IMPORTANT: Investments involve risks, including the loss of principal. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the iShares China Government Bond ETF (the "CGB ETF") or iShares Short Duration China Policy Bank Bond ETF (the "Policy Bank Bond ETF"). An investment in the CGB ETF or the Policy Bank Bond ETF may not be suitable for everyone. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent financial advice.

PROSPECTUS

iShares by BLACKROCK

iShares China Government Bond ETF (HKD Counter Stock Code: 02829)
(RMB Counter Stock Code: 82829) (USD Counter Stock Code: 09829)
iShares Short Duration China Policy Bank Bond ETF (HKD Counter Stock Code: 03125)
(RMB Counter Stock Code: 83125) (USD Counter Stock Code: 09125)

iShares Asia Trust

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

Listing Agent and Manager
BlackRock Asset Management North Asia Limited
貝萊德資產管理北亞有限公司

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The iShares Asia Trust, the CGB ETF and the Policy Bank Bond ETF have been authorised as collective investment schemes by the Hong Kong Securities and Futures Commission. Authorisation by the Securities and Futures Commission is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

23 September 2024

IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of Units in the iShares China Government Bond ETF (the "CGB ETF") and the iShares Short Duration China Policy Bank Bond ETF (the "Policy Bank Bond ETF"), sub-funds of the iShares Asia Trust (the "Trust"), an umbrella unit trust established under Hong Kong law by a trust deed dated 16 November 2001 between Barclays Global Investors North Asia Limited (now known as BlackRock Asset Management North Asia Limited) (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee") as amended from time to time.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and for the accuracy and fairness of the opinions expressed (at the date of its publication), and confirm that this Prospectus includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") and the Code on Unit Trusts and Mutual Funds (the "Code") and the Overarching Principles of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Investment Products for the purposes of giving information with regard to the Units of the CGB ETF and the Policy Bank Bond ETF and that having made all reasonable enquiries, the Manager confirms that, to the best of its knowledge and belief that the information contained in this Prospectus is true, accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this Prospectus misleading, whether of fact or opinion; any inferences that might reasonably be drawn from any statement in the Prospectus are true and are not misleading; and all opinions and intents expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable. The Trustee is not responsible for the preparation of this Prospectus and shall not be held liable to any person for any information disclosed in this Prospectus, except for the information regarding the Trustee itself under "Trustee and Registrar".

The CGB ETF and the Policy Bank Bond ETF are funds falling within Chapter 8.6 of the Code. The Trust, the CGB ETF and the Policy Bank Bond ETF are authorised by the Securities and Futures Commission (the "SFC") in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance. The SFC takes no responsibility for the financial soundness of the CGB ETF and the Policy Bank Bond ETF, or for the correctness of any statements made or opinions expressed in this Prospectus. Authorisation by the SFC is not a recommendation or endorsement of the Trust, the CGB ETF or the Policy Bank Bond ETF nor does it guarantee the commercial merits of the CGB ETF or the Policy Bank Bond ETF or their performance. It does not mean the CGB ETF or the Policy Bank Bond ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Applicants for Units shall undertake to the Manager and the Trustee that, to the best of their knowledge, the monies used to invest in Units in the CGB ETF or the Policy Bank Bond ETF are not sourced from mainland China.

Applicants for Units should consult their financial adviser, tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable them to acquire Units as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in the CGB ETF or the Policy Bank Bond ETF is appropriate for them.

Dealings in the Units in the CGB ETF and the Policy Bank Bond ETF on the SEHK commenced on 21 October 2021. Units in the CGB ETF and the Policy Bank Bond ETF have been accepted as eligible securities by the Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearing and settlement in the Central Clearing and Settlement System ("CCASS") with effect from 21 October 2021.

Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Further applications may be made to list units in additional Index Funds constituted under the Trust in future on the SEHK.

No action has been taken to permit an offering of Units of the CGB ETF or the Policy Bank Bond ETF or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, the Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Furthermore, distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest annual financial report of the CGB ETF and the Policy Bank Bond ETF (where existing) and, if later, its most recent interim financial report, which form a part of this Prospectus.

In particular:

(a) Units in the CGB ETF and the Policy Bank Bond ETF have not been registered under the United States Securities Act of 1933 (as amended) and except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of such Act);

(b) The CGB ETF and the Policy Bank Bond ETF have not been and will not be registered under the United States Investment Company Act of 1940, as amended. Accordingly, Units may not, except pursuant to an exemption from, or in a transaction not subject to, the regulatory requirements of the US Investment Company Act of 1940 be acquired by a person who is deemed to be a US Person under the 1940 Act and regulations;

(c) Units may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An ERISA Plan is defined as (i) any retirement plan subject to Title I of the United States Employee Retirement Income Securities Act of 1974, as amended; or, (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended; and

(d) Units may not be acquired by any person or investor which may be prohibited to invest in the relevant Index Fund by its relevant regulator, government or other statutory authority.

Where the Manager becomes aware that the Units are directly or indirectly beneficially owned by any person in breach of the above restrictions, the Manager may give notice to such person requiring him to transfer such Units to a person who would not thereby be in contravention of such restrictions or to request in writing the redemption of such Units in accordance with the trust deed.

Investors should note that any amendment, addendum or replacement to this Prospectus will only be posted on the Manager's website (www.blackrock.com/hk). Investors should refer to "Information Available on the Internet" for more details.

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DIRECTORY

MANAGER

BLACKROCK ASSET MANAGEMENT
NORTH ASIA LIMITED
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JAMES RABY
HIROYUKI SHIMIZU
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TRUSTEE, REGISTRAR AND CUSTODIAN

HSBC INSTITUTIONAL TRUST
SERVICES (ASIA) LIMITED
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HONG KONG

SERVICE AGENT

HK CONVERSION AGENCY SERVICES
LIMITED
8/F, TWO EXCHANGE SQUARE
8 CONNAUGHT PLACE
CENTRAL
HONG KONG

AUDITORS

PRICEWATERHOUSECOOPERS
22ND FLOOR
PRINCE'S BUILDING
CENTRAL
HONG KONG

LISTING AGENT

BLACKROCK ASSET MANAGEMENT
NORTH ASIA LIMITED
16/F CHAMPION TOWER
3 GARDEN ROAD
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HONG KONG

LEGAL ADVISER TO THE MANAGER

SIMMONS & SIMMONS
30TH FLOOR, ONE TAIKOO PLACE
979 KING'S ROAD
HONG KONG

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INTRODUCTION

The information contained in this Prospectus has been prepared to assist potential investors in making an informed decision in relation to investing in the iShares China Government Bond ETF and/or the iShares Short Duration China Policy Bank Bond ETF. It contains important facts about the Trust as a whole, the iShares China Government Bond ETF and the iShares Short Duration China Policy Bank Bond ETF offered in accordance with this Prospectus.

The Trust and the Index Funds

The Trust is an umbrella unit trust created by a trust deed (the "Trust Deed") dated 16 November 2001, as amended, made under Hong Kong law between Barclays Global Investors North Asia Limited (now known as BlackRock Asset Management North Asia Limited) (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"). The Trust may issue different classes of units and the Trustee shall establish a separate pool of assets within the Trust (each such separate pool of assets an "Index Fund") for each class of units. The assets of an Index Fund will be invested and administered separately from the other assets of the Trust. The Manager reserves the right to establish other Index Funds and to issue further classes of Units in the future.

This Prospectus relates to the following Index Funds, each of which is an exchange traded fund (or "ETF") authorised by the SFC:

1. iShares China Government Bond ETF (the "CGB ETF"); and

2. iShares Short Duration China Policy Bank Bond ETF (the "Policy Bank Bond ETF").

ETFs are funds that are designed to track an index. The Units of the Index Funds to which this Prospectus relates are listed on the SEHK and trade like any other equity security listed on the SEHK. Only Participating Dealers may create or redeem Units directly from the Index Funds at Net Asset Value who are under no obligation to accept instructions to create or redeem Units on behalf of retail investors. All other investors may only purchase and sell Units in the Index Funds on the SEHK.

PRICES FOR EACH INDEX FUND ON THE SEHK ARE BASED ON SECONDARY MARKET TRADING FACTORS AND MAY DEVIATE SIGNIFICANTLY FROM THE NET ASSET VALUE OF THE INDEX FUND.

Investment Objective

The investment objective of each Index Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index.

An index is a group of Securities which an Index Provider selects as representative of a market, market segment or specific industry sector. The Index Provider is independent of the Manager (and its connected persons) and determines the relative weightings of the Securities in the index and publishes information regarding the market value of the index.

There can be no assurance that an Index Fund will achieve its investment objective.

The Underlying Index of an Index Fund may be changed by prior approval of the SFC and notice to Unitholders in accordance with the provisions of the Trust Deed.

Investment Strategy

The Manager uses a passive or indexing approach to try to achieve each Index Fund's investment objective. The investment objective of an Index Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index.

The Manager does not try to beat or perform better than the Underlying Index.

Each Index Fund aims to invest at least 90% of its assets in achieving the investment objective. An Index Fund will invest, either directly or indirectly, in Securities included in the Underlying Index. An Index Fund may also invest in other investments including futures contracts, index futures contracts, options on futures contracts and options related to the Underlying Index, local currency and forward currency exchange contracts, swaps and cash and cash equivalents for both non-hedging purposes and hedging purposes, which the Manager believes will help the Index Fund achieve its investment objective. An Index Fund may invest in FDIs for non-hedging purposes subject to the limit that the Index Fund's net derivative exposure does not exceed 50% of the Index Fund's total Net Asset Value. The investment strategy of each Index Fund is subject to the investment and borrowing restrictions set out in Schedule 1.

In managing an Index Fund, the Manager may use either a representative sampling investment strategy or a full replication investment strategy as described below.

Potential investors should note that the Manager may swap between the two strategies, without prior notice to Unitholders, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Index Fund.

Investment and Borrowing Restrictions

Each Index Fund must comply with the investment and borrowing restrictions applicable to the Index Fund and summarised in Schedule 1 of this Prospectus (which includes a summary of the investment restrictions set out in the Trust Deed). In particular, not more than 30% of the Net Asset Value of each Index Fund may be invested in Government and other Public Securities of the same issue; and each Index Fund may invest all of its assets in Government and other Public Securities in at least 6 different issues.

Representative Sampling Investment Strategy

"Representative sampling" is an indexing strategy that involves investing, directly or indirectly, in a representative sample of the Securities included in the relevant Underlying Index that collectively has an investment profile that reflects the profile of the relevant Underlying Index. An Index Fund adopting a representative sampling investment strategy may or may not hold all of the Securities that are included in the relevant Underlying Index, and may hold Securities which are not included in the Underlying Index, provided that the sample closely reflects the overall characteristics of the Underlying Index.

For each Index Fund, the Manager intends to adopt a representative sampling investment strategy by investing in a portfolio of Securities featuring high correlation with the Underlying Index, such that as far as possible and practicable the portfolio will consist of the component Securities of the Underlying Index. An Index Fund may from time to time hold Securities that are not included in the Underlying Index, when the Manager believes that it will help the Index Fund achieve its investment objective.

Full Replication Investment Strategy

Full “replication” is an indexing strategy that involves investing in substantially all of the Securities in the Underlying Index, either directly or indirectly, in substantially the same proportions as those Securities have in the Underlying Index.

Correlation

An index is a theoretical financial calculation based on the performance of particular components that make up the index, whereas an Index Fund is an actual investment portfolio. The performance of an Index Fund and its Underlying Index may be different due to transaction costs, asset valuations, timing variances and differences between an Index Fund’s portfolio and the Underlying Index. These differences may result for example from legal restrictions affecting the ability of the Index Fund to purchase or dispose of Securities or the employment of a representative sampling investment strategy.

The use of a representative sampling investment strategy can be expected to result in greater tracking error than a full replication investment strategy. The consequences of “tracking error” are described in more detail in “Risk Factors”.

The Chinese onshore bond market

The PRC bond market consists of three markets: (i) the interbank bond market regulated by the PBOC and functions as a wholesale market for institutional investors; (ii) the exchange bond market regulated by the CSRC and targets both institutional investors and individual investors; and (iii) the bank over-the-counter market regulated by the PBOC and targets non-financial institutions and individual investors. However, the current size and trading volume of the bank over-the-counter market is much smaller than the interbank bond market and the exchange bond market.

The interbank bond market has a dominant market position, and has a diversified investor base of which most have direct access to the centralised trading system, which covers all types of financial institutions such as commercial banks, securities firms, fund houses, insurance companies and various kinds of investment products like mutual funds and pension funds. The remaining which include small financial institutions, non-financial enterprises and foreign entities as well, gain access to the market through settlement agencies.

The major types of bonds available in the PRC inter-bank bond market can be grouped into 6 broad categories: (i) central bank bills issued by the PBOC; (ii) CGBs issued by the MOF; (iii) policy bank bonds issued by policy banks, including China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China; (iv) financial bonds, including commercial bank bonds and non-bank financial institution bonds; (v) non-financial credit bonds issued by non-financial institution corporates, including enterprise bonds, commercial papers (“CP”), medium-term notes (“MTN”) and corporate bonds; (vi) other types of bonds or instruments such as local government bonds issued by provincial or city governments, foreign bonds issued by foreign entities, asset-backed securities and mortgage-backed securities, etc.

The PRC central government (through the MOF) issues the CGBs, so called “Treasury Bonds” in the PRC bonds markets. It is generally considered by market participants that Treasury Bonds have a solid financial foundation and therefore they have received the widest market acceptance. The outstanding amount of Treasury Bonds in the interbank bond market is over RMB14,000 billion, comprising approximate 25% of the whole market. It offers the most diverse tenors and exhibits high level of liquidity in secondary market amongst all types of bonds.

Policy bank bonds are issued by policy banks (including China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China) which are state-owned entities dedicated to funding and lending for specific economic or societal objectives.

Investment in the PRC inter-bank bond market via Northbound Trading Link under Bond Connect

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and mainland China ("Bond Connect") established by China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS"), CCDCC, SHCH, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

Bond Connect is governed by rules and regulations as promulgated by the PRC authorities. Such rules and regulations may be amended from time to time and include (but are not limited to):

- the "Interim Measures for the Administration of Mutual Bond Market Access between mainland China and Hong Kong (Decree No.1 [2017])" (內地與香港債券市場互聯互通合作管理暫行辦法(中國人民銀行令[2017]第 1 號)) issued by the PBOC on 21 June 2017;

- the "Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect" (中國人民銀行上海總部"債券通"北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and

- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in China, eligible foreign investors will be allowed to invest in the bonds circulated in the PRC inter-bank bond market through the northbound trading of Bond Connect ("Northbound Trading Link"). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the CSDCC and SHCH). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

Investment in the PRC inter-bank bond market via Foreign Access Regime

Pursuant to the "Announcement (2016) No 3" issued by the PBOC (中國人民銀行公告 [2016]第 3 號) on 24 February 2016, foreign institutional investors can invest in the PRC inter-bank bond market ("Foreign Access Regime") subject to other rules and regulations as promulgated by the Mainland Chinese authorities, i.e., PBOC and the SAFE. Such rules and regulations may be amended from time to time and include (but are not limited to):

- the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;

- the “Circular concerning the Foreign Institutional Investors’ Investment in Interbank bond market in relation to foreign currency control” (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016; and

- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in China, foreign institutional investors who wish to invest directly in the PRC inter-bank bond market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance, foreign investors (such as the CGB ETF or the Policy Bank Bond ETF) may remit investment principal in RMB or foreign currency into China for investing in the PRC inter-bank bond market. For repatriation, where the Index Fund repatriates funds out of Mainland China, the ratio of RMB to foreign currency (“Currency Ratio”) should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

Leverage

The net derivative exposure of each Index Fund may be up to 50% of its respective Net Asset Value.

Cross-trades

Cross-trades between an Index Fund and other funds managed by the Manager or its affiliates may be undertaken where the Manager considers that, as part of its portfolio management, such cross-trades would be in the best interests of the Unitholders to achieve the investment objective and policy of the Index Fund. By conducting cross-trades, the Manager may achieve trading efficiencies and savings for the benefit of the Unitholders.

In conducting transactions, the Manager will ensure that the trades are executed on arm’s length terms at current market value and the reason for such trades shall be documented prior to execution, in accordance with the SFC’s Fund Manager Code of Conduct.

DESCRIPTION OF ISHARES CHINA GOVERNMENT BOND ETF

Key Information

The following table is a summary of key information in respect of the CGB ETF, and should be read in conjunction with the full text of the Prospectus.

Underlying Index	Index: FTSE Chinese Government Bond Index (total return version) Launch Date: 23 March 2011 Number of constituents: 78 stocks (as at 31 March 2024) Total Market Capitalisation: RMB18,891.54 billion (as at 31 March 2024) Base Currency: Renminbi (RMB)
Type of Underlying Index	The Underlying Index is a total return index, meaning that the performance of the index is calculated on the basis that dividends are reinvested. The Underlying Index is denominated in RMB.
Listing Date (SEHK)	21 October 2021
Exchange Listing	SEHK – Main Board
Stock Code	09829 – USD counter 02829 – HKD counter 82829 – RMB counter
Stock Short Names	ISHARESCGB-U – USD counter ISHARESCGB – HKD counter ISHARESCGB-R – RMB counter
ISIN Numbers	HK0000782869 – USD counter HK0000782851 – HKD counter HK0000782877 – RMB counter
Trading Board Lot Size	10 Units (for each counter)
Base Currency	Renminbi (RMB)
Trading Currencies	US dollars (USD) – USD counter Hong Kong dollars (HKD) – HKD counter Renminbi (RMB) – RMB counter
Distribution Policy	Semi-annually, at the Manager's discretion (usually in May/June and November/December each year) (if any). Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. All Units will receive distributions in the Base Currency (RMB) only.*
Application Unit size (only Participating Dealers)	35,000 Units
Creation/Redemption Deadline	2:00 p.m. (Hong Kong time)
Management Fee	0.18% p.a. of Net Asset Value calculated daily
Investment strategy	Representative sampling investment strategy (Refer to the Introduction above and the "Investment Strategy" section below)

Financial year end	31 December
Website	www.blackrock.com/hk

* Unitholders of the CGB ETF should note that all Units will receive distributions in the Base Currency (RMB) only. As such, the Unitholder may have to bear the fees and charges associated with the conversion of such distributions from RMB to HKD, USD or any other currency. Unitholders are advised to check with their brokers for arrangements concerning distributions.

Investment Objective

The investment objective of the CGB ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of its Underlying Index, the FTSE Chinese Government Bond Index. There can be no assurance that the CGB ETF will achieve its investment objective.

Investment Strategy

The CGB ETF primarily adopts a representative sampling investment strategy to achieve its investment objective. A representative sampling investment strategy involves investing in a representative sample of the Securities with high correlation to the Underlying Index (either directly or indirectly) selected by the Manager.

The CGB ETF will invest primarily in China government bonds ("CGBs") issued by the MOF, denominated and settled in RMB and issued and distributed within mainland China, which are included as constituents of the Underlying Index. The CGB ETF may from time to time hold CGBs that are not included in the Underlying Index, as well as other onshore and offshore RMB-denominated bonds and other Securities, when the Manager believes that it will help the CGB ETF achieve its investment objective. Up to 100% of the Net Asset Value will be invested in CGBs. As the Underlying Index comprises of CGBs only, there is no credit rating requirement for inclusion in the Underlying Index. The credit rating of the PRC government as the issuer of CGBs is A+ by Standard & Poor's and A1 by Moody's.

Exposure to CGBs and other onshore Chinese bonds will be gained primarily via investing in the PRC inter-bank bond market through the Bond Connect, for up to 100% of the Net Asset Value. The CGB ETF may also utilise the Foreign Access Regime, and/or other means as may be permitted by the relevant regulations from time to time. Investment via the Foreign Access Regime will be less than 30% of the Net Asset Value.

Not more than 30% of the Net Asset Value may be invested in Government and other Public Securities of the same issue; and the CGB ETF may invest all of its assets in Government and other Public Securities in at least 6 different issues.

The CGB ETF may also invest in other investments including, futures contracts, index futures contracts, options on futures contracts and options related to the Underlying Index, local currency and forward currency exchange contracts, swaps and cash and cash equivalents (including money market instruments) for both non-hedging purposes and hedging purposes, which the Manager believes will help the CGB ETF achieve its investment objective. The CGB ETF may invest in FDIs for non-hedging purposes subject to the limit that the CGB ETF's net derivative exposure does not exceed 50% of Net Asset Value. The CGB ETF may invest in onshore and offshore FDIs. In respect of onshore FDIs, only onshore foreign exchange forward contracts are accessible through Bond Connect and will be used for hedging purposes only as of the date of this document. In addition, the CGB ETF may invest in one or more ETFs for cash management and contingency purposes only and if the Manager

considers that investing in them is in the best interests of the Unitholders taking into account various factors including but not limited to returns to investors, fees, and market conditions. The CGB ETF may invest up to 10% of its Net Asset Value in one or more ETFs, which may be eligible schemes or non-eligible schemes and may or may not be authorised by the SFC, including those which are managed by the Manager, any of the Sub-Managers, their Connected Persons or other third parties. The Manager intends to treat such ETFs as collective investment schemes for the purposes of and subject to the requirements in Chapters 7.11, 7.11A and 7.11B of the Code.

Although the CGB ETF may enter into securities lending transactions to a maximum level of 50% of its Net Asset Value, the Manager does not expect securities lending transactions in respect of the CGB ETF to exceed one-third of the Net Asset Value. The Manager will be able to recall the securities lent out at any time. Please refer to the section “Securities Financing Transactions” in Schedule 1 for the details of the arrangements.

As part of the securities lending transactions, the CGB ETF must receive cash and/or non-cash collateral of at least 100% of the value of the securities lent. The collateral will be marked-to-market on a daily basis and be safekept by the Trustee (or its nominee, agent or delegate, or delegate(s) or agent(s) further appointed by such nominee, agent or delegate). As of the date of this Prospectus, the Trustee has appointed BTC as its delegate, and consents to BTC to further appoint any sub-delegate or agent, for the custody of any collateral received by the CGB ETF in connection with securities lending transactions. Please refer to the sub-section “Trustee and Registrar” under the section “Management of the Trust” and the section “Securities Financing Transactions” in Schedule 1 with respect to the extent of the Trustee’s responsibility for the safekeeping of the assets of the Trust and the appointment of nominees, agents or delegates.

The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by end of day on trading day T+2.

Non-cash collateral received in connection with a securities lending transaction may not be sold, reinvested or pledged by the CGB ETF. Any reinvestment of cash collateral received shall be subject to the requirements as set out in the Code and the section “Collateral” in Schedule 1 below.

Information as required under the Code will be disclosed in the annual and interim financial reports and on the Manager’s website (as the case may be).

To the extent the CGB ETF undertakes securities lending transactions, all revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a securities lending agent and/or other service providers in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the CGB ETF. The costs relating to securities lending transactions will be borne by the securities lending agent or the borrower.

Securities lending transactions nonetheless give rise to certain risks such as counterparty risk, collateral level risk and operational risk. Please refer to paragraph “Securities Lending Transactions Risk” in the section “Risk Factors” for further details.

Save for the foregoing, the CGB ETF currently does not intend to (i) invest in urban investment bonds (城投債), or (ii) engage in any sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. Prior approval will be obtained from the SFC (if required) and one month’s prior notice will be given to Unitholders in the event the Manager intends to engage in such transactions.

The Manager may switch between the representative sampling and the full replication investment strategies without notice to investors and in its absolute discretion. A full replication investment strategy involves investing in substantially all the Securities (either directly or indirectly) in substantially the same weightings as those Securities comprised in the Underlying Index.

Investment and Borrowing Restrictions

The CGB ETF must comply with the investment and borrowing restrictions set out in Schedule 1 of this Prospectus (which includes a summary of the investment restrictions set out in the Trust Deed).

Underlying Index

The Underlying Index is a total return index, meaning that the performance of the index is calculated on the basis that dividends are reinvested. It was launched on 23 March 2011. The base date is 28 February 2009. The Underlying Index is compiled and managed by FTSE International Limited. The Underlying Index is denominated and quoted in RMB. The Manager and its connected persons are independent of the index provider of the Underlying Index.

The Underlying Index is a market capitalisation-weighted index and comprises RMB-denominated fixed-rate government bonds issued in mainland China. The composition of the Underlying Index excludes zero-coupon bonds, saving bonds, special government bonds, bonds with maturity greater than 30 years from issuance, and bonds issued prior to 1 January 2005.

The last closing index level, constituents of the Underlying Index together with their respective weightings and other important news can be accessed on www.ftserussell.com (this website has not been reviewed by the SFC).

The Underlying Index's Bloomberg ticker is CFIICNL.

Index Methodology

The selection universe of the Underlying Index comprises all RMB-denominated fixed-rate government bonds issued in China with maturity of at least one year and minimum issue size (i) for bonds issued before 1 January 2020, RMB100 billion, and (ii) on or after 1 January 2020, RMB35 billion. To improve liquidity, any bonds with maturity greater than 30 years from issuance are excluded from the Underlying Index.

Calculation

The Underlying Index is calculated daily Monday through Friday except Christmas Day and New Year's Day. Each local market will observe its own holiday calendar; if a local market is on holiday, the closing prices used for that day will be the closing prices from the previous day.

Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value over the measurement period. The components of total return for each security are price change, principal payments, coupon payments, accrued interest, and reinvestment income on intra-month cash flows. The total returns are market capitalisation-weighted using the security's beginning-of-period market value.

Total rate of return calculation methodology

Beginning-of-period value	-	(Beginning price + Beginning accrued) x Beginning par amount outstanding

End-of-period value	-	[(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments + Reinvestment income
Total rate of return (%)	-	[(End-of-period value / Beginning-of-period value) – 1] x 100

Reinvestment of cash flow

Cash is reinvested at daily average of the savings deposit rate published by the PBOC, calculated from the actual scheduled payment date of the cash flow through the end of the reporting period.

Settlement date

Monthly settlement is on the last calendar day of the month.

Daily – Same day settlement except if the last business day of the month is not the last calendar day of the month; then settlement is on the last calendar day of the month.

Fixing date

Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. Each year's scheduled fixing dates are published on the website.

Rebalancing

The Underlying Index is rebalanced once a month on the last business day of each month.

Additional Information

Real-time update of the Underlying Index can be obtained through Bloomberg. As for other important news of the Underlying Index will make announcement through press release and at website www.ftserussell.com.

Index Disclaimer

The CGB ETF has been developed solely by the Manager. The CGB ETF is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group").

All rights in the FTSE Chinese Government Bond Index vest in the relevant LSE Group company which owns the Underlying Index. "FTSE®" is a trade mark of the relevant LSE Group company and is used by any other LSE Group company under licence. The Underlying Index is calculated by or on behalf of FTSE Fixed Income, LLC or its affiliate, agent or partner. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Underlying Index or (b) investment in or operation of the CGB ETF. The LSE Group makes no claim, prediction, warranty or representation either as to the results to be obtained from the CGB ETF or the suitability of the Underlying Index for the purpose to which it is being put by the Manager.

Index Licence

The initial term of the licence of the Underlying Index commenced on 1 August 2021 and will continue until terminated by either party with at least 12 months' prior written notice to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

Distribution Policy

Income net of withholding tax (if any) earned by the CGB ETF will, at the discretion of the Manager, be distributed by way of semi-annual cash distribution usually in May/June and November/December (if any) and details of the distribution declaration dates, distribution amounts and ex-distribution payment dates will be published on the iShares website (www.blackrock.com/hk). There can be no assurance that a distribution will be paid. Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

Information relating to the composition of any distributions paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months will be available from the Manager on request. Investors should also refer to "Information Available on the Internet" for more details. Unitholders are encouraged to refer to the information available on the iShares website on a regular basis. All Units in the CGB ETF will receive distributions in the Base Currency (RMB) regardless of whether such Units are traded in Units of a different currency counter.

Further Information

Further information in relation to the CGB ETF (including details of its Net Asset Value) is available at the iShares website (www.blackrock.com/hk). Investors should refer to "Information Available on the Internet" for more details. Unitholders are encouraged to refer to the information available on the iShares website on a regular basis.

DESCRIPTION OF ISHARES SHORT DURATION CHINA POLICY BANK BOND ETF

Key Information

The following table is a summary of key information in respect of the Policy Bank Bond ETF, and should be read in conjunction with the full text of the Prospectus.

Underlying Index	Index: FTSE Chinese Policy Bank Bond 6 Months-3 Years Index (total return version) Launch Date: 26 July 2021 Number of constituents: 78 stocks (as at 31 March 2024) Total Market Capitalisation: RMB 8,319.05 billion (as at 31 March 2024) Base Currency: Renminbi (RMB)
Type of Underlying Index	The Underlying Index is a total return index, meaning that the performance of the Underlying Index is calculated on the basis that dividends are reinvested. The Underlying Index is denominated in RMB.
Listing Date (SEHK)	21 October 2021
Exchange Listing	SEHK – Main Board
Stock Codes	09125 – USD counter 03125 – HKD counter 83125 – RMB counter
Stock Short Names	ISHARESSDCPBB-U – USD counter ISHARESSDCPBB – HKD counter ISHARESSDCPBB-R – RMB counter
ISIN Numbers	HK0000786761 – USD counter HK0000786753 – HKD counter HK0000786779 – RMB counter
Trading Board Lot Size	10 Units (for each counter)
Base Currency	Renminbi (RMB)
Trading Currencies	US dollars (USD) – USD counter Hong Kong dollars (HKD) – HKD counter Renminbi (RMB) – RMB counter
Distribution Policy	Semi-annually, at the Manager's discretion (usually in May/June and November/December each year) (if any). Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. All Units will receive distributions in the Base Currency (RMB) only.*
Application Unit size (only Participating Dealers)	35,000 Units
Creation/Redemption Deadline	2:00 p.m. (Hong Kong time).

Management Fee	0.2% p.a. of Net Asset Value calculated daily
Investment strategy	Representative sampling investment strategy (Refer to the Introduction above and the "Investment Strategy" section below)
Financial year end	31 December
Website	www.blackrock.com/hk

* Unitholders of the Policy Bank Bond ETF should note that all Units will receive distributions in the Base Currency (RMB) only. As such, the Unitholder may have to bear the fees and charges associated with the conversion of such distributions from RMB to HKD, USD or any other currency. Unitholders are advised to check with their brokers for arrangements concerning distributions.

Investment Objective

The investment objective of the Policy Bank Bond ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of its Underlying Index, FTSE Chinese Policy Bank Bond 6 Months-3 Years Index. There can be no assurance that the Policy Bank Bond ETF will achieve its investment objective.

Investment Strategy

The Policy Bank Bond ETF primarily adopts a representative sampling investment strategy to achieve its investment objective. A representative sampling investment strategy involves investing in a representative sample of the Securities with high correlation to the Underlying Index (either directly or indirectly) selected by the Manager.

The Policy Bank Bond ETF will invest primarily in RMB denominated and settled fixed-rate bonds and zero coupon bonds issued by the China Development Bank, the Agricultural Development Bank of China or the Export-Import Bank of China and distributed within the PRC ("Policy Bank Bonds"), with a term of 6 months to 3 years, which are included as constituents of the Underlying Index. The Policy Bank Bond ETF may from time to time hold Policy Bank Bonds that are not included in the Underlying Index, as well as other onshore and offshore RMB-denominated bonds and other Securities, when the Manager believes that it will help the Policy Bank Bond ETF achieve its investment objective. Up to 100% of the Net Asset Value will be invested in Policy Bank Bonds. As the Underlying Index comprises only Policy Bank Bonds, there is no credit rating requirement for inclusion in the Underlying Index. The issuer credit rating of China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China as the issuers of Policy Bank Bonds is A+ by Standard & Poor's and A1 by Moody's.

Exposure to Policy Bank Bonds will be gained primarily via investing in the PRC inter-bank bond market primarily through the Bond Connect, for up to 100% of the Net Asset Value. The Policy Bank Bond ETF may also utilise the Foreign Access Regime, and/or other means as may be permitted by the relevant regulations from time to time. Investment via the Foreign Access Regime will be less than 30% of the Net Asset Value.

Not more than 30% of the Net Asset Value may be invested in Government and other Public Securities of the same issue; and the Policy Bank Bond ETF may invest all of its assets in Government and other Public Securities in at least 6 different issues.

The Policy Bank Bond ETF may also invest in other investments including, futures contracts, index futures contracts, options on futures contracts and options related to the Underlying Index, local currency and forward currency exchange contracts, swaps and cash and cash equivalents (including

money market instruments) for both non-hedging purposes and hedging purposes, which the Manager believes will help the Policy Bank Bond ETF achieve its investment objective. The Policy Bank Bond ETF may invest in FDIs for non-hedging purposes subject to the limit that the Policy Bank Bond ETF's net derivative exposure does not exceed 50% of Net Asset Value. The Policy Bank Bond ETF may invest in onshore and offshore FDIs. In respect of onshore FDIs, only onshore foreign exchange forward contracts are accessible through Bond Connect and will be used for hedging purposes only as of the date of this document. In addition, the Policy Bank Bond ETF may invest in one or more ETFs for cash management and contingency purposes only and if the Manager considers that investing in them is in the best interests of the Unitholders taking into account various factors including but not limited to returns to investors, fees, and market conditions. The Policy Bank Bond ETF may invest up to 10% of its Net Asset Value in one or more ETFs, which may be eligible schemes or non-eligible schemes and may or may not be authorised by the SFC, including those which are managed by the Manager, any of the Sub-Managers, their Connected Persons or other third parties. The Manager intends to treat such ETFs as collective investment schemes for the purposes of and subject to the requirements in Chapters 7.11, 7.11A and 7.11B of the Code.

Although the Policy Bank Bond ETF may enter into securities lending transactions to a maximum level of 50% of its Net Asset Value, the Manager does not expect securities lending transactions in respect of the Policy Bank Bond ETF to exceed one-third of the Net Asset Value. The Manager will be able to recall the securities lent out at any time. Please refer to the section "Securities Financing Transactions" in Schedule 1 for the details of the arrangements.

As part of the securities lending transactions, the Policy Bank Bond ETF must receive cash and/or non-cash collateral of at least 100% of the value of the securities lent. The collateral will be marked-to-market on a daily basis and be safekept by the Trustee (or its nominee, agent or delegate, or delegate(s) or agent(s) further appointed by such nominee, agent or delegate). As of the date of this Prospectus, the Trustee has appointed BTC as its delegate, and consents to BTC to further appoint any sub-delegate or agent, for the custody of any collateral received by the Policy Bank Bond ETF in connection with securities lending transactions. Please refer to the sub-section "Trustee and Registrar" under the section "Management of the Trust" and the section "Securities Financing Transactions" in Schedule 1 with respect to the extent of the Trustee's responsibility for the safekeeping of the assets of the Trust and the appointment of nominees, agents or delegates.

The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by end of day on trading day T+2.

Non-cash collateral received in connection with a securities lending transaction may not be sold, reinvested or pledged by the Policy Bank Bond ETF. Any reinvestment of cash collateral received shall be subject to the requirements as set out in the Code and the section "Collateral" in Schedule 1 below.

Information as required under the Code will be disclosed in the annual and interim financial reports and on the Manager's website (as the case may be).

To the extent the Policy Bank Bond ETF undertakes securities lending transactions, all revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a securities lending agent and/or other service providers in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Policy Bank Bond ETF. The costs relating to securities lending transactions will be borne by the securities lending agent or the borrower.

Securities lending transactions nonetheless give rise to certain risks such as counterparty risk, collateral level risk and operational risk. Please refer to paragraph “Securities Lending Transactions Risk” in the section “Risk Factors” for further details.

Save for the foregoing, the Policy Bank Bond ETF currently does not intend to (i) invest in urban investment bonds (城投債), or (ii) engage in any sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. Prior approval will be obtained from the SFC (if required) and one month’s prior notice will be given to Unitholders in the event the Manager intends to engage in such transactions.

The Manager may switch between the representative sampling and the full replication investment strategies without notice to investors and in its absolute discretion. A full replication investment strategy involves investing in substantially all the Securities (either directly or indirectly) in substantially the same weightings as those Securities comprised in the Underlying Index.

Investment and Borrowing Restrictions

The Policy Bank Bond ETF must comply with the investment and borrowing restrictions set out in Schedule 1 of this Prospectus (which includes a summary of the investment restrictions set out in the Trust Deed).

Underlying Index

The Underlying Index is a total return index, meaning that the performance of the Underlying Index is calculated on the basis that dividends are reinvested. It was launched on 26 July 2021. The base date is 30 April 2014. The Underlying Index is compiled and managed by FTSE International Limited. The Underlying Index is denominated and quoted in RMB. The Manager and its connected persons are independent of the Index Provider of the Underlying Index.

The Underlying Index is a market capitalisation-weighted index and comprises fixed-rate and zero coupon policy bank bonds issued by the China Development Bank, the Agricultural Development Bank of China, and the Export-Import Bank of China in mainland China with a remaining term to final maturity of 6 months to 3 years. The eligible Chinese policy banks are state-owned and their objectives typically include providing social benefit, stimulating the economy, and supporting growing local industries. The composition of the Underlying Index excludes central bank bills, private placements, callable and puttable bonds, and bonds issued prior to 1 January 2005.

The last closing index level, constituents of the Underlying Index together with their respective weightings and other important news can be accessed on www.ftserussell.com (this website has not been reviewed by the SFC).

The Underlying Index’s Bloomberg ticker is CFIICP6C.

Index Methodology

The selection universe of the Underlying Index comprises all RMB-denominated policy bank bonds issued in Mainland China with maturity of 6 Months to 3 years, and minimum issue size of RMB15 billion (for bonds with original maturity greater than 1 year) and RMB5 billion (for bonds with original maturity of less than or equal to 1 year). The Underlying Index includes fixed-rate bonds issued by the policy banks with original maturity greater than 1 year, as well as fixed rate and zero-coupon bonds with original maturity less than or equal to 1 year.

Calculation

The Underlying Index is calculated daily Monday through Friday except Christmas Day and New Year's Day. Each local market will observe its own holiday calendar; if a local market is on holiday, the closing prices used for that day will be the closing prices from the previous day.

Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value over the measurement period. The components of total return for each security are price change, principal payments, coupon payments, accrued interest, and reinvestment income on intra-month cash flows. The total returns are market capitalisation-weighted using the security's beginning-of-period market value.

Total rate of return calculation methodology

Beginning-of-period value	-	(Beginning price + Beginning accrued) x Beginning par amount outstanding
End-of-period value	-	[(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments + Reinvestment income
Total rate of return (%)	-	[(End-of-period value / Beginning-of-period value) – 1] x 100

Reinvestment of cash flow

Cash is reinvested at daily average of the savings deposit rate published by the PBOC, calculated from the actual scheduled payment date of the cash flow through the end of the reporting period.

Settlement date

Monthly settlement is on the last calendar day of the month.

Daily – Same day settlement except if the last business day of the month is not the last calendar day of the month; then settlement is on the last calendar day of the month.

Fixing date

Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. Each year's scheduled fixing dates are published on the website.

Rebalancing

The Underlying Index is rebalanced once a month on the last business day of each month.

Additional Information

Real-time update of the Underlying Index can be obtained through Bloomberg. As for other important news of the Underlying Index will make announcement through press release and at website www.ftserussell.com.

Index Disclaimer

The Policy Bank Bond ETF has been developed solely by the Manager. The Policy Bank Bond ETF is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group").

All rights in the FTSE Chinese Policy Bank Bond 6 Months-3 Years Index vest in the relevant LSE Group company which owns the Underlying Index. “FTSE®” is a trade mark of the relevant LSE Group company and is used by any other LSE Group company under licence. The Underlying Index is calculated by or on behalf of FTSE Fixed Income, LLC or its affiliate, agent or partner. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Underlying Index or (b) investment in or operation of the Policy Bank Bond ETF. The LSE Group makes no claim, prediction, warranty or representation either as to the results to be obtained from the Policy Bank Bond ETF or the suitability of the Underlying Index for the purpose to which it is being put by the Manager.

Index Licence

The initial term of the licence of the Underlying Index commenced on 1 August 2021 and will continue until terminated by either party with at least 12 months’ prior written notice to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

Distribution Policy

Income net of withholding tax (if any) earned by the Policy Bank Bond ETF will, at the discretion of the Manager, be distributed by way of semi-annual cash distribution usually in May/June and November/December (if any) and details of the distribution declaration dates, distribution amounts and ex-distribution payment dates will be published on the iShares website (www.blackrock.com/hk). There can be no assurance that a distribution will be paid. Distributions may be made out of capital or effectively out of capital as well as income at the Manager’s discretion. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC’s prior approval and by giving not less than one month’s prior notice to investors.

Information relating to the composition of any distributions paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months will be available from the Manager on request. Investors should also refer to “Information Available on the Internet” for more details. Unitholders are encouraged to refer to the information available on the iShares website on a regular basis. All Units in the Policy Bank Bond ETF will receive distributions in the Base Currency (RMB) regardless of whether such Units are traded in Units of a different currency counter.

Further Information

Further information in relation to the Policy Bank Bond ETF (including details of its Net Asset Value) is available at the iShares website (www.blackrock.com/hk). Investors should refer to “Information Available on the Internet” for more details. Unitholders are encouraged to refer to the information available on the iShares website on a regular basis.

CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

Investment in an Index Fund

There are two types of investors in an Index Fund, with two corresponding methods of investment in Units and realisation of an investment in Units. The first type of investor is a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of an Index Fund. Only a Participating Dealer can create and redeem Units directly with an Index Fund. A Participating Dealer may create and redeem Units on their own account or for the account of their clients.

The second type of investor is an investor, other than a Participating Dealer, who buys and sells the Units on the SEHK.

This section relates to the first type of investor: Participating Dealers, and should be read in conjunction with the Operating Guidelines and the Trust Deed. The section titled “Exchange Listing and Trading (Secondary Market)” relates to the second type of investor.

Creation by Participating Dealers

Only Participating Dealers may apply for Units directly from an Index Fund. Units in an Index Fund are continuously offered to Participating Dealers who may apply for them on any Dealing Day on their own account or for the account of their clients, in the minimum of one Application Unit size or such number of Units higher than one Application Unit size (but do not need to be in whole multiples thereof) in accordance with Operating Guidelines. The Manager expects that Participating Dealers will generally accept and submit creation requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating Dealers may impose fees and charges in handling any creation request which would increase the cost of investment. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

The Application Unit size for an Index Fund is set out under “Description of iShares China Government Bond ETF” and “Description of iShares Short Duration China Policy Bank Bond ETF”. Creation Applications can be made in a minimum of one Application Unit size or such number of Units higher than one Application Unit size, but do not need to be in whole multiples thereof.

As at the date of this Prospectus, Creation Applications of the Index Funds may be made in cash in the Base Currency. The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in a minimum of one Application Unit size in exchange for a transfer of cash in accordance with the Operating Guidelines and the Trust Deed. In addition to its rights to reject or cancel a Creation Application under the Trust Deed, the Manager reserves the right to reject or cancel a Creation Application if it is unable to invest the cash proceeds of a cash creation.

Notwithstanding a Multi-Counter being adopted, all cash Creation Applications must be made in the Base Currency of an Index Fund.

Subject to the creation method for each Index Fund as described above, the Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in an Index Fund in a minimum of one Application Unit size in accordance with any of (a), (b) or (c) below (or a combination of any or

all of the same) as determined by the Manager in its discretion (note that any payments in cash must be made in the Base Currency):

(a) in exchange for a transfer, by the Participating Dealer, to or for the account of the Trustee of Securities constituting an application basket for the relevant Units, a cash amount equivalent to any Duties and Charges payable plus, if the cash component is a positive value, a cash payment equivalent to the amount of the cash component. If the cash component is a negative value, the Trustee shall be required to make a cash payment equivalent to the amount of the cash component (expressed as a positive figure) to the Participating Dealer. In the event that the Index Fund has insufficient cash required to pay any cash component payable by the Index Fund, the Manager may effect sales of the deposited property of the Index Fund, or may borrow moneys in accordance with the Trust Deed, to provide the cash required;

(b) if permitted by the Manager, in exchange for a cash payment by the Participating Dealer equivalent to the relevant application basket value (which shall be accounted for as deposited property) plus an amount equivalent to any cash component, which the Manager shall use to purchase the Securities comprised in the application basket, provided that the Manager shall be entitled in its discretion to (a) charge (for the account of the Index Fund) to the applicant of any Units for which cash is paid in lieu of delivering any Securities such additional sum as represents the appropriate provision for Duties and Charges and (b) cause to be paid to the Participating Dealer such amount as is determined by the Manager for the purpose of compensating the Participating Dealer up to an amount equal to the positive difference (if any) between the prices used when valuing the Securities of the Index Fund for the purpose of such creation and the purchase prices actually paid or to be paid out of the deposited property in relation to the Index Fund in acquiring such Securities for the Index Fund (after the addition to the relevant purchase prices of any Duties and Charges in respect of such acquisition of Securities); or

(c) in exchange for a cash payment by the Participating Dealer equivalent to the Issue Price of the relevant Units plus such sum as the Manager in its discretion considers appropriate for the Duties and Charges,

provided that the Manager shall have the right to reject or suspend a Creation Application if (i) in the opinion of the Manager, acceptance of any Security in connection with the Creation Application would have certain adverse tax consequences for the Index Fund; (ii) the Manager reasonably believes that the acceptance of any Security would be unlawful; (iii) the acceptance of any Security would otherwise, in the opinion of the Manager, have an adverse effect on the Index Fund; (iv) circumstances outside control of the Manager make it for all practicable purposes impossible to process the Creation Application; (v) the Manager has suspended the rights of Participating Dealers to redeem Units; or (vi) an insolvency event occurs in respect of the Participating Dealer.

Units will be issued at the Issue Price prevailing on the relevant Dealing Day, provided that the Manager may add to such Issue Price such sum (if any) as represents an appropriate provision for Duties and Charges.

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

Units of an Index Fund are denominated in the Base Currency of the Index Fund and no fractions of a Unit shall be created or issued by the Trustee.

The creation and issue of Units pursuant to a Creation Application shall be effected on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Units shall be deemed created and

issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on Settlement Day or the Dealing Day immediately following Settlement Day if the settlement period is extended. (An extension fee may be payable in relation to such an extension. See the section on “Fees and Expenses” for further details).

If a Creation Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline (see “Description of iShares China Government Bond ETF” and “Description of iShares Short Duration China Policy Bank Bond ETF”) on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application.

No Units shall be issued to any Participating Dealer unless the application is in a form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager in accordance with the Operating Guidelines.

The Manager may charge a Transaction Fee in respect of Creation Applications and may on any day vary the rate of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the same Index Fund). The Manager may, at its discretion, waive the charging of Transaction Fee and any Duties and Charges in respect of certain Creation Applications on any dividend ex-date, where such Creation Applications directly facilitate the partial or full payment of the pending dividend distribution to Unitholders at that time in accordance with the distribution policy. Such waiver will be offered in respect of Creation Applications on a “first come, first served” basis. The Transaction Fee (if any) shall be paid by or on behalf of the Participating Dealer applying for such Units for the benefit of the Trustee and/or the Service Agent. See the section on “Fees and Expenses” for further details.

Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid from the assets of an Index Fund.

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

Evidence of Unitholding

Units will be deposited, cleared and settled by CCASS. Units are held in registered entry form only, which means that no Unit certificates are issued. HKSCC Nominees Limited is the registered owner (i.e. the sole holder of record) of all outstanding Units deposited with CCASS and is holding such Units for the participants in accordance with the General Rules of CCASS. Furthermore, the Trustee and the Manager acknowledge that pursuant to the General Rules of CCASS neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Units. Investors owning Units in CCASS are beneficial owners as shown on the records of the participating brokers or the relevant Participating Dealer(s) (as the case may be).

Restrictions on Unitholders

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

- a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager’s opinion, might result in the Trust or the Index Fund being adversely affected which the Trust or the Index Fund might not otherwise have suffered; or

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

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

Cancellation of Units

The Trustee shall cancel Units created and issued in respect of a Creation Application if it has not received good title to all Securities and/or cash (including Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Manager may at its discretion, with the approval of the Trustee, (a) extend the settlement period (either for the Creation Application as a whole or for a particular Security) such extension to be on such terms and conditions (including as to the payment of collateral and an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise) as the Manager may determine or (b) partially settle the Creation Application to the extent to which Securities and/or cash has been vested in the Trustee, on such terms and conditions the Manager may determine including terms as to any extension of the settlement period for the outstanding Securities and/or cash.

Upon the cancellation of any Units of an Index Fund as provided for above or if a Participating Dealer otherwise withdraws a Creation Application other than in certain circumstances contemplated in the Trust Deed, any Securities and/or cash received by or on behalf of the Trustee in connection with a Creation Application shall be redelivered to the Participating Dealer (without interest) and the relevant Units shall be deemed for all purposes never to have been created and the applicant therefore shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee; see the section on "Fees and Expenses" for further details;

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee for the account of the Index Fund in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application, plus any charges, expenses and losses incurred by the Index Fund as a result of such cancellation;

- the Trustee and/or the Service Agent shall be entitled to the Transaction Fee payable in respect of a Redemption Application; see the section on "Fees and Expenses" for further details; and

- no previous valuations of the Index Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

Redemption of Units

Redemption Applications may only be made by a Participating Dealer, in a minimum of one Application Unit size or such number of Units higher than one Application Unit size (but do not need to be made in whole multiples thereof). Participating Dealer may redeem Units on any Dealing Day in accordance with the Operating Guidelines, by submitting a Redemption Application to the Trustee. The Manager may charge a Transaction Fee in respect of Redemption Applications. The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any amount due to the Participating Dealer in respect of such Redemption Application(s)) for the benefit of the Trustee and/or the Service Agent. See the section on “Fees and Expenses” for further details.

Investors cannot acquire or redeem Units directly from an Index Fund. Only Participating Dealers may submit redemption applications to the Manager. The Manager expects that Participating Dealers will generally accept and submit redemption requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating Dealers may impose fees and charges in handling any redemption request which would increase the cost of investment and or reduce the redemption proceeds. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline (see the “Description of iShares China Government Bond ETF” and “Description of iShares Short Duration China Policy Bank Bond ETF”) on a Dealing Day, the Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received.

Redemptions Applications of the Index Funds may be made in cash (in the Base Currency). On a redemption, a Participating Dealer shall have transferred to it cash in accordance with the Operating Guidelines.

Subject to the redemption method for each Index Fund as described above, the Manager shall, on receipt of an effective Redemption Application for an Index Fund from a Participating Dealer, effect the redemption of the relevant Units in a minimum of one Application Unit size in accordance with any of (a), (b) or (c) below (or a combination of any or all of the same) as determined by the Manager in its discretion (note that any payments in cash will be made in the Base Currency):–

(a) require the Trustee to transfer to the Participating Dealer, in accordance with the Operating Guidelines, Securities constituting an application basket for the relevant Units plus, if the cash component is a positive value, a cash payment equivalent to the amount of the cash component. If the cash component is a negative value, the Participating Dealer shall be required to make a cash payment equivalent to the amount of the cash component (expressed as a positive figure) to the Trustee. The Participating Dealer shall be required to make a cash payment (if any) in respect of any Redemption Application in accordance with the Operating Guidelines;

(b) require the Trustee to pay to the Participating Dealer, (i) a cash amount equivalent to the relevant application basket value plus (ii) an amount determined by the Manager for the purpose of compensating the Participating Dealer up to the amount by which the prices used

when valuing the Securities of the Index Fund for the purpose of such Redemption Application are less than the sale prices actually received or to be received in selling the Securities for the Index Fund (after the deduction from the relevant sale prices of any Duties and Charges in respect of such disposal of Securities); or

(c) require the Trustee to pay to the Participating Dealer a cash amount equivalent to the Redemption Value of the relevant Units minus such sum as the Manager in its discretion considers appropriate for the Duties and Charges.

In the event that an Index Fund has insufficient cash to pay any cash amount payable, the Manager may effect sales of the Deposited Property of the Index Fund, or borrow moneys in accordance with the Trust Deed, to provide the cash required.

To be effective, a Redemption Application must:

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

A Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager.

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of an Index Fund rounded to the nearest 4 decimal places.

The Manager may deduct from the redemption proceeds such sum (if any) as the Manager may consider represents an appropriate provision for Duties and Charges and/or the Transaction Fee. To the extent that the cash amount is insufficient to pay such Duties and Charges and/or the Transaction Fee payable on such redemption, the Participating Dealer shall promptly pay the shortfall in the Base Currency of an Index Fund to or to the order of the Trustee. The Trustee shall not be obliged to deliver (and shall have a general lien over) any Security to be transferred in respect of the relevant Redemption Application until such shortfall and any cash amount, Transaction Fee and Extension Fee payable by the Participating Dealer is paid in full in cleared funds to or to the order of the Trustee.

Subject to the redemption method for each Index Fund as described above, any accepted Redemption Application will be effected by the transfer or payment of Securities or cash or a combination of Securities and cash (at the discretion of the Participating Dealer) in accordance with the Operating Guidelines and the Trust Deed, on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and, where any amount is to be paid by telegraphic transfer to a bank account in Hong Kong or New York State, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received and provided further that the Manager shall have received (unless otherwise provided in the Operating Guidelines) the full amount of any amount payable by the Participating Dealer including any Duties and Charges and the Transaction Fee have been either deducted or otherwise paid in full.

Provided that on the relevant Settlement Day in relation to an effective Redemption Application:–

- the Units of an Index Fund, which are the subject of the Redemption Application, shall be redeemed and cancelled;

- the Index Fund shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Dealing Day on which the Redemption Application was received; and

- the name of the holder of such Units shall be removed from the register in respect of those Units on the relevant Settlement Day,

the Trustee shall transfer Securities and/or cash relevant to the Redemption Application (as the case may be) out of the assets of the Index Fund to the Participating Dealer in accordance with the Operating Guidelines.

No Security or cash shall be transferred or paid in respect of any Redemption Application unless Units of an Index Fund, which are the subject of the Redemption Application, have been delivered to the Manager for redemption by such time on the Settlement Day as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally. In the event that Units, which are the subject of a Redemption Application, are not delivered to the Manager for redemption in accordance with the foregoing:–

- the Redemption Application shall be deemed never to have been made except that the Transaction Fee in respect of such application shall remain due and payable and once paid, shall be retained by the Trustee and/or the Service Agent;

- the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee;

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the Index Fund, in respect of each Unit Cancellation Compensation, being (a) the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if a Participating Dealer had, on the actual date when the Manager is able to repurchase the replacement Securities, made a Creation Application, plus (b) such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the Index Fund as a result of any such cancellation; and

- no previous valuations of the Index Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

Notwithstanding a Multi-Counter being adopted, any cash proceeds received by a Participating Dealer in a Redemption Application shall be paid only in the Base Currency of an Index Fund.

The Manager, with the approval of the Trustee, may at its discretion extend the settlement period such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise) as the Manager may determine but, in any event, not later than one month from the receipt of an effective Redemption Application unless the Market(s) in which a substantial portion of investments of an Index Fund is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable. In such case, subject to all applicable legal or regulatory requirements, payments may be delayed but the extended time frame for the payment of the redemption proceeds shall reflect the additional time needed in light of the specific circumstances in the relevant Market(s).

The Manager may charge a Transaction Fee in respect of Redemption Applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the

Redemption Application(s) (and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Redemption Application(s)).

The Trustee or the Manager may withhold the whole or any part of any redemption payment to any Unitholder and set it off against any unpaid amounts due from that Unitholder to the Trustee or the Manager, and may also deduct from any redemption proceeds (or any other payment to be made in respect of any Unit) any other amounts that the Trustee or the Manager must or may make by law for any fiscal charges, government charges, stamp and other duties for an Index Fund or other taxes, charges or other assessments of any kind or where, the Index Fund's income or gains are subject to any withholding in consequence of the relevant Unitholder or beneficiary of an interest in the relevant Units being redeemed. Any withholding or set off of redemption payment and any deduction of redemption proceeds above must be conducted by the Trustee or the Manager in good faith with reasonable grounds and in compliance with any applicable law and regulation.

Redemption Gate

The Manager may, in consultation with the Trustee, limit the total number of Units of an Index Fund which Participating Dealers may redeem on any Dealing Day to 10% of the total number of Units then in issue of the Index Fund (disregarding any Units which have been agreed to be issued), such limitation to be applied pro rata to all Participating Dealers who have validly made Redemption Applications for Units on such Dealing Day. Any Units which, by virtue of the powers conferred by the Trust Deed, are not redeemed shall be redeemed (subject to any further application of the provisions of the Trust Deed) on the next succeeding Dealing Day provided that if on such next succeeding Dealing Day the total number of Units to be redeemed, including those carried forward from any earlier Dealing Day, exceeds such limit, the Manager shall be entitled to further carry forward the Redemptions of Units until such time as the total number of Units to be redeemed on a Dealing Day falls within such limit and provided further that any Units which have been carried over as aforesaid shall on any such succeeding Dealing Day be redeemed in priority to any new Units due to be redeemed on that Dealing Day. If redemptions of Units are carried forward as aforesaid, the Manager shall, within 7 Business Days of such carrying forward, give notice to the Participating Dealers affected thereby that such Units have not been redeemed and that (subject as aforesaid) they shall be redeemed on the next succeeding Dealing Day.

Directed Cash Dealing

Where a Participating Dealer subscribes or redeems in cash, the Manager may at its sole discretion (but shall not be obliged to) transact for Securities with a broker nominated by the Participating Dealer. Should the nominated broker default on, or change the terms for, any part of the transaction, the Participating Dealer shall bear all associated risks and costs. In such circumstances the Manager has the right to transact with another broker and amend the terms of the Creation or Redemption Application to take into account the default and the changes to the terms. Any directed arrangement is subject to the Index Fund being treated fairly.

Suspension of Creations and Redemptions

Units may not be created during any period when the right of Unitholders to redeem is suspended by the Manager.

The Manager may, at its discretion, at any time after consultation with the Trustee (and where practicable, after consultation with Participating Dealers), having regard to the best interests of the Unitholders, suspend the right of Unitholders to redeem Units of an Index Fund and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application during:

- any period when a market on which a Security (being a component of the Underlying Index) has its primary listing, or the official clearing and settlement depositary (if any) of such market, is closed; or

- any period when dealings on a market on which a Security (being a component of the Underlying Index) has its primary listing is restricted or suspended; or

- any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depositary (if any) of such market is disrupted; or

- the existence of any state of affairs as a result of which delivery or purchase of Securities or disposal of investments for the time being comprised in the Index Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the Index Fund; or

- any period when the Underlying Index for the Index Fund is not compiled or published; or

- any breakdown in the means normally employed in determining the Net Asset Value of the Index Fund or when for any other reason the Value of any Securities or other property for the time being comprised in the Index Fund cannot in the opinion of the Manager, reasonably, promptly and fairly be ascertained.

The Manager will, after consultation with the Trustee, having regard to the best interests of the Unitholders, suspend the right to subscribe for or redeem Units or delay the payment of any monies or the transfer of any Securities when dealings in the Units on the SEHK are restricted or suspended.

The Manager will not be liable for any losses, costs or expenses incurred by Unitholders as a result of a suspension of Creation Application or Redemption Application and/or a delay of payment of any monies or transfer of Securities in circumstances set out above.

A suspension shall remain in force until the earlier of (a) declaration by the Manager that the suspension is at an end; or (b) the Business Day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised exists.

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

An applicant may, at any time after a suspension has been declared and before termination of such suspension, withdraw any Creation or Redemption Application by notice in writing to the Manager and the Trustee shall cause the return of any Securities and/or cash received by it in respect of the Application (without interest).

Transfer of Units

A Unitholder may transfer Units using the standard transfer form issued by SEHK or by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by, which may be machine imprinted or otherwise) the transferor and the transferee. The transferor will be deemed to remain the Unitholders of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Units being transferred. Each instrument of transfer must relate to an Index Fund only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding in an Index

Fund. HKSCC Nominees Limited will be the sole Unitholder, holding such Units for the persons admitted by HKSCC as a participant of CCASS and to whose account any Units are for the time being allocated in accordance with the General Rules of CCASS.

Multi-Counter

Units of an Index Fund created and issued pursuant to a Creation Application may be deposited in CCASS as HKD traded Units, RMB traded Units or USD traded Units initially. Similarly, Units of an Index Fund redeemed pursuant to a Redemption Application may be withdrawn from any trading counter (i.e. USD, HKD or RMB trading counter).

EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

Dealings in the Units of the CGB ETF and the Policy Bank Bond ETF commenced on 21 October 2021.

Units of the Index Funds are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges.

Units of the CGB ETF and the Policy Bank Bond ETF are traded on the SEHK in board lots of 10 Units.

The purpose of the listing of the Units on the SEHK is to enable investors to buy and sell Units on the secondary market, normally via a broker/dealer in smaller quantities than would be possible if they were to subscribe and/or redeem Units in the primary market.

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

It is the Manager's expectation that at least one Market Maker will maintain a market for the Units of each Index Fund. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Units traded in each counter and that at least one Market Maker to each counter gives not less than 3 months' notice prior to termination of the market making arrangement. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager will make available to the Market Maker, the portfolio composition information made available to Participating Dealers.

Units may be purchased from and sold through the Market Maker. However, there is no guarantee or assurance as to the price at which a market will be made. In maintaining a market for Units, the market makers may make or lose money based on the differences between the prices at which they buy and sell Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying Securities comprised within the Underlying Index. Market makers may retain any profits made by them for their own benefit and they are not liable to account to the Index Fund in respect of their profits. For the list of Market Makers for ETFs, please refer to www.hkex.com.hk.

Investors wishing to purchase or sell Units on the secondary market should contact their broker.

Investors cannot acquire or redeem Units directly from an Index Fund. Only Participating Dealers may submit creation or redemption applications to the Manager. The Manager expects that Participating Dealers will generally accept and submit creation or redemption requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating Dealers may impose fees and charges in handling any creation/redemption request which would increase the cost of investment and/or reduce the redemption proceeds. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

Units of the CGB ETF and the Policy Bank Bond ETF have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS.

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

If trading of the Units of an Index Fund on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units.

Multi-Counter

The Manager has arranged for the Units of each Index Fund to be available for trading on the secondary market on the SEHK under a Multi-Counter arrangement. Units are denominated in the Base Currency of the Index Fund as stated in the “Key Information” section. The creation of new Units and redemption of Units in the primary market are settled in the Base Currency of the Index Fund. Each of the CGB ETF and the Policy Bank Bond ETF offers 3 trading counters on the SEHK (i.e. USD counter, RMB counter and HKD counter) to investors for secondary trading purposes. Units traded in USD counter will be settled in USD; Units traded in RMB counter will be settled in RMB and Units traded in HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units in different counters may be different as each counter is a distinct and separate market.

Units traded on all counters are of the same class and all Unitholders of all these counters are treated equally. Each counter will have a different stock code, stock short name and ISIN number, as stated in the “Key Information” section.

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

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Multi-Counter, including inter-counter transfers. Investors’ attention is also drawn to the risk factor entitled “Multi-Counter Risks”.

DETERMINATION OF NET ASSET VALUE

The Net Asset Value of an Index Fund will be determined as at each Valuation Point applicable to the Index Fund by valuing the assets of the Index Fund and deducting the liabilities of the Index Fund, in accordance with the terms of the Trust Deed.

Set out below is a summary of how various Securities held by an Index Fund are valued:

(a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (in consultation with the Trustee) determines that some other method is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price, or if the Net Asset Value is unavailable, the last traded price on the Market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a Security is quoted or listed on more than one Market, the Manager shall adopt the price quoted on the Market which in its opinion provides the principal market for such Security; (ii) if prices on that Market are not available at the relevant time, the value of the Securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the official closing prices or last traded prices as the case may be;

(b) the value of each interest in any unlisted mutual fund corporation or unit trust shall be the latest available Net Asset Value per share or unit in such mutual fund corporation or unit trust or if not available or appropriate, the average of the latest available bid and offer prices for the share or unit, unless the Manager considers the latest available bid price is more appropriate;

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

(d) except as provided for in paragraph (b), the value of any investment which is not listed, quoted or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended on behalf of the Index Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may in consultation with the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);

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

(f) notwithstanding the foregoing, the Manager may adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager (following consultation with the Trustee) considers that such adjustment is required to fairly reflect the value of the investment.

The Trustee will perform any currency conversion at rates it determines appropriate.

The above summary is, by its nature, limited and does not provide a complete description of how the various assets of an Index Fund are valued. Investors are encouraged to review the specific provisions of the Trust Deed in relation to valuation of assets.

Suspension of Net Asset Value

The Manager may, after consultation with the Trustee, declare a suspension of the determination of the Net Asset Value of an Index Fund for the whole or any part of any period during which:

(a) there exists any state of affairs prohibiting the normal disposal of the Index Fund's investments; or

(b) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the Index Fund or the Net Asset Value per Unit of the Index Fund, or when for any other reason the value of any Security or other asset in the Index Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or

(c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any Securities held or contracted for the account of the Index Fund or it is not possible to do so without seriously prejudicing the interest of Unitholders of the Index Fund; or

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the Securities of the Index Fund or the subscription or realisation of Units of the Index Fund is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or

(e) the right to redeem Units of the relevant class is suspended.

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

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension or (in the case of a prolonged suspension) provide a hyperlink to the relevant suspension notice published, on its website at www.blackrock.com/hk or in such publications as it decides.

No Units will be issued or redeemed during any period of suspension of the Net Asset Value.

Issue Price and Redemption Value

The Issue Price of Units of an Index Fund, created and issued pursuant to a Creation Application, will be the Net Asset Value of the Index Fund divided by the total number of Units of the Index Fund in issue rounded to the nearest 4 decimal places.

The Redemption Value of a Unit on a Dealing Day shall be the Net Asset Value of the Index Fund divided by the total number of Units in issue for the Index Fund rounded to the nearest 4 decimal places.

The Issue Price and the Redemption Value for the Units (or the last Net Asset Value of the Units) will be available on the Manager's website at www.blackrock.com/hk or published in such publications as the Manager may decide from time to time.

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

FEES AND EXPENSES

There are 3 levels of fees and expenses applicable to investing in the CGB ETF and the Policy Bank Bond ETF as set out in the following table, current as at the date of the Prospectus.

Fees and expenses payable by Participating Dealers on creation and redemption of Units (primary market)	**Amount**
Transaction Fee	RMB3,000 and HK$1,000 per Application[1]
Application Cancellation Fee	RMB8,000[2] per Application
Extension Fee	RMB8,000[3] per Application
Partial Delivery Request Fee	RMB8,000[4] per Application
Stamp duty	Nil
Transaction levy and trading fee	Nil
Fees and expenses payable by investors on SEHK (secondary market)	**Amount**
Brokerage	Market rates
Transaction levy	0.0027%[5] of the trading price
AFRC transaction levy	0.00015%[6] of the trading price
Trading fee	0.00565%[7] of the trading price
Stamp Duty	Nil
Inter-counter transfer fee	Nil

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

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1 *HK$1,000 per book-entry deposit and book-entry withdrawal is payable to the Service Agent.*

2 *An Application Cancellation fee is payable to the Trustee and/or Registrar by the Participating Dealer in respect of either a withdrawn or failed Creation Application or Redemption Application. Cancellation compensation may also be payable pursuant to the terms of the Operating Guidelines.*

3 *An extension fee is payable by the Participating Dealer to the Trustee on each occasion the Manager grants the Participation Dealer's request for extended settlement in respect of a Creation or Redemption Application.*

4 *A partial delivery request fee is payable by the Participating Dealer for the benefit of the Trustee or Registrar on each occasion the Manager grants the Participation Dealer's request for partial settlement.*

5 *Transaction levy of 0.0027% of the price of the Units, payable by the buyer and the seller.*

6 *AFRC transaction levy of 0.00015% of the price of the Units, payable by the buyer and the seller.*

7 *Trading fee of 0.00565% of the price of the Units, payable by the buyer and the seller.*

Fees and expenses payable by the CGB ETF and the Policy Bank Bond ETF (see further disclosure below)	Amount
Management Fee[8]	In respect of the CGB ETF: 0.18% p.a. of Net Asset Value calculated daily In respect of the Policy Bank Bond ETF: 0.2% p.a. of Net Asset Value calculated daily

Fees and Expenses Payable by an Index Fund

Each Index Fund employs a single management fee structure, with the Index Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the "Management Fee"). Fees and expenses taken into account in determining an Index Fund's Management Fee include, but are not limited to, the Manager's fee, the Sub-Managers' fees, Trustee's fees (which includes fees for registrar and custody and administration transaction handling fees), fees and expenses of the auditor, fees of service agents, ordinary legal and out-of-pocket expenses incurred by the Trustee, the Manager and the Sub-Managers, and the costs and expenses of licensing Underlying Index used in connection with the Index Fund. The Manager reserves the right in its discretion to share part of the Management Fee (that the Manager is entitled to receive as its own fee) with any distributor or sub-distributor of an Index Fund. A distributor may re-allocate an amount of any distribution fee to the sub-distributors.

In addition, the Manager reserves the right in its sole discretion to pay a fee to investors and market participants who commit to invest a minimum amount of investment capital, and to hold a minimum investment amount, for an agreed time period, to grow an Index Fund if the Manager considers this to be in the best interest of Unitholders. Any fees paid by the Manager will be paid out of the Management Fee and will not be charged to the relevant Index Fund as an extra cost. The Manager believes that putting in place such an arrangement to grow Index Funds will give rise to benefits for other investors in such Index Funds.

The Management Fee does not include brokerage and transaction costs (including but not limited to fees, charges, commissions or spreads relating to the acquisition or disposal of portfolio assets), stamp duty, taxes and extraordinary items such as litigation expenses. The Management Fee is accrued daily, paid monthly in arrears.

If an Index Fund invests in another ETF or fund managed by the Manager, any of the Sub-Managers or their affiliates (except for investment in such other ETF or fund by way of reinvestment of any cash collateral received), the Manager or such Sub-Manager shall ensure that neither the Index Fund nor its Unitholders suffer an increase in the overall total of initial charges, management fees and other costs and charges payable to the Manager or any Connected Person by investing in the other ETF or fund. Where an Index Fund reinvests any cash collateral received in another ETF or fund managed by the Manager, any of the Sub-Managers or their affiliates, all initial charges and redemption charges on the underlying ETF or fund will be waived.

An Index Fund will not be charged for any promotional expenses including those incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Index Fund will not be paid (either in whole or in part) out of the Index Fund.

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8 *Accrued daily and payable monthly in arrears.*

Establishment Costs

The cost of establishing the Trust and the Index Funds including the preparation of this Prospectus, the costs of seeking and obtaining the listing and all initial legal and printing costs is borne by the Manager. If subsequent Index Funds are launched and incur establishment costs which are specific to them, such expenses may either be allocated to the relevant Index Fund for whose account they were incurred or be paid by the Manager.

Increase in fees

The fees payable to the Manager and the Trustee (which are included in the calculation of the Management Fee) may be increased on one week's notice to Unitholders, subject to (i) a maximum of 2% per annum of the Net Asset Value in case of the fees payable to the Manager and (ii) a maximum of 1% per annum of the Net Asset Value in case of the fees payable to the Trustee.

RISK FACTORS

An investment in the Trust carries various risks referred to below. Each of these risks may affect the Net Asset Value, yield, total return and trading price of the Units. There can be no assurance that the investment objective of an Index Fund will be achieved. Prospective investors should carefully evaluate the merits and risks of an investment in an Index Fund in the context of their overall financial circumstances, knowledge and experience as an investor.

Risks Associated with PRC Onshore Bonds

PRC Inter-Bank Bond Market Risk. Market volatility and potential lack of liquidity due to low trading volume of certain debt Securities in the PRC inter-bank bond market may result in prices of certain debt Securities traded on such market fluctuating significantly. An Index Fund is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Index Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

An Index Fund is also exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with an Index Fund may default in its obligation to settle the transaction by delivery of the relevant Security or by payment for value.

For investments via the Foreign Access Regime and/or Bond Connect, the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, an Index Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the PRC inter-bank bond market via Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant mainland Chinese authorities suspend account opening or trading on the PRC inter-bank bond market, an Index Fund's ability to invest in the PRC inter-bank bond market will be adversely affected. In such event, an Index Fund's ability to achieve its investment objective will be negatively affected.

Risks Associated with Bond Connect. The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through Bond Connect is effected, an Index Fund's ability to invest in CGBs, Policy Bank Bonds and/or onshore Chinese bonds (as applicable) or access the PRC market through the programme will be adversely affected. In such event, an Index Fund will have to increase its reliance on the Foreign Access Regime, and its ability to achieve its investment objective could be negatively affected.

Interest Rate Risk. Because the Index Funds invest in fixed-income Securities, the Index Funds are subject to interest rate risk. Interest rate risk is the risk that the value of the Index Funds' portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term fixed income investments and higher for longer term fixed income investments.

In respect of the Index Funds that invest in CGBs and Policy Bank Bonds, the Index Funds are additionally subject to policy risk as changes in macro-economic policies in China (including monetary policy and fiscal policy) may have an influence over China's capital markets and affect the pricing of the bonds in the Index Funds' portfolio, which may in turn adversely affect the return of the Index Funds.

Underlying Securities Liquidity Risk. Liquidity risk exists when a particular investment is difficult to purchase or sell. If an Index Fund invests in illiquid Securities or the current market become illiquid, it may reduce the returns of the Index Fund because the Index Fund cannot sell the illiquid Securities

at an advantageous time or price. The cost of dealing may be high in such illiquid markets. A disruption in the asset allocation in the Index Fund is also possible if underlying Securities cannot be purchased or sold. An Index Fund is subject to liquidity risk as continued regular trading activity and active secondary market for the underlying Securities are not guaranteed. An Index Fund may suffer losses in trading such instruments. The bid and offer spread of the price of the underlying Securities may be large, so an Index Fund may incur significant trading and realisation costs and may suffer losses accordingly.

Credit Risk. The value of an Index Fund is affected by the credit worthiness of its underlying investments. A deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to widening of credit spread) of an underlying investment will adversely impact the value of such investment.

Credit Rating Agency Risk. The credit appraisal system in the PRC and the rating methodologies employed in the PRC may be different from those employed in other markets. Credit ratings given by PRC rating agencies may therefore not be directly comparable with those given by other international rating agencies.

PRC Sovereign Debt Risk. The Index Funds invest sovereign debt Securities and such investments involve special risks. The Chinese governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A Chinese governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the Chinese governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Chinese governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a Chinese governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the Chinese governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of PRC sovereign debt, including the Index Funds, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. As at the date of this Prospectus, there is no bankruptcy proceeding by which sovereign debt on which a Chinese governmental entity has defaulted may be collected in whole or in part. An Index Fund's recourse against a defaulting sovereign is limited.

In addition, the credit rating of the Chinese government is A+ by Standard & Poor's and A1 by Moody's. A lowering of the credit rating of the Chinese government may also affect the liquidity of its sovereign debt Securities, making them more difficult to sell. In general, debt instruments that have a lower credit rating or that are non-rated will be more susceptible to the credit risk of the issuers. In the event of a credit rating downgrade of the Chinese government, an Index Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Issuer Risk. Investment in bonds issued by the entities that are regarded as having the same credit quality or rating as the PRC sovereign credit by an Index Fund is exposed to the credit/insolvency risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. An issuer suffering an adverse change in its financial condition could lower the credit quality of a Security, leading to greater price volatility of the Security. A lowering of the credit rating of a Security or its issuer may also affect the Security's liquidity, making it more difficult to sell. In general, debt

instruments that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the bonds, the bonds and the value of an Index Fund will be adversely affected and investors may suffer a substantial loss as a result. An Index Fund may also encounter difficulties or delays in enforcing its rights against the issuer of these bonds as the issuer is incorporated outside Hong Kong and subject to foreign laws.

CGBs and Policy Bank Bonds are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer (the MOF and the policy banks). As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of CGBs and Policy Bank Bonds only after all secured claims have been satisfied in full. An Index Fund will be fully exposed to the credit/insolvency risk of its CGBs or Policy Bank Bonds issuer counterparties (as the case may be) as an unsecured creditor.

Valuation Risk. In a thinly traded market, it may be more difficult to achieve fair value when purchasing or selling underlying Securities because of the wide bid-ask spread. The inability to transact at advantageous times or prices may result in a reduction in an Index Fund's returns. Further, changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to an Index Fund as the value of the Index Fund's portfolio of fixed income instruments may become more difficult or impossible to ascertain. In such circumstances, valuation of an Index Fund's investments may involve uncertainties and judgmental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of an Index Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject an Index Fund to increased liquidity risk as it may become more difficult for the Index Fund to dispose of its holdings of bonds at a reasonable price or at all.

Over-the-Counter Market Risk. Over-the-counter markets such as the PRC inter-bank bond market are subject to less governmental regulation and supervision of transactions than organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with transactions on over-the-counter markets. Therefore, by entering into transactions on over-the-counter markets, an Index Fund will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the Index Fund will sustain losses.

Income Risk. Falling market interest rates can lead to a decline in income for an Index Fund. This can result when, in declining interest rate environment, an Index Fund reinvests into Securities at a lower yield than then-current portfolio yield of the Index Fund.

Illiquidity of Bonds Close to Maturity Risk. An Index Fund's underlying fixed income Securities may become more illiquid when nearing maturity. It therefore may be more difficult to achieve fair valuation in the market.

Settlement Risks. Settlement procedures in China are less developed and less reliable and may involve an Index Fund's delivery of Securities, or transfer of title to Securities, before receipt of payment for their sale. An Index Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. An Index Fund may incur substantial losses if its counterparty fails to pay for Securities the Index Fund has delivered, or for any reason fails to complete its contractual obligations owed to the Index Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of Securities. Such delays could result in substantial losses for an Index Fund if investment opportunities are missed or if the Index Fund is unable to acquire or dispose of a security as a result.

To the extent an Index Fund transacts in the inter-bank bond market in China, the Index Fund may also be exposed to risks associated with settlement procedures and default of counterparties. All

trades settled through CCDCC and SHCH are on delivery versus payment basis. If a counterparty defaults in delivering the securities, the trade may be cancelled and this may adversely affect the value of the Index Fund.

An Index Fund may invest in the Chinese bond market via the exchange market and all bond trades will be settled through the CSDCC. If a counterparty defaults in payment or delivery obligation, a trade may be delayed and this may adversely affect the value of the Index Fund.

Risks Associated with Investing in the PRC

Chinese Economic, Political And Social Risks. The economy of the PRC, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources. By investing in CGBs or Policy Bank Bonds (as the case may be), an Index Fund is subject to the risks of investing in emerging markets generally and the risks specific to the PRC market in particular, which are not typically associated with investing in those of developed countries. General risks of investing in emerging markets include but are not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and foreign exchange control; less publicly available information about issuers; the imposition of taxes; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties.

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

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

Political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the Securities in an Index Fund's portfolio.

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

PRC Laws and Regulations Risk. The regulatory and legal framework for capital markets in the

PRC may not be as well developed as those of developed countries. PRC laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on CGBs or Policy Bank Bonds.

Restricted Markets Risk. An Index Fund may invest in Securities in respect of which the PRC imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of an Index Fund's holdings as compared to the performance of the Underlying Index. This may increase the risk of tracking error and, at the worst, an Index Fund may not be able to achieve its investment objective.

Taxation in the PRC Risk. The PRC government has implemented a number of tax reform policies in recent years. There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect investments in the PRC via Bond Connect or Foreign Access Regime. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. There is a risk that taxes may be levied in future on an Index Fund for which no provision is made, which may potentially cause substantial loss to the Index Fund.

The Net Asset Value of an Index Fund may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authorities. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and reserves the right to adjust the tax provisioning policy of an Index Fund accordingly, taking into account independent professional tax advice. The Manager will act in the best interest of the relevant Index Fund at all times.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If no provision is made by the Manager in relation to all or part of the actual tax levied by the STA in future or if the level of provision is lower than the actual tax levied by the STA in future, investors should note that the Net Asset Value of an Index Fund may be lowered, as the Index Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through an Index Fund, a disproportionately higher amount of tax liabilities as compared to those borne at the time of investment in the Index Fund.

Please refer to the section "Taxes – PRC" for further information about PRC taxation.

Investment Risk

Market Risk. Past performance is not indicative of future performance. The Net Asset Value of an Index Fund will change with changes in the market value of the Securities it holds. The price of Units and the income from them may go down as well as up. There can be no assurance that an Index Fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of an Index Fund is based on the capital appreciation and income on the Securities it holds, less expenses incurred. An Index Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, an Index Fund may experience volatility and decline in a manner that broadly corresponds with its Underlying Index. Investors in an Index Fund are exposed to the same risks that investors who invest directly in the underlying Securities would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security that forms part of the Underlying Index).

Asset Class Risk. Although the Manager is responsible for the continuous supervision of the investment portfolio of an Index Fund, the returns from the types of Securities in which the Index Fund invests may underperform or outperform returns from other Securities markets or from investment in other assets. Different types of securities tend to go through cycles of outperformance and underperformance when compared with other general Securities markets.

Derivatives Risk. An Index Fund may invest in stock index future contracts, swaps and other FDIs. Investing in a FDI is not the same as investing directly in an underlying constituent Security which is part of the Underlying Index.

A FDI is a form of contract. Under the terms of a derivative contract an Index Fund and its counterparty (i.e. the person(s) with whom the Index Fund has made the agreement) agree to make certain payments to the other party under particular circumstances or on the occurrence of particular events specified in the contract. The value of the FDI depends on, or is derived from, or determined by reference to, the value of an underlying asset such as a Security or an index. Certain FDIs may give rise to a form of leverage and may expose an Index Fund to greater risk and increase its costs. FDIs may be more sensitive to factors which affect the value of investments. Accordingly FDIs have a high degree of price variability and are subject to occasional rapid and substantial price changes. As a result, a relatively small price movement in a FDI may result in immediate and substantial loss (or gain) to the Index Fund. An Index Fund's losses may be greater and potentially equal to the full value of the FDIs, if it invests in FDIs than if it invests only in conventional Securities.

In addition, many FDIs are not traded on exchanges. This means that it may be difficult for an Index Fund to sell its investments in FDIs in order to raise cash and/or to realise a gain or loss or value such FDIs accurately. The sale and purchase of FDIs, which are not traded on an exchange, are privately negotiated and are generally not subject to central clearing agency guarantees, daily marking-to-market, settlement, and segregation, minimum capital requirements applicable to intermediaries, or regulation by government authorities and it may be difficult to find a willing buyer/seller because there is no regulatory requirement for a market maker to ensure that there is continuous market for such FDIs.

Derivatives Counterparty Risk. As explained in the section on Derivatives Risk, a FDI is a form of contract. Payments to be made under many derivatives contracts are not made through or guaranteed by a central clearing agency. Accordingly an Index Fund which invests in FDIs is exposed to the risk of its counterparty being unwilling or unable to perform its payment (and other) obligations under the contract. If the counterparty to the FDI is involved in any insolvency event, the value of that FDI may drop substantially or be worth nothing and the Index Fund may experience significant delays in obtaining any recovery. This is because investing in a FDI is not the same as investing directly in an underlying asset which is part of the Underlying Index.

Futures Trading Risk. Futures are highly leveraged which means that a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited. Trading in many futures contracts is subject to daily price fluctuation restrictions which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day's closing prices. This may create liquidity risk, as it may be costly or impossible for the Manager to liquidate a futures position against which the market is moving.

Securities Lending Transactions Risk. The Index Funds may be exposed to the following risks as a result of entering into securities lending transactions:

Counterparty risk – The borrower may fail to return the securities in a timely manner or at all. The Index Fund may as a result suffer from a loss or delay when recovering the securities lent out. This

may restrict the relevant Index Fund's ability in meeting delivery or payment obligations from redemption requests.

Collateral level risk – As part of the securities lending transactions, each Index Fund must receive at least 100% of the valuation of the securities lent as collateral marked-to-market on a daily basis. However, there is a risk of shortfall of collateral value due to inaccurate pricing of the collateral, adverse market movements in the collateral value, change of value of securities lent or if a borrower does not provide additional collateral when required. This may cause significant losses to the relevant Index Fund if the borrower fails to return the securities lent out. The relevant Index Fund may also be subject to liquidity and custody risk of the collateral, as well as legal risk of enforcement. Please also refer to "Collateral Risk" below for further details.

A default by a counterparty combined with a fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of the Index Fund. To the extent that the value of the collateral falls below 100% of the value of the securities lent for any reason (for example due to timing issues arising from payment lags), the Index Fund will have a credit risk exposure to the counterparties to the securities lending contracts.

To mitigate the abovementioned risks, the Index Fund benefits from a borrower default indemnity provided by BlackRock, Inc., whereby BlackRock Inc. indemnifies the Index Fund against a shortfall in collateral in the event of borrower default.

Operational risk – By undertaking securities lending transactions, each Index Fund is exposed to operational risks such as delay or failure of settlement. Such delays and failure may restrict the relevant Index Fund's ability in meeting delivery or payment obligations from redemption requests.

Limit on securities lending – Investors should note that a limitation of maximum securities lending level by an Index Fund, at a time when demand exceeds such maximum level, may reduce potential income to an Index Fund that is attributable to securities lending.

Collateral Risk. There are risks associated with management of collateral and reinvestment of collateral. The value of any collateral received by the Index Funds may be affected by market events. In the case of collateral assets which are listed securities, the listing of such securities may be suspended or revoked or the trading of such securities on the stock exchanges may be suspended, and during the period of suspension or upon revocation, it may take longer to realise the relevant collateral assets. In the case of collateral assets which are debt securities, the value of such securities will be dependent on the creditworthiness of the issuers or obligors in respect of the relevant collateral assets. In the event any issuer or obligor of such collateral assets is insolvent, the value of the collateral assets will be reduced substantially and may cause the relevant Index Fund's exposure to such counterparty to be under-collateralised. If an Index Fund reinvests cash collateral, it is subject to investment risk including the potential loss of principal which could result in the Index Fund being required to pay amounts equal to the deficiency to the counterparty when returning the cash collateral.

Passive Investments Risks. Each Index Fund is passively managed. The aim of an Index Fund is to track the performance of the Underlying Index. An Index Fund does not try to beat or perform better than the Underlying Index. An Index Fund invests (either directly or indirectly) in the Securities included in or representative of its Underlying Index regardless of their investment merit, except to the extent of any representative sampling investment strategy. The Manager does not attempt to select stocks individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of an Index Fund will mean that falls in the Underlying Index are expected to result in corresponding falls in the value of the Index Fund.

Management Risk. Because there can be no guarantee that an Index Fund will fully replicate its Underlying Index and may hold non-index stocks, it is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise Unitholders' rights with respect to Securities comprising an Index Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the Index Fund being achieved. Investors should also note that none of the Unitholders has any voting rights with respect to Securities held by an Index Fund.

Reliance on the Sub-Managers Risk. The Manager may delegate all or part of the investment discretion of each Index Fund to the Sub-Managers and will rely on the Sub-Managers' expertise and systems for the Index Fund's investments. Any disruption in the communication with or assistance from a Sub-Manager or a loss of service of a Sub-Manager or any of its key personnel may adversely affect the operations of an Index Fund.

Investment in ETFs Risk. An Index Fund may invest in one or more ETFs. The fees and costs charged in respect of such ETFs will be borne by each Index Fund. Although the Manager will only invest in ETFs for cash management and contingency purposes only and if the Manager considers that investing in them is in the best interests of the Unitholders, there is no guarantee that these ETFs will achieve their respective investment objectives and any tracking error of these ETFs will also contribute to the tracking error of the Index Fund.

Tracking Error Risk. The Net Asset Value of an Index Fund may not have exactly the same net asset value of its Underlying Index. Factors such as the fees and expenses of the Index Fund, the investments of the Index Fund not matching exactly the Securities which make up the Underlying Index (e.g. where it uses representative sampling), an inability to rebalance the Index Fund's holdings of Securities in response to changes in the constituents of the Underlying Index, the Index Fund holding uninvested cash, differences in timing of the accrual of dividends or interest, tax (including gains or losses and / or withholding), rounding of Security prices, changes to the Underlying Index and regulatory policies may affect the Manager's ability to achieve close correlation with the Underlying Index. Under certain circumstances, the Manager may exclude Underlying Index securities from the Index Fund's portfolio where it considers this to be in the best interest of investors. This may cause the Index Fund's returns to deviate from its Underlying Index. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index.

Concentration Risk. The Underlying Index of each Index Fund tracks the performance of a single geographical region, namely the PRC and is concentrated in bonds of one single issuer (in the case of the CGB ETF) or a few issuers (in the case of the Policy Bank Bond ETF). To the extent that the Underlying Index is concentrated in a particular Security, group of Securities, market, industry, group of industries, sectors, asset class or geographical region, an Index Fund may be adversely affected by the performance of those Securities. It may be subject to price volatility and may be more susceptible to adverse economic, market, political or regulatory event affecting that Security, group of Securities, market, industry, group of industries, sector, asset class or geographical region.

Asia Regional Economic Risks. Adverse economic developments in Hong Kong or elsewhere in the Asia region, and in particular, the PRC, could have a material adverse effect on the financial conditions and results of operations of the constituent companies of an Underlying Index. From the latter half of 1997 to the first half of 1998, many Asian countries experienced significant adverse changes in economic conditions. Hong Kong also suffered adverse economic developments during this period. The outbreak of the Severe Acute Respiratory Syndrome (SARS) in 2003 also had a marked adverse impact on the economy of Hong Kong. The market turmoil triggered by the U.S. housing crisis in 2007 and 2008 caused a material contraction of the economy of Hong Kong and

other countries. The performance of the constituent companies of the Underlying Index may have been and may continue to be adversely affected by these events.

Operational Risk. Trading errors are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. Such trade errors may have adverse consequences (for example, due to an inability to correct effectively such an error when detected). The Manager and an Index Fund's service providers may experience disruptions or operating errors that could negatively impact the Index Fund. While service providers are required to have appropriate operational risk management policies and procedures, their methods of operational risk management may differ from the Index Fund's in the setting of priorities, the personnel and resources available or the effectiveness of relevant controls. The Manager, through its monitoring and oversight of service providers, seeks to ensure that service providers take appropriate precautions to avoid and mitigate risks that could lead to disruptions and operating errors. However, it is not possible for the Manager or the other service providers to identify all of the operational risks that may affect the Index Fund or to develop processes and controls to completely eliminate or mitigate their occurrence or effects.

Distributions May Not Be Paid Risk. Whether an Index Fund will pay distributions on Units is subject to the Manager's distribution policy and also depends on distributions declared and paid in respect of the Securities of the Underlying Index. Distribution payment rates in respect of such Securities will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay distributions or distributions.

Distributions Payable Out of Capital or Effectively Out of Capital Risk. The Manager may at its discretion pay distributions out of the capital of an Index Fund. The Manager may also, at its discretion, pay distribution out of gross income while all or part of the fees and expenses of the Index Fund are charged to/paid out of the capital of the Index Fund, resulting in an increase in distributable income for the payment of distributions by the Index Fund and therefore, the Index Fund may effectively pay distribution out of capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of an Index Fund's capital may result in an immediate reduction of the Net Asset Value per Unit.

Other Currencies Distribution Risk. Investors should note that all Units will receive dividend distributions in the Base Currency only. Upon the termination of an Index Fund, the termination proceeds may be distributed and paid in a currency other than its Base Currency. In the event that a Unitholder has no account in the relevant Base Currency, the Unitholder may have to bear the fees and charges associated with the conversion of such distributions from the Base Currency to another currency. The Unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

All Investments Risk Loss of Capital. There is no guarantee that an Index Fund's investments will be successful. In addition, trading errors are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. Such trade errors may have adverse consequences of a magnitude that they would not have in the case of securities trading (for example, due to an inability to efficiently correct such an error when detected).

No Trading Market in the Units. Although the Units are listed on the SEHK and one or more Market Makers have been appointed in respect of each counter, investors should be aware that there may be no liquid trading market for the Units or that such Market Maker(s) may cease to fulfil that role.

Further, there can be no assurance that Units will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices other than the Underlying Index.

Counterparty to the Executing Broker Risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the Trustee in relation to the sale and purchase of assets or Securities. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of the Trust or an Index Fund. The Manager intends to attempt to limit each Index Fund's investment transactions to well-capitalised and established banks and brokerage firms in an effort to mitigate such risks. There can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, an Index Fund. Furthermore, the Manager is permitted to borrow for the account of an Index Fund in order to carry out its functions under the Trust Deed. Borrowings may be secured by the Securities or other assets of the Index Fund that are pledged to counterparties as collateral.

Counterparty to the Custodian Risk. Each Index Fund will be exposed to the credit risk of any custodian or any depository used by the custodian where cash is held by the custodian or other depositaries. Where the custodial and/ or settlement systems in a market the Index Fund invests in are not fully developed, the assets of the Index Fund may be exposed to custodial risk. In the event of the liquidation, bankruptcy or insolvency of the custodian or other depositaries, the Index Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Index Fund may even be unable to recover all of its assets. The costs borne by the Index Fund in investing and holding investments in such market, if applicable, will be generally higher than in organised securities markets. Further, in the event of the insolvency the custodian or other depositaries, an Index Fund will be treated as a general creditor of the custodian or other depositaries in relation to cash holdings of the Index Fund. An Index Fund's Securities are however maintained by the custodian or other depositaries in segregated accounts and should be protected in the event of insolvency of the custodian or other depositaries.

Indemnity Risk. Under the Trust Deed, the Trustee and the Manager have the right to be indemnified for any liability or expense incurred by them in performing their respective duties except as a result of their own negligence, fraud, default or breach of duty or trust. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of an Index Fund or the Trust and the value of the Units.

Operating Cost Risk. There is no assurance that the performance of an Index Fund will achieve their investment objective. The level of fees and expenses payable by an Index Fund will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of an Index Fund can be estimated, the growth rate of the Index Fund, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of an Index Fund or the actual level of its expenses.

Epidemic and Pandemic Risks. The impact of epidemics, pandemics or outbreaks of contagious diseases (such as the avian flu, swine flu, African swine fever, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), Ebola virus disease and COVID-19) could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time. The impact could include wide spread and severe interruption of economic activities, national holidays being extended and personnel being placed in quarantine and/or leave of absence, the closure of transport links for affected regions, and the implementation and enforcement of quarantine and lockdowns of affected regions. An effective vaccine may not be discovered in time to protect against such epidemic or pandemic, or to mitigate the impact of the contagious disease.

Such health crisis may exacerbate other pre-existing political, social and economic risks in certain countries. It is possible that the impact of any such outbreak of a disease will affect certain countries or regions in a more severe manner, relative to other parts of the world.

Risks associated with the RMB Currency

RMB is not freely convertible and subject to exchange controls and restrictions risk. 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. It should be noted that the PRC government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the Index Funds. There can be no assurance that the RMB exchange rate will not fluctuate widely against the USD or any other foreign currency in the future.

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

RMB trading and settlement of Units risk. There is no assurance that there will not be issues with the trading and settlement systems of RMB-denominated securities in Hong Kong or that other logistical problems will not arise. The Units in the RMB counter of each Index Fund are RMB denominated securities traded on the SEHK and settled in CCASS. 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. Investors should check with their brokers in advance if they intend to engage Multi-Counter trading or in inter-counter transfers and should fully understand the services which the relevant broker is able to provide (as well as any associated fees). Some exchange participants may not provide inter-counter transfer or Multi-Counter trading services.

Foreign Exchange Risk. Each Index Fund's base currency is in RMB but has units traded in HKD and USD (in addition to RMB). Accordingly secondary market investors may be subject to additional costs or losses associated with foreign currency fluctuations between the base currency and the trading currencies when trading units in the secondary market.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

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

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

Market Trading Risks Associated with each Index Fund

Dependence upon Trading Market for Index Shares. The existence of a liquid trading market for an Index Fund's investments will depend on whether there is supply of, and demand for, such investments. There can be no assurance that there will be active trading in any of the Index Fund's investments (including for example where there is a suspension of trading of the Index Fund's investments). The price at which the Index Fund's investments may be purchased or sold by the Index Fund upon any rebalancing activities or otherwise and the net asset value of the Index Fund may be adversely affected if trading markets for the Index Fund's investments are limited or absent.

Absence of Active Market and Liquidity Risks. Although Units of an Index Fund are listed for trading on the SEHK, there can be no assurance that an active trading market for such Units will develop or be maintained. In addition, if the underlying Securities which comprise the Index Fund themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of its Units at the desired price. If a Unitholder needs to sell its Units at a time when no active market for them exists, the price it receives for its Units — assuming it is able to sell them — is likely to be lower than the price received if an active market did exist.

Liquidity Risk. Liquidity risk exists when particular investments are difficult to purchase or sell. Any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To help address this risk, one or more Market Makers have been appointed.

In addition, to the extent an Index Fund invests in illiquid Securities or Securities that become less liquid, such investments may have a negative effect on the returns of the Index Fund because the Index Fund may be unable to sell the illiquid Securities at an advantageous time or price. Liquid investments may become illiquid or less liquid after purchase by an Index Fund, particularly during periods of market turmoil or economic uncertainty. Illiquid and relatively less liquid investments may be harder to value, especially in changing markets. If the Index Fund is forced to sell underlying Securities at reduced prices or under unfavorable conditions to meet redemption requests or for other cash needs, the Index Fund may suffer a loss.

Reliance on Market Makers Risk. Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market Maker for any of the counters. It is the Manager's intention that there will always be at least one Market Maker in respect of the Units traded in each counter and the Manager use its best endeavours to put in place arrangements so that at least one Market Maker for the Units traded in each counter (where there is a Multi-Counter) gives not less than 3 months notice prior to termination of the market making arrangement. There may be less interest by potential Market Makers in making a market in Units denominated or traded in currencies other than HKD. Furthermore, any disruption to the availability of RMB may adversely affect the capability of Market Makers in providing liquidity for RMB traded Units of an Index Fund. It is possible that there is only one Market Maker to a counter of an Index Fund and therefore it may not be practical for the Index Fund to remove the only Market Maker to a counter even if the Market Maker fails to discharge its duties as the sole Market Maker.

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

Units May Trade at Prices Other than Net Asset Value Risk. Units of an Index Fund trade on the SEHK at prices above or below the most recent Net Asset Value. The Net Asset Value per Unit of an Index Fund is calculated at the end of each Business Day and fluctuates with changes in the market value of the Index Fund's holdings and changes in the exchange rate between the Hong Kong dollar and, where Securities are denominated in another currency, the subject foreign currency. The trading prices of an Index Fund's Units fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of an Index Fund's Units may deviate significantly from Net Asset Value particularly during periods of market volatility. Any of these factors may lead to the Units of an Index Fund trading at a premium or discount to the Net Asset Value in the secondary market. On the basis that Units can be created and redeemed in Application Unit size (or such higher number of Units) at Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term. While the creation/redemption feature is designed to make it likely that an Index Fund's Units will normally trade at prices close to the Index Fund's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the Index Fund's Net Asset Value due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from Net Asset Value. In particular, if an investor purchases Units at a time when the market price is at a premium to Net Asset Value or sells when the market price is at a discount to Net Asset Value, then the investor may sustain losses.

Investors Buying at a Premium and Early Termination Risk. An Index Fund may be terminated early under certain circumstances as set out in the section "Termination". Upon an Index Fund being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the Index Fund to the Unitholders in accordance with the Trust Deed. Any such amount distributed may be less than the capital invested by the Unitholder. In that event, a Unitholder may suffer a loss. A Unitholder who purchases Units at a time when the market price is at a premium to Net Asset Value may therefore be unable to recover the premium in the event the Index Fund is terminated.

Trading in Secondary Market during Primary Market Trading Suspension Risk. Units of an Index Fund may trade on the SEHK even when the Index Fund does not accept orders to create or redeem Units (for example, where the Manager in accordance with the Trust Deed has determined that primary market creations and redemptions should be suspended). On such days, Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Index Fund accepts creation and redemption orders.

Cost of Trading Units Risk. Buying or selling Units on the SEHK involves various types of costs that apply to all Securities transactions. When trading Units through a broker investors will incur a

brokerage commission or other charges imposed by the broker. In addition, investors on the secondary market, will also incur the cost of the trading spread, which is the difference between what investors are willing to pay for the Units (bid price) and the price they are willing to sell Units (ask price). Accordingly, investors may pay more than the Net Asset Value per Unit when buying Units on the SEHK and may receive less than the Net Asset Value per Unit when selling Units on the SEHK. Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments.

Suspension of Trading Risk. Investors and potential investors will not be able to buy, nor will investors be able to sell, Units on the SEHK during any period in which trading of the Units is suspended. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate in the interests of a fair and orderly market to protect investors. The Manager may, in accordance with The Rules Governing the Listing of Securities on the SEHK, request for the trading of Units to be suspended. Any such suspension would depend on the SEHK's agreement to the suspension. The subscription and redemption of Units may also be suspended if the trading of Units is suspended.

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

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

There is a risk that the market price on the SEHK of Units traded in one counter may deviate significantly from the market price on the SEHK of Units traded in another counter due to different factors such as market liquidity, supply or demand in each counter and exchange rate fluctuations. The trading price of Units in each counter is determined by market forces 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 or buying Units traded in one counter, an investor may receive less or pay more than the equivalent amount in the currency of another counter if the trade of the relevant Units took place on another counter. There can be no assurance that the price of Units in each counter will be equivalent. Investors without RMB or USD accounts (as applicable) may not be able to buy or sell RMB or USD traded Units (as applicable).

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 different counters at the same time. In such a case another broker or CCASS participant may need to be used. Accordingly investors may only be able to trade their Units in one currency, investors are recommended to check the readiness of their brokers in respect of the Multi-Counter trading and inter-counter transfer and should fully understand the services which the relevant broker is able to provide (as well as any associated fees).

Exchange Rates Movement between the Base Currency and Other Currencies Risk. Investors whose assets and liabilities are predominantly in currencies other than the Base Currency of an Index Fund should take into account the potential risk of loss arising from fluctuations in value between the Base Currency of the Index Fund and the currency of the Units traded. There is no guarantee that the Base Currency will appreciate in value against any other currency, or that the strength of the Base Currency may not weaken. Accordingly, it is possible for an investor may enjoy a gain in terms of the

Base Currency but suffer a loss when converting funds from the Base Currency back into any other currency.

Risks Associated with the Underlying Index

New Index Risk. The FTSE Chinese Policy Bank Bond 6 Months-3 Years Index is a new index. The Policy Bank Bond ETF may be riskier than other exchange traded funds tracking more established indices with longer operating history.

The Underlying Index is Subject to Fluctuations Risk. The performance of the Units should, before expenses, correspond closely with the performance of the Underlying Index. If the Underlying Index experiences volatility or declines, the price of the Units will vary or decline accordingly.

Composition of and Weightings in the Underlying Index May Change Risk. The bonds which comprise the Underlying Index are changed by the Index Provider from time to time. The price of the Units may rise or fall as a result of such changes. If this happens, the weighting or composition of the Securities owned by the Index Fund would be changed as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the Underlying 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. However, there can be no guarantee that the Index Fund will, at any given time, accurately reflect the composition of the Underlying Index (refer to “Tracking Error Risk”).

Licence to Use Underlying Index may be Terminated Risk. The Manager is granted a licence by each Index Provider to use the relevant Underlying Index to create each Index Fund based on the Underlying Index and to use certain trade marks and any copyright in the Underlying Index. An Index Fund may not be able to fulfil its objective and may be terminated if the relevant licence agreement is terminated. An Index Fund may also be terminated if the Underlying Index ceases to be compiled or published and there is no replacement Underlying Index using the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index. The Index Provider and the Manager (and its Connected Persons) are independent of one another.

Underlying Index Related Risk. As prescribed by this Prospectus, in order to meet its investment objective, an Index Fund seeks to achieve a return which corresponds generally to the performance, before fees and expenses, of the Underlying Index as published by the Index Provider. There is no assurance that the Index Provider will compile the Underlying Index accurately, or that the Underlying Index will be determined, composed or calculated accurately. While the Index Provider does provide descriptions of what the Underlying Index is designed to achieve, the Index Provider does not provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, and does not guarantee that the Underlying Index will be in line with its described index methodology. The Manager’s mandate as described in this Prospectus is to manage an Index Fund consistently with the Underlying Index provided to the Manager. Consequently, the Manager does not provide any warranty or guarantee for Index Provider errors. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, particularly where the indices are less commonly used. Therefore gains, losses or costs associated with Index Provider errors will be borne by the Index Fund and its Unitholders. For example, during a period where the Underlying Index contains incorrect constituents, the Index Fund tracking such published Underlying Index would have market exposure to such constituents and would be underexposed to the Underlying Index’s other constituents. As such, errors may result in a negative or positive performance impact to the Index Fund and its Unitholders. Unitholders should understand that any gains from Index Provider errors will be kept by the Index Fund and its Unitholders and any losses resulting from Index Provider errors will be borne by the Index Fund and its Unitholders.

Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to the Underlying Index in order, for example, to correct an error in the selection of index constituents. Where an Underlying Index is rebalanced and the Index Fund in turn rebalances its portfolio to bring it in line with its Underlying Index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne directly by the Index Fund and its Unitholders. Unscheduled rebalances to the Underlying Index may also expose the Index Fund to tracking error risk, which is the risk that its returns may not track exactly those of the Underlying Index. Therefore, errors and additional ad hoc rebalances carried out by the Index Provider to the Underlying Index may increase the costs and market exposure risk of the Index Fund.

The past performance of the Underlying Index is not a guide to future performance. The Manager does not guarantee the accuracy or the completeness of the Underlying Index or any data included therein and the Manager shall have no liability for any errors, omissions or interruptions therein. The Manager makes no warranty, express or implied, to the Unitholders of an Index Fund or to any other person or entity, as to results to be obtained by the Index Fund from the use of the Underlying Index or any data included therein. Without limiting any of the foregoing, in no event shall the Manager have any liability for any special, punitive, direct, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages.

Regulatory Risks

Withdrawal of SFC Authorisation Risk. Each Index Fund has been authorised as a collective investment scheme under the Code by the SFC pursuant to section 104 of the Securities and Futures Ordinance. Authorisation by the SFC is not a recommendation or endorsement of an Index Fund nor does it guarantee the commercial merits of the Index Fund or its performance. It does not mean the Index Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of an Index Fund or impose such conditions as it considers appropriate. Without limiting the foregoing, the SFC may withdraw authorisation where the SFC no longer considers the Underlying Index acceptable. If the Manager does not wish an Index Fund to continue to be authorised by the SFC, the Manager will give Unitholders at least 3 months' notice of the intention to seek SFC's withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain waivers which may be withdrawn or varied by the SFC. If as a result of such withdrawal or variation of waivers it becomes illegal, impractical or inadvisable to continue the Index Fund, the Index Fund will be terminated.

Units May be Delisted from the SEHK Risk. The SEHK imposes certain requirements for the continued listing of Securities, including the Units, on the SEHK. Investors cannot be assured that an Index Fund will continue to meet the requirements necessary to maintain the listing of Units on the SEHK or that the SEHK will not change the listing requirements. If the Units of an Index Fund are delisted from the SEHK, Unitholders will have the option to redeem their Units by reference to the Net Asset Value of the Index Fund. Where the Index Fund remains authorised by the SFC, such procedures required by the Code will be observed by the Manager.

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

Changes in Tax Legislation. Tax legislation, the tax status of an Index Fund, the taxation of investors and any tax relief, and the consequences of such tax status and tax relief, may change from time to

time. Any change in the taxation legislation in any jurisdiction where an Index Fund is registered, cross-listed, marketed or invested could affect the tax status of the Index Fund, the value of the Index Fund's investments in the affected jurisdiction, and/or the Index Fund's ability to achieve its investment objective, and/or alter the post tax returns to Unitholders.

Foreign Account Tax Compliance Act ("FATCA") Risk. Although the Manager will attempt to satisfy any obligations imposed on it and to avoid the imposition of any FATCA withholding tax, no assurance can be given that the Trust or an Index Fund will be able to achieve this and/or satisfy such FATCA obligations. If an Index Fund becomes subject to a 30% FATCA penalty withholding on most types of income from US investments (further described under the sub-section headed "FATCA" in the section headed "Taxes" on page 77) as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material loss. Any withholding will be conducted by the Manager acting in good faith and on reasonable grounds, as permitted by applicable laws and regulations.

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

Termination of the Trust or an Index Fund. Under the terms of the Trust Deed and as summarised under the section headed "Statutory and General Information – Termination" of this Prospectus, the Manager or Trustee may terminate the Trust (or in the case of the Manager, an Index Fund in addition to the Trust). All Index Funds will terminate upon the termination of the Trust. Notice of any termination of an Index Fund or the Trust will be given to the Unitholders after the SFC has approved release of the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Index Fund or the Trust and the alternatives available to them, and any other information required by the Code. Upon the Trust or an Index Fund being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the Trust or the Index Fund to the Unitholders in accordance with the Trust Deed. Any such amount distributed may be less than the capital invested by the Unitholder. In that event, a Unitholder may suffer a loss.

MANAGEMENT OF THE TRUST

The Manager

The Manager is BlackRock Asset Management North Asia Limited (the "Manager"). The Manager is part of the BlackRock group of companies, the ultimate holding company of which is BlackRock, Inc., which provides investment management services internationally for institutional, retail and private clients.

The Manager was incorporated in Hong Kong with limited liability on 10 August 1998 and is licensed by the SFC to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

Under the Trust Deed, the monies forming part of each Index Fund are invested, at the direction of the Manager, in accordance with the Trust Deed. The Manager is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of each Index Fund. The Manager is also the Listing Agent for the Index Funds.

Without limiting the other powers mentioned in this Prospectus, the Manager may purchase and sell investments for the account of any Index Fund and subject to the provisions of the Trust Deed and enter into such contracts including sale and purchase agreements, loans, stock lending arrangements and broker and trading agreements in accordance with the Trust Deed, as it deems appropriate in the performance of its role as Manager.

The Manager has sufficient human and technical resources and capability plus adequate infrastructure systems, operating processes, controls and procedures in place for the management of the Index Funds, including cross border money flow, creation and redemptions, general operations, cash management, procedures for handling corporate/ other special events, portfolio composition file generation and checking, reference underlying portfolio value or indicative Net Asset Value checking and monitoring and tracking error management.

The Directors of the Manager

Susan Wai-Lan CHAN, Senior Managing Director, is the Head of Asia Pacific at BlackRock. Ms. Chan serves on BlackRock's Global Executive Committee, as well as the firm's Asia Pacific Executive and Steering Committees. Ms. Chan is responsible for leading the Asia Pacific region and overseeing the full range of business, client, investment and operational platforms serving wealth and institutional investors via BlackRock's active, index, ETFs, alternatives and technology offerings.

Ms. Chan was previously Deputy Head of Asia Pacific, Head of Greater China, and Head of Trading, Liquidity & Lending for Asia Pacific. She also oversaw the Sustainable & Transition Investing group in Asia Pacific. She joined the firm in Hong Kong in 2013 as Head of iShares Capital Markets and Products for Asia Pacific, before becoming Head of ETFs and Index Investing, a role she held until 2021. Prior to joining BlackRock, she was a Managing Director at Deutsche Bank AG, Hong Kong where she was Head of Equity Structuring, Strategic Equity Transactions and DBx Asia Pacific. Before Deutsche Bank, she was Managing Director at Barclays Capital Asia Limited where she held various leadership positions in equity derivatives with the most recent being Head of Equity and Funds Structured, Asia Pacific. Ms. Chan received the Lifetime Achievement Award from Women in Finance in 2023. She also serves as a member of the Financial Infrastructure and Market Development Sub-Committee, under the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Ms. Chan is a graduate of Boston University, Boston, Massachusetts.

Hiroyuki SHIMIZU, Managing Director, is Deputy Head of APAC, Head of APAC Institutional and Regional Head of North Asia (Japan, Korea, Taiwan). He is a member of the Global Operating Committee, Managing Director Promotion Committee, APAC Steering Committee, and APAC Executive Committee. Prior to joining BlackRock, he was at Morgan Stanley Investment Management, serving as the Global Head of Alternatives Distribution, as well as managing the Japan and Korea businesses. He has had various leadership roles at KKR and Goldman Sachs, managing capital markets, private markets distribution, structured credit sales, and derivative sales.

James RABY, Managing Director, is the Chief Operating Officer for the Asia Pacific region. Based in Hong Kong, Mr. Raby is responsible for delivering effective operation of the region as well as locally overseeing the Finance and Corporate Strategy and Development teams. The role includes partnering with regional and functional management to deliver growth, promote operational efficiency, and oversee risk & controls in the Asia Pacific region. Mr. Raby's service with the firm dates back to 2005, including his years with Barclays Global Investors (BGI), which merged with BlackRock in 2009. During his time at BlackRock, Mr. Raby has played a number of senior management roles within the Strategy, Finance and Audit departments, including Global Head of Financial Planning and Analysis, Global Head of Internal Audit and, most recently, Head of Wealth for Asia Pacific. Before joining BlackRock in 2005, Mr. Raby worked as a management consultant at Booz & Co (formerly Booz Allen Hamilton), advising financial institutions in the US, UK and Australia. Mr. Raby earned a Bachelor of Engineering and a Bachelor of Economics from the University of Melbourne in 1996 and an MBA from Columbia Business School in 2002.

Aarti ANGARA, Managing Director, is Head of APAC Global Product Solutions. In this role Aarti is responsible for the business strategy, innovation and commercialization of BlackRock's full investment platform, unlocking new growth opportunities across Active, iShares, and Private Markets for the region. Aarti most recently served as Chief Investment Officer of global equities, credit and alternatives at Caravel Asset Management in Hong Kong. She ran a team of equity, credit and quant analysts and was responsible for fund performance, portfolio management and asset allocation decisions. Prior to that, she was Co-Head of Morgan Stanley's proprietary investment Special Situations Group for Non-Japan Asia. Aarti graduated summa cum laude from Colgate University, with a major in Mathematics and Economics. She received her MBA from The Wharton School, University of Pennsylvania.

The Sub-Managers

The Manager may delegate all or part of its investment management functions in respect of the Index Funds to BlackRock Investment Management (UK) Limited ("**BIMUK**"), BlackRock (Singapore) Limited ("**BSL**") and BlackRock Japan Co., Ltd. ("**BLKJ**").

BIMUK is a principal operating subsidiary of the BlackRock Group outside the US. It is regulated by the Financial Conduct Authority. BIMUK is an indirect operating subsidiary of BlackRock, Inc., the ultimate holding company of the BlackRock Group.

BSL was incorporated in Singapore with limited liability on 2 December 2000 with its registered office at #18-01, Twenty Anson, 20 Anson Road, Singapore 079912. BSL holds a capital markets services licence in respect of fund management and dealing in securities, trading in futures contracts and leveraged foreign exchange trading under the Securities and Futures Act, Chapter 289 of Singapore. BSL was established to provide fund management and advisory services for clients in the South East Asia region and has managed collective investment schemes and/or discretionary funds since 2001.

BLKJ is regulated by the Japanese Financial Services Agency with its registered office at 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-8217, Japan. BLKJ is an indirect operating subsidiary of Blackrock, Inc., the ultimate holding company of the BlackRock Group.

The Manager shall continue to have ongoing supervision and regular monitoring of the compliance of the Sub-Managers to ensure that its accountability to Unitholders is not diminished. Although the investment management functions of the Manager may be delegated to a Sub-Manager, its responsibilities and obligations may not be delegated.

Trustee and Registrar

The Trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited. The Trustee was incorporated with limited liability in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance (Cap.29 of the Laws of Hong Kong) and approved by the Mandatory Provident Fund Schemes Authority as trustee of registered mandatory provident fund schemes under the Mandatory Provident Fund Schemes Ordinance (Cap.485 of the Laws of Hong Kong). The Trustee is an indirectly wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust. The Trustee may, however, appoint any person or persons (including a Connected Person) or have such person(s) appointed, to hold, as agent, nominee, delegate, custodian, joint custodian, co-custodian or sub-custodian, all of any investments, cash, assets or other property comprised in a fund and may empower any such person to appoint, with the prior consent in writing of the Trustee, additional co-custodians and/or sub-custodians (each such agent, nominee, delegate, custodian, joint custodian, co-custodian or sub-custodian, a “Correspondent”). The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and ongoing monitoring of such Correspondents and, during the term of their appointment, must satisfy itself that such Correspondents remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Trust or any Index Fund, having regard to the market or markets for which such Correspondents are appointed to act as custodian. The Trustee will remain responsible for the acts or omissions of such Correspondents (except those appointed in respect of markets which the Trustee may determine and notify to the Manager from time to time as being emerging markets unless such Correspondents are Connected Persons of the Trustee) in the same manner as if such acts or omissions were those of the Trustee. Notwithstanding the above, the Trustee will remain responsible for the acts or omissions of any Connected Person appointed in respect of an emerging market. In the event any appointment of emerging market custodian is proposed, the Trustee will notify the Manager and the SFC will be notified by the Manager accordingly. Prior approval of the SFC has to be obtained in the event such emerging market custodian proposed to be appointed is not a Connected Person of the Trustee.

The Trustee will also act as the Registrar of the Index Funds. In addition to the amount paid by the Manager out of the Management Fee, the Trustee will be entitled to other fees described in the section headed “Fees and Expenses”.

The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment. The Trustee has no responsibility or authority to make investment decisions, or render investment advice with respect to the Trust or the Index Funds, which is the sole responsibility of the Manager.

The Trustee will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control (the “OFAC”) of the US Department of the Treasury.

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

The Manager has sole responsibility for making investment decisions in relation to the Trust and/or the Index Funds and provided that the Trustee has taken reasonable care (to the extent as required by the Trust Deed, and any applicable law and regulation, including the Code) to ensure that the investment and borrowing limitations set out in the Trust Deed and the conditions under which the

Trust and the Index Funds were authorised are complied with, the Trustee (including its delegate) is not responsible or has no liability for any investment decision made by the Manager, or for monitoring the investment performance (with respect to investment decisions) of the Manager or any delegate or agent appointed by the Manager. Except as provided in the Trust Deed or expressly stated in this Prospectus and/ or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Trust or the Index Funds. Neither the Trustee nor its delegate is responsible for the preparation or issue of this Prospectus and therefore they accept no responsibility for any information contained in this Prospectus other than information relating to themselves and the HSBC Group under this section headed "Trustee and Registrar".

Indemnities of the Trustee and Manager

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, an Index Fund or the Trust generally, in respect of any liabilities, costs, claims or demands arising directly or indirectly from the proper performance of the Trust. Nothing in any of the provisions of the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from or indemnify them against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, fraud, default, breach of duty or trust of which they may be guilty in relation to their duties.

The indemnities summarised above will not be available to the Trustee or Manager in respect of any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, fraud, default or breach of duty or trust.

Service Agent

HK Conversion Agency Services Limited acts as Service Agent under the terms of the Service Agreement entered into among the Manager, the Trustee (also acting in its capacity as the Registrar), the Participating Dealers, (where relevant) the Participating Dealers' agents, the Service Agent and HKSCC. The Service Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in the Index Funds by Participating Dealers.

Auditor

The Manager has appointed PricewaterhouseCoopers to act as the auditor of the Trust and the Index Funds ("Auditor"). The Auditor is independent of the Manager and the Trustee.

Conflicts of Interest

The Manager, the Sub-Managers and other BlackRock Group companies (collectively referred to in this section as "BlackRock") undertake business for other clients. BlackRock Group companies, their employees and their other clients face conflicts with the interests of the Manager, the Sub-Managers and their clients. BlackRock maintains a Conflicts of Interest Policy. It is not always possible for the risk of detriment to a client's interests to be entirely mitigated such that, on every transaction when acting for clients, a risk of detriment to their interests does not remain.

The types of conflict scenario giving rise to risks which BlackRock considers it cannot with reasonable confidence mitigate are disclosed below. This document, and the disclosable conflict scenarios, may be updated from time to time.

Conflicts of interest from relationships within the BlackRock Group

Personal Accounts Dealing

BlackRock Group employees may be exposed to clients' investment information while also being able to trade through personal accounts. There is a risk that, if an employee could place a trade of sufficient size, this would affect the value of a client's transaction. BlackRock Group has implemented a Personal Trading Policy designed to ensure that employee trading is pre-approved.

Employee Relationships

BlackRock Group employees may have relationships with the employees of BlackRock's clients or with other individuals whose interests conflict with those of a client. Such an employee's relationship could influence the employee's decision-making at the expense of clients' interests. BlackRock Group has a Conflicts of Interest Policy under which employees must declare all potential conflicts.

Conflicts of interest of the Manager, the Sub-Managers and the securities lending agent

Provider Aladdin

BlackRock Group uses Aladdin software as a single technology platform across its investment management business. Custodial and fund administration service providers may use Provider Aladdin, a form of Aladdin software, to access data used by the BlackRock Group. Each service provider remunerates BlackRock Group for the use of Provider Aladdin. A potential conflict arises whereby an agreement by a service provider to use Provider Aladdin incentivises the BlackRock Group to appoint or renew appointment of such service provider. To mitigate the risk, such contracts are entered on an 'arm's length' basis.

Distribution Relationships

The Manager and/or the Sub-Managers may pay third parties for distribution and related services. Such payments could incentivise third parties to promote the Trust and the Index Funds to investors against that client's best interests. BlackRock Group companies comply with all legal and regulatory requirements in the jurisdictions in which such payments are made.

Commissions & Research

The Manager and the Sub-Managers (as well as any of its Connected Persons) will not receive or enter into any soft dollar commissions or arrangements in respect of the management of the Index Funds. The Manager and the Sub-Managers (as well any of its Connected Persons) will not retain any cash rebates from any broker or dealer. Notwithstanding this, where permitted by applicable regulation, certain BlackRock Group companies acting as investment manager to certain funds may use commissions generated when trading equities with certain brokers in certain jurisdictions to pay for external research. Such arrangements may benefit one fund over another because research can be used for a broader range of clients than just those whose trading funded it. BlackRock Group has a Use of Commissions Policy designed to ensure compliance with applicable regulation and market practice in each region.

Timing of Competing Orders

When handling multiple orders for the same security in the same direction raised at or about the same time, the Manager and/or the Sub-Managers seek to achieve the best overall result for each order equitably on a consistent basis taking into account the characteristics of the orders, regulatory constraints or prevailing market conditions. Typically, this is achieved through the aggregation of competing orders. Conflicts of interest may appear if a trader does not aggregate competing orders that meet eligibility requirements, or does aggregate orders that do not meet eligibility requirements;

it may appear as if one order received preferential execution over another. For a specific trade instruction of the Index Fund, there may be a risk that better execution terms will be achieved for a different client. For example, if the order was not included in an aggregation. BlackRock Group has Order Handling Procedures and an Investment and Trading Allocation Policy which govern sequencing and the aggregation of orders.

Concurrent Long and Short Positions

The Manager and/or the Sub-Managers may establish, hold or unwind opposite positions (i.e. long and short) in the same security at the same time for different clients. This may prejudice the interests of the Manager and/or the Sub-Managers' clients on one side or the other. Additionally, investment management teams across the BlackRock Group may have long only mandates and long-short mandates; they may short a security in some portfolios that are held long in other portfolios. Investment decisions to take short positions in one account may also impact the price, liquidity or valuation of long positions in another client account, or vice versa. BlackRock Group operates a Long Short (side by side) Policy with a view to treating accounts fairly.

MNPI

BlackRock Group companies receive Material Non-Public Information (MNPI) in relation to listed securities in which BlackRock Group companies invest on behalf of clients. To prevent wrongful trading, BlackRock Group erects information barriers and restricts trading by one or more investment team(s) concerned in the security concerned. Such restrictions may negatively impact the investment performance of client accounts. BlackRock has implemented a Material Non-Public Information Barrier Policy.

BlackRock's Investment Constraints or Limitations and its Related Parties

The Trust may be restricted in its investment activities due to ownership threshold limits and reporting obligations in certain jurisdictions applying in aggregate to the accounts of clients of the BlackRock Group. Such restrictions may adversely impact clients through missed investment opportunities. BlackRock Group manages the conflict by following an Investment and Trading Allocation Policy, designed to allocate limited investment opportunities among affected accounts fairly and equitably over time.

Investment in Related Party Products

While providing investment management services for a client, the Manager and/or the Sub-Managers may invest in products serviced by BlackRock Group companies on behalf of other clients. BlackRock may also recommend services provided by BlackRock or its affiliates. Such activities could increase BlackRock's revenue. In managing this conflict, BlackRock seeks to follow investment guidelines and has a Code of Business Conduct and Ethics. In addition, where an Index Fund invests in any ETF or fund managed by the Manager, the Sub-Managers or their affiliates (except for investment in such other ETF or fund by way of reinvestment of any cash collateral received), neither such Index Fund nor its Unitholders will suffer any increase in the overall total of initial charges, management fee, or any other costs and charges payable to the Manager, the Sub-Managers and/or their affiliates as a result of the investment in such ETF or fund. Where an Index Fund reinvests any cash collateral received in another ETF or fund managed by the Manager, any of the Sub-Managers or their affiliates, all initial charges and redemption charges on the underlying ETF or fund will be waived.

Investment Allocation and Order Priority

When executing a transaction in a security on behalf of a client, it can be aggregated and the aggregated transaction fulfilled with multiple trades. Trades executed with other client orders result in

the need to allocate those trades. The ease with which the Manager and/or the Sub-Managers can allocate trades to a certain client's account can be limited by the sizes and prices of those trades relative to the sizes of the clients' instructed transactions. A process of allocation can result in a client not receiving the whole benefit of the best priced trade. The Manager and the Sub-Managers manage this conflict by following an Investment and Trading Allocation Policy, which is designed to ensure the fair treatment of all clients' accounts over time.

Side-by-Side Management: Performance fee

The Manager and the Sub-Managers manage multiple client accounts with differing fee structures. There is a risk that such differences lead to inconsistent performances levels across client accounts with similar mandates by incentivising employees to favour accounts delivering performance fees over flat or non-fee accounts. BlackRock Group companies manage this risk through a commitment to a Code of Business Conduct and Ethics Policy.

Securities Lending

BlackRock Institutional Trust Company, N.A. (BTC), an affiliate of the Manager, acts as securities lending agent to, and receives a share of securities lending revenues from, each Index Fund which engages in securities lending.

There are potential conflicts of interests in managing a securities lending program, including but not limited to: (i) BTC as securities lending agent may have an incentive to increase or decrease the amount of securities on loan or to lend particular securities in order to generate additional risk-adjusted revenue for BlackRock and its affiliates. These conflicts are mitigated by having BlackRock's Risk and Quantitative Analysis Group independently oversee the risk parameters, providing an indemnification against borrower default and setting the compensation arrangement to BTC as a percentage of the income generated; and (ii) BTC as securities lending agent may have an incentive to allocate loans to clients that would provide more revenue to BlackRock. As described further below, BlackRock seeks to mitigate this conflict by providing its securities lending funds or accounts with equal lending opportunities over time in order to approximate pro rata allocation.

As part of its securities lending program, BlackRock indemnifies Index Funds against a shortfall in collateral in the event of borrower default. On a regular basis, BlackRock calculates the potential dollar exposure of collateral shortfall resulting from a borrower default ("shortfall risk") in the securities lending program. BlackRock establishes program-wide borrower limits ("credit limits") to actively manage borrower-specific credit exposure. BlackRock oversees the risk model that calculates projected collateral shortfall values using loan-level factors such as loan and collateral type and market value as well as specific borrower credit characteristics. When necessary, BlackRock may adjust securities lending program attributes by restricting eligible collateral or reducing borrower credit limits. As a result, the management of program-wide exposure as well as BlackRock-specific indemnification exposure may affect the amount of securities lending activity BlackRock may conduct at any given point in time by reducing the volume of lending opportunities for certain loans (including by asset type, collateral type and/or revenue profile).

BlackRock uses a predetermined systematic process in order to approximate pro rata allocation over time. In order to allocate a loan to a portfolio: (i) BlackRock as a whole must have sufficient lending capacity pursuant to the various program limits (i.e., indemnification exposure limit and borrower credit limits); (ii) the lending portfolio must hold the asset at the time a loan opportunity arrives; and (iii) the lending portfolio must also have enough inventory, either on its own or when aggregated with other portfolios into one single market delivery, to satisfy the loan request. In doing so, BlackRock seeks to provide equal lending opportunities for all portfolios, independent of whether BlackRock indemnifies the portfolio. Equal opportunities for lending portfolios does not guarantee equal outcomes.

Specifically, short and long-term outcomes for individual clients may vary due to asset mix, asset/liability spreads on different securities, and the overall limits imposed by the firm.

BlackRock may decline to make a securities loan on behalf of an Index Fund, discontinue lending on behalf of an Index Fund or terminate a securities loan on behalf of an Index Fund for any reason, including but not limited to regulatory requirements and/or market rules liquidity considerations, or credit considerations, which may impact an Index Fund by reducing or eliminating the volume of lending opportunities for certain types of loans, loans in particular markets, loans of particular securities or types of securities, or for loans overall.

General

The Manager, the Sub-Managers and the Trustee may from time to time act as trustee, administrator, registrar, secretary, manager, custodian, investment manager or investment adviser or perform other functions in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Trust or the Index Funds.

In addition:-

- the Manager, the Sub-Managers, their delegate or any Connected Persons may enter into investments for the Trust and may, with the consent of the Trustee and deal with the Trust as principal provided that such transactions are executed at arm's length and in the best interests of the Unitholders, are executed on the best available terms;

- the Trustee, the Manager, the Sub-Managers, the Registrar or any of their Connected Persons may have banking or other financial relationships with any company or party which is the issuer of Securities, financial instruments or investment products held by the Trust;

- the Trustee, the Manager, the Sub-Managers, the Registrar or any of their Connected Persons may hold and deal in Units or in investments held by the Trust either for their own account or for the account of their customers; and

- the monies of the Trust may be deposited with the Manager, the Sub-Managers, the Trustee or any of their Connected Persons or invested in certificates of deposit or banking instruments issued by any of them.

The Trustee, the Manager, the Sub-Managers, the Registrar or their Connected Persons may, in the course of business, and in providing services to the Trust, have potential conflicts of interest with the Trust or an Index Fund. Each will, at all times, have regard to its obligations to the Trust and to Unitholders and will endeavour to ensure that any such conflicts are resolved fairly.

Conflicts of interest may arise due to the widespread business operations of the Trustee, the Manager, the Sub-Managers, the Registrar and the Service Agent and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Trust Deed, be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of the Trust (or an Index Fund) will be on arm's length terms. No more than 50% in aggregate of an Index Fund's transactions in any one financial period shall be carried out with or through a broker or dealer connected to the Manager or the Sub-Managers or any Connected Person of the Manager or the Sub-Managers.

Soft Dollars

The Manager, the Sub-Managers and any investment delegate (as well as any of their Connected Persons) will not receive or enter into any soft dollar commissions or arrangements in respect of the management of the Index Funds. The Manager, the Sub-Managers and any investment delegate (as well as any of their Connected Persons) will not retain any cash rebates from any broker or dealer.

STATUTORY AND GENERAL INFORMATION

Reports and Accounts

The financial year-end of the Trust and the Index Funds is 31 December every year. Audited financial reports are to be prepared according to International Financial Reporting Standards and half-yearly unaudited financial reports are also to be prepared up to the last Dealing Day in June of each year.

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

Audited financial reports in English will be available from the Manager's website at www.blackrock.com/hk within four months of the end of each financial year-end and unaudited financial reports in English will be available from the same website within two months of the end of the semi-financial year-end. Hard copies of these financial reports may also be obtained from the Manager free of charge. No separate notice will be issued to Unitholders upon the publication of the financial reports, unless there is any change in the means and/or timeframe for Unitholders to obtain the financial reports in which case prior notice will be given to Unitholders.

Unitholders will be given at least one month's prior notice of any change to the mode of delivery of these financial reports.

Trust Deed

The Trust was established under Hong Kong law by a trust deed made between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager out of the assets of the Trust and their relief from liability in certain circumstances (summarised above in "Indemnities of the Trustee and Manager"). Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee such modification (i) does not materially prejudice to the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of any Index Fund or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error. In all other cases modifications, alterations and additions involving any material changes require the sanction of an extraordinary resolution of the Unitholders affected.

Except in respect of amendments sanctioned by extraordinary resolution or necessary for the Trust to comply with relevant legal requirements, the Manager will notify affected Unitholders of amendments as soon as practicable after they are made. No such notice will be given if the Trustee is of the opinion that the amendment is not of material significance or is made to correct a manifest error.

Provision of Information

Subject to all applicable laws/regulations and to the extent legally permissible, the Manager or the Trustee may, if requested by a regulatory body or department of any government or administration in any jurisdiction, provide such regulatory body or department in any jurisdiction with any information regarding the Trust Fund, the Unitholders and/or beneficial owners of Units, the investments and income of the Trust Fund and/or the provisions of the Trust Deed. Neither the Trustee nor the Manager shall incur any liability to the Unitholders and/or beneficial owners of Units or any of them or to any other person as a result of or in connection with such compliance to the extent the Trustee or the Manager is legally required to do so.

Voting Rights

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing one-tenth or more of the current Units in issue. These meetings may be used to modify the terms of the Trust Deed, including increasing the maximum fees payable to the service providers, removing the Trustee or terminating the Trust at any time. Such amendments to the Trust Deed must be considered by Unitholders of at least 25% of the Units in issue and passed by a 75% majority of the votes cast. Unitholders will be given not less than 21 days' notice of such meeting.

Proxies may be appointed. Where the Unitholder is a recognized clearing house or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any Unitholders' meetings or any meetings of any class of Unitholders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class(es) of Units of the sub-fund in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarized authorization and/or further evidence for substantiating the facts that it is duly authorised and will be entitled to exercise the same power on behalf of the recognized clearing house as that clearing house or its nominee(s) could exercise if it were an individual Unitholder, including the right to vote individually on a show of hands.

Termination

The Trust may be terminated by the Trustee if: (i) the Manager goes into liquidation or a receiver is appointed and not discharged within 60 days; (ii) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily; (iii) the Manager has failed to perform its duties satisfactorily or has, in the opinion of the Trustee, done something calculated to bring the Trust into disrepute or that is harmful to the interests of Unitholders; (iv) a law is passed that renders it illegal, or in the opinion of the Trustee, impracticable or inadvisable to continue the Trust; (v) the Trustee is unable to find an acceptable person to replace the Manager within 30 days after the removal of the Manager, or the person nominated shall fail to be approved by Extraordinary Resolution; or (vi) 30 days after the Trustee notifies the Manager of its intention to retire, no new person willing to act as trustee has been identified.

The Manager may terminate the Trust (or in the case of (iii) any Index Fund) if: (i) after 3 years from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Index Fund is less than HK$150 million; (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the Trust; (iii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects an Index Fund and which renders such Index Fund illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue such Index Fund; or (iv) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate any Index Fund if: (i) after 1 year from the date of the creation of such Index Fund, the Net Asset Value of such Index Fund is less than HK$150 million; (ii) at any time the Net Asset Value of such Index Fund is less than the Hong Kong dollar equivalent of US$10 million; (iii) its Underlying Index is no longer available for benchmarking or if the Units of the relevant Index Fund are no longer listed on the SEHK or any other Recognised Stock Exchange; (iv) at any time, the Index Fund ceases to have any Participating Dealer; or (v) if, the Manager is unable to implement its investment strategy. In such circumstances, unless the Manager and the Trustee agree that another strategy is: (a) possible, feasible as well as practicable; and (b) in the best interests of the Unitholders, the Units then in issue shall be compulsorily redeemed at the Net Asset Value of the Index Fund. The Manager shall, in such event, notify the SFC in advance in such circumstance and agree with the SFC appropriate methods of notification of Unitholders in the Index Fund prior to such redemption and termination. Further, the Unitholders may at any time authorise termination of the Trust or any Index Fund by extraordinary resolution.

Upon the Manager giving notice to the Trustee to terminate the Trust or an Index Fund pursuant to the Trust Deed, where the assets of the relevant Index Fund include Securities that cannot be traded on exchange or otherwise be disposed of, the Manager may, upon consultation with the Trustee, compulsorily redeem at Net Asset Value of all the Units then in issue of the relevant Index Fund, following which the relevant Index Fund may be terminated in accordance with the provisions of the Trust Deed.

Unless previously terminated as described above or under another provision in the Trust Deed, the Trust shall in any event terminate at the expiry of 80 years from the date of the Trust Deed.

Notice of any termination of an Index Fund will be given to the Unitholders after the SFC has approved release of the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Index Fund and the alternatives available to them, and any other information required by the Code.

Upon the termination of an Index Fund, the termination proceeds may be distributed and paid in a currency other than the Base Currency of the Index Fund. The currency of distribution of termination proceeds will be notified to investors in the termination notice. Unless otherwise specified in the termination notice, any fees and charges associated with the conversion of such termination proceeds from the applicable Base Currency to such other currency shall be borne by Unitholders. Unitholders are advised to check with their brokers for arrangements concerning distributions and consider the risk factor “Other Currencies Distribution Risk”.

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

Unless previously terminated, the Trust will terminate on 16 November 2081.

Inspection of Documents

Copies of the constitutive documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager at a cost of HK$150 per set.

Part XV of the Securities and Futures Ordinance

Part XV of the Securities and Futures Ordinance sets out the Hong Kong disclosure of interests’ regime applicable to Hong Kong listed companies. The regime does not apply to unit trusts that are

listed on the SEHK like the Index Funds. Consequently, Unitholders are not obliged to disclose their interest in an Index Fund. Further, pursuant to section 323(1)(c)(i) of the Securities and Futures Ordinance, Unitholders are not considered to hold an interest in the underlying shares of a Hong Kong listed company held by an Index Fund.

Anti-Money Laundering Regulations

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 the Trust is subject, the Manager, the Registrar or the Trustee may require a detailed verification of an investor'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 apply only if the financial institution or intermediary is within a country recognised by the Trustee and the Manager as having sufficient anti-money laundering regulations.

Liquidity Risk Management

At the level of an Index Fund and primary market trading in the relevant Units, liquidity risk is the risk that (i) a particular position cannot be easily unwound or offset due to insufficient market depth or market disruption; or (ii) the Index Fund's financial obligations arising from investment activity (such as margin calls) or investor redemptions will not be able to be met. An inability to sell a particular underlying security or portion of the Index Fund's assets may have a negative impact to the value of the Index Fund and may have negative implications for investors being able to redeem, on the primary market, in a timely fashion. Additionally, investors who remain invested in an Index Fund may also be adversely affected.

The Manager has established a Liquidity Risk Management Policy (the "**LRM Policy**") which enables it to identify, monitor and manage certain liquidity risks associated with each Index Fund. The LRM Policy, combined with the liquidity management tools available and an oversight committee comprising senior representatives of the Manager, seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders against the redemption behaviour of other investors from a liquidity perspective.

Tools to Manage Liquidity Risk

Under the LRM Policy, tools available to an Index Fund to manage liquidity risk include some or all of the following:

- In respect of any Redemption Application, the Manager may deduct from and set off against any amount payable to a Participating Dealer on the Redemption Value such sum (if any) as the Manager may consider represents an appropriate provision for Duties and Charges.

- The Index Fund may borrow up to 10% of its total Net Asset Value.

- The Manager may, in consultation with the Trustee, limit the total number of Units of the Index Fund which Participating Dealers may redeem on any Dealing Day to 10% of the total number of Units then in issue of the Index Fund.

- The Manager, with the approval of the Trustee, may at its discretion extend the settlement period beyond the Settlement Day, such extension to be on such terms and conditions as the Manager may determine but, in any event, not later than one month from the receipt of an effective Redemption Application unless the Market(s) in which a substantial portion of investments of the Index Fund is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable.

- The Manager may, at its discretion, at any time after consultation with the Trustee (and where practicable, after consultation with Participating Dealers) suspend the right of Unitholders to redeem Units of the Index Fund and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application in certain circumstances. Please refer to the section "Suspension of Creations and Redemptions" under "Creations and Redemptions (Primary Market)" for further details.

- The Manager may, after consultation with the Trustee, declare a suspension of the determination of Net Asset Value of the Index Fund in certain circumstances. No Units will be issued or redeemed during any period of suspension of the Net Asset Value. Please refer to the section "Suspension of Net Asset Value" under "Determination of Net Asset Value" for further details.

- The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate the Index Fund in certain circumstances, including where after 1 year from the date of creation of the Index Fund, the Net Asset Value of the Index Fund is less than HK$150 million.

- The Manager may adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager (following consultation with the Trustee) considers that such adjustment is required to fairly reflect the value of the investment.

Investors should note that there is a risk that the tools available may be ineffective to manage liquidity and redemption risk.

Takeovers Code

Unitholders are advised that any shareholding resulting from redemption of Units will normally be subject to the Takeovers Code. If a Unitholder receives shares of a constituent company of the Underlying Index from redemption of Units and the relevant company is under the application of the Takeovers Code at the relevant time (such as during an offer period), the Takeovers Code may be applicable to such Unitholder. In these circumstances, the Unitholder should consult a solicitor or financial adviser to ensure compliance with the Takeovers Code.

Change of Underlying Index

The Manager reserves the right with the prior approval of the SFC and provided that in its opinion the interests of the Unitholders would not be adversely affected, to replace the Underlying Index with another underlying index. The circumstances under which any such replacement might occur include but are not limited to the following events:

(a) the Underlying Index ceasing to exist;

(b) the licence to use the Underlying Index being terminated;

(c) a new index becoming available that supersedes the existing Underlying Index;

(d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Underlying Index;

(e) investing in the Securities comprised within the Underlying Index becomes difficult;

(f) the Index Provider increasing its licence fees to a level considered too high by the Manager;

(g) the quality (including accuracy and availability of the data) of the Underlying Index having in the opinion of the Manager, deteriorated;

(h) a significant modification of the formula or calculation method of the Underlying Index rendering that index unacceptable in the opinion of the Manager; and

(i) the instruments and techniques used for efficient portfolio management not being available.

The Manager may change the name of an Index Fund if the Underlying Index changes or for any other reasons including if licence to use the Underlying Index is terminated. Any change to the Underlying Index and or the name of an Index Fund will be notified to investors.

Information Available on the Internet

The Manager will publish important news and information with respect to each Index Fund, both in the English and in the Chinese languages, on the Manager's website at www.blackrock.com/hk including:

- This Prospectus and the product key facts statement (as revised from time to time);
- Latest annual audited financial report and interim half yearly unaudited financial report;
- Last Net Asset Value (in the Index Fund's Base Currency only) and last Net Asset Value per unit (in each of the Index Fund's trading currencies i.e. USD, HKD and RMB);
- Near real time indicative Net Asset Value per unit updated every 15 seconds during trading hours on each dealing day (in each of the Index Fund's trading currencies i.e. USD, HKD and RMB);
- The Index Fund's holdings (updated on a daily basis);
- Public notices and announcements made by the Index Fund;
- Latest list of Participating Dealers and Market Makers;
- The past performance of the Index Fund;
- The tracking difference and tracking error of the Index Fund; and
- Composition of any distributions paid by the Index Fund (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months.

Please note that the near real time indicative Net Asset Value per Unit (in each of the trading currencies i.e. USD, HKD and RMB) and the last Net Asset Value per Unit in HKD and USD are for reference only. The near real time indicative Net Asset Value per Unit in HKD and USD uses a real

time exchange rate between the Base Currency (i.e. RMB) and each of the trading currencies of HKD and USD. It is calculated using the indicative Net Asset Value per Unit in RMB multiplied by the real time exchange rate for HKD and USD respectively provided by ICE Data Services. The last Net Asset Value per Unit in HKD and USD is calculated using the last Net Asset Value per Unit in the Base Currency (i.e. RMB) multiplied by the WM Reuters 4:00p.m (London time)* rate for HKD and USD respectively for that Dealing Day.

**Please note 4:00p.m (London time) (i) during British Summer Time is equivalent to 11:00p.m Hong Kong Time and (ii) otherwise is equivalent to 12:00a.m. Hong Kong Time*

All of the information outlined above can be found on the product webpage of each Index Fund. The product webpage of an Index Fund can be located by using the search function and inserting the stock codes of the CGB ETF (i.e.02829, 82829 or 09829) and the Policy Bank Bond ETF (i.e. 03125, 83125 or 09125) at www.blackrock.com/hk. This website has not been reviewed by the SFC. Each product webpage also provides a link to the announcements and notices section of the website where public announcements and notices can be found.

Notices

All notices and communications to the Manager and Trustee should be made in writing and sent to the following addresses:

Manager	**Trustee**
BlackRock Asset Management North Asia Limited 16/F Champion Tower 3 Garden Road Central Hong Kong	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong

Queries and Complaints

Investors may contact the Manager at its address as set out above, or by phone at its telephone number: (852) 3903 2823 or by email: iSharesAsiaEnquiry@blackrock.com to seek any clarification regarding the Trust or the Index Funds or to file a complaint. If a query or complaint is received by phone, the Manager will respond orally. If a query or complaint is received in writing, the Manager will respond in writing. Under normal circumstances the Manager will respond to any query or complaint as soon as practicable and in any event within 21 days.

TAXES

The following summary of taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the PRC, and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong and the PRC at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus.

Hong Kong

The Index Funds	Profits Tax: As each Index Fund has been authorised as a collective investment scheme by the SFC pursuant to section 104 of the Securities and Futures Ordinance, profits of each Index Fund (i.e. in respect of a specified investment scheme) arising from the sale or disposal of securities, net investment income received by or accruing to each Index Fund and other profits of each Index Fund 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, any Hong Kong stamp duty on the transfer of Securities to an Index Fund by an investor pursuant to an application in specie will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by an Index Fund to an investor upon redemption of Units will also be remitted or refunded. No Hong Kong stamp duty is payable by an Index Fund on an issue or redemption of Units. The sale and purchase of Hong Kong stocks by an Index Fund will be subject to stamp duty in Hong Kong at the current rate of 0.10% of the stated consideration or the fair market value, whichever is higher, of the shares being sold and purchased respectively (i.e. 0.20% in total). Each Index Fund will be liable to one half of such Hong Kong stamp duty.
The Unitholders	Profits Tax: Hong Kong profits tax will not be payable by the Unitholder (other than Unitholders carrying on a trade, profession or business of investing in securities in Hong Kong) on any gains or profits made on the sale, redemption or other disposal of the Units and on any distributions made by an Index Fund. In accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus) tax should not be payable in Hong Kong in respect of dividends payable to Unitholders. Stamp Duty: Pursuant to the Stamp Duty (Amendment) Ordinance 2015, with effect from 13 February 2015, no stamp duty is payable on

the transfer (purchase or sale) of units of all exchange traded funds on the SEHK. No stamp duty is therefore payable on the transfer of Units of an Index Fund.

PRC

The Index Funds

Corporate Income Tax: Under current PRC Corporate Income Tax Law ("PRC CIT Law") and regulations, if an Index Fund is considered to be a tax resident enterprise of the PRC, it would be subject to PRC Corporate Income Tax ("CIT") at the rate of 25% on its worldwide taxable income. If an Index Fund is considered to be a non-PRC tax resident enterprise but with a permanent establishment ("PE") in the PRC, the profits attributable to the PE would be subject to CIT at 25%.

The Manager intends to operate the affairs of each Index Fund in such a manner that it should not be treated as tax resident enterprise of the PRC or non-tax resident enterprise with a PE in the PRC for CIT purpose, although this cannot be guaranteed.

If an Index Fund is a non-PRC tax resident enterprise without a PE in the PRC, the PRC sourced income derived by it from the investment in PRC securities would be subject to 10% PRC withholding income tax ("WIT") in the PRC, unless exempt or reduced under the PRC tax law and regulations or relevant tax treaty.

<u>Interests</u>

Under the current PRC CIT Law, interest derived by non-PRC investors which do not have a PE in the PRC from non-government bonds (including policy bank bonds) issued by PRC enterprises should be subject to PRC WIT at 10%, which may be reduced by the applicable tax treaty or domestic regulation. Generally, the enterprise distributing the interest should withhold the WIT.

Under the PRC CIT Law and regulations, interests derived from government bonds issued by the MOF and/or local government bonds approved by the State Council shall be exempt from PRC income tax. The term "local government bonds" refers to bonds which are approved by the PRC State Council to be issued by governments of provinces, autonomous regions, municipalities directly under the PRC government or municipalities separately listed on the state plan.

On 7 November 2018, the MOF and the STA issued Caishui [2018] No. 108 ("Circular 108"), which stipulated that foreign institutional investors (including the Index Funds) are temporarily exempted from PRC WIT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the China bond market. Further on 22 November 2021, the MOF and STA issued Public Notice [2021] No.34 ("Public Notice 34") to extend the temporary exemption to 31 December 2025.

Capital gains

Under current PRC tax law, there are no specific rules or regulations governing the WIT of the disposal of debt securities issued by PRC tax resident enterprises. Thus, the tax treatment for investment in debt securities issued by PRC tax residents is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, each Index Fund would be potentially subject to 10% PRC WIT on the PRC-sourced capital gains, unless exempt or reduced under relevant double tax treaties.

Pursuant to Article 7 of the Detailed Implementation Regulations of the PRC CIT Law, where the property concerned is a movable property, the source shall be determined according to the location of the enterprise, establishment or place which transfers the property. The PRC tax authorities have verbally indicated that debt instruments issued by PRC tax resident enterprises are movable property. In this case, the source shall be determined based on the location of the transferor. As each Index Fund is located outside the PRC, gains derived by the Index Fund from debt instruments issued by PRC tax resident enterprises could be argued as offshore source and thus not subject to PRC WIT. However, there is no written confirmation issued by the PRC tax authorities that the debt instruments issued by PRC tax resident enterprises are movable property.

In addition to the verbal comments, Article 13.7 of the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” (the “China-HK Arrangement”) provides that any gains derived by a Hong Kong tax resident from the disposal of PRC properties that are not referred to in Articles 13.1 to 13.6 of the China-HK Arrangement shall be taxable only in Hong Kong. As the debt instruments issued by the PRC tax resident enterprises are not referred to in Articles 13.1 to 13.6 of the China-HK Arrangement, capital gains derived by the Hong Kong tax resident from the disposal of debt instruments issued by the PRC tax resident enterprises should be eligible for treaty relief (i.e. not subject to PRC WIT) provided all the other relevant treaty conditions are satisfied.

In practice, the PRC authorities have not actively enforced the collection of PRC WIT in respect of gains realized by non-PRC tax resident enterprise from the trading of PRC debt securities in public market.

Value-added tax (“VAT”) and other surtaxes: On 23 March 2016, the MOF and the STA jointly issued the “Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program” (the “B2V Pilot Program”) Caishui [2016] No.36 (“Circular 36”) announcing that the B2V Pilot Program would be rolled out to cover all remaining industries, including financial services. Circular 36 has taken effect from 1 May 2016.

Interest income

Pursuant to Circular 36, interest income derived from bonds issued by PRC tax resident enterprises should technically be subject to 6% VAT plus local surtaxes, unless specifically exempted. Interest income received from PRC government bonds issued by the MOF and/or local government bonds approved by the State Council are exempted from VAT. According to Circular 108, foreign institutional investors (including the Index Funds) are temporarily exempted from PRC VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the China bond market. Further on 22 November 2021, the MOF and STA issued the Public Notice 34 to extend the temporary exemption to 31 December 2025.

Capital gains

Pursuant to Circular 36, gains realized from the trading of PRC marketable securities would generally be subject to VAT at 6%. Based on Article 4 of the "Supplementary Notice Regarding the VAT Policies on Inter-bank Financial Transactions by Financial Institutions" (Caishui [2016] No. 70), income derived by approved foreign investors from the trading of RMB denominated debt securities in the China Interbank Bond Market should be exempt from China VAT. There are no specific VAT rules on Bond Connect, by making reference to the above circular and other related prevailing tax regulations, it is anticipated that gains derived by foreign investors from the trading of PRC bonds through "Northbound Trading" should also be exempt from China VAT. In practice, the PRC tax authorities have not enforced VAT on capital gains derived by foreign investors from Bond Connect.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would also be charged at an amount as high as 12% of the VAT payable.

Tax Provision: In this connection, the Manager, having taken and considered independent professional tax advice, has determined that no WIT and VAT provision will be made on (i) the gross realised and unrealised capital gains derived from each Index Fund's disposal of debt instruments issued by the PRC issuers; (ii) interest derived from each Index Fund's investment in PRC government bonds and local government bonds; and (iii) interest derived during the period from 7 November 2018 to 31 December 2025 from each Index Fund's investment in PRC non-government bonds (including policy bank bonds).

In light of the above-mentioned uncertainty and in order to meet the potential tax liability for gains on disposal of debt securities via the PRC inter-bank bond market, the Manager reserves the right to provide for the withholding tax on such gains or income, and withhold PRC taxes at applicable rates for the account of each Index Fund in respect of any potential tax on the gross realised and unrealised income. The Manager assesses the WIT and VAT provision policy of the Index Funds on an on-going basis and reserves the right to make WIT and VAT provision in the future, as the Manager reasonably deems necessary (e.g. when above tax exemption expires), subject to the development of PRC tax

policies or any further guidance that may be issued by STA and/or other competent authority.

General

There is a possibility that the current tax laws, regulations and practice in the PRC will be changed with retrospective effect in the future and any such change may result in higher taxation on investments in China than currently contemplated. Any tax provision made by the Manager in respect of an Index Fund may be more than or less than the Index fund's actual tax liabilities, which may potentially cause substantial loss to the Index Fund. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the tax provisioning policy of each Index Fund accordingly.

Upon any future resolution of the above-mentioned uncertainty or further changes to the tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision (if any) as they consider necessary. The amount of any such tax provision will be disclosed in the accounts of each Index Fund.

Any such withholding tax on gains or income derived from the investment in debt securities via the PRC inter-bank bond market may reduce the income from, and/or adversely affect the performance of, an Index Fund. The amount withheld will be retained by the Manager for the account of the relevant Index Fund until the position with regard to Mainland China taxation of the Index Fund in respect of its gains and income from the investment in PRC debt securities via the PRC inter-bank bond market has been clarified. In the event that such position is clarified to the advantage of the relevant Index Fund, the Manager may rebate all or part of the withheld amount to Index Fund. The withheld amount so rebated shall be retained by the Index Fund and reflected in the value of its Units. Notwithstanding the foregoing, no Unitholder who redeemed his/her Units before the rebate of any withheld amounts shall be entitled to claim any part of such rebate.

It should also be noted that the actual applicable tax imposed by the PRC tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for tax made by the Manager for the account of each Index Fund may be excessive or inadequate to meet final PRC tax liabilities. Consequently, Unitholders of an Index Fund may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units in/from the Index Fund.

If the actual applicable tax levied by the PRC tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of an Index Fund may suffer more than the tax provision amount as that Index Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the PRC tax authorities is lower than that provided for by the Manager so that

there is an excess in the tax provision amount, Unitholders who have redeemed Units in the relevant Index Fund before the PRC tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's over-provision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax amount can be returned to the account of the relevant Index Fund as assets thereof.

Various tax reform policies have been implemented by the PRC government in the recent years, and the existing tax laws and regulations may be revised or amended in the future. Moreover, there is no assurance that the tax incentives currently offered to the foreign investors, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in the tax policies may reduce the incomes of an Index Fund, thereby reducing the income from, and/or value of the Units. Unitholders should seek their own tax advice on their own tax position with regard to their investment in an Index Fund.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI requires financial institutions ("**FIs**") in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report such information to the Hong Kong Inland Revenue Department ("**IRD**") for the purpose of AEOI exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax residents in an AEOI partner jurisdiction(s) with which Hong Kong has a Competent Authority Agreement ("**CAA**") in force; however, each Index Fund and/or its agents may further collect information relating to residents of other jurisdictions.

Each Index Fund is required to comply with the requirements of the Ordinance, which means that an Index Fund and/or its agents shall collect and provide to the IRD the required information relating to Unitholders and prospective investors.

The Ordinance as implemented by Hong Kong requires each Index Fund to, amongst other things: (i) register the Index Fund as a "Reporting Financial Institution" with the IRD (when there are reportable accounts); (ii) conduct due diligence on its accounts (i.e. Unitholders) to identify whether any such accounts are considered "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the required information reported to it to the government authorities of the jurisdictions with which Hong Kong has a CAA in force. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax residents in a jurisdiction with which Hong Kong has a CAA in force; and (ii) certain entities controlled by individuals who are tax residents in such jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, place of birth, address, tax residence, tax identification number (if any), account number, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions.

By investing in an Index Fund and/or continuing to invest in an Index Fund, Unitholders acknowledge that they may be required to provide additional information to the Index Fund, the Manager and/or the Index Fund's agents in order for the Index Fund to comply with the Ordinance. The Unitholder's

information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities), may be transmitted by the IRD to authorities in other jurisdictions.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in an Index Fund.

FATCA

General Information

The Foreign Account Tax Compliance Act ("FATCA") is a US tax law enacted in March 2010 with the withholding requirements for new accounts which became effective on 1 July 2014. FATCA attempts to minimise tax avoidance by US persons investing in foreign assets both through their own accounts and through their investments in foreign entities. Unless an intergovernmental agreement (an "IGA") is in place, FATCA requires foreign financial institutions ("FFIs") to provide information to the US tax authority, the Internal Revenue Service (the "IRS"), regarding their US account holders including substantial US owners of certain non-financial foreign entities ("NFFEs"). FFIs who fail to commit to meeting certain due diligence, withholding and reporting requirements and certain NFFEs who fail to provide required information on their substantial US owners will be subject to 30% FATCA withholding on most types of income from US investments (as further described below).

Payments of U.S. source fixed, determinable, annual, or periodic income ("FDAP"), such as dividends and interest, are subject to withholding beginning on 1 July 2014 when paid to nonparticipating FFIs ("NPFFIs"), non-compliant NFFEs, recalcitrant account holders at participating FFIs ("PFFIs"), and electing PFFIs. Payments made in the ordinary course of business for nonfinancial services are excluded from withholding.

U.S. tax law has detailed rules for determining the source of income. Different rules apply for each type of income. Interest and dividends, two of the most important types of income for investors, are generally sourced by reference to the residence of the obligor. Specifically, dividends are generally treated as U.S. source income when paid by a U.S. corporation with respect to its stock, and interest is generally treated as U.S. source income when paid by a U.S. borrower of money.

If an IGA is in place between the US and the country where the FFI is domiciled, then the terms of the IGA replace FATCA, meaning that all FFIs in the IGA country will generally be able to apply simpler, less burdensome due diligence and tax information sharing requirements, with generally no FATCA tax withholding. The United States Department of the Treasury and Hong Kong has on 13 November 2014 entered into an IGA based on the Model 2 type ("Model 2 IGA"). The Model 2 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS.

FATCA Registration Status	The Trust and/or each Index Fund are classified as "Qualifying Institutions" under the Model 2 IGA. As such they are a non-reporting Hong Kong Financial Institutions and are certified deemed compliant. No registration is required with the IRS.
Impact to the Index Funds and the Unitholders	In the event that an Index Fund holds US securities and is not FATCA compliant, the Index Funds may become subject to a 30% FATCA withholding as a result of the FATCA regime, and the value of the Units held by Unitholders may suffer material losses. The Manager does not support US tax evasion or any request to help investors avoid detection under FATCA. The Manager is not able to provide tax advice and cannot determine the impact or compliance obligations of FATCA or an applicable IGA for investors' business activities. The Manager strongly encourages Unitholders and prospective holders to seek the advice of an experienced tax adviser to determine what actions Unitholders may need to take and on FATCA.
Certification for Compliance with FATCA or Other Applicable Laws	Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Index Fund (a) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Index Fund receives payments and/or (b) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI) and reporting obligations that may be imposed by future legislation.
Power to Disclose Information to Authorities	Subject to applicable laws and regulations in Hong Kong, the Manager, the Trustee or any of their authorised person (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable an Index Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any law, rule, requirement, regulation or agreement relating to AEOI and FATCA).

DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions have the meanings set out below. Other capitalised terms used, but not defined, have the meaning given to those terms in the Trust Deed.

“AFRC” means the Accounting and Financial Reporting Council or its successors.

“Application Unit” means, in relation to an Index Fund, such number of Units of a class as specified in this Prospectus for the Index Fund from time to time determined by the Manager, approved by the Trustee and notified to Participating Dealers, either generally or for a particular class or classes of Units.

“Base Currency” means the specified base currency for an Index Fund which the Manager may determine from time to time in its discretion.

“BlackRock Group” means the BlackRock group of companies, the ultimate holding company of which is BlackRock, Inc.

“BTC” means BlackRock Institutional Trust Company, N.A., which is the securities lending agent to each Index Fund.

“Business Day” means a day (other than a Saturday and Sunday) on which the SEHK is open for normal trading, and on which banks in Hong Kong are open for, or available to provide, banking services (including on days where such services can be supported via electronic channels only), or such other day or days as the Manager and the Trustee may determine from time to time. “CCASS” means the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors.

“CCDCC” means China Central Depository & Clearing Co., Ltd (中央國債登記結算公司) of the PRC.

“CGB ETF” means the iShares China Government Bond ETF, an Index Fund of the Trust.

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

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

(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or

(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or

(c) any member of the group of which that company forms part; or

(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

“Creation Application” means an application by a Participating Dealer for the creation and issue of Units of an Index Fund in a minimum of one Application Unit size in accordance with the Operating Guidelines and terms of the Trust Deed.

“CSDCC” means the China Securities Depository and Clearing Co., Ltd (中國證券登記結算有限公司) of the PRC.

“CSRC” means the China Securities Regulatory Commission (中國證券監督管理委員會) of the PRC.

“Dealing Day” means each Business Day during the continuance of the Trust, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee either generally or for an Index Fund. In addition, a Dealing Day for the purposes of a Creation Application and Redemption Application is limited to each Business Day where both the SEHK and China Interbank Bond Market are open for trading and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee either generally or for a particular class or classes of Units.

“Dealing Deadline” in relation to any particular place and any particular Dealing Day, means the time on each Dealing Day specified in the “Description of iShares China Government Bond ETF” and “Description of iShares Short Duration China Policy Bank Bond ETF ” sections of this Prospectus.

“Duties and Charges” in relation to an Index Fund means, for any of its particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the deposited property (as that term is defined in the Trust Deed) or the increase or decrease of the deposited property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, any transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of compensating or reimbursing the Index Fund for the difference between (a) the prices used when valuing the Securities of the Index Fund for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Index Fund with the amount of cash received by the Index Fund upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Index Fund in order to realise the amount of cash required to be paid out of the Index Fund upon such redemption of Units.

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

“FDI” means financial derivative instrument.

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

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

“Index Fund” means one segregated pool of assets and liabilities into which the Trust Fund is divided in accordance with the Trust Deed and where the context requires, the CGB ETF and/or the Policy Bank Bond ETF. The relevant Index Fund to which this Prospectus relates are listed in the section headed “Introduction”.

"Index Provider" means the person responsible for compiling the Underlying Index against which an Index Fund benchmarks its investments and who holds the right to licence the use of such Underlying Index to the Index Fund.

"Issue Price" means the price at which Units in an Index Fund may be issued, determined in accordance with the Trust Deed.

"Listing Date" means the date specified in the "Description of iShares China Government Bond ETF" and "Description of iShares Short Duration China Policy Bank Bond ETF " sections of this Prospectus.

"Market" means the following, in any part of the world:–

(a) in relation to any Security: the SEHK or a Recognised Stock Exchange; and

(b) in relation to any futures contract: the Hong Kong Futures Exchange or any international futures exchange recognised by the SFC or approved by the Manager and the Trustee.

"Market Maker" means a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK.

"MOF" means the Ministry of Finance (中華人民共和國財政部) of the PRC.

"Multi-Counter" means the facility by which the Units traded in USD, HKD and/or RMB (as the case may be) are each assigned separate stock codes on the SEHK and are accepted for deposit, clearing and settlement in CCASS in more than one eligible currency (USD or RMB or HKD) as described in this Prospectus.

"Net Asset Value" means the net asset value of an Index Fund or, as the context may require, of a Unit calculated pursuant to the Trust Deed.

"Operating Guidelines" means in relation to an Index Fund, the guidelines for the creation and redemption of Units of the relevant class set out in the schedule to the Participation Agreement as amended from time to time by the Manager with the approval of the Trustee and following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers (for the avoidance of doubt, different Operating Guidelines may be established for different Index Funds). Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the Index Fund applicable at the time of the relevant Application.

"Participating Dealer" means any licensed broker or dealer who is (or who has appointed an agent who is) admitted by HKSCC as either a Direct Clearing Participant or a General Clearing Participant (as defined in the General Rules of CCASS) in CCASS and who has entered into a Participation Agreement, and any reference in this Prospectus to "Participating Dealer" shall, where the context requires, include a reference to any agent so appointed by the Participating Dealer.

"Participation Agreement" means an agreement entered into between the Trustee, the Manager, a Participating Dealer and (where relevant) a Participating Dealer's agent, setting out, (amongst other things), the arrangements in respect of the issue of Units and the redemption and cancellation of Units.

"PBOC" means the People's Bank of China.

"Policy Bank Bond ETF" means the iShares Short Duration China Policy Bank Bond ETF, an Index Fund of the Trust.

"PRC" means The People's Republic of China excluding, for the purposes of interpretation of this Prospectus only, the Hong Kong Special Administrative Region and the Macau Special Administrative Region.

"Recognised Stock Exchange" means an international stock exchange which is recognised by the SFC or which is approved by the Trustee and the Manager.

"Redemption Application" means an application by a Participating Dealer for the redemption of Units of an Index Fund in a minimum of one Application Unit size in accordance with the Operating Guidelines and terms of the Trust Deed.

"Redemption Value" means, in respect of a Unit of an Index Fund, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.

"reverse repurchase transactions" has the meaning as set out in the Code.

"SAFE" means the State Administration of Foreign Exchange (國家外匯管理局) of the PRC.

"STA" means the State Taxation Administration of the PRC.

"sale and repurchase transactions" has the meaning as set out in the Code.

"securities financing transactions" has the meaning as set out in the Code.

"securities lending transactions" has the meaning as set out in the Code.

"Security" means any share, stock, debenture, loan stock, bond, security, commercial paper, acceptance, trade bill, treasury bill, instrument or note of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):–

(a) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the Trust Deed);

(b) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;

(c) any instrument commonly known or recognised as a security;

(d) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and

(e) any bill of exchange and any promissory note.

"Securities and Futures Ordinance" or "SFO" means the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

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

"Settlement Day" means the number of Business Days after the relevant Dealing Day specified for an Index Fund pursuant to the Operating Guidelines or such other number of Business Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree and notify to the relevant Participating Dealers, either generally or for the Index Fund.

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

“SHCH” means the Shanghai Clearing House & Inter-bank Market Clearing House Co., Ltd.

“substantial financial institution” has the meaning as set out in the Code.

“Takeovers Code” means The Code on Takeovers and Mergers issued by the SFC (as amended, or replaced, from time to time).

“Trust” means the umbrella unit trust constituted by the Trust Deed and called iShares Asia Trust or such other name as the Trustee and the Manager may from time to time determine.

“Trust Fund” means all the property held by the Trust, including all Deposited Property and Income Property (as defined in the Trust Deed), except for amounts to be distributed, in each case in accordance with the terms and provisions of the Trust Deed.

“Underlying Index” means, in respect of an Index Fund, the index against which the relevant Index Fund is benchmarked.

“Unit” means one undivided share in an Index Fund to which it relates.

“Unitholder” means a person entered on the register of holders as the holder of Units including, where the context so admits, persons jointly registered.

“Valuation Point” means the official close of trading on the Market on which Securities in question are listed on each Dealing Day and, in the case of an Index Fund investing in Securities trading on more than one Market, the official close of trading on the last relevant Market to close or such other time or times as determined by the Manager and the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

SCHEDULE 1

If any of the restrictions or limitations set out in this Schedule 1 is breached, the Manager will make it a priority objective to take all necessary steps within a reasonable period to remedy such breach, taking due account of the interests of the Unitholders.

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

PART A – INVESTMENT AND BORROWING RESTRICTIONS APPLICABLE TO EACH INDEX FUND

1. Investment Restrictions

The investment restrictions applicable to each Index Fund that are included in the Trust Deed are summarised below (as may be modified by any applicable waivers or exemptions granted by the SFC):-

(a) the aggregate value of an Index Fund's investments in, or exposure to, any single entity (other than Government and other Public Securities) through the following may not exceed 10% of the Net Asset Value of such Index Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code:

(1) investments in Securities issued by such entity;

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

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

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

(1) investments in Securities issued by such entities;

(2) exposure to such entities through underlying assets of FDIs; and

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

(c) unless otherwise approved by the SFC, the value of an Index Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the Net Asset Value of the Index Fund, unless:

(1) the cash is held before the launch of the Index Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or

(2) the cash is proceeds from liquidation of investments prior to the merger or termination of the Index Fund, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or

(3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;

for the purposes of this paragraph (c), cash deposits generally refer to those that are repayable on demand or have the right to be withdrawn by the Index Fund and not referable to provision of property or services;

(d) ordinary shares issued by any single entity (other than Government and other Public Securities) held for the account of an Index Fund, when aggregated with other ordinary shares of the same entity held for the account of all other Index Funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;

(e) not more than 15% of the Net Asset Value of an Index Fund may be invested in Securities and other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such Securities are regularly traded;

(f) notwithstanding (a), (b), (d) and (e), where direct investment by an Index Fund in a market is not in the best interests of investors, an Index Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case, the underlying investments of the subsidiary, together with the direct investments made by the Index Fund, must in aggregate comply with the requirements of Chapter 7 of the Code;

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

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

(i) unless otherwise approved by the SFC, an Index Fund may not invest in physical commodities;

(j) for the avoidance of doubt, exchange traded funds that are:

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

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

may either be considered and treated as (x) listed Securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraph (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and the relevant investment limits in exchange traded funds by an Index Fund should be consistently applied and clearly disclosed in this Prospectus. The Manager intends to treat such underlying

exchange traded funds as collective investment schemes for the purposes of and subject to the requirements in Chapters 7.11, 7.11A and 7.11B of the Code;

(k) where an Index Fund invests in shares or units of other collective investment schemes ("underlying schemes"),

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

(2) such Index Fund may invest in one or more underlying schemes which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), but the value of an Index Fund's investment in units or shares in each such underlying scheme may not exceed 30% of the Net Asset Value of the Index Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in this Prospectus,

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

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

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

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

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

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

(l) if the name of an Index Fund indicates a particular objective, investment strategy, geographic region or market, the Index Fund, under normal market circumstances, invest at least 70% of its Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Index Fund represents.

The Manager shall not on behalf of any Index Fund:-

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

(ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITS, they shall comply with the limits set out in paragraphs (a), (b) and (d), (e) and (k)(1) above where applicable. For the avoidance of doubt, where investments are made in listed REITS, paragraphs (a), (b) and (d) apply and where investments are made in unlisted REITS, which are either companies or collective investment schemes, then paragraphs (e) and (k)(1) apply respectively;

(iii) make short sales if as a result such Index Fund would be required to deliver Securities exceeding 10% of the Net Asset Value of such Index Fund (and for this purpose Securities sold short must be actively traded on a market where short selling activity is permitted). For the avoidance of doubt, an Index Fund is prohibited to carry out any naked or uncovered short sale of Securities and short selling should be carried out in accordance with all applicable laws and regulations;

(iv) subject to paragraph (e) above, lend or make a loan out of the assets of such Index Fund, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan, or assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;

(v) enter into any obligation in respect of such Index Fund or acquire any asset or engage in any transaction for the account of such Index Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders is limited to their investment in the relevant Index Fund; or

(vi) include in the portfolio of such Index Fund any Security where a call is to be made for any sum unpaid on that Security, unless the call could be met in full out of cash or near cash from such Index Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of the section "Cover" below.

Note: The investment restrictions set out above apply to each Index Fund, subject to the following: A collective investment scheme authorised by the SFC under the Code is usually restricted under Chapter 7.1 of the Code from making investments which would result in the value of that collective investment scheme's holdings of the Securities of any single entity exceeding 10% of the collective investment scheme's net asset value. For an Index Fund authorised under Chapter 8.6 of the Code as an index tracking ETF, given the investment objective of the Index Fund and nature of the index, the relevant Index Fund is allowed under Chapter 8.6(h) of the Code to, notwithstanding Chapter 7.1 of the Code, hold investments in constituent Securities of any single entity exceeding 10% of the Index Fund's Net Asset Value if such constituent Securities account for more than 10% of the weighting of the index and the relevant Index Fund's holding of any such constituent Securities does not exceed their respective weightings in the Underlying Index, except where the weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature.

However, the restrictions in 8.6(h)(i) and (ii) of the Code (as described in the preceding paragraph) do not apply if:

- the Index Fund adopts a representative sampling strategy which does not involve full replication of the constituent securities of the underlying index in the exact weightings of such index;

- the strategy is clearly disclosed in the Prospectus;

- the excess of the weightings of the constituent securities held by the Index Fund over the weightings in the index is caused by the implementation of the representative sampling strategy;

- any excess weightings of the Index Fund's holdings over the weightings in the index must be subject to a maximum limit reasonably determined by the Index Fund after consultation with the SFC. In determining this limit, the Index Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the index and any other suitable factors;

- limits laid down by the Index Fund pursuant to the point above must be disclosed in the Prospectus. Please refer to the section "Descriptions of The Index Funds" – "Investment Strategy" for the limit applicable to an Index Fund;

- disclosure must be made in the Index Fund's interim and annual reports as to whether the limits imposed by the Index Fund itself pursuant to the above point have been complied with in full. If there is non-compliance with the said limits during the relevant reporting period, this must be reported to the SFC on a timely basis and an account for such non-compliance should be stated in the report relating to the period in which the non-compliance occurs or otherwise notified to investors.

Securities Financing Transactions

The Manager may, on behalf of an Index Fund, enter into securities lending transactions. The Manager has appointed BTC to act as securities lending agent for each Index Fund pursuant to a written agreement. All securities lending transactions will only be carried out in the best interest of the Index Fund and as set out in the relevant securities lending agreement and where the associated risks have been properly mitigated and addressed. Such transactions may be terminated at any time by the Manager at its absolute discretion.

An Index Fund which engages in securities lending transactions is subject to the following requirements:

- it shall have at least 100% collateralisation in respect of the securities lending transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;

- all the revenues arising from securities lending transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a securities lending agent and/or other service providers in the context of the securities lending transactions to the extent permitted by applicable legal and regulatory requirements, shall be returned to the Index Fund; and

- it shall ensure that it is able to at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the securities lending transactions or terminate the securities lending transactions into which it has entered.

Further, details of the arrangements are as follows:

- each counterparty for such transactions will be independent counterparties approved by the Manager, which should be financial institutions which are subject to ongoing prudential regulation and supervision. There are no requirements imposed by the Manager on country of origin or minimum credit rating of counterparties;

- the Trustee, the Custodian, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under the section "Collateral" below;

- where any securities lending transaction has been arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement;

- safekeeping arrangement:

    - collateral received: any collateral received by an Index Fund under a title-transfer arrangement shall be held by the Trustee (or its nominee, agent or delegate, or delegate(s) or agent(s) further appointed by such nominee, agent or delegate).

    - securities on loan: securities subject to a securities lending transaction that are provided to a counterparty under a title-transfer arrangement shall no longer belong to the relevant Index Fund and the Trustee shall not be liable for the acts and omissions of such counterparty in whose name such securities is transferred to. Securities provided to a counterparty other than under a title-transfer arrangement shall be in the name of or to the order of the Trustee.

The Index Funds currently do not intend to engage in any sale and repurchase transactions and reverse repurchase transactions, or other similar over the counter transactions. Prior approval from the SFC will be sought (where required) in the event the Manager intends to engage in such transactions and at least one month's prior notice will be given to Unitholders, and details of such transactions will be disclosed in this Prospectus in accordance with the Code.

Financial Derivative Instruments

Subject always to the provisions of the Trust Deed and the Code, the Manager may on behalf of an Index Fund enter into any transactions in relation to FDIs.

Hedging purposes

An Index Fund may acquire FDIs for hedging purpose. The FDIs shall meet all of the following criteria to be considered as being acquired for hedging purposes:

(a) they are not aimed at generating any investment return;

(b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss of risks arising from the investments being hedged;

(c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and

(d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions. Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Index Fund to meet its hedging objective in stressed or extreme market conditions.

Investment purposes

An Index Fund may also acquire FDIs for non-hedging purposes ("investment purposes"), subject to the limit that the Index Fund's net exposure relating to these FDIs ("net derivative exposure") does not exceed 50% of its total Net Asset Value (unless otherwise approved by the SFC for an Index Fund pursuant to Chapter 8.7 and 8.8 of the Code). For the avoidance of doubt:

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

(b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and

(c) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

Requirements on FDIs

The FDIs invested by an Index Fund should be either listed or quoted on a stock exchange, or dealt in over-the-counter market and comply with the following provisions:

(a) the underlying assets consist solely of shares in companies, debt Securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates or currencies or other asset classes acceptable to the SFC, in which such Index Fund may invest according to its investment objectives and policies. Where the Index Fund invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in paragraphs (a), (b), (c) or (g) under "Investment Restrictions" above provided that the index is in compliance with 8.6(e) of the Code;

(b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions, except that the SFC may consider to accept other entity falling outside the definition of "substantial financial institution" on a case-by-case basis;

(c) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, the Index Fund's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the Net Asset Value of such Index Fund. Exposure to a counterparty of over-the-counter FDIs may be lowered by the collateral received

(if applicable) and should be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDIs with that counterparty, if applicable; and

(d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures established by the Manager such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Index Fund. Further, the calculation agent/ fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

Subject to the sub-sections “Investment purposes” and “Requirements on FDIs above”, an Index Fund may invest in FDIs provided that the exposure to the underlying assets of the FDI, together with the other investments of the Index Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in the relevant provisions of Chapter 7 of the Code.

Cover

An Index Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. For the purposes of this paragraph, assets that are used to cover the Index Fund’s payment and delivery obligations incurred under transactions in FDIs should be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a Security, and cannot be applied for any other purposes. A transaction in FDIs which gives rise to a future commitment or contingent commitment of an Index Fund should also be covered as follows:

- in the case of FDI transactions which will, or may at the Index Fund’s discretion, be cash settled, the Index Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and

- in the case of FDI transactions which will, or may at the counterparty’s discretion, require physical delivery of the underlying assets, the Index Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Index Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation. In the case of holding alternative assets as cover, the Index Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligation.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well. For the purposes of this Prospectus, an “Embedded FDI” is a FDI that is embedded in another security, namely the host contract.

Collateral

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid market place with transparent pricing;

- Valuation – collateral should be marked-to-market daily by using independent pricing source;

- Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;

- Haircut – collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. For the avoidance of doubt the price volatility of the asset used as collateral should be taken into account when devising the haircut policy;

- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and an Index Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapter 7 of the Code;

- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs or the counterparty of securities lending transactions (as the case may be) in such a way that would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or the counterparty of securities lending transactions or any of their related entities should not be used as collateral;

- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;

- Independent custody – collateral must be held by the Trustee, or by its duly appointed nominee, agent or delegate, or by delegate(s) or agent(s) further appointed by such nominee, agent or delegate;

- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs, or the counterparty of the securities lending transactions;

- Cash collateral – any reinvestment of cash collateral received for the account of an Index Fund shall be subject to the following requirements:

  (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. Where cash collateral received is reinvested in other funds as permitted under this section, each Index Fund will be responsible for fees in connection with such investment.

For this purpose, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account.

(ii) the portfolio of assets from reinvestment of cash collateral shall comply with the requirements as set out in Chapter 8.2(f) and (n) of the Code;

(iii) cash collateral received is not allowed to be further engaged in any securities financing transactions; and

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

- Non-cash collateral – non-cash collateral received in connection with a securities lending transaction may not be sold, reinvested or pledged by the Index Fund;

- Encumbrances – collateral should be free of prior encumbrances; and

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

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

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, equities, funds (including exchange traded funds) and money market instruments;

- there are no specific criteria applied to the maturity of debt securities received as collateral. Generally, the debt securities received will be of maturities up to 15 years, but the Index Funds may receive some debt securities as collateral with maturities over 15 years following appropriate risk analysis of the quality and haircuts to be applied;

- in respect of debt securities, the issuer is expected to have a minimum credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies);

- regular stress tests are carried out under normal and exceptional liquidity conditions to enable adequate assessment of the liquidity risks of the collateral received;

- the Manager’s haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility, liquidity and credit risk of the collateral, the counterparty’s credit risk and the results of any stress tests which may be performed in accordance with the collateral policy. Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the Manager’s intention that any collateral received shall have a value (adjusted in light of the haircut policy) which equals or exceeds the relevant counterparty exposure where appropriate;

- the collateral should be sufficiently diversified in terms of different parameters such as country, markets and issuers with a limit to the maximum exposure to each given issue or issuer (as the case may be). Where an Index Fund has exposure to different counterparties, different baskets of collateral (provided by different counterparties) will be aggregated to determine the Index Fund's exposure to a single issuer;

- the issuer of the collateral must be independent from the counterparty and is expected not to display a high correlation with the creditworthiness of the counterparty;

- the collateral must be readily enforceable by the Trustee (or its nominee, agent or delegate or delegate(s) or agent(s) further appointed by such nominee, agent or delegate) and may be subject to netting or set-off. Where there is an event of default by the borrower under the applicable securities lending agreement, the non-cash collateral received in connection with a securities lending transaction may be enforced, and may then be sold, reinvested or pledged by the Index Fund; and

- cash collateral may be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC. Otherwise, cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Manager.

Where an Index Fund receives collateral, a description of holdings of collateral (including a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Index Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable), maturity tenor of the collateral, data on reinvestment of cash collateral and custody/safekeeping arrangement of collateral) will be disclosed in the Index Fund's annual and interim financial reports for the relevant period as required under Appendix E of the Code.

The Index Funds may provide collateral in the form of cash margin in respect of their investments in futures. Such cash accounts will be opened with the respective futures brokers in the name of the relevant Index Fund.

2. Borrowing Policy

Borrowing against the assets of an Index Fund is allowed up to a maximum of 10% of its total Net Asset Value. Back-to-back loans do not count as borrowing. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in Chapters 7.32 to 7.35 of the Code. The Trustee may at the request of the Manager borrow for the account of an Index Fund any currency, and charge or pledge assets of an Index Fund, for the following purposes:–

- facilitating the creation or redemption of Units or defraying operating expenses;

- enabling the Manager to acquire Securities for the account of the Index Fund; or

- for any other proper purpose as may be agreed by the Manager and the Trustee.

PART B – ADDITIONAL INVESTMENT AND BORROWING RESTRICTIONS APPLICABLE TO EACH INDEX FUND

In addition to the restrictions and limitations set out in Part A of this Schedule 1, the following restrictions also apply to each Index Fund. In the event of inconsistency between the restrictions and limitations set out in Part A and Part B, the stricter of the restrictions or limitations shall prevail.

Other collective investment schemes

Each Index Fund's aggregate investment in other collective investment schemes (including eligible schemes or non-eligible schemes, and schemes authorised or not authorised by the SFC) shall not exceed 10% of its Net Asset Value.

Real estate, commodities and precious metals

Each Index Fund shall not directly or indirectly (e.g. through FDIs) invest in real estate, commodities and/or precious metals or hold certificates representing precious metals.

Borrowing

Each Index Fund may only borrow up to 10% of its Net Asset Value on a temporary basis and must not borrow on a permanent and/or rolling/recurrent basis.

Investments in unlisted securities

Each Index Fund may not invest more than 10% of its latest available Net Asset Value in Securities which are not quoted, listed or dealt in on a market, including swaps.

iShares
by BlackRock