to the HS FCI50 ETF?";

(7) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities shall not be used as collateral;

(8) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;

(9) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;

(10) Re-investment of collateral – any re-investment of collateral received for the account of the HS FCI50 ETF 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 authorized under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. 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) cash collateral received is not allowed to be further engaged in any securities financing transactions;

  (iii) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions; and

  (iv) non-cash collateral received may not be sold, re-invested or pledged;

(11) Encumbrances and enforceability – the collateral is free of prior encumbrances and is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions; and

(12) Safe-keeping of collateral – Any non-cash assets received by the HS FCI50 ETF from a counterparty on a title transfer basis (whether in respect of a securities financing transaction or an OTC derivative transaction) should be held by the Trustee or by duly appointed nominee, agent or delegate. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral. A description of collateral holdings of the HS FCI50 ETF will be disclosed in its interim and annual financial reports as required under Appendix E of the Code. Assets provided by the HS FCI50 ETF on a title transfer basis shall no longer belong to the HS FCI50 ETF. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Trustee or by duly appointed nominee, agent or delegate.

**Appendix 4 – Procedures for Creation and Redemption**

***Set out below is a summary of the provisions in the Trust Deed governing the cash and in-kind creation and redemption procedures to be followed by Participating Dealers.***

***This summary should be read in conjunction with the Trust Deed.***

*Procedures for Creation in Application Unit Size*

The Manager has the exclusive right to effect, for the account of the HS FCI50 ETF, the creation of Units:

- in exchange for the transfer, by a Participating Dealer, to or for the account of the HS FCI50 ETF, of the Index Constituent Stocks constituting a Basket for the relevant Units and a cash amount equivalent to any Duties and Charges payable plus, if the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. If the Cash Component is a negative value, the Trustee shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to the Participating Dealer. In the event that the HS FCI50 ETF has insufficient cash required to pay any Cash Component payable by the HS FCI50 ETF, the Manager may effect sales of the deposited property of the HS FCI50 ETF, or may borrow moneys to provide the cash required; or

- in exchange for a cash payment, by a Participating Dealer, of an amount equivalent to the aggregate of the Issue Price multiplied by the number of Units which is the subject of the cash creation application, provided that the Manager has the absolute discretion in deciding whether to accept such cash creation application

The Manager has the right to reject a creation application or suspend receipt of creation applications if (i) in the opinion of the Manager, acceptance of the Index Constituent Stocks constituting a Basket would have certain adverse tax consequences for the HS FCI50 ETF; (ii) the Manager reasonably believes that the acceptance of the Index Constituent Stocks constituting a Basket would be unlawful; (iii) the acceptance of the Index Constituent Stocks constituting a Basket would otherwise, in the opinion of the Manager, have an adverse effect on the HS FCI50 ETF; (iv) circumstances outside the control of the Manager make it for all practicable purposes impossible to process creation applications or (v) the Manager has suspended the rights of Participating Dealers pursuant to the Trust Deed.

Once the Units are created, the Manager shall effect, for the account of the HS FCI50 ETF, the issue of Units to a Participating Dealer in accordance with the Operating Guidelines.

Units are denominated in HKD (unless otherwise determined by the Manager) and no fractions of a Unit shall be created or issued by the Trustee.

An application for the creation and issue of Units shall only be made or accepted (as the case may be) on a Dealing Day, shall only be in respect of Units constituting an Application Unit size or whole multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participation Agreement.

The creation and issue of Units pursuant to a creation application shall be effected on the Dealing Day on which the creation application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant creation application was received or deemed received and the register of the HS FCI50 ETF will be updated on Settlement Day.

If a creation application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that creation application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that creation application.

No Units shall be issued to any Participating Dealer unless

- the application is in a form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager in accordance with the Operating Guidelines;

- the Trustee and the Manager receive copies of the certifications required under the Participation Agreement in respect of the creation of new Units; and

- the Trustee and the Manager receive such other certifications and opinions of counsel as each may

consider necessary to ensure compliance with applicable securities laws and other laws in relation to the creation and issue of Units which are the subject of the creation application.

The Manager may charge a Transaction Fee in respect of creation applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the HS FCI50 ETF). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units (and may be set off and deducted against any Cash Component due to the Participating Dealer in respect of such creation application(s)), for the account of the HS FCI50 ETF, the Trustee, the Registrar, the Conversion Agent and/or the Service Agent.

Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid from the deposited property of the HS FCI50 ETF.

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

*Cancellation of Units*

The Trustee shall cancel Units created and issued in respect of a creation application if:

- in relation to an in-kind creation application, all the Index Constituent Stocks constituting the Basket deposited for exchange have not been vested by or on the relevant Settlement Day in the HS FCI50 ETF or to the Trustee's satisfaction or evidence of title and instruments of transfer satisfactory to the Trustee have not been produced to or to the order of the Trustee; or the full amount of (i) the Cash Component (if applicable) and (ii) any Duties and Charges and Transaction Fee payable have not been received in cleared funds by or on behalf of the Trustee by such time on the Settlement Day as prescribed in the Operating Guidelines; or

- in relation to a cash creation application, (i) the cash payment representing the aggregate of the Issue Price multiplied by the number of Units which is the subject of the cash creation application; or (ii) any Transaction Fee payable have not been received in cleared funds by or on behalf of the Trustee by such time on the Settlement Day as prescribed in the Operating Guidelines,

provided that, in either event the Manager may, in its discretion, with the approval of the Trustee, extend the settlement period (either for the creation application as a whole or for a particular Index Constituent Stock or Index Constituent Stocks) such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the HS FCI50 ETF) as the Manager may determine.

Upon the cancellation of any Units as provided for above or if a Participating Dealer otherwise withdraws a creation application other than in the circumstances contemplated in the Trust Deed, such Index Constituent Stocks constituting the Basket deposited for exchange (or equivalent Index Constituent Stocks of the same type) as have been vested in the HS FCI50 ETF and any cash received by or on behalf of the HS FCI50 ETF in connection with a creation application (in respect of such cancelled Units) shall be redelivered to the Participating Dealer and the relevant Units shall be deemed for all purposes never to have been created and the applicant therefore shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- the Manager may charge the Participating Dealer for the account of the HS FCI50 ETF an Application Cancellation Fee and such other fees and amounts in accordance with the Participation Agreement (including the Operating Guidelines); and

- no previous valuations of the HS FCI50 ETF shall be re-opened or invalidated as a result of the cancellation of such Units.

*Manager's Discretion to Accept Cash for Creation and Issue of Units*

- If the Manager determines in its discretion (following an application by a Participating Dealer) that Index Constituent Stocks are likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with a creation application; or

- if the Manager (following an application by a Participating Dealer) is satisfied that, in connection with the issue of any Units, the Participating Dealer in question is prevented by regulation or otherwise from investing or

engaging in a transaction in any Index Constituent Stock,

then the Manager shall have the right, in its discretion, to accept cash equal to the market value at the Valuation Point for the relevant Dealing Day of such Index Constituent Stocks in lieu of accepting such Index Constituent Stocks as constituting part of the relevant Basket provided that the Manager shall be entitled in its discretion to charge (for the account of the HS FCI50 ETF) to the applicant of any Units for which cash is paid in lieu of delivering any Index Constituent Stocks such additional sum as represents the appropriate provision for Duties and Charges.

*Manager's Discretion to Accept Cash Collateral*

If the Manager determines in its discretion (following a partial delivery request by a Participating Dealer) that any Index Constituent Stocks are likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with a creation application, then the Manager shall have the right in its discretion to accept an amount of cash determined by reference to the market value at the Valuation Point for the relevant Dealing Day of such Index Constituent Stocks as collateral for such Index Constituent Stock(s) until they are delivered.

Any such collateral will be held for the account of the HS FCI50 ETF in a non-interest bearing account and shall be redelivered to the Participating Dealer after delivery of such Index Constituent Stocks (by 4:00 p.m. on the Delivery Date if such Index Constituent Stocks have been successfully debited by 2:00 p.m. on the Delivery Date or, by 2:00 p.m. on the Dealing Day immediately following the Delivery Date if such Index Constituent Stocks have been successfully debited after 2:00 p.m. on the Delivery Date) or, immediately upon demand in the circumstances described in (b) below.

The unavailable Index Constituent Stocks will be marked to market daily by the Manager by reference to their closing price on the previous trading day and if the cash collateral (a) falls below the prescribed percentage of such market value, the Manager may, in its discretion, request the Participating Dealer to provide additional cash collateral to make up the shortfall; or (b) exceeds the prescribed percentage of such market value, the Manager shall inform the Participating Dealer and shall offer to return any such excess cash collateral to the Participating Dealer.

The Manager may, subject to the provisions of the Participation Agreement, charge the Participating Dealer for the account of the HS FCI50 ETF a Partial Delivery Request Fee.

*Procedures For Redemption in Application Unit Size*

The Manager has the exclusive right, at any time and from time to time following a redemption application made by a Participating Dealer in accordance with the Operating Guidelines, by notice in writing to the Trustee to effect a reduction of the HS FCI50 ETF on the relevant Settlement Day by the order of the Trustee for the cancellation of the Units represented thereby and by requiring the Trustee to cancel the number of Units specified in such notice.

A redemption application shall only be made or accepted (as the case may be) on a Dealing Day and shall only be in respect of Units constituting an Application Unit size or whole multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participation Agreement.

If a redemption application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that redemption application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that redemption application. 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 Manager shall, on receipt of an effective redemption application for the HS FCI50 ETF from a Participating Dealer, effect the redemption of the relevant Units and shall require the Trustee to:

- transfer to the Participating Dealer the appropriate number of Index Constituent Stocks constituting the Basket for the relevant Units plus, where the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component; or

- upon the exercise of the Manager's discretion to accept the request for satisfaction of such redemption application by payment of cash, pay cash out of the HS FCI50 ETF of an amount equal to the aggregate of the Redemption Price multiplied by the number of Units which is the subject of the cash redemption

application

In the event that the HS FCI50 ETF has insufficient cash required to pay any Cash Component payable by the HS FCI50 ETF, the Manager may effect sales of the deposited property of the HS FCI50 ETF, or borrow moneys to provide the cash required. If the Cash Component is a negative value, the Participating Dealer shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee.

To be effective, a redemption application must:

- be given by a Participating Dealer in accordance with the Participation Agreement;
- specify the number and class of Application Units which is the subject of the redemption application; and
- include the certifications required in the Operating Guidelines in respect of redemptions of Units, together with such certifications and opinions of counsel as the Trustee and the Manager may consider necessary to ensure compliance with applicable securities laws and other laws in relation to the redemption of Units which are the subject of the redemption application.

A redemption application once given cannot be revoked or withdrawn without the consent of the Manager. The HKCAS may charge a Unit Cancellation Fee in connection with each accepted redemption application.

The Manager may deduct from and set off against any Cash Component or other cash payable to a Participating Dealer on the redemption of Units such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and the Transaction Fee. To the extent that the Cash Component is insufficient to pay such Duties and Charges and the Transaction Fee payable on such redemption the Participating Dealer shall promptly pay the shortfall in the base currency of the HS FCI50 ETF to or to the order of the Trustee. The Trustee shall not be obliged to deliver (and shall have a general lien over) the Index Constituent Stocks constituting the Basket to be transferred or cash payable in respect of the relevant redemption application until such shortfall and any Cash Component, Transaction Fee and Extension Fee payable by the Participating Dealer is paid in full in cleared funds to or to the order of the Trustee.

Unless specifically requested to do so by the Participating Dealer concerned, not later than one month after the relevant Dealing Day, the Trustee shall be under no obligation to check the calculation of the Redemption Price in connection with any redemption or cancellation of Units but shall be entitled at any time before the audited financial report of the HS FCI50 ETF, covering the relevant Dealing Day, have been prepared, to require the Manager to justify its calculation of the Redemption Price.

Any Index Constituent Stocks transferable and Cash Component or other cash payable (less any amount deducted) to a Participating Dealer in respect of a redemption application may be transferred or paid sooner but shall be transferred and paid on the Settlement Day, provided that a redemption application duly signed by a Participating Dealer (to the satisfaction of the Manager and, where any amount is to be paid by telegraphic transfer to a bank account, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received in accordance with the Operating Guidelines and the full amount of any Cash Component payable by the Participating Dealer and any Duties and Charges and the Transaction Fee payable have been deducted or otherwise paid in full.

On the relevant Settlement Day in relation to an effective redemption application:-

- the Units, which are the subject of the redemption application, shall be redeemed and cancelled;
- the HS FCI50 ETF shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Dealing Day on which the redemption application was received; and
- the name of the holder of such Units shall be removed from the register in respect of those Units on the relevant Settlement Day,

the Trustee shall transfer the Index Constituent Stocks constituting the Basket relevant to the in-kind redemption application out of the deposited property of the HS FCI50 ETF or cash out of the HS FCI50 ETF equal to the relevant Redemption Price multiplied by the number of Units which is the subject of the cash redemption application to the Participating Dealer and shall pay any Cash Component (with such deductions as are permitted by the Trust

Deed) payable by the Trustee.

No Index Constituent Stocks shall be transferred and no Cash Component and cash shall be paid in respect of any redemption application unless the requisite documents in respect of the Units which are the subject of the redemption application have been delivered to the Manager by such time on the Settlement Day as the Trustee and the Manager shall for the time being prescribe for redemption applications generally.

In the event that such documents are not delivered to the Manager in accordance with the foregoing:

- the redemption application shall be deemed never to have been made except that the Transaction Fee in respect of such application shall remain due and payable and once paid, shall be retained by and for the account of the HS FCI50 ETF, the Trustee, the Registrar, the Conversion Agent and/or the Service Agent;

- the Manager may charge the Participating Dealer for the account of the HS FCI50 ETF an Application Cancellation Fee and such other fees and amounts in accordance with the Participation Agreement (including the Operating Guidelines); and

- no previous valuations of the HS FCI50 ETF shall be re-opened or invalidated as a result of an unsuccessful redemption application.

The Manager, with approval of the Trustee, may at its discretion extend the settlement period with respect to a redemption application, such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the HS FCI50 ETF) as the Manager may determine but, in any event, not later than one month from the receipt of an effective redemption application.

The Manager may charge a Transaction Fee in respect of redemption applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the HS FCI50 ETF). 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 Cash Component and cash due to the Participating Dealer in respect of such redemption application(s)) for the account of the HS FCI50 ETF, the Trustee, the Registrar, the Conversion Agent and/or the Service Agent.

**Appendix 5 – Glossary**

Set out below are detailed definitions of capitalised terms used in this offering document and, where appropriate, as used in the Trust Deed.

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| **AFRC** | the Accounting and Financial Reporting Council in Hong Kong |
| **Application Cancellation Fee** | the fee which may, at the discretion of the Manager, be charged to each Participating Dealer for the account of the HS FCI50 ETF in respect of a cancellation (for more information, see "Cancellation of Units" in Appendix 4) of a creation application or a redemption application by a Participating Dealer, the current fee level of which is set out in Appendix 1 |
| **Application Unit** | such number of Units of a class or whole multiples thereof as specified in this offering document or such other multiple of Units of a class from time to time determined by the Manager and approved by the Trustee |
| **Authorised Fund** | a Collective Investment Scheme that is authorised by the SFC pursuant to Section 104(1) of the SFO (SFC authorisation is not a recommendation or endorsement of a Collective Investment Scheme nor does it guarantee the commercial merits of a Collective Investment Scheme or its performance. It does not mean the Collective Investment Scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.) |
| **Basket** | a portfolio of Index Constituent Stocks based on the stock weightings in the Index on the relevant Dealing Day for the purpose of an in-kind creation or an in-kind redemption of Units |
| **Business Day** | (a) a day on which (i) the SEHK is open for normal trading; (ii) relevant stock exchanges, market access programmes, and other markets in which the HS FCI50 ETF is materially invested, or through which trading is conducted, are open for normal trading; and (iii) the relevant Index (if any) is compiled and published, unless otherwise determined by the Manager and the Trustee; or (b) any other day or days as the Manager and Trustee may agree from time to time |
| **Cash Component** | the difference between (i) the aggregate Net Asset Value of the Units comprising an Application Unit (in the case of a Participating Dealer Application) or of such other number of Units as determined by the Manager from time to time (in the case of a Special Application) and (ii) the value of the applicable Basket |
| **CCASS** | the Central Clearing and Settlement System established and operated by HKSCC |
| **CCASS Participant** | a participant in the CCASS |
| **CCASS Settlement Day** | a Settlement Day as determined by HKSCC for the CCASS |
| **Code** | the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended from time to time and any successor instruments thereto |
| **Collective Investment Scheme** | has the same meaning as in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)<br>has the meaning as set out in the Code which at the date of this offering document means in relation to a company: |

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| **Connected Person** | (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;<br>(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a);<br>(c) any member of the group of which that company forms part; or<br>(d) any director or officer of that company or of any of its Connected Persons as defined in (a), (b) or (c) |
| **Conversion Agent** | HKCAS, in its capacity as the conversion agent of HS FCI50 ETF |
| **Custodian** | HSBC Institutional Trust Services (Asia) Limited |
| **Dealing Day** | a Business Day, or any other day or days as the Manager may from time to time determine with the approval of the Trustee, for processing dealing applications in the HS FCI50 ETF |
| **Dealing Deadline** | the cut-off time for making creation applications or redemption applications on any particular Dealing Day is the official closing time of the SEHK on that Dealing Day (in the case of the Feeder Fund), 2:00 p.m. Hong Kong time on that Dealing Day (in the case of cash creation/redemption applications by the Participating Dealers), and 15 minutes after the official closing time of the SEHK on that Dealing Day (in the case of in-kind creation/redemption applications by the Participating Dealers), or such other time prior to the calculation of the Net Asset Value of the HS FCI50 ETF on that Dealing Day as the Manager may determine and agree with the Trustee |
| **Delivery Date** | the Dealing Day on which previously unavailable Index Constituent Stocks are delivered to complete a partial delivery of the relevant Basket by a Participating Dealer, for more information, see "Manager's Discretion to Accept Cash Collateral" in Appendix 4 |
| **Duties and Charges** | in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, trading fees, bank charges, transfer fees and registration fees, investor compensation levies and transaction levies and other duties and charges, whether in connection with the constitution of the deposited property or the increase or decrease of the deposited property, or the creation, issue, transfer, cancellation or redemption of Units, or the acquisition or disposal of the HS FCI50 ETF's investments, 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 |
| **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. |
| **ETF** | an exchange traded fund |
| **Extension Fee** | the fee payable in connection with a request made by a Participating Dealer to extend the date on which a creation application or redemption application is to be settled which may at the discretion of the Manager, be charged to each Participating Dealer for the account of the HS FCI50 ETF, the current fee level of which is set out in Appendix 1 |
| **FDI** | financial derivative instrument which refers to financial instrument that |

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| | derives its value from the value and characteristics of one or more underlying assets |
| **Feeder Fund** | the Hang Seng China Index Fund, a SFC authorised* index fund in the Hang Seng Investment Series which is a unit trust established as an umbrella fund under the laws of the Cayman Islands; it is managed by the Manager with substantially the same investment objective as the HS FCI50 ETF<br><br>* SFC authorisation is not a recommendation or endorsement of the Hang Seng China Index Fund nor does it guarantee the commercial merits of the Hang Seng China Index Fund or its performance. It does not mean the Hang Seng China Index Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. |
| **FTSE** | FTSE International Limited |
| **Government and other Public Securities** | has the meaning as set out in the Code which at the date of this offering document 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. |
| **Index Constituent Stocks** | the constituent stocks of the Index |
| **Hang Seng Bank** | Hang Seng Bank Limited |
| **HKCAS** | HK Conversion Agency Services Limited |
| **HKD** | Hong Kong dollars, the lawful currency of Hong Kong |
| **HKSCC** | Hong Kong Securities Clearing Company Limited |
| **Hong Kong** | the Hong Kong Special Administrative Region of the People's Republic of China |
| **HS FCI50 ETF** | Hang Seng FTSE China 50 Index ETF |
| **H Shares** | shares in Mainland incorporated enterprises which are listed on the SEHK and primarily trade in Hong Kong |
| **Index** | the FTSE China 50 Index |
| **Index Share** | the constituent stock(s) of a stock index |
| **Issue Price** | the price at which Units will be issued, as more fully described in "Calculation of Issue Price and Redemption Price" |
| **Listing Agent** | Hang Seng Investment Management Limited acting in the capacity as the listing agent of the HS FCI50 ETF |
| **Listing Date** | 8 June 2005, the date on which dealings in the Units commenced on the SEHK |
| **Mainland** | the mainland China |
| **Manager** | Hang Seng Investment Management Limited acting in the capacity as the manager of the HS FCI50 ETF |

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| **money market instrument** | securities normally dealt in on the money markets, as described in the Code and includes but is not limited to government bill, certificate of deposit, commercial paper, short-term note and bankers' acceptance |
| **Net Asset Value** | the net asset value of the HS FCI50 ETF or, as the context may require, of a Unit, calculated in accordance with the provisions of the Trust Deed |
| **Operating Guidelines** | the Operating Guidelines governing Participating Dealers |
| **P Chip Shares** | shares of companies (which do not satisfy FTSE's red chip definition) incorporated outside the Mainland, listed and traded on the SEHK, controlled by Mainland individuals, and with the majority of revenues or assets derived from the Mainland |
| **Partial Delivery Request Fee** | the fee payable in connection with a request made by a Participating Dealer relating to a partial delivery of the relevant Basket in connection with a creation application (for more information, see "Manager's Discretion to Accept Cash Collateral"), which may at the discretion of the Manager, be charged to each Participating Dealer for the account of the HS FCI50 ETF, the current fee level of which is set out in Appendix 1 |
| **Participation Agreement** | a written agreement entered into between the Trustee, the Manager and a Participating Dealer (and its agent, if applicable), and if determined necessary by the Manager (in its absolute discretion), each of HKSCC and the Conversion Agent, setting out (amongst other things) the arrangements in respect of the issue of Units and the redemption and cancellation of Units, as amended and supplemented from time to time |
| **Participating Dealer** | a broker or dealer who has entered into a Participation Agreement |
| **Participating Dealer Application** | an application by a Participating Dealer for a creation or redemption of Units through the CCASS, in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines |
| **PBOC** | the People's Bank of China |
| **PRC** | the People's Republic of China |
| **Red Chip Shares** | shares of companies incorporated outside the Mainland, listed and traded on the SEHK, substantially owned, directly or indirectly, by Mainland state entities and with the majority of revenue or assets derived from the Mainland |
| **Redemption Price** | the price at which Units will be redeemed, as more fully described in "Calculation of Issue Price and Redemption Price" |
| **Registrar** | HSBC Institutional Trust Services (Asia) Limited |
| **reverse repurchase transactions** | transactions whereby the HS FCI50 ETF purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future |
| **RMB** | Renminbi, the lawful currency of the PRC |
| **sale and repurchase transactions** | transactions whereby the HS FCI50 ETF sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such |

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| | securities back at an agreed price with a financing cost in the future |
| **SDO** | the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) |
| **securities financing transactions** | collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions |
| **securities lending transactions** | transactions whereby the HS FCI50 ETF lends its securities to a security-borrowing counterparty for an agreed fee |
| **Settlement Day** | the Dealing Day which is two CCASS Settlement Days after the relevant Dealing Day on which the creation or redemption is submitted or such other number of Dealing Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree |
| **SEHK** | The Stock Exchange of Hong Kong Limited |
| **Service Agent** | HKCAS, in its capacity as the service agent of the HS FCI50 ETF |
| **SFC** | the Securities and Futures Commission in Hong Kong |
| **SFO** | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| **Special Application** | a Special Creation Application and/or a Special Redemption Application |
| **Special Creation Application** | an application for the creation and issue of Units by the Feeder Fund |
| **Special Redemption Application** | an application for the redemption of Units by the Feeder Fund |
| **Substantial Financial Institution** | has the meaning as set out in the Code |
| **Transaction Fee** | the fee which may, at the discretion of the Manager, be charged to each Participating Dealer, for the account of the HS FCI50 ETF, the Trustee, the Registrar, the Conversion Agent and/or the Service Agent, (a) on each creation application and (b) on each redemption application, the current fee level of which is set out in Appendix 1 |
| **Trust** | the unit trust constituted by the Trust Deed |
| **Trust Deed** | the trust deed dated 1 June 2005 constituting the Trust, as amended from time to time |
| **Trustee** | HSBC Institutional Trust Services (Asia) Limited, the trustee of the HS FCI50 ETF |
| **Unit** | a unit of the HS FCI50 ETF |
| **Unitholder** | the person for the time being entered on the register of holders as the holder of a Unit including, where the context so admits, persons jointly so registered |
| **Unit Cancellation Fee** | the fee charged by the Conversion Agent in respect of the cancellation of Units in connection with an accepted in-kind redemption application, the current fee level of which is set out in Appendix 1 |
| **Valuation Point** | the official close of trading on the SEHK or such other time or times as determined by the Manager and the Trustee from time to time provided |

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| | that there shall always be a Valuation Point on each Dealing Day of the HS FCI50 ETF other than where there is a suspension of the determination of the Net Asset Value of the HS FCI50 ETF pursuant to the provisions in the Trust Deed |
| **U.S. or US** | the United States of America |
| **US dollars** | United States dollars, the lawful currency of the U.S. |

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* *Please refer to the website* *www.hangsenginvestment.com* (this website has not been reviewed by the SFC)

for *the latest lists of Market Makers and Participating Dealers.*

Issued by Hang Seng Investment Management Limited (wholly-owned subsidiary of Hang Seng Bank)