

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited (“**HKSCC**”) and the Securities and Futures Commission (the “**SFC**”) take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. Authorisation by the SFC does not imply official recommendation nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The performance of TraHK, the Net Asset Value per Unit and the performance by the Manager and the Trustee of their respective obligations are not guaranteed by the HKSAR Government. The HKSAR Government has given no guarantee or assurance that the investment objective of TraHK will be met.



**TRACKER FUND OF HONG KONG**  
a Hong Kong unit trust authorised under  
Section 104 of the Securities and Futures Ordinance (Cap 571) of Hong Kong  
HKD Counter Stock Code: 2800 / RMB Counter Stock Code: 82800

**Prospectus**

## IMPORTANT INFORMATION

This prospectus includes particulars given in compliance with the Hong Kong Securities and Futures Commission (the “SFC”) Code on Unit Trusts and Mutual Funds (the “SFC Code”), the “Overarching Principles” of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for the purpose of providing information to the public with regard to the Tracker Fund of Hong Kong (“TraHK”). TraHK has been authorised by the SFC under section 104 of the Securities and Futures Ordinance (Cap 571) of Hong Kong (the “SFO”). The SFC does not take any responsibility for the financial soundness of TraHK or the correctness of any statement made or opinion expressed in this prospectus. Further, the SFC’s authorisation does not imply official recommendation. The SFC’s authorisation is not a recommendation or endorsement of TraHK nor does it guarantee the commercial merits of TraHK or its performance. It does not mean TraHK is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

See “Risk Factors” beginning on page 1 for a discussion of certain factors to be considered in connection with an investment in the Units of TraHK (the “Units”). **Investors should note that the Net Asset Value per Unit is subject to market fluctuation and may go down as well as up.**

Each of the Stock Exchange, HKSCC and the SFC takes no responsibility for the contents of this prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

Hang Seng Investment Management Limited (the “Manager”) accepts full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

The Units are offered for subscription solely on the basis of the information contained and representations made in this prospectus. The latest available annual report and accounts and semi-annual report and accounts of TraHK will accompany this prospectus and form an integral part of this prospectus. Although every effort has been taken to ensure the accuracy of the facts and matters set out in this prospectus, in the event of any inconsistency between the information contained in this prospectus and any of the Trust Deed (the “Trust Deed”) constituting TraHK and made between State Street Bank and Trust Company (the “Trustee”), State Street Global Advisors Asia Limited (formerly known as State Street Global Advisors (HK) Limited) as the then existing manager (“SSGAAL”) and Exchange Fund Investment Limited (the “Promoter”) dated 23 October 1999, as amended and restated by way of the second amended and restated deed made between the Manager and the Trustee dated 19 September 2022, or the form of the Participation Agreement (as defined in Appendix I – “Definitions”), the Trust Deed or the Participation Agreement (as applicable) shall prevail. With effect from 19 September 2022, the Manager is appointed simultaneously with the retirement of SSGAAL as the manager of TraHK on the same date, pursuant to a Deed of Retirement and Appointment of Manager dated 19 September 2022. No person is authorised in connection with the issue of Units to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by either of the Manager or any of its directors or any other persons involved in the issue of Units pursuant to the offer contained in this prospectus.

Neither the delivery of this prospectus nor any sale made under or pursuant to this prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of TraHK or in any of the statistical or economic data contained in this prospectus since the date of this prospectus or that the information contained in this prospectus is correct as of any time subsequent to its date.

No action has been taken to permit the public offer of the Units or the distribution, possession or circulation of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution, possession or circulation of this prospectus and the offering of Units in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. No offer of Units can be made in any jurisdiction in which such offer is illegal. No public offer of Units is intended in any jurisdiction (other than Hong Kong) which distinguishes between public offers and private placings of securities.

The Trust Deed permits the Manager to require the redemption or transfer of Units in certain circumstances, including where Units are held by any individual under 18 years of age (or such other age as the Manager may determine) or held by any person in breach of any law, regulation or other requirement of any country or governmental authority or by any person or persons in circumstances which, in the opinion of the Manager, may result in the Trustee, the Manager, the Promoter, the Supervisory Committee or TraHK incurring any liability to taxation or suffering any other pecuniary disadvantage or becoming subject to any law or regulation which the Trustee, the Manager, the Promoter, the Supervisory Committee or TraHK may not otherwise have incurred, suffered or become subject to.

**Applicants for Units are recommended to consult their professional advisers if they are in any doubt as to the taxation or regulatory implications of subscribing for, purchasing, holding, disposing of or otherwise dealing in Units.**

#### **Additional Restrictions on US Persons**

The Units in TraHK have not been and will not be registered under the United States Securities Act of 1933 (the “US Securities Act”). The Units will not be offered or sold in the United States or to or for the account or benefit of, any US Persons. The Units are subject to restrictions on transferability and resale and may not be transferred or resold to any “US Person” which has the meaning as defined in Appendix I – “Definitions”. Please see the section entitled “General – Selling Restrictions – United States” of this prospectus for more information.

TraHK is not registered, and does not intend to register, as an investment company under the United States Investment Company Act of 1940, as amended (the “US Investment Company Act”).

The Units have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this prospectus. Any representation to the contrary is a criminal offence.

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## SUMMARY

*Set out below is a summary of TraHK. The following information is derived from, and should be read in conjunction with, the full text of this prospectus. Investors' attention is drawn to the section entitled "Risk Factors".*

### **TraHK**

TraHK is a collective investment scheme which is listed on the Stock Exchange. TraHK was established, and made an initial offer of Units to the public in Hong Kong and to institutional investors in Hong Kong and overseas, in October 1999. TraHK is designed to provide investment results that closely correspond to the performance of the Hang Seng Index (see "Investment Objective" below).

TraHK holds shares in the constituent companies of the Hang Seng Index ("Index Shares") in substantially similar composition and weighting as they appear in the Hang Seng Index (an "Index Basket").

The Hang Seng Index is a widely quoted indicator for the performance of the Hong Kong stock market. It is currently composed of shares in companies which generally have high market value and liquidity in the Hong Kong stock market. The number of Hang Seng Index constituents is targeted to increase to 80 through the regular index reviews by mid-2022 and, ultimately, to fix the number at 100. Please refer to Appendix II – "The Hang Seng Index" for further details on the Hang Seng Index.

The list of constituents in the Hang Seng Index is published on TraHK's website ([www.TraHK.com.hk](http://www.TraHK.com.hk)) and will be updated from time to time to reflect the current composition. Please note TraHK's website has not been reviewed by the SFC.

TraHK is a unit trust authorised under section 104 of the SFO and is established under the terms of the Trust Deed. The SFC reserves the right to withdraw TraHK's authorisation if the Hang Seng Index is no longer considered acceptable by the SFC.

### **Investment Objective**

TraHK's investment objective is to provide investment results that closely correspond to the performance of the Hang Seng Index (the "Investment Objective"). The Manager seeks to achieve the Investment Objective by investing all, or substantially all, of TraHK's assets in Index Shares in substantially the same weightings as they appear in the Hang Seng Index. The Manager may also invest in certain other permitted investments in seeking to meet the Investment Objective. The Manager will rebalance TraHK's portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Hang Seng Index.

### **Manager**

The Manager is a wholly-owned subsidiary of Hang Seng Bank Limited. As a Hong Kong-based asset management company specialising in managing funds related to mainland China and Hong Kong markets, the Manager is committed to providing investors with comprehensive investment management services through investment managers with extensive experience in managing funds (including a series of exchange-traded funds and retail funds) and investment portfolios for institutional and private clients. The Manager is a leading home-grown asset manager in Hong Kong, with extensive market leading asset management experience since its incorporation in Hong Kong in April 1993.

### **Trustee**

The Trustee is a wholly-owned subsidiary of State Street Corporation. State Street Bank and Trust Company is a Massachusetts chartered trust bank and one of the world's top custodians, with US\$38.18

trillion in assets under custody and administration (as at 30 June 2022). The Trustee is a full-licensed bank in Hong Kong.

### **Supervisory Committee**

The Supervisory Committee has the power to direct and the duty to oversee the Trustee and the Manager on matters relating to the management and administration of TraHK. The Supervisory Committee currently consists of seven (7) members. See the section entitled “TraHK – Administrative Provisions of the Trust Deed”.

### **Listing and Dealing**

The Units are listed on the Stock Exchange and are currently denominated and traded in Hong Kong dollars. The Stock Exchange has granted approval for the Units to be available for trading on the Stock Exchange. TraHK complies with the stock admission requirements of HKSCC for deposit (for HKD traded Units only), clearing and settlement in the Central Clearing and Settlement System established by HKSCC (“CCASS”) under a Dual Counter arrangement with effect from 19 September 2022. As such Units will, from the effective date, be traded on the Stock exchange in HKD and RMB in board lots of 500 Units.

Investors will be able to distinguish the different currency traded Units as follows: HKD counter and HKD traded Units have a Stock Exchange stock code 2800, an English stock short name "TRACKER FUND" and a Chinese stock short name "盈富基金" whilst the RMB counter and RMB traded Units have a Stock Exchange stock code 82800, an English stock short name "TRACKER FUND-R" and a Chinese stock short name "盈富基金-R". The ISIN for HKD counter and HKD traded Units is HK2800008867 and the ISIN for RMB counter and RMB traded Units is HK0000871464.

Unitholders may buy Units, and sell their Units, on the Stock Exchange through brokers in the same way as they may trade shares in companies listed on the Stock Exchange.

### **Distribution Policy**

The Manager intends to distribute all or substantially all of the net income received by TraHK for each distribution period to Unitholders in May and November of each year. The income of TraHK primarily consists of dividends received on the Index Shares held in TraHK’s portfolio. Distributions will be made net of TraHK’s expenses. Each Unitholder will receive dividends in HKD only (whether holding HKD traded Units or RMB traded Units).

Unitholders, other than HKSCC Nominees Limited (“HKSCC Nominees”), holding Units registered in their name are subject to a maximum charge of HK\$80 per year per Unitholder, which will be deducted on a half-yearly basis from their distributions. This charge will primarily be used to offset certain registrar’s charges (see the section entitled “TraHK – Fees, Costs and Expenses Payable by TraHK – Registrar”).

### **Net Asset Value**

The Net Asset Value of TraHK is calculated in Hong Kong dollars as at the close of trading on the Stock Exchange (the “Valuation Point”) on each Dealing Day (as defined in Appendix I – “Definitions”). Notwithstanding a Dual Counter being adopted for TraHK, the Net Asset Value of each Unit is calculated by dividing the total Net Asset Value of TraHK in Hong Kong dollars by the number of Units outstanding. The listed shares held by TraHK are valued at their closing price quoted by the Stock Exchange (“Nominal Closing Price”).

The Net Asset Value per Unit on each Dealing Day is calculated and published free of charge through the Stock Exchange and on TraHK's website (*www.TraHK.com.hk*) on the following Dealing Day.

### **Creation and Redemption of Units**

Investors may request Participating Dealers to apply to HKSCC for the creation of Units on any Dealing Day (the "Continuous Offering") by tendering a basket of Index Shares comprising an Index Basket plus or minus (in which case TraHK will make a payment to the relevant investor) a cash payment (in HKD notwithstanding a Dual Counter being adopted for TraHK) as determined by the Manager. In certain limited circumstances, the Manager may permit Participating Dealers to pay cash in lieu of delivering certain Index Shares where it is fair and reasonable to do so. Units may only be created and issued in aggregate lots of one million Units (that is, in "Creation Unit" size) and whole multiples thereof.

Investors may request Participating Dealers to apply to HKSCC for the redemption of their Units on any Dealing Day for the underlying Index Shares, comprising an Index Basket, plus or minus (in which case the relevant investor will be required to make a payment to TraHK) a cash payment as determined by the Manager. In certain limited circumstances, the Manager may permit payment of cash in lieu of delivering certain Index Shares to Participating Dealers where it is fair and reasonable to do so. Units may only be redeemed in aggregate lots of one million Units (that is, in "Redemption Unit" size) and whole multiples thereof. There will be no cash redemptions.

The Manager may from time to time set larger or smaller Creation Unit sizes and Redemption Unit sizes.

Under the Dual Counter arrangement, RMB counter is not offered for primary creation and redemption. Only HKD traded Units may be created / redeemed by way of a creation / redemption application through a Participating Dealer.

### **General Requirements for Creation and Redemption**

Applications to create or redeem Units may only be made through Participating Dealers (acting either as principal or on behalf of clients) which have executed a Participation Agreement. At any given time, there may be only a limited number of Participating Dealers. A list of the Participating Dealers is available on TraHK's website (*www.TraHK.com.hk*) or from the Manager. Applications to create or redeem Units must be submitted by the Participating Dealer to HKSCC, who will accept or reject them on behalf of the Manager. Acceptance of an application for creation or redemption of Units will only occur on the issue of a confirmation of acceptance by HKSCC on behalf of the Manager.

Applications from Participating Dealers to create or to redeem Units will only be accepted by HKSCC in whole multiples of Creation Unit sizes or Redemption Unit sizes. Participating Dealers may, but are not obliged to, aggregate orders from investors to satisfy the minimum Creation Unit and Redemption Unit size. Therefore, to the extent that an investor wishes to apply for the creation or redemption of fewer than one million Units, there is no assurance that such order would be executed by a Participating Dealer.

*Each Participating Dealer is required to pay TraHK a Transaction Fee (currently HK\$15,000) for the total aggregate creation and redemption applications per day. This cost may be passed on in full or in part to the investor wishing to create or redeem Units. Creation and redemption orders are also subject to other conditions, which are described below in detail in the section entitled "TraHK – The Continuous Offering".*

## **Taxation**

### **Hong Kong Profits Tax**

TraHK is exempt from Hong Kong profits tax arising in relation to the sale or disposal of shares. Hong Kong profits tax will not be payable by a Unitholder on any gains or profits made on the sale, redemption or other disposal of Units unless that Unitholder carries on a trade, profession or business in Hong Kong.

### **Hong Kong Stamp Duty**

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, Hong Kong stamp duty on the transfer of Hong Kong stocks by an investor to TraHK on a creation of Units in exchange for an Index Basket and on the transfer of Hong Kong stocks by TraHK to an investor on a redemption of Units will be remitted or refunded.

Hong Kong stamp duty is payable by TraHK on its purchase and sale of Hong Kong stocks on the Stock Exchange (for example, when rebalancing its portfolio to reflect changes in the Hang Seng Index).

No Hong Kong stamp duty is payable on an issue or redemption of Units (which is only available for HKD counter) or on the sale and purchase of Units (both HKD counter and RMB counter) in the secondary market. For further information on Hong Kong stamp duty, see the section entitled “General – Taxation”.

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

#### ***General Information***

The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the “Ordinance”) came into force on 30 June 2016, which implements the Standard for Automatic Exchange of Financial Account Information (the “AEOI”) in Hong Kong. The Ordinance requires financial institutions resident in Hong Kong (“Reporting Financial Institutions”), including TraHK, to collect and review relevant information relating to non-Hong Kong tax residents holding financial accounts with Reporting Financial Institutions, and to furnish information required under the Ordinance to the Hong Kong Inland Revenue Department (the “IRD”). The IRD will exchange such information with the jurisdiction(s) in which an account holder is resident for tax purposes. Generally, tax information will be exchanged only with AEOI partner jurisdictions with which Hong Kong has entered into a Competent Authority Agreement (“AEOI Partner Jurisdictions”). However, information relating to account holders who are residents of jurisdictions other than AEOI Partner Jurisdictions may also be collected, although only required information in relation to reportable accounts will be furnished to the IRD.

The AEOI rules as implemented by Hong Kong require Reporting Financial Institutions to, amongst other things: (i) register with the IRD; (ii) conduct due diligence on their accounts to identify whether any such accounts are considered reportable accounts for AEOI purposes (“Reportable Accounts”); and (iii) report to the IRD the required information on such Reportable Accounts on an annual basis. The IRD will then transmit the information reported to it to the AEOI Partner Jurisdictions. Reportable Accounts include financial accounts held by: (i) individuals or entities that are tax resident in a reportable jurisdiction, and (ii) certain entities controlled by individuals who are tax resident in a reportable jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, date and place of birth (if applicable), address, jurisdiction of tax residence, tax identification number (if any), account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with AEOI Partner Jurisdictions.



### ***Impact to TraHK and Unitholders***

By investing in TraHK and/or continuing to invest in TraHK, Unitholders acknowledge that they may be required to provide additional information to the Manager, the Trustee, their agents, and/or intermediary financial institutions (if applicable) and to notify of any changes to the information provided, in compliance with AEOI. The Unitholder's information may be communicated by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information may result in certain remedial actions including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned, to the extent permitted under the constitutive documents of TraHK and subject to applicable laws and regulations.

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

### **Considerations related to US Investors**

Units will not be offered or sold in the United States or to, or for the account or benefit of, any US Persons. No "US Person" may apply for, purchase or acquire any Units. See the section below entitled "General – Selling Restrictions – United States".

### **FATCA and US Tax Withholding and Reporting Requirements**

FATCA is essentially designed to require reporting of US Persons' direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service, with any failure to provide the required information resulting in a 30% US withholding tax on certain payments. TraHK will seek to satisfy the applicable FATCA requirements to avoid the imposition of FATCA withholding tax. However, there can be no assurance that TraHK will be able to comply with all these requirements. In the event that TraHK becomes subject to withholding tax as a result of FATCA, the Net Asset Value per Unit may be adversely affected and TraHK may suffer significant losses, which may result in a material loss to Unitholders.

**There are risks associated with any investment. Please see the section entitled "Risk Factors" which should be considered carefully before deciding to invest in TraHK.**

## RISK FACTORS

**Investors can lose money by investing in Units. Investors should carefully consider the risk factors described below together with all of the other information included in this prospectus before deciding whether to invest in Units.**

### **Risk Factors Specific to TraHK**

#### ***No HKSAR Government guarantee and no guarantee of the repayment of principal***

The performance of TraHK, the Net Asset Value per Unit and the performance by the Manager and the Trustee of their respective obligations are not guaranteed by the HKSAR Government. The HKSAR Government has given no guarantee or assurance that the Investment Objective of TraHK will be met. There is no guarantee of the repayment of principal.

#### ***No cash redemption***

**Units will not be redeemed for cash.** Units may normally only be redeemed in kind by investors in Redemption Unit size (currently one million Units) or whole multiples thereof through Participating Dealers. Redeeming investors will receive Index Shares (plus or minus a cash payment). Redeeming investors may not be able to realise the value of Index Shares received on a redemption of Units in a timely manner or at any particular price if there is no liquid trading market for the Index Shares.

#### ***Trading market in the Units***

Although the Units are listed on the Stock Exchange, investors should be aware that there may be no liquid trading market for the Units. There can be no assurance that active trading markets for Units will continue to develop, nor is there a certain basis for predicting the actual price levels at, or sizes in, which Units may trade. Further, there can be no assurance that Units will experience trading or pricing patterns similar to those since inception of TraHK or to those of market-traded shares which are issued by investment companies in other jurisdictions or which are based upon indices other than the Hang Seng Index.

Further, the Units in the RMB counter are securities traded on the Stock Exchange, and settled in CCASS, in RMB. Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the RMB traded Units. The limited availability of RMB outside the PRC may also affect the liquidity and trading price of the RMB traded Units.

#### ***Minimum creation and redemption size***

Units will normally only be issued or redeemed in Creation Unit or Redemption Unit size aggregates (currently one million Units), or whole multiples thereof. Investors who do not hold Redemption Unit size aggregates may only be able to realise the value of their Units by selling their Units on the Stock Exchange (see also “Trading market in the Units” above).

#### ***Units may trade at a discount or premium to Net Asset Value***

The nature of TraHK is such that the Net Asset Value of TraHK may differ from the trading price of the Units on the Stock Exchange. Whilst the Net Asset Value of Units will reflect the market value of TraHK’s portfolio of Index Shares, trading prices of the Units on the Stock Exchange may be lower or higher than the Net Asset Value per Unit. Trading prices will be dependent on a number of factors. These may include economic conditions in Hong Kong, investor confidence in the Hong Kong stock market and the level of supply and demand for Units. Creations or redemptions of Units may reduce any significant discount or premium of the Units’ traded price to TraHK’s Net Asset Value (see the section entitled “TraHK – The Continuous Offering” for further information on creations and redemptions).

### ***Net Asset Value will not track Hang Seng Index exactly***

Changes in the Net Asset Value of TraHK are unlikely to replicate exactly changes in the Hang Seng Index. This is due to, among other things, the fees and expenses payable by TraHK and transaction fees and stamp duty incurred in adjusting the composition of TraHK's portfolio because of changes in the Hang Seng Index and dividends received, but not distributed, by TraHK. In addition, as a result of the unavailability of Index Shares, the transaction costs in making an adjustment outweighing the anticipated benefits of such adjustment or for certain other reasons, there may be timing differences between changes in the Hang Seng Index and the corresponding adjustment to the shares which comprise TraHK's portfolio. During times when Index Shares are unavailable or when the Manager determines it is in the best interests of TraHK to do so, TraHK may maintain a small cash position or invest in other permitted contracts or investments until Index Shares become available. TraHK may also hold Future Index Shares and/or Former Index Shares (as those terms are defined in Appendix I – "Definitions"). Such costs, expenses, cash balances, timing differences or holdings could cause TraHK's Net Asset Value to be lower or higher than the relative level of the Hang Seng Index.

### ***Automatic termination if average daily Net Asset Value falls below HK\$3 billion***

Under the terms of the Trust Deed, TraHK will automatically terminate if the average of the daily Net Asset Value of TraHK is less than HK\$3 billion over any rolling three month period, unless each of the Supervisory Committee, the Promoter, the Trustee and the Manager otherwise agree. On the termination of TraHK, TraHK will be liquidated and certain investors may receive distributions of Index Shares in kind. Please see the section entitled "TraHK – Administrative Provisions of the Trust Deed – Termination".

### ***Dividends are contingent on dividends paid on Index Shares***

The ability of TraHK to pay dividends on the Units depends on the dividends declared and paid by the companies whose shares are held by TraHK and the level of fees and expenses payable by TraHK. Dividend payment rates of these companies are based on numerous factors, including their current financial condition, general economic conditions and their dividend policies. There can be no assurance that such companies will declare dividends or make other distributions. In addition, changes to the composition of the Hang Seng Index (for example, the substitution of one constituent stock in the Hang Seng Index with another paying higher or lower dividends) will affect the level of dividends received by TraHK. To the extent possible, TraHK's fees and expenses will be paid out of the dividends it receives. To the extent dividends received by TraHK are insufficient to meet its fees and expenses, the excess will be met by disposing of part of TraHK's portfolio of Index Shares or by borrowing. Any such disposition of Index Shares or borrowing may cause TraHK's Net Asset Value to fall, and may adversely affect the trading price of the Units. Investors may not therefore receive any distributions. Investors will not receive any dividends or other distributions directly from the companies in which TraHK invests.

### ***Dependence upon trading market for Index Shares***

All of the Index Shares are listed on the Stock Exchange. The existence of a liquid trading market for the Index Shares may depend on whether there is supply of, and demand for, such Index Shares. There can be no assurance that there will be active trading in any of the Index Shares. The price at which the Index Shares may be purchased or sold by TraHK upon any rebalancing activities or otherwise and the Net Asset Value of TraHK may be adversely affected if trading markets for the Index Shares are limited or absent.

### ***Passive investment***

The Index Shares held by TraHK will reflect the distribution of companies whose shares comprise the Hang Seng Index. Therefore, adverse changes in the financial condition or share performance of any

company included in the Hang Seng Index will be likely to affect adversely TraHK's Net Asset Value and the trading price of the Units. The Manager will have no discretion to remove the shares of such company from TraHK.

***Trading in Units on the Stock Exchange may be suspended***

Investors will not be able to purchase or sell Units on the Stock Exchange during any period that the Stock Exchange suspends trading in the Units. The Stock Exchange may suspend the trading of Units whenever the Stock Exchange determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Units will also be suspended in the event that the trading of Units on the Stock Exchange is suspended.

***Units may be delisted from the Stock Exchange***

The Stock Exchange imposes certain requirements for the continued listing of securities, including the Units, on the Stock Exchange. Investors cannot be assured that TraHK will continue to meet the requirements necessary to maintain the listing of Units on the Stock Exchange or that the Stock Exchange will not change the listing requirements. TraHK may be terminated if Units are delisted from the Stock Exchange.

***Withdrawal of Authorisation by the SFC***

The SFC reserves the right to withdraw the authorisation of TraHK under section 104 of the SFO if the underlying index is no longer considered acceptable. Relevant factors include whether the underlying index has a clearly defined objective, is broadly based, investible, transparent and published in an appropriate manner.

***Early Termination***

TraHK may be terminated early by the Trustee (with the prior approval of the Promoter, not to be unreasonably withheld) under certain circumstances, including, but not limited to those set out under the section entitled "TraHK – Administrative Provisions of the Trust Deed – Termination". Upon TraHK being terminated, the Trustee may distribute the shares held in TraHK's portfolio in favour of Unitholders, in proportion to the number of Units held, in accordance with the Trust Deed. The Trustee may distribute shares in odd lots. All other assets of TraHK shall be sold or realised and a balancing payment in cash shall be paid to each Unitholder.

***Reliance on Participating Dealers***

The creation and redemption of Units can only be effected through Participating Dealers. The number of Participating Dealers at any given time may be limited. Participating Dealers are under no obligation to accept instructions to apply for or redeem Units on behalf of investors. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the Stock Exchange are restricted or suspended, settlement or clearing of securities in CCASS is disrupted or the Hang Seng Index is not compiled or published. In addition, Participating Dealers will not be able to create or redeem Units if some other event occurs which impedes the calculation of the Net Asset Value of TraHK by the Manager or during which delivery of Index Shares or disposal of TraHK's investments cannot be effected normally.

***Suspension of Creations and Redemptions***

Dealings of Units on the Stock Exchange may not necessarily be suspended in the event that the creation and redemption of Units is temporarily suspended by the Manager in accordance with the terms of the Trust Deed (see the section entitled "TraHK – Further Provisions Relating to Creations and Redemptions")

for further details as to the circumstances in which creations and redemptions of Units may be suspended). If the creation and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of TraHK's underlying assets.

#### ***Use of Futures and Options Contracts involve certain risks***

The Manager may use Futures Contracts and Options (as those terms are defined in Appendix I – “Definitions”) for the purpose of hedging and achieving TraHK's Investment Objective with the approval of the Supervisory Committee. In particular, the Manager may invest TraHK's assets in Futures Contracts and Options in order to try to minimise tracking error between the Hang Seng Index and the Net Asset Value of TraHK. These transactions may be entered into with counterparties on an on- and off-exchange basis (over-the-counter) and may expose TraHK to counterparty risk as mentioned below. There is no guarantee that such techniques will achieve their desired result. There are certain investment risks in using Futures Contracts and Options. Such risks may include: (i) the inability to close out a Futures Contract or Option caused by the non-existence of a liquid secondary market; and (ii) an imperfect correlation between price movements of the Futures Contracts or Options with price movements of the subject portfolio securities or subject securities index. Further, the risk of loss in trading Futures Contracts is potentially great, due to both the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a Futures Contract may result in immediate and substantial loss (or gain) to TraHK.

The purchaser of Options may offset or exercise the Options or allow the Options to expire. The exercise of an Option results in either a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the Option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see above). If the Option expires worthless, TraHK will suffer a total loss of its investment which will consist of the Option premium plus transaction costs.

Under the terms of the Trust Deed, the value of TraHK's investments in Options (in terms of the total amount of premium paid) and in Futures Contracts (in terms of the total net aggregate value of outstanding contract prices payable by or to TraHK) will not in the aggregate exceed 10% of TraHK's Net Asset Value.

#### ***Counterparty and Settlement Risk***

TraHK may be exposed to counterparty risk in relation to parties with whom it trades and when placing cash on deposit. TraHK may also be exposed to the risk of settlement default by a counterparty with which TraHK trades when buying and selling financial instruments (settlement risk). The risk of default of a counterparty is directly linked to the credit worthiness of the counterparty.

#### ***Hong Kong Legal and Regulatory Environment***

TraHK is established under the laws of Hong Kong and is therefore subject to the laws of Hong Kong. It invests in securities listed on the Stock Exchange. The legal environment in Hong Kong differs significantly from the legal environment in the United States and certain other jurisdictions. Legal remedies that investors are accustomed to in other jurisdictions may not be available in Hong Kong.

An investment in Hong Kong securities may carry the risk of less publicly available information, more market volatility, less strict securities regulation and greater political uncertainty than investments in securities in other jurisdictions, such as the United States and the United Kingdom.

### ***Dodd-Frank Act.***

The US Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) provides a broad framework for regulatory changes that extends to almost every area of US financial regulation, some of which could have material impacts on TraHK, including, among other things, the imposition of additional costs on TraHK or restrictions on its activities. The Dodd-Frank Act includes the “Volcker Rule”, a framework for the regulation of derivatives, and regulations on advisers to hedge and private equity funds which may affect TraHK. Given the broad scope and sweeping nature of the Dodd-Frank Act, its impact on TraHK, the Units or any investors may be material, including, among other things, its effect on the prospects of TraHK or the value or marketability of the Units, the ability of the investors to maintain an investment in the Units, or the treatment of Units for purposes of regulatory capital determinations. If TraHK were unable to comply with applicable laws, rules and regulations, including the Dodd-Frank Act, legal action or regulatory enforcement could be initiated. Moreover, certain regulatory changes may adversely affect investors. Furthermore, no assurance can be made that the US federal government or any US regulatory body (or any other authority or regulatory body, domestic or foreign) will not take further legislative or regulatory action in response to recent or future economic events or otherwise, and the effect of such actions, if any, cannot be known or predicted.

### ***FATCA and US Tax Withholding and Reporting Requirements***

FATCA is essentially designed to require reporting of US Persons’ direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service, with any failure to provide the required information resulting in a 30% US withholding tax on certain payments. TraHK will seek to satisfy the applicable FATCA requirements to avoid the imposition of FATCA withholding tax. However, there can be no assurance that TraHK will be able to comply with all these requirements. In the event that TraHK becomes subject to withholding tax as a result of FATCA, the Net Asset Value per Unit may be adversely affected and TraHK may suffer significant losses, which may result in a material loss to Unitholders.

### ***Dual Counter risk***

TraHK is a collective investment scheme with Dual Counter traded Units under the Stock Exchange's Dual Counter model in Hong Kong, which means that Units are traded and settled in RMB under the RMB counter and traded and settled in HKD under the HKD counter. The nature of the Dual Counter for exchange traded funds may make investment in the Units riskier than in single counter units or shares of a listed issuer on the Stock Exchange, for example where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last settlement on a trading day, leaving insufficient time to transfer the Units to the other counter for settlement on the same day.

In addition, where there is a suspension of the inter-counter transfers of Units between the HKD counter and the RMB counter due to, for example, operational or systems interruption, Unitholders will only be able to trade their Units in the currency of the relevant counter. Accordingly, it should be noted that the inter-counter transfers may not always be available.

There is a risk that the market price on the Stock Exchange of Units traded in HKD may deviate significantly from the market price on the Stock Exchange of Units traded in RMB due to market liquidity, supply and demand in each counter and the exchange rate between the RMB and the HKD (in both the onshore and the offshore markets). The trading price of HKD traded Units or RMB traded Units is determined by market forces and so will not be the same as the trading price of Units multiplied by the prevailing rate of foreign exchange. Accordingly, when selling Units traded in HKD or buying Units traded in HKD, an investor may receive less or pay more than the equivalent amount in RMB if the trade of the relevant Units is in RMB and vice versa. There can be no assurance that the price of Units in each counter will be equivalent.

Investors without RMB accounts may buy and sell HKD traded Units only. Such investors will not be able to buy or sell RMB traded Units.

It is possible that some brokers and CCASS participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in the other, (ii) carry out inter-counter transfers of Units, or (iii) trade Units in both counters at the same time. In such a case another broker or CCASS participant may need to be used. Accordingly, this may inhibit or delay an investor dealing in both HKD traded and RMB traded Units and may mean investors may only be able to sell their Units in one currency. Investors are recommended to check the readiness of their brokers in respect of the Dual Counter trading and inter-counter transfer.

***Reliance on the same group risk***

Both the Manager and Hang Seng Indexes Company Limited (formerly known as “**HSI Services Limited**”) (“**HSIL**”) are presently subsidiaries of Hang Seng Bank Limited (the “**Hang Seng Bank Group**”). One or more of the Participating Dealers and/or market makers may from time to time be members of the Hang Seng Bank Group. Nonetheless, the Manager does not consider this will be a risk for the following reasons:

- (a) HSIL’s operations and the Manager’s investment management operations are under the responsibility of different staff and management teams. There are no common directors between HSIL and the Manager.
- (b) The Hang Seng Bank Group has internal policies and procedures in place which ensure that effective “Chinese Walls” are created and maintained between different legal entities of the Hang Seng Bank Group and their operations and which impose strict obligations of confidentiality on such legal entities’ staff. Information is disclosed between different operations within the same legal entity and between different legal entities of the Hang Seng Bank Group on a “need to know” basis only.
- (c) The Hang Seng Bank Group has procedures in place restricting access to important systems to authorised personnel. All of the Hang Seng Bank Group’s staff are required to comply with the Hang Seng Bank Group’s internal policies and procedures and the IT security standards of the Hang Seng Bank Group.
- (d) As indicated in the relevant Appendix, the Hang Seng Index has clear and well documented methodology and rules by which the Hang Seng Index is calculated.

Apart from the above, the Manager and HSIL 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 TraHK. In such event the Net Asset Value of TraHK may be adversely affected and its operation disrupted.

It should be noted that the Manager and HSIL are presently all 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 TraHK may arise from time to time amongst any of them whilst they belong to the Group. In particular, the Manager may be in dispute with HSIL if it terminates the licence to use the Hang Seng Index. The Manager and each of its Connected Persons will have regard to its obligations to TraHK and Unitholders and will endeavour to ensure such conflicts are resolved fairly. The attention of investors is drawn to the section headed “TraHK - Conflicts of Interest Disclosures.”

## **Hang Seng Index Risk Factors**

### ***Hang Seng Index is subject to fluctuations***

The investment objective of TraHK is to provide investment results that closely correspond to the performance of the Hang Seng Index. In the past, the Hang Seng Index has experienced periods of volatility and decline. The Hang Seng Index may experience such volatility or decline again in the future. If the Hang Seng Index experiences volatility or declines, the price of the Units will vary or decline accordingly.

### ***Concentration of the Hang Seng Index in certain economic sectors and companies***

As at 28 February 2022, the industry weightings for Financials and Properties and Construction accounted for approximately 38.70% and 7.83% of the Hang Seng Index respectively. As a result, variations in the performance of these sectors could have a larger effect on the price of Units than a similar variation in the performance of other sectors comprised in the Hang Seng Index. Declines in the share price of companies in the Hang Seng Index may result in declines in the price of Units.

### ***Composition of the Hang Seng Index may change***

The companies which comprise the Hang Seng Index are determined by HSIL from time to time. The composition of the Hang Seng Index may also change if one of the constituent companies were to delist its shares or if a new company were to list its shares on the Stock Exchange and be added to the Hang Seng Index. If this happens, the weighting or composition of the shares owned by TraHK would be changed as considered appropriate by the Manager in order to achieve the Investment Objective. Thus, an investment in Units will generally reflect the Hang Seng Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units. Appendix II – “The Hang Seng Index” describes how the Hang Seng Index is computed.

### ***Licence to use Hang Seng Index may be terminated***

The Manager and the Trustee have been granted a licence by Hang Seng Data Services Limited (“HSDS”) and HSIL to use the Hang Seng Index as a basis for determining the composition of TraHK and to use certain trademarks or any copyright in the Hang Seng Index. TraHK may not be able to fulfil its objective and may be terminated if the licence agreement (the “**HSI Licence Agreement**”) between HSDS, HSIL, the Trustee and the Manager is terminated. TraHK may also be terminated if the Hang Seng Index ceases to be compiled or published and there is no replacement index, using, in the opinions of the Manager, the Trustee and the Supervisory Committee, the same or substantially similar formula for the method of calculation as used in calculating the Hang Seng Index.

### ***Compilation of Hang Seng Index***

No warranty, representation or guarantee is given as to the accuracy or completeness of the Hang Seng Index and its computation or any information related thereto. The process and the basis of computing and compiling the Hang Seng Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by HSIL without notice. HSIL and HSDS accept no responsibility or liability for any inaccuracies, omissions, mistakes or errors of HSIL in the computation of the Hang Seng Index or for any economic or other loss which may be directly or indirectly sustained by an investor as a result thereof. The HSI Licence Agreement expressly excludes any duty on HSIL to exercise reasonable skill, care or diligence in relation to the Hang Seng Index, its computation of the Hang Seng Index, the collection and use of information for computing the Hang Seng Index or the change by HSIL of the composition and weighting of the constituent companies. In addition, the accuracy and completeness of



the calculation of the Hang Seng Index may be affected by, without limitation, the availability and accuracy of prices for its constituent securities, market factors and errors in its compilation.

#### ***Hang Seng Index Indemnity***

Under the terms of the HSI Licence Agreement, the Manager and the Trustee must indemnify HSIL and HSDS against, among other things, any loss of whatever nature which either of them may suffer (including in respect of any claim by any current, future or former Unitholder or investor) as a result of any act or omission of HSIL or HSDS (except in cases of their wilful misconduct) in respect of or in connection with the trading of TraHK, use or computation of the Hang Seng Index, or any errors, mistakes or omissions in making such computation or in collecting or using relevant information for that purpose. The Manager and the Trustee must also indemnify each of HSIL and HSDS on a full indemnity basis for, among other things, any loss which either of them may suffer as a result of any default by the Manager or the Trustee or any of their duly appointed agents under the terms of the HSI Licence Agreement.

The Trustee and the Manager are entitled to have recourse to TraHK's assets by way of indemnity in respect of any claims made against them in relation to the HSI Licence Agreement (including where the Trustee or the Manager is liable to compensate HSIL or HSDS under the HSI Licence Agreement as described above) provided that such losses are not due to the fraud, negligence, bad faith or wilful default on the part of the Trustee or the Manager. These arrangements may result in a decrease in the Net Asset Value of TraHK.

#### **General Risks of Investments Associated With RMB Currency**

##### ***RMB is not freely convertible and subject to exchange controls and restrictions risk***

It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Such government's policies and restrictions are subject to change, and any such change may adversely impact TraHK. 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.

##### ***RMB trading and settlement of Units risk***

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

##### ***Exchange rates movement between the RMB and other currencies risk***

Investors in RMB traded Units whose assets and liabilities are predominantly in HKD or in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and RMB. In addition, investors in RMB traded Units should note that dividends on RMB

traded Units will only be paid in HKD. Accordingly, foreign exchange risk will also apply to investors in RMB traded Units. There is no guarantee that RMB will appreciate in value against HKD or any other currency, or that the strength of RMB may not weaken. In such case an investor may enjoy a gain in RMB terms but suffer a loss when converting funds from RMB back into HKD (or any other currency).

#### ***Offshore RMB (CNH) market risk***

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

The limited availability of RMB outside the PRC may affect the ability of investors to acquire Units or to sell Units of TraHK affecting the liquidity and trading price of the Units on the Stock Exchange.

#### ***HKD dividends risk***

Investors should note that where a Unitholder holds Units traded under the RMB counter, the relevant Unitholder will only receive dividends in HKD and not RMB. In the event the relevant Unitholder has no HKD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from HKD into RMB or any other currency. Unitholders should check with their brokers concerning arrangements for dividends.

#### **Other Risk Factors**

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

Market prices of investments held by TraHK will go up or down, sometimes rapidly or unpredictably. TraHK's investments are subject to changes in general economic conditions, general market fluctuations and the risks inherent in investment in securities markets. Investment markets can be volatile, and prices of investments can change substantially due to various factors including, but not limited to, economic growth or recession, changes in interest rates, changes in actual or perceived creditworthiness of issuers and general market liquidity. Even if general economic conditions do not change, the value of an investment in TraHK could decline if the particular industries, sectors or companies in which TraHK invests do not perform well or are adversely affected by events. Further, legal, political, regulatory and tax changes also may cause fluctuations in markets and securities prices. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, or other events could have a significant impact on TraHK and its investments.

An outbreak of a respiratory disease caused by a novel coronavirus (known as COVID-19) first detected in December 2019 has resulted in a global pandemic and major disruptions to economies and markets around the world, including the United States. Financial markets have experienced extreme volatility and severe losses, and trading in many instruments has been disrupted. Liquidity for many instruments has been greatly reduced for periods of time. Governments and central banks have taken extraordinary and unprecedented actions to support local and global economies and the financial markets. The impact of these measures, and whether they will be effective to mitigate the economic and market disruption, will not be known for some time. In addition, the outbreak of COVID-19, and measures taken to mitigate its effects, could result in disruptions to the services provided to TraHK by its service providers.

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

TraHK's investments in equity securities is 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 TraHK invests in these securities, TraHK may be subject to losses.

### ***Concentration and Mainland Market Risks***

TraHK's investments are concentrated in Hong Kong listed securities (including H-shares, red chips shares and P chips shares) of specific industry sectors. The value of TraHK may be more volatile than that of a fund having a more diverse portfolio of investments. The value of TraHK may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Hong Kong market.

By investing in H-shares, red chips shares and P chips shares, TraHK is subject to the risks of investing in an emerging market, which include 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.

### ***Risk associated with investments in companies with weighted voting rights***

TraHK may invest in, or the constituents of the Index may include, companies (such as innovative companies) which have a weighted voting rights (WVR) structure (or the so-called dual-class shares structure) under which some key individuals including the founders and key management hold specific classes of shares that are attached with higher voting power than ordinary shares and are disproportionate to the shareholding, or other governance right or arrangement of the beneficiary's economic interest in the equity securities of the issuer. This leads to issues relating to shareholder rights and corporate governance as well as investor protection, which may have a negative impact on TraHK where TraHK invests in the ordinary shares of such companies.

### ***Business Conditions and General Economy***

The performance of the Hang Seng Index could be adversely affected by a worsening of general economic conditions globally or in certain individual markets, including in particular Hong Kong. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the constituent companies of the Hang Seng Index. For example: (a) an economic downturn or significantly higher interest rates could adversely affect the credit quality of the on-balance sheet and off-balance sheet assets of the constituent companies of the Hang Seng Index; (b) a market downturn or worsening of the economy could cause the constituent companies of the Hang Seng Index to incur reduced revenues or increased losses, including mark to market losses in their trading portfolios.

### ***Recent Developments in Financial Services Industry***

Recent developments in the global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty for financial services and other companies. In light of the recent market volatility and the potential overall weakening of the economy in general, the financial condition of certain financial institutions may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the performance of the Hang Seng Index.

### ***Asia Regional Economic Risks***

Adverse economic developments in Hong Kong or elsewhere in the Asia region, and in particular, Mainland China (given the economic inter-dependence between Mainland China and Hong Kong and the inclusion of H-share constituents within the Hang Seng Index), could have a material adverse effect on the financial conditions and results of operations of the constituent companies of the Hang Seng Index.

### ***Foreign exchange risks***

The Units are denominated in Hong Kong dollars. As a result, investors are exposed to foreign currency exchange risk between the Hong Kong dollar and other currencies. The value of the assets of TraHK as measured in currencies other than Hong Kong dollars may be adversely affected by changes in currency rates. The HKSAR Government has a policy of maintaining a stable Hong Kong dollar exchange rate against the US dollar and has consistently applied that policy since October 1983. Since the introduction of the linked exchange rate system in 1983, the HKSAR Government has repeatedly reaffirmed its commitment to this system. However, in the event that this policy were to be changed and in the event that there were to be a depreciation in the value of the Hong Kong dollar against the US dollar, the corresponding value of the Units in US dollar terms might be significantly reduced.

### ***Risks relating to US Qualified Financial Contract Stay Rules***

As a result of the US Qualified Financial Contract Stay Rules, if TraHK enters into an investment or transaction with a financial institution and such financial institution (or an affiliate of the financial institution) experiences financial difficulties, TraHK may in certain situations be prevented or delayed from exercising its rights to terminate the investment or transaction, or to realize any collateral and may result in the suspension of payment and delivery obligations of the parties under such investment or transactions or may result in another institution being substituted for that financial institution without the consent of TraHK. Further, TraHK may be subject to “bail-in” risk under applicable law whereby, if required by the financial institution’s authority, the financial institution’s liabilities could be written down, eliminated or converted into equity or an alternative instrument of ownership. A bail-in of a financial institution may result in a reduction in value of some or all of its securities and TraHK may be similarly impacted if it holds such securities or has entered into a transaction with such a financial security when a bail-in occurs.

### ***Custodial Risks***

The Trustee is responsible for the safe custody or control of assets (such as cash and securities) comprising TraHK and may also appoint sub-custodians for such purpose. Assets under the custody of the Trustee (or sub-custodians) are subject to the risk of any acts of the Trustee (or sub-custodians) which may result in losses to TraHK, including but not limited to, fraud, acts of misconduct or breaches of the Trustee’s (or sub-custodians’) duty of care in relation to the assets.

In case of liquidation, bankruptcy or insolvency of the Trustee (or sub-custodians), TraHK may face difficulties tracing the securities that are under custody of the Trustee (or sub-custodians), although this

risk is mitigated by the Trustee (and its sub-custodians) keeping its (or their) clients' assets segregated from the Trustee's (or the relevant sub-custodian's) own assets. In addition, TraHK's cash is deposited with the Trustee (or another bank) as banker and in the event of such bank's insolvency TraHK may rank *pari passu* with all other unsecured creditors of the relevant bank in relation to cash so deposited. TraHK may face difficulties and/or encounter delays in recovering such debt from the Trustee or other bank, or may not be able to recover it in full or at all, in which case TraHK may suffer losses.

### ***Cybersecurity Risk***

With the increasing use of technology in connection with TraHK's operations, TraHK will face greater operational, information security and related risks through cybersecurity breaches. A breach in cybersecurity refers to either an intentional or unintentional event that may cause TraHK to lose proprietary information, suffer data corruption, and/or lose operational capacity. Such events could cause TraHK to incur regulatory penalties, additional compliance costs associated with corrective measures, and/or financial loss. Such events also may cause disruptions to TraHK's business operations, potentially resulting in: interference with TraHK's ability to calculate its Net Asset Value, impediments to trading, and the inability of investors to transact business, among other things. Cybersecurity threats may result from unauthorized access to TraHK's digital information systems (e.g., through "hacking" or malicious software coding), and may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users).

In addition, because TraHK works closely with third-party service providers (e.g., the Registrar), cybersecurity breaches at such third-party service providers may subject TraHK to the same risks associated with direct cybersecurity breaches. TraHK may experience investment losses in the event of cybersecurity breaches at any of the investments made by TraHK. While TraHK has established business continuity plans in the event of, and implemented risk management and information security systems and software designed to prevent, a cybersecurity breach, there are inherent limitations in such plans and systems and there can be no assurance that such measures will succeed.

### ***Reliance on market maker risks***

Although the Manager will ensure that at least one market maker will maintain a market for the Units traded in each counter and that at least one market maker to each counter gives not less than 3 months' notice prior to terminating market making arrangement, liquidity in the market for the Units may be adversely affected if there is no or only one market maker for the Units in a particular counter. There may also be less interest by potential market makers in making a market in Units traded in RMB. Further, any disruption to the availability of RMB may adversely affect the capability of market makers in providing liquidity for RMB traded Units. There is also no guarantee that any market making activity will be effective.

### **Risks Relating to the Liquidity of TraHK**

#### ***Inability to meet redemption obligations***

The investments of TraHK is exposed to and may be affected by adverse changes to global and regional economic, geo-political and financial conditions. As Unitholders may redeem some or all of their Units on any Dealing Day, there may be a mismatch between the liquidity of TraHK's underlying investments and its redemption obligations. There is no assurance that there will be an active, liquid trading market for TraHK to sell portfolio investments, or the price at which the portfolio investments may be sold at to meet redemption obligations. Under such volatile and stressed market conditions, TraHK may not be able to meet its redemption obligations or may only be able to

meet them after liquidation of assets on unfavourable terms. This risk is heightened where there is a significant withdrawal of capital from TraHK.

***Risks relating to REITs***

REITs listed on the Stock Exchange became eligible for selection for the Hang Seng Index starting from the index review for the quarter ended 30 September 2014, the results of which became effective on 8 December 2014. The performance of REITs may depend on various factors, such as management skills, change in value of the underlying properties, illiquidity of the investments which may affect the ability of REITs to change the investment or to liquidate part of the assets in response to changes in economic, market or other conditions, interest rate risks, changes in general and local economic conditions, taxation policies, non-renewal of expiring leases, unexpected expenditure or failure of lessees to meet their obligations. Further, REITs are in general subject to heavy cash flow dependency. Investors should note that an investment in TraHK is not equivalent to an investment in a REIT and the dividend or payout policies of the relevant REITs may not be representative of the dividend or payout policy of TraHK.

**The price of Units and the Net Asset Value per Unit may fall or rise. There can be no assurance that an investor will achieve a return on his investment in the Units or a return on capital invested.**

## **TRAHK**

### **Overview of TraHK and the Investment Process**

#### ***Introduction***

TraHK is a collective investment scheme structured as a unit trust, authorised by the SFC pursuant to section 104 of the SFO and established under the terms of the Trust Deed. The Trust Deed is made between the Trustee, the Manager and the Promoter and is governed by Hong Kong law.

TraHK provides investors with the opportunity to invest in Units representing a proportionate undivided ownership interest in all the Index Shares and other trust property held by TraHK.

The Units are listed on the Stock Exchange and are currently denominated and traded in Hong Kong dollars. The Stock Exchange has granted approval for the Units to be available for trading on the Stock Exchange. TraHK complies with the stock admission requirements of HKSCC for deposit (for HKD traded Units only), clearing and settlement in the CCASS under a Dual Counter arrangement with effect from 19 September 2022. As such Units will, from the effective date, be traded on the Stock exchange in HKD and RMB in board lots of 500 Units. To facilitate trading on the Stock Exchange, Units may be deposited, cleared and settled in CCASS. All Units deposited in CCASS will be held in book entry form only and will be registered in the name of HKSCC Nominees. The new RMB counter is offered for secondary market trading and settlement purposes only and RMB traded Units are interchangeable with the current physical certificate issued for HKD traded Units of TraHK. No physical certificates in respect of the RMB traded Units will be issued so physical deposit and withdrawal of the same will not be available. Unitholders may buy Units, and sell their Units, on the Stock Exchange through brokers in the same way as they may trade shares in companies listed on the Stock Exchange.

#### ***Investment Objective***

TraHK's Investment Objective is to provide investment results that closely correspond to the performance of the Hang Seng Index.

The Manager seeks to achieve this Investment Objective by investing all, or substantially all, of TraHK's assets in Index Shares in substantially the same weightings as they appear in the Hang Seng Index.

#### ***Different from a typical unit trust offered to the public in Hong Kong***

Investors should note that TraHK is not like a typical unit trust offered to the public in Hong Kong. Amongst other things, Units may not be redeemed for cash (see the section entitled "Risk Factors – No cash redemption"); Units may only be created during the Continuous Offering and redeemed in Creation Unit and Redemption Unit sizes through Participating Dealers (see the sections entitled "Risk Factors – Minimum creation and redemption size"; and "Risk Factors – Reliance on Participating Dealers"). These features are not usually present in a typical unit trust offered to the public in Hong Kong, where units can generally be purchased and redeemed for cash in comparatively smaller multiples of units.

The structure of TraHK is described in full in this prospectus. Accordingly, investors should read the full text of this prospectus in order to understand the structural and operational features of TraHK.

#### **Investment Management**

##### ***Investment Policy of TraHK***

The Manager of TraHK is Hang Seng Investment Management Limited. Further information in respect of the Manager is set out under the section entitled "Management and Administration" below.

Unlike the majority of investment funds where the investment management role involves considerable discretion and an active, ongoing selection of investments (based on economic, financial and market analysis), the role of the Manager of TraHK is essentially passive. The responsibility of the Manager is to reflect changes in the Hang Seng Index (insofar as practicable and subject to the Trust Deed) by replicating changes to the weightings and composition of the constituent shares in the Hang Seng Index in the portfolio of shares which make up TraHK's portfolio. This prospectus refers to such activities as "adjustments".

Since the Investment Objective is to provide investment results that closely correspond with the performance of the Hang Seng Index, the Manager is required to ensure, insofar as practicable and subject to the Trust Deed, that the assets comprised in TraHK's portfolio comprise only, or substantially only, interests in Index Shares and in the relative weightings such Index Shares appear in the Hang Seng Index. Nevertheless, to the extent consistent with achieving the Investment Objective, the Manager may also invest in Future Index Shares. TraHK may also hold Former Index Shares, pending their disposal in an orderly manner. Other than cash held for distribution and to meet TraHK's fees, expenses and other liabilities, it is unlikely that cash or any other form of securities will form a substantial part of TraHK's assets.

### ***Adjusting the portfolio***

The number of Hang Seng Index constituents is targeted to increase to 80 through the regular index reviews by mid-2022 and, ultimately, to fix the number at 100. Those constituent companies may, for a variety of reasons, change over time, both in terms of the identity of the constituent companies and the weighting of those constituent companies' shares in the Hang Seng Index. Appendix II – "The Hang Seng Index" provides a detailed summary of the way in which the constituent companies are currently selected for inclusion in the Hang Seng Index and the manner in which the weightings of those constituent companies' shares are established.

The Manager reviews the shares held in TraHK's portfolio each business day, checking those shares against the Index Shares and comparing the weighting of each Index Share in TraHK's portfolio to the weighting of the corresponding constituent share in the Hang Seng Index. In the event that there is any deviation between TraHK's portfolio and the composition and weighting of the Hang Seng Index which is considered by the Manager to be significant taking into account the Investment Objective, the Manager will effect any adjustment of TraHK's portfolio which it considers appropriate as soon as it is reasonably practicable, after considering transaction costs and the impact, if any, on the market.

However, it will not always be efficient to replicate or attempt to replicate identically the share composition of the Hang Seng Index if, for example, transaction costs incurred by TraHK in performing any necessary adjustments would outweigh the anticipated reduction in tracking error that would result from failure to reflect minor changes in the Hang Seng Index. Therefore, minor misweightings are likely to occur. Further, the Manager may be restricted from effecting certain adjustments or may be required to perform certain adjustments by applicable laws and regulations.

The portfolio of shares held by TraHK (and any required adjustments) will be dependent on the determination of the Hang Seng Index by HSIL. Consequently, any changes made to the method of determining the Hang Seng Index by HSIL will affect the adjustment process to be undertaken by the Manager.

### ***Investment Restrictions***

The Manager is required to invest TraHK's assets in accordance with the Investment Objective. Nevertheless, cash not otherwise invested may be deposited with the Trustee or with a Bank, provided that,



where such deposit is placed in deposit accounts with the Trustee or the Manager, or their respective Connected Persons (in each case being a Bank), such deposit is 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. However, TraHK may not place cash deposits with the same entity or entities within the same group exceeding 20% of TraHK's Net Asset Value, unless: (i) the cash deposit made is cash proceeds from the liquidation of Investments prior to the merger or termination of TraHK whereby placing cash deposits with various financial institutions would not be in the best interests of Unitholders; or (ii) the cash deposit is cash proceeds received from subscriptions pending investment or is cash held for the settlement of redemption and other payment obligations, in each case whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposit arrangement would not compromise Unitholders' interests.

A fund authorised by the SFC under the SFC Code is usually restricted from holding investments which would result in the aggregate value of that fund's holdings of, or exposure to (as calculated pursuant to the SFC Code), securities issued by any single entity exceeding 10% of the fund's total net asset value, unless it relates to any constituent securities that each accounts for more than 10 per cent of the weighting of the Hang Seng Index and TraHK's holding of any such constituent securities does not exceed their respective weightings in the Hang Seng Index (except where weightings are exceeded as a result of changes in the composition of the Hang Seng Index and the excess is only transitional and temporary in nature) save to the extent permitted by the SFC Code. However, where a fund is an index fund such as TraHK, more than 10% of the net asset value of the index fund may be invested in constituent securities issued by a single issuer provided that the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the index and the fund's holding of any such constituent securities may not exceed their respective weighting in the index (except as a result of changes in the composition of the index and the excess is transitional and temporary in nature). Subject to this paragraph and unless otherwise permitted by or if any waiver in this respect has been obtained for TraHK from the SFC, TraHK may not hold any investments that would result in the aggregate Value of the Fund in securities of, or exposure to, entities within the same group exceeding 20% of the Value of the Fund (as calculated pursuant to the SFC Code).

The Manager does not at the date of this prospectus intend to enter into transactions utilising Futures Contracts and Options. However, TraHK is permitted to enter into Futures Contracts and Options for hedging purposes or to achieve the Investment Objective in accordance with the Trust Deed and the SFC Code. The value of TraHK's investments in Options (in terms of the total amount of premium paid) and the value of TraHK's investments in Futures Contracts (in terms of the total net aggregate value of outstanding contract prices payable by or to TraHK) will not in the aggregate exceed 10% of TraHK's Net Asset Value. TraHK may only enter into Futures Contracts and Options which are quoted, listed or dealt on the Stock Exchange or the Futures Exchange. In addition, the prior approval of the Supervisory Committee is required before TraHK may enter into Futures Contracts and Options.

Without prejudice of the aforementioned limits, where Futures Contracts or Options are used by TraHK for purposes other than hedging, TraHK's net exposure to these financial derivatives (calculated in accordance with the requirements of the SFC Code and related requirements and guidelines issued by the SFC from time to time) will not exceed 50% of TraHK's Net Asset Value (as calculated pursuant to the SFC Code). The Manager has the necessary expertise to control and manage the risks relating to the use of Futures Contracts and Options (including monitoring to ensure that such transactions are adequately covered on an ongoing basis). TraHK shall at all times be capable of making all the payment and delivery obligations incurred under transactions in Futures Contracts and Options (whether for hedging or otherwise). A transaction in Futures Contracts and Options which gives rise to a future commitment or contingent commitment of TraHK should be covered as prescribed under the Trust Deed and the SFC Code.

In respect of transactions in Futures Contracts and Options entered into by TraHK, such transactions shall be conducted in compliance with the restrictions and conditions set out in the SFC Code.

Where a Futures Contract or Option embeds another financial derivative, the restrictions set out in this Prospectus and the Trust Deed applying to financial derivatives generally will also apply to the embedded financial derivative. Similarly, the exposure of TraHK to underlying assets of the financial derivative instruments used by it for hedging purposes or otherwise may not, together with other investments of TraHK, exceed the corresponding investment restrictions applicable to such underlying asset as set out in Trust Deed and the SFC Code.

If any of the investment restrictions referred to in the SFC Code (for which a waiver has not been obtained) are breached (as a result of price fluctuations or otherwise), the Manager will make it a priority objective to take all steps necessary to remedy the situation within a reasonable period of time, taking into account the interests of Unitholders.

TraHK is subject to a number of additional restrictions. TraHK cannot:

- make any investments in shares or contracts which are not quoted, listed or dealt in on the Stock Exchange or the Futures Exchange;
- make any investment in any equity share which is not an Index Share or a Future Index Share;
- hold units, shares or other interests in a collective investment scheme or other collective investment arrangement except for the purpose of achieving the Investment Objective and subject to compliance with the SFC Code and the Trust Deed;
- directly hold any type of real estate (including buildings) or any options, rights or interests in respect of real estate (excluding shares in real estate companies and interests in real estate investment trusts);
- effect any short sale of an investment except for the purpose of achieving the Investment Objective and in which case the Manager shall comply with the limits and conditions set out in the SFC Code;
- grant or create in favour of any person any option;
- effect or enter into any underwriting or sub-underwriting contracts in relation to the subscription or purchase of investments (other than Units);
- invest in an investment or other property or engage in any transaction which would be likely to involve the assumption of unlimited liability by TraHK;
- lend monies comprising part of TraHK's assets to any person (not including the holding or investment of cash on short term deposit, in certificates of deposit or other banking instruments issued by a Bank or in HKSAR Government debt instruments denominated in Hong Kong dollars);
- invest in debt or loan securities (not including the investment of cash in certificates of deposit or other banking instruments issued by a Bank or in HKSAR Government debt instruments denominated in Hong Kong dollars);
- assume, guarantee, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness of any person;

- engage in stock lending; or
- hold any security where a call is to be made for any sum unpaid on that security unless that call can be met in full out of cash or near cash by TraHK, whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from derivative instruments for the purposes specified in the SFC Code.

In addition, TraHK may not, unless otherwise permitted under the SFC Code, hold more than 10 per cent of the ordinary shares issued by any single entity.

TraHK may not invest in physical commodities unless otherwise approved by the SFC.

Full details of the investment restrictions are set out in the Trust Deed. Liability of the unitholders is limited to their investments in TraHK as provided in the Trust Deed. Except to the extent expressly provided in the Trust Deed, neither a Unitholder nor a participant is liable to make any further payment after the Unitholder has paid the purchase price of its Units (or, if permitted by the Manager, delivered securities in specie in respect of the purchase price of its Units or a combination of both) and no further liability can be imposed on each Unitholder or participant in respect of (i) that Unitholder's Units or (ii) the Units credited to the CCASS account of that participant.

#### ***Dealings by the Manager***

The purchase and sale of Index Shares in order to adjust the composition of TraHK's portfolio to conform to changes in the composition and/or weighting structure of the Hang Seng Index may be made on arm's length terms through a "Connected Person" (as defined in Appendix I – "Definitions") of the Manager or the Trustee. However, no such Connected Person (which can only receive its direct costs) may make a profit out of such dealings. The Manager will always procure best execution terms at arm's length and will only deal with a Connected Person if such dealings can reasonably be expected to benefit TraHK as a whole in the best interest of the Unitholders. The term "best execution" in this prospectus means prompt and reliable execution at the most favourable price available to TraHK having regard to the kind, size and time of the transaction subject to, and in accordance with, the procedures in force on the Stock Exchange or the Futures Exchange.

None of the Manager, the Trustee or any of their respective Connected Persons may purchase or sell shares from or to TraHK, as principal.

The SFC Code contains provisions governing any transaction concerning TraHK which is carried out by a Connected Person of the Manager. Any cash rebates received by the Manager, or a Connected Person of the Manager, from a broker or dealer in consideration of directing transactions in TraHK's assets to that broker or dealer shall be for the account of TraHK.

The Manager must ensure that it complies with the following requirements when transacting with brokers or dealers connected to the Manager or Connected Persons of the Manager, save to the extent permitted under the SFC Code or any waiver in respect of any of the above restrictions has been obtained from the SFC:

- such transactions are on arm's length terms;
- the Manager has used due care in the selection of brokers or dealers and ensures that they are suitably qualified in the circumstances;
- transaction execution is 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.

Not more than 10% in aggregate value of TraHK's transactions in any one financial period of TraHK shall be carried out with or through brokers or dealers who are Connected Persons of the Manager.

#### ***Soft dollar practices***

The Manager may effect transactions, provided that any such transaction is consistent with standards of "best execution" (and brokerage rates are not in excess of customary institutional full-service brokerage rates), by or through the agency of another person for the account of TraHK with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit TraHK as a whole and may contribute to an improvement in the performance of TraHK, with demonstrable benefit to the Unitholders and is not the sole or primary purpose to perform or arrange transaction with that party. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments.

#### ***Borrowing policy***

The Manager may exercise from time to time certain borrowing powers in relation to TraHK. TraHK may borrow money (in Hong Kong dollars only) but the principal amount of all outstanding borrowings may not exceed an amount equal to 5% of the Net Asset Value of TraHK's portfolio on any Dealing Day. Borrowings may only be made on a temporary basis (not exceeding 364 days) and for the following specific purposes:

- to effect any necessary payments under the Trust Deed on a redemption or creation of Units;
- to purchase Index Shares or Future Index Shares following an issue of Units where the cash amount of the Issue Price is not received in full in cleared funds;
- to settle the purchase or sale of investments to facilitate an adjustment of TraHK's portfolio;
- to meet any fees, expenses and liabilities of TraHK, other than the Manager's fee and the Trustee's fee; and
- to effect payment of income distributions.

If the aggregate principal amount of borrowings exceeds the permitted amount then the Manager will make it a priority objective to take all steps necessary to remedy the situation within a reasonable time taking into account the interests of Unitholders. Any interest and/or expenses incurred in connection with any borrowing arrangements will be paid by TraHK.

The Manager may use TraHK's assets as security for any borrowing.

TraHK is not permitted to borrow from the Manager, the Trustee or any of their Connected Persons.

The Trustee shall take reasonable care to ensure that the borrowing limitations set out in the Trust Deed and the conditions under which TraHK is authorised are complied with.

### ***Income Distribution Policy***

Distributions to Unitholders are intended to be made in May and November of each year. On each day (defined as an “Ex-Dividend Date”) which falls one business day before the Record Date in each year the Trustee will allocate for distribution among the Unitholders (in accordance with the number of Units held by them at that date) all, or substantially all, of the net income (after the deduction of TraHK’s fees and expenses and the payment of Dividend Equivalent Amounts upon the redemption of Units) received by TraHK since the previous Ex-Dividend Date. The Record Dates and Ex-Dividend Dates may be changed, or added to, as determined by the Manager with the consent of the Trustee and the Supervisory Committee and in particular, where the Record Date is a business day, subject to the consent of the Trustee and the Supervisory Committee, the Manager will determine the relevant Ex-Dividend Date to fall one business day prior to such Record Date.

The income of TraHK consists of:

- dividends received and receivable (i.e. dividends declared but not yet paid) on TraHK’s portfolio of shares;
- any benefit in respect of TraHK’s assets which shall be considered by the Manager to be of the nature of income and which is capable of being distributed;
- Transaction Fees received by TraHK in connection with the creation and redemption of Units (in excess of the costs incurred by TraHK in connection with that creation or redemption);
- Dividend Equivalent Amounts received and receivable by TraHK upon the creation of Units. The Dividend Equivalent Amount is the amount which is included in the Issue Price of Units representing the undistributed dividends and other income received or receivable by TraHK net of TraHK’s fees and expenses; and
- all interest and other sums received by the Trustee in respect of the above items.

Income received by TraHK pending distribution may be “equitised” by the Manager by investing such distributions in Index Shares (or Future Index Shares) or, if permitted by the Supervisory Committee, Futures Contracts and Options.

Amounts to be distributed in respect of each Unit will be rounded down to the nearest HK\$0.01 (one cent). Each Unitholder will receive dividends in HKD only (whether holding HKD traded Units or RMB traded Units). Any amount of income not distributed shall be taken into account when calculating the amount available for allocation and distribution to each Unitholder on the next distribution.

Any distributions payable to an investor in respect of any Unit registered in the name of HKSCC Nominees (i.e. deposited in CCASS) shall be paid through CCASS. Any distributions payable to an investor in respect of any Unit registered in his own name (i.e. a Unitholder) will be paid by cheque sent by post to that investor or by direct bank transfer where the investor has elected receipt of distributions via this option. Every payment is sent at the risk of the person to whom it is sent. To the extent that the Trustee and the Manager have made payments to HKSCC Nominees, neither the Trustee nor the Manager will have any responsibility for the distribution by HKSCC Nominees of such payments to investors whose Units are registered in the name of HKSCC Nominees. Subject to

applicable law, if a Unitholder to whom a payment is to be made has authorised another person to receive the payment and provided that sufficient evidence of the authority has been given to the Trustee or the Manager then the payment will be made in accordance with that Unitholder's instructions.

A registrar charge will be levied by the Trustee for the benefit of the Registrar on each Unitholder (other than HKSCC Nominees) who holds Units registered in his name as at each Record Date for the relevant distribution. Currently, these charges amount to a maximum of HK\$80 per year per Unitholder. Such charges will be deducted from the distribution amount on a half-yearly basis from the half-yearly distributions payable to the relevant Unitholder.

### ***Valuation Policy***

Valuation of the assets of TraHK is carried out in accordance with the principles contained in the Trust Deed for the purpose of ascertaining the Net Asset Value of TraHK (which will be calculated in Hong Kong dollars).

The assets of TraHK (less its liabilities) are normally valued at the Valuation Point (being the official close of trading on the Stock Exchange) on each Dealing Day. The value of TraHK's listed shares is calculated by the Manager by reference to the Nominal Closing Price for those shares.

The Manager will value any Futures Contracts by reference to such amount determined by the Manager as would be required in order to close out the relevant contract. The value of any Option will be valued in such manner as the Manager and the Trustee agree, based on policies set by the Supervisory Committee. In the case of any investment which is quoted, listed or normally dealt in on the Stock Exchange but in respect of which, for any reason and subject to the provisions relating to suspension set out in the above paragraph entitled "Further Provisions Relating to Creations and Redemptions - Suspension of creations and redemptions", prices on the Stock Exchange may not be available at any relevant time or the Stock Exchange's nominal closing price is not considered to provide a fair value by the Manager, the value thereof shall be certified by an Approved Broker (as defined in the Trust Deed) or other professional person as may be appointed for such purpose by the Manager with the approval of the Trustee and the Supervisory Committee.

The Net Asset Value of TraHK is calculated by the Manager or its delegate as at each Valuation Point. Notwithstanding a Dual Counter being adopted for TraHK, the Net Asset Value per Unit is calculated by dividing the total Net Asset Value of TraHK in Hong Kong dollars by the number of Units outstanding as at the Valuation Point.

The Manager may carry out additional valuations of the assets of TraHK if this is considered desirable or is required by the SFC Code.

The Net Asset Value per Unit on each Dealing Day is published through the Stock Exchange and posted on the TraHK website on the following Dealing Day.

### **Conflicts Of Interest Disclosures**

The Trustee and the Manager may from time to time act as trustee, administrator, registrar, transfer agent, investment manager, custodian or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of TraHK. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with TraHK. Each will, at all times, have regard in such event to its obligations to TraHK and will endeavour to ensure that such conflicts are resolved fairly and taking into account interests of the investors. Each of the Trustee and the Manager has measures in place to minimize potential conflicts of interest.

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

Conflicts of interest may also arise due to the widespread business operations of the Trustee, the Manager and their Connected Persons. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Trust Deed, be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of TraHK will be on arm's length terms.

In the event that any conflicts of interest arises, each of the Trustee and the Manager will, at all times, have regard in such event to its obligations under the Trust Deed and, in particular, to its obligations to act in the best interests of TraHK and the Unitholders so far as practicable. The Trustee and the Manager will endeavour to ensure that such conflicts are resolved fairly and taking into account interests of the investors. Each of the Trustee and the Manager has measures in place to minimize potential conflicts of interest.

Both the Manager and HSIL are presently subsidiaries of Hang Seng Bank Group. The functions which HSIL and the Manager will perform in connection with TraHK may give rise to potential conflicts of interest but the Manager will vigorously manage any such conflicts in the best interest of investors.

### **The Continuous Offering**

This prospectus will be updated by the Manager (at the cost of TraHK) from time to time to reflect any material changes. The Manager will make available the most current prospectus to Participating Dealers, but shall be under no obligation to deliver any updated prospectus to any existing Unitholder. The updated prospectus will also be made available in accordance with the section entitled "General – Documents Available for Inspection" and will be posted on the TraHK website.

### ***Creation of Units***

Investors may request a Participating Dealer to apply for the creation of new Units.

Investors may request Participating Dealers to apply for the creation of Units on any Dealing Day. Participating Dealers will then be required to deliver to HKSCC a duly completed application through the relevant CCASS screen. Units may only be created in a Creation Unit size, which is currently one million Units (or whole multiples thereof). Application requests submitted in respect of Units other than in a Creation Unit size or whole multiples thereof will not be accepted.

*Units will not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No US Person may apply for the creation of Units. In connection with any applications for the creation of Units, a Participating Dealer must provide a written certification (including other US status confirmations as required by the Manager) to the Manager that the Participating Dealer is not a US Person, is not acting on behalf of or for any US Person, and understands, acknowledges and agrees that Units are prohibited from being offered, resold or pledged to, or for the account or benefit of, US Persons. Participating Dealers, in turn, may require written certifications from their clients to enable such Participating Dealers to give the necessary certifications to the Manager in connection with applications for creation of Units.*

*In addition, each of the Manager and the Trustee is entitled under the terms of the Trust Deed to request and require in connection with creations of Units such other certifications and opinions of counsel as it*

*may consider necessary to ensure compliance with applicable securities and/or other laws both in Hong Kong and elsewhere.*

HKSCC will, subject to the terms of the Trust Deed, accept on behalf of the Manager applications from Participating Dealers for Units in exchange for Index Shares comprising an Index Basket (an “Index Basket Application”) plus or minus a cash payment (see below).

Details of the Index Basket will be published by HKSCC at the start of each Dealing Day.

***Creation of Units on an Index Basket Application***

An investor wishing to create Units on an Index Basket Application is required to deliver and pay to TraHK (through a Participating Dealer) (except in some cases as set out in (ii) below):

- (i) an Index Basket (as published by the Manager at the start of business on that Dealing Day);
- (ii) a cash amount which is required to be paid or received per Unit, equal to the difference between (a) the aggregate of (1) the value (calculated on a Nominal Closing Price basis) of the Index Shares the subject of the Index Basket Application on a per Unit basis and (2) the Dividend Equivalent Amount (defined in (iii) below) per Unit and (b) the prevailing Net Asset Value per Unit (all such valuations being at the Valuation Point on the relevant Dealing Day) multiplied by the number of Units applied for;
- (iii) a further cash amount, which is required to be paid per Unit, necessary to cover net undistributed dividends and other income amounts received and held or receivable by TraHK (“Dividend Equivalent Amount”);
- (iv) a cash amount in respect of any Duties and Charges (as defined in Appendix I – “Definitions”); and
- (v) a Transaction Fee to the extent passed on to that investor by the Participating Dealer.

***Cash in lieu of Index Shares on creation of Units***

An Index Basket Application may be split between an Index Basket and cash in different degrees in limited circumstances. Such a split may be effected by the Manager only in circumstances where (at the discretion of the Manager) it would be fair and reasonable to do so. For instance, in the event that an Index Share is unavailable or available in insufficient quantity to be included in the Index Basket then the Manager may in its discretion permit a cash payment equivalent in value to those Index Shares to be substituted for those Index Shares. In the event that an investor is restricted by regulation or otherwise from holding any one or more of the Index Shares comprised in the Index Basket, then the Manager may permit, in lieu of those Index Shares, a cash payment equivalent in value to those Index Shares. If an investor so requests (through a Participating Dealer), and the Manager and the Trustee approve the request, an Index Basket Application may be effected for Index Shares not comprising an Index Basket but instead reflecting a differing composition of Index Shares agreed to by the Manager with the investor. This type of Index Basket Application will only occur in very limited circumstances, for example where it is necessary to maintain TraHK’s correspondence with the composition and weighting of the Hang Seng Index. Whenever a cash payment in lieu of Index Shares is made by an investor, additional Duties and Charges may also be charged (for the account of TraHK) to that investor as determined by the Manager in its discretion.



### ***Procedure for creation of Units***

Applications may be made by a Participating Dealer to HKSCC on a continuous basis up to the Dealing Deadline on any Dealing Day. If the application is received by HKSCC after the Dealing Deadline on any Dealing Day it will be deemed to have been received on the next Dealing Day. Units will be issued and delivered only after the ownership of the relevant Index Shares plus or minus the necessary cash payment have been paid and/or transferred to or to the order of the Trustee, which in the normal course will take two business days to settle after the date the application is initiated. The Manager, with the approval of the Trustee, may at its discretion extend the settlement period under certain circumstances. Only applications for Units which are in Creation Unit size or whole multiples thereof and submitted through a Participating Dealer will be accepted (unless otherwise agreed by the Trustee, the Supervisory Committee and the Promoter). Acceptance of an application for creation of Units will only occur on the issue of a confirmation of acceptance by HKSCC on behalf of the Manager.

The Continuous Offering, by an Index Basket Application, has been structured to minimise tracking error of TraHK against the Hang Seng Index.

The effective price at which Units may be subscribed by way of an Index Basket Application is, in respect of each Unit and notwithstanding a Dual Counter being adopted for TraHK, an amount equal to the Net Asset Value of TraHK in Hong Kong dollars at the Valuation Point on the date of application (calculated on a Nominal Closing Price basis) divided by the number of Units outstanding, together with the amount representing applicable Duties and Charges and the Transaction Fee.

A Transaction Fee (currently HK\$15,000) for the total aggregate creation and redemption applications per day is payable to TraHK by each Participating Dealer (which fee may be passed on in whole or in part to the investor) to cover TraHK's administration and other out-of-pocket expenses incurred in processing applications. Any excess of this Transaction Fee over such expenses and other expenses of TraHK will be available for distribution to Unitholders as income at the next distribution allocation date.

No Units will be issued and no applications will be accepted during any period when the creation or redemption of Units is suspended (see the section entitled "Further Provisions Relating to Creations and Redemptions – Suspension of creations and redemptions" below).

Currently, under the Dual Counter arrangement, a Participating Dealer may only create the Units under HKD counter, or through inter-counter transfer should they wish to convert into RMB traded Units, subject to relevant operating procedures and cut-off set out by HKSCC to their CCASS participants. Once the Units are created, the Manager shall effect the issue of Units to a Participating Dealer in accordance with the operating guidelines.

### ***Redemption of Units***

#### **Redemption Units may only be redeemed in kind and are not redeemable for cash.**

Investors may apply for the redemption of Units on any Dealing Day through Participating Dealers. Participating Dealers will then be required to deliver to HKSCC a duly completed redemption request through the relevant CCASS screen. The Manager may at its discretion with the approval of the Trustee accept a redemption request given in writing signed by an investor. Units may only be redeemed in a Redemption Unit size which is currently one million Units (or whole multiples thereof). Redemption requests submitted in respect of Units other than in a Redemption Unit size or whole multiples thereof will not be accepted.

*No US Person may request redemption of Units. Written certifications (including other US status confirmations as required by the Manager) in this regard must be provided to the relevant Participating Dealer (then to be delivered to the Manager) in connection with requests for redemption of Units.*

*In addition, each of the Manager and the Trustee is entitled under the terms of the Trust Deed to require in connection with redemptions of Units such other certifications and opinions of counsel as it may consider necessary to ensure compliance with applicable securities and/or other laws in Hong Kong and elsewhere.*

The value (the “Redemption Value”) at which a Unit may be redeemed is the value of that Unit on the Dealing Day on which the redemption application is received by HKSCC (provided it is received before the Dealing Deadline). If the redemption application is not received by HKSCC from a Participating Dealer before the Dealing Deadline, it is deemed to have been received on the next Dealing Day. The Trust Deed currently requires that redemption proceeds be transferred and paid, in the normal course of business, two business days after the date of receipt of a properly documented redemption application, subject to any suspension of redemptions (see the section entitled “Further Provisions Relating to Creations and Redemptions – Suspension of creations and redemptions” below). The Manager, with the approval of the Trustee, may at its discretion extend the settlement period under certain circumstances. Acceptance of an application for redemption of Units will only occur on the issue of a confirmation of acceptance by HKSCC on behalf of the Manager.

A redeeming investor will normally receive (through its Participating Dealer) Index Shares comprising an Index Basket (as such Index Basket is determined by the Manager on the date the redemption application is deemed to be received) and will also receive, or may have to pay, a cash payment. The cash payment (which includes the Dividend Equivalent Amount) represents the difference between the value of the Units redeemed and the value of the Index Shares delivered in kind, in each case as at the Valuation Point on the Dealing Day on which the redemption application is deemed to be received by HKSCC.

Notwithstanding a Dual Counter being adopted for TraHK, the value of Units to be redeemed is calculated by the Manager as being, in respect of each Unit, an amount equal to TraHK’s Net Asset Value in Hong Kong dollars (calculated on a Nominal Closing Price basis at the Valuation Point on the date the redemption application is deemed to be received) divided by the number of Units outstanding.

A Transaction Fee (currently HK\$15,000) for the total aggregate creation and redemption applications per day is payable to TraHK by each Participating Dealer (which may be passed on in whole or in part to the investor) to cover the administration and other out-of-pocket expenses incurred by TraHK in effecting creation and redemption requests. Any excess of this Transaction Fee over such expenses and any other expenses of TraHK will be available for distribution to Unitholders as income at the next distribution allocation date. The Manager may deduct such Transaction Fee (and any Duties and Charges) from any cash payment which would otherwise be payable by TraHK upon the redemption of Units.

In addition, a cancellation fee of HK\$1 per board lot is payable to HKSCC upon the redemption of Units.

#### ***Cash in lieu of Index Shares on redemption of Units***

The proceeds of a redemption request may be split between Index Shares and cash in different degrees in limited circumstances. Such a split may be effected by the Manager only in circumstances where it would (in the discretion of the Manager) be fair and reasonable to do so. For instance, in the event that one or more Index Shares are unavailable or available in insufficient quantity to be included in the Index Basket then the Manager may in its discretion substitute a cash payment equal in value to those Index Shares. In the event that a redeeming investor is restricted by regulation or otherwise from holding any

one or more of the Index Shares comprised in the Index Basket, then the Manager may substitute, in lieu of those Index Shares, a cash payment equivalent in value to the Index Shares. If a redeeming investor requests, and the Manager and the Trustee approve, a redemption request may be effected for Index Shares which do not comprise an Index Basket, but instead reflect a differing composition of Index Shares notified to the Manager by the redeeming investor. This type of redemption will only occur in very limited circumstances, for example where it is necessary to maintain TraHK's correspondence with the composition and weighting of the Hang Seng Index. Whenever a cash payment in lieu of Index Shares is made to a redeeming investor, additional Duties and Charges may also be charged (for the account of TraHK) to that investor as determined by the Manager in its discretion.

### ***Further Provisions Relating to Creations and Redemptions***

#### ***General procedures for creation and redemption***

If a creation or redemption request is received by HKSCC on a day which is not a Dealing Day or is received by HKSCC after the Dealing Deadline on a Dealing Day then that request is deemed to have been received on the next Dealing Day. Once a Participating Dealer has submitted a creation or redemption request, unless the Manager otherwise consents, that request may not be revoked or withdrawn. (However, see the section entitled "Suspension of creations and redemptions" below.)

All creation and redemption requests should be submitted by or through a Participating Dealer, who is required to follow the creation and redemption procedures set out in the Participation Agreement.

In circumstances where the Manager creates (but has not issued) Units before an Index Basket of Index Shares has been delivered and/or the necessary cash payment is received by or on behalf of the Trustee and such Index Shares and cash payment are not received by or on behalf of the Trustee, in the normal course of business, two business days after the date on which the application to create such Units is received (except where the Manager, with the approval of the Trustee, has extended the settlement period), the Manager will cancel the creation of those Units which shall be deemed never to have been created (except that TraHK may retain the Transaction Fee paid or payable in respect thereof). The Manager may charge Participating Dealers, who apply and fail to pay for Units, or fail to deliver an Index Basket of Index Shares, a cancellation fee.

In circumstances where Participating Dealers submit a redemption request but fail to deliver Units for redemption to the Manager two business days after the date on which the redemption request is received (except where the Manager, with the approval of the Trustee, has extended the settlement period), that redemption request shall be deemed never to have been made (except that TraHK may retain the Transaction Fee paid or payable in respect thereof.) The Manager may charge Participating Dealers who fail to deliver Units a cancellation fee and may also require the Participating Dealer to pay the amount, if any, by which the Redemption Value per Unit (on the date the redemption request was made) of the Units is less than the Issue Price of the Units which would have applied had HKSCC received an application for the creation of the relevant Units on the date on which the redemption request should have settled.

If the Manager extends the settlement period for any creation or redemption request, the Manager may charge an extended settlement fee and, in the case of a redemption request, additional amounts payable to cover the additional costs of settling the redemption request outside CCASS. The Transaction Fee payable in respect of each Index Basket Application or any redemption application shall continue to be payable notwithstanding the cancellation of such application.

Only HKD traded Units may be redeemed by way of a redemption application through a Participating Dealer. Where a Participating Dealer wishes to redeem RMB traded Units, it could be done by effecting an

inter-counter transfer to HKD traded Units, subject to relevant operating procedures and cut-off set out by HKSCC to their CCASS participants.

None of the Trustee, the Manager, HKSCC or the Conversion Agent shall be liable for any delay or loss to any Participating Dealer or any investor caused by:

- (in the case of the Trustee and the Manager only) CCASS being closed or the settlement and clearance of securities in CCASS being disrupted or the failure by the Conversion Agent or HKSCC to comply with all of their respective obligations under the conversion agency agreement (“Conversion Agency Agreement”) between the Conversion Agent, HKSCC and the Manager;
- the creation or redemption of Units being suspended pursuant to the Trust Deed; or
- any other reason beyond the Trustee’s, the Manager’s, the Conversion Agent’s or HKSCC’s reasonable control which results in any application for the creation or redemption of Units not being satisfied on the relevant settlement date.

### ***Dilution***

The value of the property of TraHK could be reduced as a result of costs incurred in investing cash subscriptions received in lieu of Index Shares on an Index Basket Application or in paying cash redemption proceeds in lieu of delivering Index Shares on a redemption of Units (for example, in the circumstances described under “The Continuous Offering – Cash in lieu of Index Shares on redemption of Units” above). These costs may relate to costs incurred in dealing in Index Shares and the difference between the buying and selling prices of such investments and the actual value of these investments (calculated on the Nominal Closing Price basis). In order to prevent any “dilution” of TraHK’s property and any consequential potential adverse effect on remaining Unitholders, the Manager has the discretion to charge a fee to investors to compensate for any decrease in TraHK’s Net Asset Value when Units are issued or redeemed. Any fee would be paid to TraHK and treated as part of Duties and Charges and would become part of the property of TraHK.

### ***Suspension of creations and redemptions***

If the trading of Units on the Stock Exchange is restricted or suspended, the Manager will suspend the creation and redemption of Units.

The Manager may at any time, with the approval of the Trustee, suspend the right of investors to apply (through Participating Dealers) for the redemption of Units and/or may delay the delivery of redemption proceeds in respect of a redemption request during any periods in which:

- the Stock Exchange or CCASS is closed;
- dealings on the Stock Exchange are restricted or suspended;
- settlement or clearing of securities in CCASS is disrupted;
- any state of affairs exists as a result of which delivery of Index Shares or disposal of Index Shares or other assets for the time being comprised in TraHK cannot, in the opinion of the Manager, be effected normally or without materially prejudicing the interests of Unitholders;
- the Hang Seng Index is not compiled or published; or

- there is any breakdown in the means normally employed in determining the value of TraHK's portfolio or when for any other reason the value of any Index Shares or other assets for the time being comprised in TraHK cannot be promptly and accurately ascertained.

Notification of any suspension of the creation and redemption of Units or any decision to suspend trading in Units by the Stock Exchange will be given in accordance with the SFC Code.

Any suspension (including the right to delay delivery) will take effect as soon as the Manager, with the approval of the Trustee, declares that a suspension is in effect. After this declaration there shall be no creation or redemption of Units and/or delivery of redemption proceeds until the Manager declares that suspension to be at an end. However, the suspension will terminate in any event on the day following the first business day on which (i) the condition giving rise to the suspension ceases to exist and (ii) no other condition exists under which a suspension may be declared. The declaration of the Manager shall be conclusive, subject to all applicable laws, rules and regulations.

Any Participating Dealer may, at any time after such a suspension has been declared and before the suspension has ceased, withdraw any creation or redemption request by notice in writing to the HKSCC. If no notification of such withdrawal has been received by the HKSCC before the termination of a suspension, the Manager shall initiate the creation / redemption process on the next practicable Dealing Day following the termination of the suspension. In addition, the period for distributing any proceeds the distribution of which has been delayed as a result of the suspension shall be extended by a period equal to the length of the period of the suspension. During any such suspension the calculation of TraHK Net Asset Value and of each Unit may also be suspended.

The Manager will publish the fact that the calculation of the Net Asset Value of TraHK's portfolio and of each Unit has been suspended immediately following such suspension and at least once a month during the period of such suspension in the Hong Kong Economic Times and the South China Morning Post and on each Dealing Day on the TraHK website.

### ***Dual Counter Arrangement***

With effect from 19 September 2022, the Manager has arranged for the Units to be available for trading on the secondary market on the Stock Exchange under a Dual Counter arrangement. There will be two trading counters on the Stock Exchange (i.e. HKD counter and RMB counter), Units traded in HKD counter will be settled in HKD and Units traded in RMB counter will be settled in RMB. Apart from settlement in different currencies, the trading prices of Units in the two counters may be different as the HKD counter and RMB counter are two distinct and separate markets.

In the primary market, under the Dual Counter arrangement, RMB counter is not offered for primary creation and redemption. Only HKD traded Units may be created / redeemed by way of a creation / redemption application through a Participating Dealer. For the avoidance of doubt, no physical certificates in respect of the RMB traded Units will be issued so physical deposit and withdrawal of the same will not be available.

Units traded on both counters are of the same class and all Unitholders of both counters are treated equally. The two counters will have different stock codes, different stock short names and different ISIN numbers as follows: HKD counter and HKD traded Units have a Stock Exchange stock code 2800, an English stock short name "TRACKER FUND" and a Chinese stock short name "盈富基金" whilst the RMB counter and RMB traded Units have a Stock Exchange stock code 82800, an English stock short name "TRACKER FUND-R" and a Chinese stock short name "盈富基金-R". The ISIN for HKD counter and HKD traded Units is HK2800008867 and the ISIN for RMB counter and RMB traded Units is HK0000871464.

Normally, investors can purchase and sell Units traded in the same counter or alternatively buy in one counter and sell in the other counter provided their brokers provide both HKD and RMB trading services at the same time and offer inter-counter transfer services to support Dual Counter trading. Inter-counter purchase and sale is permissible even if the trades take place within the same trading day provided the relevant broker can provide such a service. However, investors should note that the trading price of Units traded in the HKD counter and that of RMB counter may be different and may not always maintain a close relationship depending on factors such as market demand and supply and liquidity in each counter.

More information with regard to the Dual Counter is available in the frequently asked questions in respect of the Dual Counter published on the Stock Exchange's website [https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/Dual-Tranche-Dual-Counter-Model?sc\\_lang=en](https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/Dual-Tranche-Dual-Counter-Model?sc_lang=en) (*this website has not been reviewed by the SFC*).

Participating Dealers are required to ensure sufficient available HKD traded Units for settlement of the creation and redemption order with HKSCC. If necessary, Participating Dealers are also responsible for the inter-counter transfer (from RMB counter to HKD counter) via CCASS to facilitate the creation / redemption order before the cut-off on the settlement date.

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor above entitled "Dual Counter Risk".

#### ***Renminbi Equity Trading Support Facility***

The Renminbi Equity Trading Support Facility ("TSF") was launched on 24 October 2011 by the Stock Exchange to provide a facility to enable investors who wish to buy RMB-traded shares in the secondary market with HKD if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. With effect from 6 August 2012, the coverage of TSF was extended and TraHK is eligible for the TSF. As such the TSF is currently available to investors who wish to invest in TraHK by purchasing Units trading in RMB on the Stock Exchange. Investors should consult their financial advisers if they have any questions concerning the TSF. More information with regard to the TSF is available on the Stock Exchange's website [https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/RMB-Equity-Trading-Support-Facility?sc\\_lang=en](https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/RMB-Equity-Trading-Support-Facility?sc_lang=en) (*this website has not been reviewed by the SFC*).

#### ***Special RMB Payment or Account Procedures for the adoption of a Dual Counter Arrangement***

Although the base currency of the Units for TraHK which adopts a Dual Counter arrangement is in HKD, the Units in the RMB counter are available to be bought and sold on the secondary market in RMB. Investors should note that RMB is the only official currency of the PRC. While both onshore RMB ("CNY") and offshore RMB ("CNH") are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside the PRC), CNH cannot be freely remitted into the PRC and is subject to certain restrictions, and vice versa. As such, whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside the PRC. The liquidity and trading price of the Units may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside the PRC.

If any investors wish to buy or sell Units in RMB on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers in respect of the Units traded in RMB such brokers' readiness for dealing and/or clearing transactions in RMB securities and to check other relevant information

published by the Stock Exchange regarding readiness of its participants for dealing in RMB securities from time to time. CCASS investor participants who wish to settle the payment in relation to their trades in the Units traded in RMB using their CCASS investor participant account should make sure that they have set up an RMB designated bank account with CCASS.

Investors intending to purchase Units traded in RMB from the secondary market should consult their brokers as to the RMB funding requirement and settlement method for such purchase. Investors may need to open and maintain securities dealing accounts with the broker first before any dealing in the Units traded in either HKD or RMB can be effected.

Investors should ensure they have sufficient RMB to settle trades of the Units traded in RMB. Investors should consult the banks for the account opening procedures as well as terms and conditions of the RMB bank account. Some banks may impose restrictions on their RMB cheque account and fund transfers to third party accounts. For non-bank financial institutions (e.g. brokers), however, such restriction may not be applicable and investors should consult their brokers as to the currency exchange service arrangement if required.

The transaction costs of dealings in the Units on the Stock Exchange include the Stock Exchange trading fee, the SFC transaction levy and the FRC transaction levy. All these secondary trading related fees and charges will be collected in HKD and, in respect of the Units traded in RMB, calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the Stock Exchange's website by 11:00 a.m. or earlier on each trading day.

Investors should consult their own brokers or custodians as to how and in what currency the trading related fees and charges and brokerage commission should be paid by the investors.

Where payment in RMB is to be made by cheque investors should consult the bank at which their respective RMB bank accounts are opened in advance as to whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor's arrangement of funding for purchase of the Units traded in RMB.

When an individual investor opens an RMB bank account or settle RMB payments, he or she will be subject to a number of restrictions, including the daily maximum remittance amount to the PRC of RMB80,000, and that a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to the PRC and provided that the account name of the account in the PRC is identical with that of the RMB bank account with the bank in Hong Kong.

Please also refer to the sub-section headed "General risks of investments associated with RMB currency" in the section headed "RISK FACTORS" for further details.

## **Administrative Provisions of the Trust Deed**

### ***Liability of the Manager and the Trustee***

The Trust Deed contains the duties and responsibilities of the Trustee and the Manager. The Trust Deed requires that the Trustee and the Manager exercise their respective powers and carry out their respective functions honestly, in good faith and in the best interests of TraHK.

The SFC Code requires that the Trustee, amongst other things, takes into its custody or under its control all of the property of TraHK and hold it on trust for the Unitholders in accordance with the constitutive documents of TraHK (including the Trust Deed), registers investments in its name or to its order, is liable

for the acts and omissions of its nominees, agents and delegates in relation to the assets forming part of the property of TraHK and to segregate the property of TraHK in accordance with the SFC Code and put in place appropriate measures to verify ownership of the property of TraHK, as further set out below.

Under the SFC Code, the Manager must manage TraHK in accordance with the constitutive documents of TraHK (including the Trust Deed) and in the best interests of the unitholders and must comply with the requirements set out in the SFC Code.

The SFC Code provides that neither the Trustee nor the Manager can be exempted from any liability to Unitholders imposed under Hong Kong law or for breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at the expense of Unitholders.

The SFC Code requires that the Trustee shall segregate the investments of TraHK from the property of:

- the Manager, its investment delegates (if any) and its Connected Persons;
- the Trustee and any of its nominees throughout the custody chain; and
- other clients of the Trustee and its nominees throughout the custody chain, unless held in an omnibus account with adequate safeguards in line with international standards and best practices to ensure that the Investments of TraHK are properly recorded with frequent and appropriate reconciliations being performed.

The SFC Code requires that the Trustee shall:

- exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of nominees which are appointed for the custody and/or safekeeping of the Trust's investments and be satisfied that the nominees retained remain suitably qualified and competent on an ongoing basis to provide the relevant services; and
- put in place appropriate measures to verify ownership of the investments of the Trust.

The SFC Code requires that the Trustee shall take reasonable care to ensure that:

- the sale, issue, repurchase, redemption and cancellation of Units effected by TraHK are carried out in accordance with the provisions of the Trust Deed; and
- the methods adopted by the Manager in calculating the value of the Units are adequate to ensure that the sale, issue, repurchase, redemption and cancellation prices are calculated in accordance with the provisions of the Trust Deed.

The Trustee shall establish clear and comprehensive escalation mechanisms to deal with potential breaches detected in the course of discharging its obligations and to report material breaches to the SFC in a timely manner.

#### ***Exclusions and Indemnities of Trustee and Manager***

The Trust Deed includes certain exclusions and indemnities in favour of the Trustee and the Manager.

The Trustee and the Manager may act on advice or information obtained from each other, professional advisers or their agents provided that the Trustee or the Manager shall supervise such persons. The Trustee and the Manager shall not be bound to verify the advice or information obtained from any such persons and shall not be liable for anything done or omitted to be done or suffered in good faith in reliance upon such advice or information unless there are reasonable grounds for concluding the advice may be incorrect or inaccurate.



TraHK will indemnify each of the Trustee and the Manager, except to the extent of any fraud, negligence, bad faith or wilful default on its part, against any action, costs, claims, damages, expenses or liabilities which it may incur by virtue of acting as (in the case of the Trustee) Trustee of TraHK or (in the case of the Manager) as Manager of TraHK or in the exercise of any powers, authorities or discretions vested in it except to the extent provided by applicable law.

Neither the Manager nor the Trustee shall be responsible for loss of or damage to any documents in their possession, or for any failure to fulfil their respective duties, caused by or directly or indirectly due to the act of any government or other competent authority, hostilities (whether war be declared or not), riot, civil commotion, rebellion, storm, tempest, accident, fire, explosion, toxicity, radioactivity, third party electronic transmission or other electronic systems failure, flood, typhoon, earthquake or other cause, whether similar or not, which is beyond the control of the Manager or the Trustee provided that the Manager and the Trustee shall have taken all such steps and done all such things as a professional manager or trustee (as the case may be) would reasonably be expected to have done to prevent any loss, damage or failure arising out of such circumstances.

### ***Manager's duties***

Without prejudice to the other provisions of the Trust Deed, the Manager shall:

- take reasonable care to ensure that the Trustee is properly qualified for the performance of its duties and functions and discharging its obligations in respect of custody of the Trust's property, having regard to the requirements as set out in the SFC Code;
- at all times demonstrate that those representatives and agents appointed by it or engaged for TraHK possess sufficient know-how, expertise and experience in dealing with the underlying investments of the Trust;
- put in place proper risk management and control systems to effectively monitor and measure the risks of the positions of TraHK and their contribution to the overall risk profile of TraHK's portfolio; and
- ensure the Trust is designed fairly, and operated according to such product design on an ongoing basis, including, amongst other things, managing TraHK in a cost-efficient manner taking into account the size of TraHK, the level of fees and expenses and such other factors as the Manager considers relevant.

### ***Voting on Index Shares***

Under the terms of the Trust Deed, the Manager is not obliged to exercise any voting or other rights attaching to the Index Shares (or any other investments held in TraHK's portfolio). The Manager will abstain from voting or otherwise exercising any such right unless, in its absolute discretion, the Manager is of the opinion that to exercise any such right is in the best interests of Unitholders as a whole having regard to the Investment Objective. If the Manager is unable to determine what are the best interests of Unitholders as a whole having regard to the Investment Objective, the Manager is required to abstain from voting. Unitholders have no voting rights with respect to the Index Shares held by TraHK.

### ***Reporting***

TraHK's financial year ends on 31 December each year. The Manager will arrange for annual financial reports to be prepared and made available in respect of TraHK and audited by TraHK's auditors (who are currently PricewaterhouseCoopers). Such accounts, along with reports prepared and made available by the Manager and the Trustee will be published and forwarded or made available to

Unitholders and posted on the TraHK website within four months of the end of TraHK's financial year. In addition, the Manager will procure that unaudited interim reports will be published for the period ending 30 June and forwarded or made available to Unitholders and posted on the TraHK website within two months of the end of that period. The contents of these reports will comply with the requirements of the SFC Code.

The Net Asset Value per Unit on each Dealing Day is published through the Stock Exchange and on the TraHK website on the following Dealing Day. In addition, notice of any suspension of the creation or redemption of Units and any suspension of trading of the Units on the Stock Exchange will also be published immediately following such decision and then at least monthly during the period of such suspension in the Hong Kong Economic Times and the South China Morning Post and on each Dealing Day on the TraHK website.

### ***Notices***

Any notices required to be given to Unitholders under the Trust Deed and/or by the SFC Code or the Listing Rules will be published on the TraHK website and may be sent or published by other means at the discretion of the Manager in accordance with applicable laws and regulations. Copies of such notices will also be available at the Stock Exchange and from Participating Dealers.

### ***Amending the Trust Deed without Unitholder approval***

The Trustee and the Manager may not alter, modify or vary the terms of the Trust Deed without obtaining the approval by extraordinary resolution of Unitholders except where the alteration, modification or variation is:

- made to enable TraHK to comply with fiscal or other statutory, regulatory or official requirements of any country or authority provided that the Trustee certifies in writing that, in its opinion, such change is necessary to so comply;
- to correct a manifest error and the Trustee certifies in writing accordingly; or
- expedient for the more convenient, economical, simple, advantageous or profitable working or management of TraHK and the Trustee certifies in writing that, in its opinion, such alteration, modification or variation:
  - is not materially prejudicial to the interests of Unitholders;
  - does not to any material extent release the Trustee, the Manager or any other person from liability to Unitholders; or
  - does not increase the costs and charges payable out of TraHK.

In addition, no alteration, modification or variation, regardless of it having been approved by extraordinary resolution, may impose any liability on any Unitholder to make further payments in respect of Units held by him or to accept any additional liability in respect of the Units.

The Trustee may in addition certify that, in its opinion, an amendment to the Trust Deed is necessary or desirable for the purposes of listing or maintaining a listing of the Units on a recognised stock exchange (or the Stock Exchange), in which case the approval of Unitholders by extraordinary resolution will not be necessary to make that amendment.

Any amendment to be made to the Trust Deed by the Manager and the Trustee requires the prior approval of the SFC and the Supervisory Committee. Unless the SFC consents otherwise, the Manager will give

prior notice to Unitholders in writing of any amendments made to the Trust Deed without Unitholders' approval.

### ***Removal/Retirement of the Manager, the Trustee and the Promoter***

#### **The Trustee**

The Trustee is not entitled to retire voluntarily except on the appointment of a new trustee which is acceptable to the Manager, the SFC and the Supervisory Committee and which shall agree to enter into a deed to secure the due performance of its duties as a trustee. The new trustee must be a Bank licensed under the Banking Ordinance, a trust company registered under the Trustee Ordinance or a banking institution incorporated outside Hong Kong which is subject to prudential regulation and supervision.

If the Manager gives notice (which may only be given on the direction of the Supervisory Committee) to the Trustee that it wishes the Trustee to retire in favour of a new trustee, the Trustee must retire with effect from the appointment of a new trustee.

If Unitholders holding 50% or more in aggregate of Units deliver a written request to the Trustee to retire, or if Unitholders holding 50% or more in aggregate of Units vote in a general meeting properly convened to remove the Trustee, then the Trustee must retire as soon as a new trustee can practicably be appointed.

If the Supervisory Committee delivers a written request to the Trustee to retire in favour of a new trustee, the Trustee must retire with effect from the appointment of a new trustee.

The new trustee must enter into a deed supplemental to the Trust Deed in which the new trustee will agree to act as trustee.

#### **The Manager**

The Manager is entitled to retire voluntarily, on the giving of three months' written notice to the Trustee, the Promoter and the Supervisory Committee in favour of a new manager acceptable to the Trustee, the SFC and the Supervisory Committee. Any new manager must be incorporated in Hong Kong or be a registered overseas company under the Companies Ordinance and must be carrying on business in Hong Kong. The new manager must also be licensed under the SFO to carry on a Type 9 regulated activity (i.e. Asset Management).

The Manager may be removed from office by notice in writing given by the Trustee (which may only be given on the direction of the Supervisory Committee) if:

- the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or analogous proceedings; or
- for good and sufficient reason, the Trustee and the Supervisory Committee are of the reasonable opinion that a change of Manager is desirable in the interests of Unitholders.

The Manager may also be removed on notice in writing given by the Trustee if Unitholders holding 50% or more in aggregate of Units deliver a request in writing to the Trustee that the Manager should retire, or by vote of Unitholders holding 50% or more in aggregate of Units in a general meeting properly convened to remove the Manager.

The Supervisory Committee may also deliver a written request to the Manager to retire in favour of a new manager, being a company which is eligible to be manager of TraHK and acceptable to the SFC.

If the Manager is removed, it ceases to be the manager and the Trustee must as soon as practicable appoint another eligible company as manager, such company to be acceptable to the Supervisory Committee and the SFC.

### **The Promoter**

Exchange Fund Investment Limited (“EFIL”) may retire as Promoter at any time, either in favour of a new Promoter approved by the Trustee, the Manager, the SFC and the Supervisory Committee or with no new Promoter being appointed (and if no new Promoter is appointed all references in this prospectus to matters requiring the consent or approval of the Promoter shall be disregarded).

The Promoter is not entitled to any remuneration from TraHK for acting as the Promoter. The Promoter is entitled to be indemnified by the Trustee and the Manager for certain liabilities.

### **The Supervisory Committee**

The Supervisory Committee currently consists of seven members (up to seven members are permitted). On an on-going basis, appointments to and removals from the Supervisory Committee shall be made by the Supervisory Committee itself. The Supervisory Committee meets as and when required and at least quarterly. Under the terms of the Trust Deed, certain matters require the approval of the Supervisory Committee. In addition, the Supervisory Committee has the power to direct and the duty to oversee the Trustee and the Manager on matters relating to the management and administration of TraHK. The Supervisory Committee is entitled to, amongst other things:

- direct the Trustee and the Manager on matters relating to the creation and issue of Units;
- approve Participating Dealers and the Registrar;
- approve the appointment of, and require the removal of, service providers (excluding the Manager’s delegates) to TraHK;
- approve valuation procedures and arrangements in respect of the suspension of creation or redemption of Units;
- approve the appointment and removal of TraHK’s auditors; and
- approve any amendments, alterations or modifications to the terms of the Trust Deed.

The Supervisory Committee may by notice require the Manager and the Trustee to retire with or without cause.

The members of the Supervisory Committee are entitled to be indemnified out of TraHK’s assets for any liabilities they may incur as a result of acting as members of the Supervisory Committee, except to the extent of any fraud, negligence, bad faith or wilful default on their part, and except to the extent provided by applicable law. The members of the Supervisory Committee are also entitled to be indemnified by the Trustee and the Manager in certain circumstances. In addition, TraHK maintains appropriate professional indemnity insurance for each of the members of the Supervisory Committee.

The current members of the Supervisory Committee are:

- (a) *Mr. George Hongchoy*: Mr. Hongchoy is the Chairman of the Supervisory Committee. He is currently the Executive Director and Chief Executive Officer of Link Asset Management Limited (the manager of Hong Kong listed Link Real Estate Investment Trust). He is the chairman and honorary founding president of Hong Kong REITS Association, a trustee of the University of

Pennsylvania, a global trustee of the Urban Land Institute and an advisor of Our Hong Kong Foundation Limited. He is a Senior Fellow and member of the Corporate Advisory Council of Hong Kong Securities and Investment Institute, Fellow Member of the Hong Kong Institute of Certified Public Accountants, the Chartered Accountants Australia and New Zealand, the Hong Kong Institute of Directors, the Royal Institution of Chartered Surveyors and Institute of Shopping Centre Management. Mr. Hongchoy holds a Bachelor of Commerce degree from the University of Canterbury and an MBA degree from The Wharton School, University of Pennsylvania.

- (b) *Professor Kalok Chan:* Prof. Kalok Chan is Wei Lun Professor of Finance and Chair of the Department of Finance of The Chinese University of Hong Kong (CUHK) Business School. He was the Dean of CUHK Business School from 2014 to 2019. Before he joined CUHK Business School in 2014, Prof. Chan was the Synergis-Geoffrey Yeh Professor of Finance at the Hong Kong University of Science and Technology (HKUST), where he had served as the Head of Finance Department (2003-2013) and Acting Dean of HKUST Business School (2013-2014). Prior to joining HKUST, he was an Associate Professor of Finance at Arizona State University. Prof. Chan is active in contributing to the profession. He currently serves in a number of committees, including Human Capital Committee of HK Financial Services and Development Council, Hong Kong Housing Authority, Hong Kong Academy of Finance, HKIMR Council of Advisers for Applied Research, Advisory Committee of the Securities and Futures Commission. Prof. Chan obtained his BSSc in Economics from CUHK, and PhD in Finance from Ohio State University.
- (c) *Mr. Dean Chisholm:* Mr. Chisholm is a chartered accountant and was the Regional Head of Operations for Asia Pacific at Invesco until his retirement in 2020. Over his 26 years at Invesco, Mr Chisholm held a number of operations, governance and internal audit roles in Asia Pacific. Mr Chisholm has also held a number of roles in industry bodies, including being a member of the Hong Kong government sponsored Financial Services Development Council New Business Committee (2015-2020) and co-chair of Hong Kong Exchange and Clearing Limited buy side council. In 2012, AsianInvestor recognized him as COO of the Year. Prior to joining Invesco, Mr. Chisholm was an audit manager at PricewaterhouseCoopers in London and Hong Kong from 1984 to 1993. Mr. Chisholm received a Bachelor of Science degree in Monetary Economics from The London School of Economics. He is a Fellow Member of the Institute of Chartered Accountants of England and Wales and an Associate of the Hong Kong Institute of Certified Public Accountants.
- (d) *Dr. Kam Pok-man:* Dr. Kam is a certified public accountant and was the Group Financial Controller of Jardine Matheson from 1984 until his retirement in 2010, thereafter appointed as Chief Executive Officer of the Financial Reporting Council to 2013. Dr. Kam is a member of a number of accountancy bodies in Hong Kong, Australia, Canada and the United Kingdom. He previously served as a member of the Hospital Authority, the University Grants Committee and the General Committee of the Federation of Hong Kong Industries from 2013 to 2019. He also served as the IFRS Advisory Council of the International Accounting Standards Board from 2005 to 2011 and the president of the Hong Kong Institute of Certified Public Accountants in 1999 and 2000. Dr. Kam holds a PhD degree in accounting from the University of the Sunshine Coast and an MBA degree from The Chinese University of Hong Kong.
- (e) *Mr. Blair Pickerell:* Mr. Pickerell currently serves as an Independent Director of The Principal Financial Group (listed on the NASDAQ), an Independent Non-Executive Director of Link Real Estate Investment Trust, an Independent Non-Executive Director of Dah Sing Banking Group Limited, and an Independent Non-Executive Director of First Pacific Company Limited. Mr. Pickerell is also a member of the International Advisory Council of the Faculty of Business and Economics at the University of Hong Kong and chairman of the Harvard Business School Association of Hong Kong. Prior to his retirement from full-time employment, he served as

Chairman, Asia of Nikko Asset Management Company until July 2015. He previously held senior positions at Morgan Stanley Investment Management, HSBC Investments Limited, Jardine Fleming Asset Management Limited, and Jardine Matheson Holdings Limited. He received his BA and MA degrees from Stanford University and an MBA from Harvard Business School.

- (f) *Mr. Wilfred Yiu:* Mr. Yiu is Co-Chief Operating Officer and Co-Head of Markets Division of Hong Kong Exchanges and Clearing Limited (“HKEX”). He is also Chief Executive of HKEX’s wholly-owned subsidiaries, The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited. Previously, he was Deputy Chief Executive Officer and Chief Operating Officer for Beijing Gao Hua Securities Company Limited, and Chairman of its wholly-owned subsidiary, Qian Kun Futures Co., Ltd.. Prior to that, Mr. Yiu was the Head of Credit Structured Products for Asia at Goldman Sachs (Asia) L.L.C. Mr. Yiu served as a governor for the Board of Dalian Commodity Exchange in China from 2015 to 2017. Mr. Yiu is a member of the Securities Compensation Fund Committee of the Securities and Futures Commission, and a member of Education and Development Committee of the Hong Kong Securities and Investment Institute. He is an adjunct professor at the Hong Kong Polytechnic University. He is also an advisory board member of Research Institute for Business of the Hang Seng University of Hong Kong, and Professional Fellow of the Honours Academy of the Hang Seng University of Hong Kong. Mr. Yiu holds a Master's degree in Computer Science from Stanford University and an MBA in Finance from the Stern School of Business at New York University.
- (g) *Mr. Law Shing Yan, Stephen:* Mr. Law is Deputy General Counsel to the Hong Kong Monetary Authority. He was seconded to serve as the legal adviser to the Hong Kong Deposit Protection Board upon its establishment. He is admitted as a solicitor both in Hong Kong and in England and Wales. Prior to joining the Hong Kong Monetary Authority, Mr. Law worked at Deacons.

There is an established set of eligibility criteria for members of the Supervisory Committee. Amongst other things, the members of the Supervisory Committee must be Hong Kong residents, must have demonstrable knowledge of financial affairs and must not have been convicted of any criminal offence which is of direct relevance to their fitness and properness as members of the Supervisory Committee or have been found by a court or regulatory authority to have acted fraudulently or dishonestly.

### ***Termination***

TraHK may be terminated by the Trustee (with the prior approval of the Promoter, not to be unreasonably withheld) in the following circumstances:

- it becomes illegal or in the opinion of the Trustee impossible, impracticable or inadvisable to continue TraHK;
- TraHK becomes liable to taxation (whether in Hong Kong or elsewhere) in respect of income or capital gains at a rate considered by the Manager, with the approval of the Trustee, to be excessive in relation to the rate which would be borne by Unitholders if they had invested directly in Index Shares;
- the Units cease to be listed on the Stock Exchange;
- TraHK ceases to be authorised by the SFC pursuant to the SFO;
- the Hang Seng Index ceases to be compiled or published;
- the HSI Licence Agreement is terminated and no new licence agreement relating to the Hang Seng Index is entered into by the Trustee and the Manager;

- the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or analogous proceedings where, after the expiration of a period of three months, the Trustee has not appointed a new manager;
- on the expiration of three months after notifying the Manager that in the Trustee’s opinion a change of Manager is desirable in the interests of Unitholders and no suitable replacement manager has been found; or
- there shall be no Supervisory Committee members for a continuous period of one month.

If the average of the daily Net Asset Value of TraHK is less than HK\$3 billion over any rolling three-month period, TraHK will terminate automatically, unless each of the Supervisory Committee, the Promoter, the Trustee and the Manager agrees to the continuation of TraHK.

Upon the termination of TraHK, the Trustee shall sell or realise all of TraHK’s investments which are not Index Shares and shall repay all outstanding borrowings and pay all other fees, expenses and liabilities of TraHK. The Trustee shall distribute the shares held in TraHK’s portfolio in favour of Unitholders, in proportion to the number of Units held, in accordance with the Trust Deed. The Trustee may distribute shares in odd lots. All other assets of TraHK shall be sold or realised and a balancing payment in cash shall be paid to each Unitholder.

Any unclaimed shares held by the Trustee under the provision of this paragraph may at any time after the expiration of twelve months from the date on which the same were to be distributed pursuant to this section entitled “Termination” be sold by the Trustee and the net proceeds together with any unclaimed cash held by the Trustee at such time be paid into Court subject to the right of the Trustee to deduct any expenses that it may incur in carrying out this provision.

At least three months’ prior notice of the termination of TraHK will be given to Unitholders (unless TraHK is terminated by reason of illegality, in which case no prior notice need be given to Unitholders).

## **Investment in TraHK**

### ***Eligibility of Investors***

The Manager and the Trustee may impose such restrictions as they think are necessary for the purpose of ensuring that no Units are acquired or held directly or beneficially by any non-eligible persons. Under the terms of the Trust Deed, no Units may be held by:

- individuals under the age of 18 (or such other age as the Manager may determine);
- any person in circumstances which, in the opinion of the Manager, might result in the Manager, the Trustee, the Promoter, the Supervisory Committee or TraHK incurring any liability to taxation or suffering any other pecuniary disadvantage or becoming subject to any law or regulation which the Manager, the Trustee, the Promoter, the Supervisory Committee or TraHK might not otherwise have incurred or suffered or become subject to, including by losing eligibility for any potential exclusion or exemption from such law or regulation; or
- any person in breach of the law, regulation or other requirements of any country or governmental authority.

The Manager and the Trustee have determined that, pursuant to the ground set forth in the third bullet point in the preceding paragraph, Units may not be acquired by any US Persons.

In order to ensure compliance with any such eligibility requirements, the Manager or the Trustee may at any time require an investor (beneficial or otherwise) to provide to the Manager or the Trustee such information and evidence as they may require as to such person's eligibility to hold or have an interest in Units.

### ***Anti-Money Laundering***

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

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

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

Existing Unitholders may be requested to provide additional or updated verification documents from time to time pursuant to the Manager, the Trustee, the Registrar or any of their agents ongoing client due diligence requirements under applicable laws and regulations on anti-money laundering and anti-terrorist financing.

The extent and form of the documentation and information required will depend on the nature of the applicant and will be at the discretion of the Manager or the Trustee, the Registrar or any of their agents in order to discharge their respective obligations under applicable laws and regulations on anti-money laundering and anti-terrorist financing.

In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for Units may be refused and the Manager and the Trustee shall have the right to withhold any redemption proceeds, dividends or distribution subject to applicable laws and regulations, and the Trust Deed.

### ***Intermediaries in Hong Kong***

No application monies should be paid to any intermediary in Hong Kong who is not licensed under the SFO to carry on Type 1 regulated activity (i.e. Dealing in Securities) or who does not fall within the statutory exemption from the requirement to be licensed or registered under the SFO to carry on Type 1 regulated activity.

## **Management and Administration**

### ***The Manager***

The Manager is a wholly-owned subsidiary of Hang Seng Bank Limited, a bank holding company in Hong Kong whose shares are traded on the Stock Exchange (0011.HK). The Manager, the investment division of Hang Seng Bank Limited, is a Hong Kong-based asset management company specialising in managing funds related to mainland China and Hong Kong markets. The Manager is committed to providing investors with comprehensive investment management services through investment managers with extensive experience in managing funds (including a series of exchange-traded funds and retail funds) and investment portfolios for institutional and private clients. The Manager is a leading home-



grown asset manager in Hong Kong, with extensive market leading asset management experience since its incorporation in Hong Kong in April 1993. The directors of the Manager are Ka Wai Kathy Cheung, Wai Man Vivien Chiu, Pui Shan Lee, Wah Lun Rannie Lee, Say Pin Saw, Wing Fai Wilfred Sit, Hing Keung Tsang and Stuart Kingsley White.

#### ***The Trustee and Custodian***

State Street Bank and Trust Company is a Massachusetts chartered trust bank and one of the world's top custodians, with US\$38.18 trillion in assets under custody and administration as at 30 June 2022. State Street's global custody network (which comprises both affiliated and non-affiliated subcustodians) spans more than 100 markets, providing securities settlement, safekeeping, income collection and repatriation, corporate actions processing, proxy voting, tax reclamation, foreign exchange, cash management, collateral management, and derivatives processing.

State Street Bank and Trust Company is a member of the U.S. Federal Reserve System and its operations are supervised and examined by its primary regulators, the Federal Reserve Bank of Boston and the Massachusetts Commissioner of Banks. In addition, State Street Bank and Trust Company is subject to the rules and regulations of the U.S. Federal Deposit Insurance Corporation (FDIC) relative to deposit insurance and resolution planning, and those of the U.S. Securities and Exchange Commission (SEC) applicable to custodians, fund accountants, administrators and transfer agents of regulated investment companies and as an issuer of registered securities. State Street Bank and Trust Company is also subject to government regulations in the U.S. for insured depository institutions under the Federal Deposit Insurance Corporation Improvement Act (FDICIA) regarding internal controls over financial reporting and compliance with certain designated laws and regulations.

#### ***The Promoter***

EFIL is a private limited company incorporated in Hong Kong under the Companies Ordinance. All of its shares are beneficially owned by the HKSAR Government acting through the Financial Secretary as Controller of the Exchange Fund.

Under the terms of the Trust Deed, EFIL may retire as Promoter at any time in favour of another company approved by the Supervisory Committee, the Trustee, the Manager and the SFC or may retire without any successor promoter being appointed. There is no fixed term for EFIL's role as Promoter.

#### **Fees, Costs and Expenses Payable by TraHK**

##### ***The Trustee and Manager***

The Trustee and Manager are each entitled to a fee for the services they render to TraHK. The Manager's fee includes all portfolio valuation services, administration, transaction reporting and management services and the Trustee's fee covers all portfolio valuation services, administration of securities trading, acquisition, delivery, holding and disposal of investments, corporate actions, dividend collection and distribution, dividend reinvestment, regulatory filings, tax filings, preparation of semi-annual and annual reports and maintenance of accounting records (but not auditing). The Manager's fee and the Trustee's fee accrue daily and are paid as soon as reasonably practicable from the assets of TraHK after the last Dealing Day in each quarter in each year. These fees are calculated as a percentage of TraHK's Net Asset Value on the last Dealing Day in the relevant quarter as follows:

	<b>Trustee's fee</b> <b>% per year</b>	<b>Manager's fee</b> <b>% per year</b>
For first HK\$15 billion .....	0.045	0.045
For next HK\$15 billion .....	0.030	0.030
For next HK\$15 billion .....	0.020	0.020
Thereafter .....	0.015	0.015

### ***The Registrar***

Computershare Hong Kong Investor Services Limited acts as registrar under the terms of the registrar agreement entered into among the Trustee, the Manager and the Registrar (the "Registrar Agreement"). The Registrar charges a monthly fee in respect of the establishment and maintenance of the register of Unitholders. Such fee is charged on the basis of the number of Unitholders on the register following the fee scale below:

	<b>HK\$</b> <b>(per month)</b>
First 2,000 Unitholders.....	12,000
Every additional 1,000 Unitholders up to 100,000 Unitholders .....	2,650
Every additional 1,000 Unitholders up to 100,000 Unitholders .....	2,250
Maximum aggregate fee.....	1,000,000

In addition, the Registrar is reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services such as the cost of postage, envelopes and the Unit certificates. The Registrar's fees and its out-of-pocket expenses in respect of the registration and transfer of Units are paid out of the assets of TraHK.

*Unitholders whose names are registered on the register of Unitholders at each Record Date may be required to contribute to certain of the registration charges related to the upkeep of the register. Currently, these charges are up to a maximum of HK\$80 per Unitholder per year. Such charges will be deducted on a half-yearly basis from the distributions payable to the relevant Unitholders.*

### ***The Conversion Agent***

HK Conversion Agency Services Limited acts as Conversion Agent under the terms of the Conversion Agency Agreement (as novated and amended from time to time) entered into among the Manager, HKSCC and the Conversion Agent. The Conversion Agent performs through HKSCC certain of its services in connection with the creation and redemption of Units by Participating Dealers under the Continuous Offering. Such services include taking creation and redemption applications from, and issuing settlement instructions to, Participating Dealers as well as facilitating the exchange of cash, shares and Units on the transaction settlement day. The Conversion Agent charges TraHK a monthly retainer fee of HK\$16,000. The Conversion Agent also charges TraHK a transaction fee for creation and redemption applications (which is met out of the Transaction Fee received by TraHK from the Participating Dealers in relation to creation and redemption applications). The Conversion Agent's costs and fees are paid out of the assets of TraHK.

### ***Set up Costs***

Certain preliminary expenses, amounting to HK\$2,712,500, in relation to the setting up of TraHK were paid out of the assets of TraHK and have been fully amortised.

### ***Other on-going costs***

The Manager and the Trustee are entitled to charge to, or recover from, the assets of TraHK certain duties, charges and other ongoing costs and expenses. These include:

- costs, fees and expenses to be paid under the HSI Licence Agreement and any other licence or data supply contract in respect of TraHK (not including costs and expenses in respect of entering into the HSI Licence Agreement or other licence or contract);
- stamp duty, other duties, taxes, governmental charges, brokerage and commissions, exchange costs and commissions and bank charges in relation to transactions involving all or part of the assets of TraHK;
- the fees and expenses of the auditors and of legal counsel;
- professional fees in relation to agreeing and/or contesting taxation liabilities or recoveries to be paid out of or into TraHK;
- fees and expenses of the Manager and Trustee in obtaining and/or maintaining the listing on the Stock Exchange (or elsewhere) and/or the authorisation of TraHK under the SFO or any other law or regulation in any part of the world;
- costs involved in respect of the publication in newspapers in Hong Kong and elsewhere of the Net Asset Value per Unit or the Issue Price and the Redemption Value or prices for Units or suspension of creations and issues and redemptions of Units;
- costs involved in the design, creation and maintenance of a website on which the Net Asset Value per Unit, annual audited accounts, interim unaudited reports and this prospectus are posted;
- fees and expenses of the Registrar and the Conversion Agent;
- the cost of maintaining insurance for members of the Supervisory Committee;
- costs, fees and expenses involved in updating this prospectus;
- expenses incurred in preparing and arranging for the preparation and distribution of cheques, statements, reports, accounts, certificates and notices which the Trustee or the Manager is required to issue under the terms of the Trust Deed;
- all other reasonable costs, charges and expenses which, in the opinion of the Trustee and the Manager, are properly incurred in the administration of TraHK and pursuant to the performance of their respective duties under the Trust Deed; and
- the fees and expenses of advisers appointed by the Supervisory Committee under the Trust Deed.

### **Insufficient dividends to meet ongoing costs**

If and to the extent that the amount of TraHK's ongoing fees, charges and costs mentioned above and other ongoing costs and expenses of TraHK exceed the amounts received by TraHK in respect of dividends paid on TraHK's portfolio of shares, interest received on cash deposits, Transaction Fees for creations and redemptions of Units and other income received by TraHK, the excess will be met by disposing of part of TraHK's portfolio of shares or other investments or by borrowing.

## Fees Payable By Investors

As set out in greater detail in the table below, a Participating Dealer may charge brokerage and/or other fees and expenses for effecting creations and redemptions of Units.

The table set out below summarises the fees payable by investors. Additional fees may be payable if the Manager extends the settlement period for any creation or redemption request under the Continuous Offering.

<b>Continuous Offering</b>	
<b>Creation of Units</b>	
Brokerage/fee .....	Charged at each Participating Dealer's discretion
Transaction Fee <sup>1</sup> .....	HK\$15,000 <sup>2</sup>
Other Charges .....	Nil (but see Note 8 below)
<b>Redemption of Units</b>	
Brokerage/fee .....	Charged at the Participating Dealer's discretion
Cancellation Fee.....	HK\$1 per board lot <sup>3</sup>
Transaction Fee .....	HK\$15,000
Other Charges .....	Nil (but see Note 8 below)
<b>Dealing on the Stock Exchange</b>	
Brokerage .....	Charged at each Participating Dealer's discretion <sup>4</sup>
Stock Exchange trading fee.....	0.005%
SFC transaction levy <sup>5</sup> .....	0.0027%
FRC transaction levy <sup>6</sup> .....	0.00015%
Stamp Duty <sup>7</sup> .....	Nil
Inter-counter transfer.....	HK\$5

Notes:

1. Transaction Fee is payable by each Participating Dealer to TraHK and may be passed on in whole or in part to the applicant.
2. The Transaction Fee of HK\$15,000 is the fee to be charged for the total aggregate creation and redemption applications per day per Participating Dealer.
3. Payable to HKSCC by the applicant.
4. With effect from 1 April 2003, the brokerage charges for securities transactions became freely negotiable between brokers and their clients.
5. With effect from 1 November 2014, a transaction levy has been imposed on each side to a securities transaction at the rate of 0.0027% of the consideration for the transaction, and the amount is collected for the SFC.
6. With effect from 1 January 2022, a transaction levy has been imposed on each side to a securities transaction at the rate of 0.00015% of the consideration for the transaction, and the amount is collected for the FRC.
7. Pursuant to the Stamp Duty (Amendment) Ordinance 2015, stamp duty payable on any contract notes and instruments of the transfer for the transaction of shares or units of exchange traded funds traded on the Stock Exchange of Hong Kong Limited is waived with effect from 13 February 2015.
8. It is not envisaged that there will be any other Charges to be levied by the Trustee or the Manager in the ordinary course. However, further Charges may arise in the event of any new charge, tax or duty being imposed on TraHK by third parties in the future for Unit creation and redemption transactions.

### **Transaction Fees**

The Manager charges each Participating Dealer a Transaction Fee (currently HK\$15,000) for the total aggregate creation and redemption applications per day. The Transaction Fee, in an application for the creation of Units, is payable in addition to the Issue Price and, in an application for the redemption of Units, is deducted from the cash payment payable on such redemption of Units to the extent that the cash payment is sufficient or otherwise is payable by the Participating Dealer (as the case may be) and is retained by TraHK as income. The Manager has the ability under the Trust Deed to increase the Transaction Fee.

A Participating Dealer may pass on any Transaction Fees payable by it, in whole or in part, to the investor(s) on whose behalf it is making a creation or redemption application.

## **General Provisions of the Trust Deed**

### ***Transfer of Units***

Units in TraHK are transferable in any number without restriction to persons who are eligible to hold Units. Persons who are not eligible to hold Units are liable to have their Units redeemed or transferred. See page 38 for further details as to who is eligible to hold Units. Transfers or resale to US Persons are prohibited; see the section entitled “General – Selling Restrictions – United States.” The Registrar is not bound to register more than one person as a Unitholder or more than four persons as joint holders of any Unit. The Trust Deed contains provisions applying to any person becoming entitled to a Unit in consequence of the death or bankruptcy, insolvency or liquidation of any Unitholder or of the survivor(s) of joint Unitholders.

### ***Replacement of Unit certificates***

Upon paying a fee, as determined from time to time by the Trustee, any Unitholder may apply to exchange Unit certificates into one or more Unit certificates. The Registrar may also, in its discretion and on presentation of a mutilated or defaced Unit certificate, issue a new Unit certificate. If any Unit certificate is lost, stolen or destroyed, the Registrar may, in its sole discretion, issue to the person entitled a new Unit certificate in lieu thereof. No new Unit certificates will be issued unless the applicant has:

- (in the case of loss, theft or destruction) furnished to the Registrar evidence satisfactory to the Registrar of the loss, theft or destruction of the original Unit certificate;
- paid all expenses incurred in connection with the issuance of the new Unit certificate(s) and the investigation of the facts by the Registrar;
- (in the case of defacement or mutilation) produced and surrendered to the Registrar for cancellation the defaced or mutilated Unit certificate; and
- (if required by the Registrar to do so) furnished to the Registrar such indemnity or bond as the Trustee or the Registrar may require.

Where Unit certificates are issued in accordance with this paragraph, the Trustee shall take reasonable care to ensure that such certificates are not issued until subscription moneys have been paid.

### ***Meetings of Unitholders***

The Trust Deed sets out procedures to be followed in respect of meetings of the Unitholders, including provisions as to the giving of notice, appointment of proxies and quorum. Meetings of the Unitholders (including the casting of votes) may be held by video conference, teleconference or other electronic means, with suitable and realistic accommodation for Unitholders who are unable or unwilling to attend or participate by such electronic means.

The Trustee and the Manager (and any of their Connected Persons, directors or delegates) shall not vote their beneficially owned shares, if any, at, or be counted in the quorum for, a meeting at which they have a material interest in the business to be contracted, except on any resolution(s) to appoint or dismiss the Manager.

## **HSI Licence**

HSDS and HSI have granted to the Trustee and the Manager, and their duly appointed agents, by way of licence, the non-exclusive and non-assignable right to use, describe and refer to the “Hang Seng Index” and to use the goodwill, rights, title and interest in the name and mark “Hang Seng Index”, of which HSDS is the proprietor and absolute owner, subject to the terms of the HSI Licence Agreement.

With effect from 1 April 2019, under a supplemental agreement to the HSI Licence Agreement, HSDS and HSI revised the equivalent of an annual licence fee equal to the higher of (i) Y basis points of the Net Asset Value of TraHK or (ii) USD 10,000.00. In the case of (i), Y basis points means:

- (a) with respect to the first HKD 100 billion of Net Asset Value, 1.5 basis points;
- (b) with respect to the next HKD 100 billion of Net Asset Value, 1.35 basis points; and
- (c) with respect to the amount of Net Asset Value exceeding HKD 200 billion, 1.2 basis points.

The licence fee is calculated and accrued on a daily basis. The licence fee is paid out of the assets of TraHK.

The HSI Licence Agreement (including the supplemental agreement) is for an indefinite duration but may be terminated if the Manager ceases to be the manager of TraHK, on termination of TraHK and by notice from one party to the other parties on the occurrence of certain events specified in the HSI Licence Agreement.

## GENERAL

### Taxation

**The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.**

Investors should note that the following statements on taxation are based on advice received by the Manager regarding the law and practice in force in the relevant jurisdiction at the date of this document. As is the case with any investment, there can be no guarantee that the tax position prevailing at the time an investment is made in TraHK will endure indefinitely.

### Hong Kong

#### *TraHK*

##### Profits Tax

Profits of TraHK arising from the sale or disposal of Index Shares, interest received by or accrued to TraHK and other profits and income of TraHK are exempt from Hong Kong profits tax.

##### Stamp Duty

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, Hong Kong stamp duty on the transfer of Hong Kong stocks to TraHK by an investor pursuant to an Index Basket Application will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Hong Kong stocks by TraHK to an investor upon a redemption of Units will also be remitted or refunded.

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

The sale and purchase of Hong Kong stocks by TraHK to reflect any changes in the Hang Seng Index is subject to Hong Kong stamp duty. TraHK and the counterparty will each be liable to Hong Kong stamp duty at the current rate of 0.13% of the price of Hong Kong stocks being sold and purchased.

#### *Investors*

##### Profits Tax

Hong Kong profits tax will not be payable by any investor (other than an investor carrying on a trade, profession or business in Hong Kong) on any gains or profits made on the sale, redemption or other disposal of his Units.

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

##### Stamp Duty

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, Hong Kong stamp duty on the transfer of Hong Kong stocks by an investor to TraHK pursuant to an Index Basket Application will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Hong Kong stocks to an investor by TraHK upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable on an issue or redemption of Units (which is only available for HKD counter) or on the sale and purchase of Units (both HKD counter and RMB counter) in the secondary market.

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

### ***General Information***

The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the “Ordinance”) came into force on 30 June 2016, which implements the Standard for Automatic Exchange of Financial Account Information (the “AEOI”) in Hong Kong. The Ordinance requires financial institutions resident in Hong Kong (“Reporting Financial Institutions”), including TraHK, to collect and review relevant information relating to non-Hong Kong tax residents holding financial accounts with Reporting Financial Institutions, and to furnish information required under the Ordinance to the Hong Kong Inland Revenue Department (the “IRD”). The IRD will exchange such information with the jurisdiction(s) in which an account holder is resident for tax purposes. Generally, tax information will be exchanged only with AEOI partner jurisdictions with which Hong Kong has entered into a Competent Authority Agreement (“AEOI Partner Jurisdictions”). However, information relating to account holders who are residents of jurisdictions other than AEOI Partner Jurisdictions may also be collected, although only required information in relation to reportable accounts will be furnished to the IRD.

The AEOI rules as implemented by Hong Kong require Reporting Financial Institutions to, amongst other things: (i) register with the IRD; (ii) conduct due diligence on their accounts to identify whether any such accounts are considered reportable accounts for AEOI purposes (“Reportable Accounts”); and (iii) report to the IRD the required information on such Reportable Accounts on an annual basis. The IRD will then transmit the information reported to it to the AEOI Partner Jurisdictions. Reportable Accounts include financial accounts held by: (i) individuals or entities that are tax resident in a reportable jurisdiction, and (ii) certain entities controlled by individuals who are tax resident in a reportable jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, date and place of birth (if applicable), address, jurisdiction of tax residence, tax identification number (if any), account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with AEOI Partner Jurisdictions.

### ***Impact to TraHK and Unitholders***

By investing in TraHK and/or continuing to invest in TraHK, Unitholders acknowledge that they may be required to provide additional information to the Manager, the Trustee, their agents, and/or intermediary financial institutions (if applicable) and to notify of any changes to the information provided, in compliance with AEOI. The Unitholder’s information may be communicated by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information may result in certain remedial actions including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned, to the extent permitted under the constitutive documents of TraHK and subject to applicable laws and regulations.

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

### ***FATCA and US Tax Withholding and Reporting Requirements***

FATCA imposes a reporting regime and potentially a US withholding tax of 30% on certain payments made with respect to certain actual and deemed US investments. As a general matter, the rules under FATCA are designed to require US Persons’ direct and indirect ownership of non-US accounts and non-US entities to be reported to the US Internal Revenue Service. The 30% withholding tax regime applies if there is a failure to provide required information regarding US ownership.



Generally, the rules will subject all applicable payments under FATCA received by a Foreign Financial Institution (as defined in the final US Treasury regulations under FATCA or an applicable intergovernmental agreement (an “IGA”)) (“FFI”) to a 30% US withholding tax unless the FFI (i) enters into an agreement with the US Internal Revenue Service (a “FFI Agreement”), (ii) complies with the terms of an applicable IGA or (iii) is otherwise exempt.

The HKSAR Government and the United States have entered into a Model 2 IGA. Under a Model 2 IGA, financial institutions in Hong Kong generally will need to register with the US Internal Revenue Service and comply with the requirements of an FFI Agreement, either directly or through a sponsoring entity.

TraHK has registered with the US Internal Revenue Service as an FFI (with Global Intermediary Identification Number (GIIN) number: AJ7SKY.99999.SL.344) and TraHK will be required to report to the US Internal Revenue Service in respect of direct and certain indirect US investors. Note that a 30% US withholding of tax may be imposed on the share of payments subject to FATCA attributable to (i) US Persons who fail to waive rights to prevent TraHK from complying with its disclosure obligations under the FFI Agreement; (ii) persons who fail to establish their non-US status as required under the FFI Agreement; (iii) non-US financial entities that themselves do not enter into valid FFI Agreements, comply with the terms of an applicable IGA or otherwise qualify for an exemption; and (iv) certain other non-US entities that do not provide certifications or information regarding their US ownership.

TraHK’s ability to report to the US Internal Revenue Service will depend on each relevant Unitholder providing TraHK with any information that is necessary to satisfy TraHK’s obligations under FATCA. TraHK may take any action permitted under the constitutive documents of TraHK, in good faith and on reasonable grounds, including but not limited to having recourse to a Unitholder’s Units or redemption proceeds to ensure that such withholding is economically borne by the relevant Unitholder whose failure to provide the necessary information or comply with such requirements gave rise to the withholding, subject to applicable laws and regulations.

There can be no assurance that TraHK will be able to satisfy applicable FATCA requirements to avoid the imposition of FATCA withholding tax. If TraHK fails to comply with such requirements, TraHK may be subject to the above 30% US withholding tax. The Net Asset Value per Unit may be adversely affected and TraHK may suffer significant losses, which may result in a material loss to Unitholders.

Unitholders and prospective investors should consult their own tax advisors regarding the possible implications of FATCA on their investments in the Units.

### **Selling Restrictions**

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this prospectus or any other offering or publicity material relating to TraHK or the Units in any country or jurisdiction (other than Hong Kong) where action for the purpose is required. Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Units may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Set out below are restrictions applicable to investors in certain jurisdictions.

## **United States**

The Units offered hereby have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. The Units are subject to restrictions on transferability within the United States or to or for the account or benefit of US Persons.

In connection with any applications for the creation of Units, an investor who wishes to apply for the creation of Units must provide a written certification to the Participating Dealer that will effect the creation transaction for the investor certifying that the investor is not a US Person, is not acting on behalf of or for any US Person, and understands, acknowledges and agrees that Units are prohibited from being offered, resold or pledged to US Persons. Each such written certification must then be delivered by the relevant Participating Dealer to the Manager. The Units have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this prospectus. Any representation to the contrary is a criminal offence.

TraHK is not registered, and does not intend to register, as an investment company under the US Investment Company Act.

For the purpose hereof, the term “United States” shall have the meaning given by Rule 902 of Regulation S under the US Securities Act and the term “US Person” has the meaning as defined in Appendix I – “Definitions”.

## **Japan**

A Securities Registration Statement with respect to the Units has not been filed under Article 4 of the Financial Instruments and Exchange Law (the “FIEL”) of Japan. This prospectus is not and will not be given to investors on the ground that the offering of the Units is Boshu (public offering as stated in paragraph 3 of Article 2 of the FIEL) nor on the ground that the offering of the Units is Uridashi (secondary offering as stated in paragraph 4 of Article 2 of the FIEL). Therefore, Article 17 of the FIEL with respect to liability for damages by a false prospectus is not applicable with regard to this prospectus.

## **Dividend Reinvestment Programme**

The Manager does not at the date of this prospectus intend to establish a dividend reinvestment programme (although under the terms of the Trust Deed it has the discretion to do so).

## **Joint Unitholders**

Units which are not deposited in CCASS may be registered in the joint names of up to four persons. No Units will be registered in the joint names of more than four persons. On the death of a joint Unitholder the survivor(s) shall become the only person(s) entitled to the Units. Where Units are registered in the joint names of two persons, the Unitholder whose name appears first on the Register will be the person to receive any cheques, notices, annual accounts and interim accounts and other documents in respect of TraHK from the Manager, the Trustee and/or the Registrar.

Any one Unitholder may sign a receipt for any moneys payable or Index Shares delivered on a redemption of Units, which shall be a good discharge to the Trustee.

## **Disclosure of Interests (Part XV of the SFO)**

Pursuant to section 323(1)(c) and (4) of the SFO, an interest in shares which subsists by virtue of a unit trust authorised by the SFC under section 104 of the SFO shall be disregarded, unless the holder,

custodian or trustee is also a manager of the scheme. Accordingly, for the purposes of Part XV of the SFO, a legal or beneficial holder of Units who is not the manager of TraHK will not be deemed to have an interest in those Index Shares which form part of the assets of TraHK.

### **The Codes on Takeovers and Mergers and Share Repurchases**

Unitholders are advised that any shareholding resulting from redemption of Units will normally be subject to the application of the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong (“Takeover Codes”). Furthermore, where a Unitholder holds one million Units or more, while one or more of the companies whose shares constitute Index Shares are subject to the governance of the Takeover Codes (such as during an offer period) and the Unitholder is acting in concert with the relevant parties (such as an offeror or offeree company), the Takeover Codes will be applicable. In such circumstances, a Unitholder should consult a solicitor or financial adviser so as to ensure full compliance with the Takeover Codes. A Hang Seng Index constituent company which purchases Units will not be treated as repurchasing its own shares for the purposes of the Takeover Codes.

### **Liquidity Risk Management Policies and Tools**

#### **(a) *Governance Structure***

The Manager has established risk management policies and procedures to manage and mitigate TraHK’s exposure to significant market, liquidity and operational risks. In particular, where a particular asset of TraHK cannot be easily divested, the ability to sell a particular asset could have a negative impact to the value of TraHK, TraHK’s ability to meet its investment objectives and TraHK’s ability to meet redemption requests in a timely manner. The Manager will monitor liquidity risks and utilize liquidity management tools where necessary.

The Manager is supported by a risk management function under the supervision of the Liquidity Committee, a sub-committee of the Risk Committee (“**Liquidity Committee**”) that is hierarchically and functionally independent from the day-to-day portfolio investment function of TraHK. The Liquidity Committee is responsible for monitoring the liquidity risk profile of TraHK, evaluating the results of liquidity risk assessments and stress testing, overseeing implementation of liquidity risk management policies and procedures and reviewing and enhancing the related management and reporting systems and policies. The Liquidity Committee may hold periodic and ad hoc meetings to formulate effective contingency plans and determine appropriate actions where required. A majority of the members of the Liquidity Committee are independent from the day-to-day portfolio investment function of TraHK.

#### **(b) *Liquidity Risk Management Policy***

The Manager has, as part of its overall risk management programme, established liquidity risk management policies and procedures which are reviewed periodically from time to time. The Manager’s liquidity risk management policy will seek to identify, monitor and manage the liquidity risks of TraHK. In this respect, the Manager will consider the risk appetite of TraHK and perform ongoing liquidity risk assessment through quantitative and qualitative evaluations (e.g. considering TraHK’s dealing arrangements, investment strategy, underlying assets liquidity profile, and historical subscription / redemption patterns).

#### **(c) *Liquidity Risk Management Tools***

The Manager may utilize the following liquidity management tools in order to protect the interests of the Unitholders:

- *Borrowing restrictions* - The principal amount of all outstanding borrowings by TraHK may not exceed an amount equal to 5% of the Net Asset Value of TraHK’s portfolio on any Dealing Day.

Borrowings may only be made on a temporary basis (not exceeding 364 days) and for the purposes specified in the section entitled “Investment Management – Borrowing policy”, such as to effect payments under the Trust Deed on redemption of Units.

- *Cash in lieu of Index Shares on redemption of Units* – The proceeds of a redemption request may be split between Index Shares and cash in different degrees in limited circumstances. Such a split may be effected by the Manager only in circumstances where it would (in the discretion of the Manager) be fair and reasonable to do so. For details, please refer to the section entitled “The Continuous Offering - Cash in lieu of Index Shares on redemption of Units”.
- *Extension of settlement period* - The Manager, with the approval of the Trustee, may at its discretion extend the settlement period (currently two business days after the date of receipt of a properly documented redemption application, subject to any suspension of redemptions) under certain circumstances. For details, please refer to the section entitled “The Continuous Offering – Redemption of Units”.
- *Suspension of redemption* - The Manager may at any time, with the approval of the Trustee, suspend the right of investors to apply (through Participating Dealers) for the redemption of Units and/or may delay the delivery of redemption proceeds in respect of a redemption request during the periods described in the section entitled “Further Provisions Relating to Creations and Redemptions - Suspension of creation and redemptions”.

#### **Documents Available For Inspection**

Copies of the following documents are, or will be, available for inspection during normal business hours at the offices of the Manager and the Trustee:

- the Trust Deed;
- the Registrar Agreement;
- the Conversion Agency Agreement;
- pro forma version of the Participation Agreement; and
- the most recent annual reports and accounts of TraHK in English and Chinese (not later than four months after the end of TraHK’s preceding financial period) and the most recent interim reports of TraHK in English and Chinese (not later than two months after the end of the period to which they relate).

Copies of this prospectus can be obtained during normal business hours from the following:

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

**The Trustee**  
State Street Bank and Trust Company  
68/F Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

and may be obtained from the Participating Dealers.

If investors have any complaints and/or queries concerning TraHK, such complaints and/or queries directed to the Manager should be made in writing and sent to the office of the Manager at Hang Seng Investment Management Limited, 83 Des Voeux Road Central in Hong Kong.

## APPENDIX I – DEFINITIONS

In this prospectus, unless the context requires otherwise, the following expressions shall have the meanings set out below:

“AEOI” means Automatic Exchange of Financial Account Information;

“Bank” means an authorized institution within the meaning of the Banking Ordinance (Cap. 155) of Hong Kong and which has either (i) a credit rating category of at least AA as determined by the credit ratings business of Standard & Poor’s and/or a credit rating category of at least Aa by the credit ratings business of Moody’s; or (ii) a credit rating which, in the Manager’s opinion, is a reasonable credit rating under the particular circumstances, provided that in no event shall the credit rating category be lower than A- as determined by the credit ratings business of Standard & Poor’s and/or a credit rating category no lower than A3 by the credit ratings business of Moody’s, and the Trustee does not object to such credit rating;

“business day” means any day upon which the Stock Exchange is open for normal trading and upon which the Hang Seng Index is compiled and published but excluding any day on which a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal (or any warning or signal considered by the Manager to be similar in effect, including an announcement of Extreme Conditions (as defined herein)) is in force in Hong Kong at any time after the Stock Exchange officially opens for trading and before the Stock Exchange officially closes for trading on that day (or such other times as may from time to time be determined by the Manager and the Trustee);

“CCASS” means the Central Clearing and Settlement System established and operated by HKSCC;

“Companies Ordinance” means the Companies Ordinance (Cap 622) of the laws of Hong Kong;

“Connected Person” means, in relation to any company (the “relevant person”):

- (a) any person beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the relevant person or able to exercise, directly or indirectly, 20% or more of the total voting rights attributable to the voting share capital of the relevant person;
- (b) any person or company controlled by any such person as is described in paragraph (a) above and for this purpose “control” of a company means:
  - (i) control (either direct or indirect) of the composition of the board of directors of that company; or
  - (ii) control (either direct or indirect) of more than half the voting rights attributable to the voting share capital of that company; or
  - (iii) the holding (either directly or indirectly) of more than half of the issued share capital (excluding any part of it which confers no right to participate beyond a specified amount in a distribution of either profits or capital), provided always that if the Trustee and the Manager agree some other definition acceptable to the SFC of the expression “control” such definition shall be substituted for the above definition;
- (c) any company which is a holding company or subsidiary (in each case within the meaning of sections 13 and 15 respectively of the Companies Ordinance) of the relevant person or a subsidiary of any such holding company; and
- (d) any director or other officer of the relevant person or of any company which is a Connected Person of the relevant person pursuant to paragraph (a), (b) or (c) above;

“Continuous Offering” means the continuous offering of Units on each Dealing Day, in Creation Unit size;

“Conversion Agency Agreement” means the conversion agency agreement dated 19 September 2022 between the Conversion Agent, HKSCC and the Manager;

“Conversion Agent” means HK Conversion Agency Services Limited;

“Creation Unit” means a multiple of 1,000,000 (one million) Units;

“Dealing Day” means each business day during the continuance of TraHK, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee, the Supervisory Committee and the Promoter;

“Dealing Deadline” means 15 minutes after the Stock Exchange officially closes for trading on each Dealing Day or such other time on any Dealing Day as the Manager (with the approval of the Trustee, the Supervisory Committee and the Promoter) may from time to time determine;

“Dividend Equivalent Amount” means the amount included in the Issue Price or redemption proceeds (as the case may be) of the Units issued or redeemed, representing the net undistributed dividends and other income received and held or receivable by TraHK;

“Dual Counter” means the facility by which the Units traded in HKD and traded in RMB are each assigned separate stock codes on the Stock Exchange and are accepted for deposit (for HKD traded Units only), clearing and settlement in CCASS in more than one eligible currency (HKD or RMB). Under the Dual Counter arrangement, RMB counter is not offered for primary creation and redemption. Only HKD traded Units may be created / redeemed by way of a creation / redemption application through a Participating Dealer;

“Duties and Charges” means (i) all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges payable in connection with, amongst other things, the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of investments to effect, whether prior to, upon or after the occasion of, any transaction or dealing; and (ii) in relation to an issue of Units and a redemption of Units, a charge (if relevant) to be made for the purpose of reimbursing or compensating TraHK for the difference between (a) the prices used when valuing the investments in TraHK for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be paid when acquiring the same investments if they were acquired by TraHK for cash and (in the case of a redemption of Units) the prices which would be received when selling the same investments if they were sold by TraHK for cash;

“EFIL” means Exchange Fund Investment Limited;

“Ex-Dividend Date” means each date in each year which falls one business day immediately before a Record Date (or such other number of days as may from time to time be determined by the Manager with the consent of the Trustee and the Supervisory Committee, and in particular, where the Record Date is a business day, subject to the consent of the Trustee and the Supervisory Committee, the Manager will determine the relevant Ex-Dividend Date to fall one business day prior to such Record Date);

“Exchange Fund” means the Exchange Fund of the HKSAR Government established pursuant to the Exchange Fund Ordinance;

“Exchange Fund Ordinance” means the Exchange Fund Ordinance (Cap 66) of the laws of Hong Kong;

“Extreme Conditions” means the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major

landslides, large-scale power outage or any other adverse conditions before typhoon signal number 8 or above is replaced with typhoon signal number 3 or below;

“FATCA” means Foreign Account Tax Compliance Act under Sections 1471 through 1474 of the U.S. Internal Revenue Code;

“Financial Secretary” means the Financial Secretary of the HKSAR as controller of the Exchange Fund;

“Former Index Share” means a share which was formerly, but has ceased to be, an Index Share;

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

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

“Futures Exchange” means the Hong Kong Futures Exchange Limited or any successor thereto;

“Future Index Share” means a share listed or to be listed on the Stock Exchange and which HSIL has announced will be included in the Hang Seng Index or which the Manager and the Trustee reasonably believe will be included in the Hang Seng Index within 30 days;

“Hang Seng Index” means the index commonly known in Hong Kong and internationally under the name or style “Hang Seng Index”, which (a) is computed by HSIL according to a formula, and (b) is a registered trade mark in the name of HSDS and can be used only with the prior consent of HSDS. If on any business day the Hang Seng Index is (i) not being compiled and published by HSDS or HSIL but is compiled and published by a successor sponsor to HSIL, acceptable to the Manager, the Trustee and the Supervisory Committee or (ii) replaced by a successor index using, in the opinion of the Manager, the Trustee and the Supervisory Committee, the same or substantially similar formula for the method of calculation as used in the calculation of the Hang Seng Index then the “Hang Seng Index” will be deemed to be the index compiled and published by that successor sponsor or that successor index, as the case may be;

“HKSCC” means Hong Kong Securities Clearing Company Limited;

“HKSCC Nominees” means HKSCC Nominees Limited;

“HKSAR” or “Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“HKSAR Government” means the government of the HKSAR;

“Hong Kong dollar”, “HKD” or “HK\$” means the lawful currency for the time being and from time to time of Hong Kong;

“HSDS” means Hang Seng Data Services Limited;

“HSI Licence Agreement” means the licence agreement dated 23 October 1999 between HSIL, HSDS, the Trustee and SSGAAL (as the then existing manager of TraHK) as supplemented, amended and/or novated from time to time (include as novated from SSGAAL to the Manager) relating to the Hang Seng Index;

“HSIL” means Hang Seng Indexes Company Limited;

“H-shares” means the ordinary shares issued in Hong Kong by a joint-stock limited company incorporated in the PRC with limited liability in accordance with PRC laws which are subscribed for and traded in Hong Kong dollars and are listed and traded on the Stock Exchange;

“H-share constituent” means an H-share company selected as a constituent company in the Hang Seng Index;

“Index Basket” means a portfolio of current Index Shares as determined by the Manager substantially similar in composition and weighting to the Hang Seng Index, provided that such portfolio shall comprise only whole numbers of shares and no fractions or, if the Manager determines, shall comprise only round lots and not any odd lots;

“Index Basket Application” means an application for Units in exchange for Index Shares comprising an Index Basket plus or minus a cash payment;

“Index Shares” means the shares listed on the Stock Exchange of those companies which are for the time being the constituent companies of the Hang Seng Index;

“Investment Objective” means TraHK’s investment objective to provide investment results that closely correspond to the performance of the Hang Seng Index;

“Issue Price” means the price per Unit at which Units are from time to time issued;

“Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange;

“Mainland” or “PRC” means the mainland of the People’s Republic of China, and shall not unless otherwise stated include Hong Kong, Macau or Taiwan;

“Manager” means Hang Seng Investment Management Limited;

“Net Asset Value of TraHK” or “TraHK’s Net Asset Value” means all of TraHK’s assets (including the Index Shares held by it) less its liabilities;

“Net Asset Value per Unit” means the Net Asset Value of TraHK in Hong Kong dollars divided by the number of Units outstanding;

“Nominal Closing Price” means the closing price quoted by the Stock Exchange of shares listed on the Stock Exchange, which is used to determine the Net Asset Value of TraHK;

“Option” means any option in respect of any Futures Contract or any option or warrant in respect of any Index Share or Future Index Share;

“Participation Agreement” means (i) an agreement entered into between the Trustee, the Manager, HKSCC, HK Conversion Agency Services Limited and a Participating Dealer setting out, inter alia, the arrangements in respect of the issue of Units for cash and/or for Index Shares and the related cash payment and the redemption and cancellation of Units for Index Shares and the related cash payment; and (ii) where the context requires, an agreement entered into between, amongst others, the Trustee, the Manager, a Participating Dealer and an agent of a Participating Dealer (who by itself shall be a participant in CCASS and to whose account any Units are for the time being credited by HKSCC), setting out, inter alia, the arrangement in respect of the creation, issue, redemption and cancellation of Units when the mentioned agent is involved;

“Participating Dealer” means any broker or dealer (who itself or its agent is a participant in CCASS and to whose or whose agent’s account any Units are for the time being credited by HKSCC) and who has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee. References to a Participating Dealer shall also include, where the context requires, any agent of the Participating Dealer provided that such agent is a participant in CCASS and to whose account any Units are for the time being credited by HKSCC;



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

“Promoter” means EFIL (or such other person for the time being duly appointed as promoter in succession to EFIL);

“Record Date” means the date or dates, determined by the Manager (with the approval of the Trustee and the Supervisory Committee) as the date or dates for the purpose of determining the Unitholders of record entitled to receive any distributions of income;

“Redemption Unit” means a multiple of 1,000,000 (one million) Units;

“Redemption Value” means the value per Unit at which Units are from time to time redeemed;

“Registrar” means Computershare Hong Kong Investor Services Limited (formerly known as “Central Registration Hong Kong Limited”);

“Registrar Agreement” means the registrar agreement dated 23 October 1999 between the Registrar, the Trustee and SSGAAL (as the then existing manager of TraHK) as supplemented, amended and/or novated from time to time (include as novated from SSGAAL to the Manager);

“REITs” means real estate investment trusts;

“RMB” means Renminbi, the lawful currency of the PRC;

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

“SFC” means the Securities and Futures Commission of Hong Kong;

“SFC Code” means the SFC Code on Unit Trusts and Mutual Funds, as amended or supplemented from time to time;

“SSGA” means State Street Global Advisors, the investment division of State Street Corporation;

“SSGAAL” means State Street Global Advisors Asia Limited;

“State Street” means State Street Corporation and its subsidiaries;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited or any successor thereto;

“Supervisory Committee” means the supervisory committee appointed pursuant to the Trust Deed;

“Takeover Codes” means the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong;

“TraHK” means Tracker Fund of Hong Kong;

“TraHK website” means *www.TraHK.com.hk*;

“Transaction Fee” means the fee which shall be charged to each Participating Dealer in respect of the total aggregate creation and redemption applications per day;

“Trust Deed” means the deed of trust constituting TraHK, made between the Trustee, SSGAAL and the Promoter and dated 23 October 1999, as amended and restated by way of the second amended and restated deed made between the Manager and the Trustee dated 19 September 2022 and as further supplemented, amended and/or restated from time to time;

“Trustee” means State Street Bank and Trust Company;

“Trustee Ordinance” means the Trustee Ordinance (Cap 29) of the laws of Hong Kong;

“Unit” means a unit of TraHK;

“Unitholder” means a person registered as holding any Units;

“United Kingdom” means the United Kingdom of Great Britain and Northern Ireland;

“United States” or “US” means the United States as defined in Rule 902 of Regulation S under the US Securities Act;

“US\$” means a United States dollar, the lawful currency of the United States;

“US Investment Company Act” means United States Investment Company Act of 1940, as amended;

“US Person” shall mean (A) any United States citizen, lawful permanent resident, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States, (B) a person who falls within the definition of “US Person” in Rule 902 of Regulation S under the US Securities Act, (C) a "Benefit Plan Investor" defined as: (i) an employee benefit plan (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA")) subject to Title I of ERISA; (ii) a plan (as defined in Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended ("IRC")) subject to Section 4975 of the U.S. IRC; or (iii) an entity whose underlying assets include, or are deemed to include under the U.S. Department of Labor regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise for purposes of Title I of ERISA or Section 4975 of the IRC, "plan assets" generally because of the plan's (described in (i) or (ii)) investment in the entity, (D) a "United States person" as defined in any applicable Executive Orders that may be issued from time to time by the US executive branch of government, which at the date hereof include Executive Order 13959, as amended by Executive Order 14032, and/or (E) any person with US status as determined by the Manager and/or the Trustee in light of applicable laws, rules and regulations. For the purposes of this definition the term “entity” means a partnership, association, trust, joint venture, corporation, group, subgroup, or other organization;

“US Securities Act” means United States Securities Act of 1933, as amended; and

“Valuation Point” means the official close of trading on the Stock Exchange on each Dealing Day (or such other time or times as from time to time determined by the Manager and the Trustee provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of creation and redemption of Units).

In this prospectus:

- references to time shall be references to local time in Hong Kong;
- references to any agreement shall be deemed to be references to that agreement as from time to time amended or supplemented;
- references to any statute or statutory instrument shall be deemed to be references to that statute or statutory instrument as from time to time amended, re-enacted, superseded or replaced; and
- the rate of exchange used to translate United States dollars to Hong Kong dollars is US\$1 = HK\$7.78.

## APPENDIX II – THE HANG SENG INDEX

The information presented in this Appendix has been extracted from publicly available documents that have not been prepared or independently verified by the Manager, the Trustee, the Promoter, the Supervisory Committee or any of their respective affiliates or advisers in connection with the offering of Units and none of them makes any representation as to or takes any responsibility for the accuracy or completeness of this Appendix.

### *The Hang Seng Index*

The Hang Seng family of indices is compiled and published by HSIL, which is a wholly-owned subsidiary of Hang Seng Bank. The members of the index family include the Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng Composite Index Series and Hang Seng Stock Connect China AH Index Series, etc.

The Hang Seng Index is composed of constituent companies which are intended to be representative of all companies listed on the Stock Exchange, and the shares of which generally have high market value and liquidity. By virtue of its representative composition and by tracing the day-to-day price movements of the shares of the constituent companies, the Hang Seng Index reflects the performance of the Hong Kong stock market as a whole, i.e., the combined experience of all investors in shares listed on the Stock Exchange. The Hang Seng Index is a benchmark against which investors and portfolio managers may measure their own performance over a period of time.

The Hang Seng Index has been designed such that it reproduces the performance of a hypothetical portfolio made up of the shares of the constituent companies with an interest in each constituent company which is always proportionate to such constituent company's market capitalisation adjusted to take into account the freefloat of the relevant shares.

### **Compilation Methodology**

The Hang Seng Index is a freefloat-adjusted market capitalization weighted index with a specified cap-level of 8% on all individual constituents including weighted voting rights (WVR), secondary-listed constituents and other constituents.

Details are as follows:

- (a) Freefloat adjustment: A Freefloat – Adjusted Factor ("FAF") (as defined in Appendix III – "Definition of Freefloat – Adjusted Factor") is assigned to each constituent in index calculation.
- (b) Re-capping frequency: A re-capping exercise will normally be conducted at quarterly intervals to coincide with the regular update of the FAF.

The Hang Seng Index is updated on a 2-second basis during the trading hours of the Stock Exchange.

The closing level of the Hang Seng Index is based on the closing aggregate freefloat-adjusted market capitalisation of the shares of the constituent companies.

The Hang Seng Index is disseminated in real-time by various information vendors while the closing index value and constituent weightings are reported in the Daily Index Bulletin and the monthly Factsheet, both of which are published by HSIL on its website.

## Selection Criteria

The universe of securities ("Universe") of the Hang Seng Index constituents refer to the Hang Seng Composite LargeCap & MidCap Index constituents as of the related index review data cut-off date and excludes Foreign Companies, Stapled Securities and Biotech Companies with stock names end with marker "B".

Constituent stocks of the Hang Seng Index are selected by a process of detailed analysis. To be eligible for selection, a company:

1. must be a Hang Seng Composite LargeCap & MidCap Index constituent;
2. must be defined as a Greater China Company by HSIL;
3. must pass the Velocity Test for Tradable Indexes (minimum velocity of 0.1% on monthly basis, details please refer to the Index Methodology General Guide); and
4. must have a listing history of at least 3 months on the Stock Exchange (counting up to the index review meeting date).

Eligible candidates will be assigned to one of the below Industry Groups according to their industry classification of the Hang Seng Industry Classification System ("HSICS"):

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

The combination of the Industry Groups will be reviewed at least every two years.

The number of constituents in each Industry Group will be decided by the below principles:

1. Target to cover at least 50%, in terms of market capitalisation, for each Industry Group;
2. Characteristics of the Industry Group which include the distribution of the listed companies in terms of their size and number; and
3. The Industry Group weighting in the index compared to the market.

The index will also maintain 20 to 25 constituents that are classified as Hong Kong Securities<sup>1</sup> and this number will be reviewed at least every two years.

In general, eligible securities will be evaluated within each Industry Group according to the following considerations.

1. representativeness;
2. market capitalisation;
3. turnover; and
4. financial performance.

Cross-Industry Group constituent changes might take place to restore sectoral balance.

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

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

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

The list of constituent stocks which comprise the Hang Seng Index is reviewed by HSIL on a quarterly basis.

### **Number of Constituents**

The list of constituents in the Hang Seng Index and their respective weightings, the last closing index level, the latest index information and other important news may be obtained from HSIL's website [www.hsi.com.hk](http://www.hsi.com.hk).

### **Use of mark and name “Hang Seng Index”**

The Hang Seng Index is published and compiled by HSIL pursuant to a licence from HSDS. The mark and name "Hang Seng Index" is proprietary to HSDS. HSIL and HSDS have agreed to the use of, and reference to, the Hang Seng Index by the Manager and the Trustee and their respective duly appointed agents in connection with TraHK, but neither HSIL nor HSDS warrants or represents or guarantees to any broker or investor in TraHK or any other person dealing with TraHK or any other person (i) the accuracy or completeness of the Hang Seng Index and its computation or any information related thereto; or (ii) the fitness or suitability for any purpose of the Hang Seng Index or any component or data comprised in it; or (iii) the results which may be obtained by any person from the use of the Hang Seng Index or any component or data comprised in it for any purpose, and no warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Index is given or may be implied. The process and basis of computation and compilation of the Hang Seng Index and any of the related formulae or formulae, constituent companies and factors may at any time be changed or altered by HSIL without notice. To the extent permitted by applicable law, no responsibility or liability is accepted by HSIL or

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<sup>1</sup> A Hong Kong Security is defined as a Hong Kong-listed security with at least 50% of sales revenue derived outside mainland China. Profit, assets and/or headquarters location will also be taken into consideration where these better reflect the company's business.

HSDS (i) in respect of the use of and/or reference to the Hang Seng Index by any of the Manager or the Trustee and their respective duly appointed agents in connection with TraHK; or (ii) for any inaccuracies, omissions, mistakes or errors of HSIL in the computation of the Hang Seng Index; or (iii) for any inaccuracies, omissions, mistakes, errors or incompleteness of any information used in connection with the computation of the Hang Seng Index which is supplied by any other person; or (iv) for any economic or other loss which may be directly or indirectly sustained by any broker or investor in TraHK or any other person dealing with TraHK as a result of any of the aforesaid, and no claims, actions or legal proceedings may be brought against HSIL and/or HSDS in connection with TraHK in any manner whatsoever by any broker or investor in TraHK or any other person dealing with TraHK. Any broker, investor in TraHK or other person dealing with TraHK does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on HSIL and HSDS. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, investor in TraHK or other person and HSIL and/or HSDS and must not be construed to have created such relationship.

### **APPENDIX III – DEFINITION OF FREEFLOAT-ADJUSTED FACTOR**

A Freefloat-Adjusted Factor ("FAF") is devised to represent the proportion of shares that is freefloated as a percentage of the issued shares after excluding the following five groups of shareholdings:

- (a) Strategic holdings – Substantial shares held by governments and affiliated entities or any other entities which individually control more than 5% of the shareholdings, unless otherwise proven;
- (b) Directors' and management holdings – Shares held by directors, members of the board committee, principal officers or founding members who individually control more than 5% of the shareholdings;
- (c) Corporate cross-holdings – Shares held by publicly traded companies or private firms/institutions which individually control more than 5% of the shareholdings;
- (d) Lock-up shares – Shares held by shareholders who individually represent more than 5% of the shareholdings in the company and with a publicly disclosed lock-up arrangement; and
- (e) WVR shares – Shares carrying multiple voting rights.

However, shares held by custodians, trustees, mutual funds and investment companies are considered as freefloat shares even if the shareholding is more than 5% individually.

#### Secondary-listed Greater China Companies

Total issued shares will be based solely on the Hong Kong-registered portion of the company's shares ("HK Shares"). On top of the non-freefloat share classes described above, any of the HK Shares held by a depositary or its custodian as underlying for overseas depositary receipts will also be considered as non-freefloat shares and deducted from the HK Shares for FAF calculation.

The FAF is rounded up to the nearest 1% for FAFs below 10% and otherwise to the nearest 5% for index calculation.

Please also refer to the Index Operations Guide available at <https://www.hsi.com.hk/eng>

## **PARTIES INVOLVED IN THE OFFERING**

### **Manager**

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

### **Directors of the Manager**

Ka Wai Kathy Cheung  
Wai Man Vivien Chiu  
Pui Shan Lee  
Wah Lun Rannie Lee  
Say Pin Saw  
Wing Fai Wilfred Sit  
Hing Keung Tsang  
Stuart Kingsley White

### **Trustee and Custodian**

State Street Bank and Trust Company  
68/F., Two International Finance Centre  
8 Finance Street, Central,  
Hong Kong

### **Promoter**

Exchange Fund Investment Limited  
87/F., Two International Finance Centre 8  
Finance Street, Central,  
Hong Kong

### **Registrar**

Computershare Hong Kong Investor Services  
Limited  
Shops 1712-1716  
17/F Hopewell Centre  
183 Queen's Road East  
Central, Hong Kong

### **Conversion Agent**

HK Conversion Agency Services Limited  
8/F, Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

### **Legal Adviser to the Manager**

Clifford Chance  
27<sup>th</sup> Floor, Jardine  
House One Connaught  
Place  
Hong Kong

### **Auditors**

PricewaterhouseCoopers  
22<sup>nd</sup> Floor Prince's Building  
Central  
Hong Kong



**TraHK**  
Tracker Fund of Hong Kong