

**YUANTA TRACKER FUND (H.K.) SERIES (the “Trust”)**

***Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (the “Sub-Fund”) (Stock Code: 3002)***

**Announcement and Notice to Unitholders**

**IMPORTANT:** The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission take no responsibility for the contents of this Announcement and Notice, 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 Announcement and Notice.

If you are in any doubt about the contents of this Announcement and Notice, you should consult your stockbroker(s), bank manager(s), solicitor(s), accountant(s) or other financial adviser(s). Yuanta Securities (Hong Kong) Company Limited accepts full responsibility for the information contained in this Announcement and Notice as being accurate at the date hereof, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

If you have sold or transferred all your Units in the Sub-Fund, you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Investments involve risks, including the loss of principal. You are advised to consider your investment objectives and circumstances in determining the suitability of an investment in the Trust and the Sub-Fund. An investment in the Trust and the Sub-Fund may not be suitable for everyone.

The SFC’s authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

This Announcement and Notice is important and requires your immediate attention and does not constitute an invitation or offer to acquire, purchase or subscribe for Units in the Sub-Fund.

Dear Unitholders,

**ANNOUNCEMENT AND NOTICE OF THE PROPOSED CESSATION OF TRADING, TERMINATION, VOLUNTARY DEAUTHORISATION AND DELISTING AND WAIVER FROM STRICT COMPLIANCE OF CERTAIN PROVISIONS OF THE CODE**

**IMPORTANT:** Investors are strongly advised to consider the contents of this Announcement and Notice. This Announcement and Notice is important and requires your immediate attention. It concerns the proposed cessation of trading, proposed termination, proposed deauthorisation and proposed delisting of the Trust and the Sub-Fund, and the waivers from strict compliance of certain provisions of the Code for the period from 4 July 2016 (i.e. the Trading Cessation Date) to the Deauthorisation date. In particular, investors should note

that:

- taking into account the relevant factors, including, in particular, the relatively small Net Asset Value of the Sub-Fund (see details of the factors in section 1 below), the Manager has, by means of a resolution of the board of directors of the Manager dated 20 May 2016, decided to exercise its power under Clause 35.6(A) of the Trust Deed to propose to terminate the Trust and the Sub-Fund with effect from the Termination Date (as defined below);
- the Provision in respect of the Trust and the Sub-Fund, in the amount of HK\$460,000 will be set aside immediately after this Announcement and Notice has been published for discharging all Future Costs (as defined below) until the Termination Date. As a result, the Net Asset Value and Net Asset Value per Unit of the Sub-Fund will be reduced before the commencement of trading on SEHK on 30 May 2016 as follows:

Before setting aside Provision		After setting aside Provision	
NAV	NAV per Unit	NAV	NAV per Unit
HK\$9,684,431.07	HK\$9.68	HK\$9,224,431.07	HK\$9.22

- the Last Trading Day of the Units in the Sub-Fund will be 30 June 2016, i.e. the last day on which investors may buy or sell Units on SEHK and the last day for redemption of Units in accordance with the usual trading arrangements currently in place, but no creation of Units in the primary market through the Participating Dealer will be allowed from 30 May 2016;
- the Units of the Sub-Fund will cease trading as from 4 July 2016 (the “**Trading Cessation Date**”); that means, no further buying or selling Units on SEHK and no redemption of Units will be possible from the Trading Cessation Date onwards;
- following the date of this Announcement and Notice, there will be no further creation of Units;
- from the Trading Cessation Date onwards: (i) there will be no further trading of Units and no further redemption of Units; (ii) the Manager will start to realise all the assets of the Trust and the Sub-Fund and the Sub-Fund will therefore cease to track the Underlying Index via the Yuanta/P-shares Taiwan Top 50 ETF (the “**Master Fund**”) and will not be able to meet its investment objective of tracking the performance of the Underlying Index; (iii) the Trust and the Sub-Fund will no longer be marketed to the public in Hong Kong; and (iv) the Trust and the Sub-Fund will mainly hold cash, and the Sub-Fund will only be operated in a limited manner;
- with a view to minimising the further costs, fees and expenses in managing the Trust and the Sub-Fund following the Trading Cessation Date and in the best interest of investors, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the following provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation date: (i) Chapter 10.7 (with regard to publishing suspension announcements); (ii) paragraphs 4, 17(a) and 17(b) of Appendix I (with regard to providing estimated Net Asset Value or RUPV and last closing Net Asset Value on a real time or near-real time basis); and (iii) Chapters 6.1 and 11.1B (with regard to updating the Explanatory Memorandum of the Trust and the Sub-Fund dated 20 January 2015 (as amended) (the “**Explanatory Memorandum**”) and the product key facts statement of the Sub-Fund (the “**KFS**”)). The details and the conditions on which such waiver is granted are as described in

section 5 below;

- the Manager confirms that, save for the particular provisions of the Code set out in sections 5.2 to 5.4 below, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed and other applicable laws and regulations in respect of the Trust and the Sub-Fund until the Deauthorisation date;
- the Manager will, after having consulted with the Trust's and the Sub-Fund's Auditors, declare a Final Distribution (please refer to section 3.2 below for further information) to the investors who remain so as at close of business on 25 July 2016, i.e. the Distribution Record Date, and the Final Distribution will be payable on or around 1 August 2016 (the "**Final Distribution Date**");
- if there is any further distribution after the Final Distribution (please refer to section 3.2 below for further information), the Manager will issue an announcement to confirm the amount of further distribution (which may include any refund of excess Provision and/or Unforeseen Expenses Provision (if any)) on or around 12 August 2016 and such further distribution (if any) will be payable on or around 2 September 2016;
- by the date the Trustee and the Manager have formed an opinion that the Trust and the Sub-Fund cease to have any contingent or actual liabilities or assets, the Trustee and the Manager will commence the completion of the termination of the Trust and the Sub-Fund (such date being the "**Termination Date**");
- during the period from the Trading Cessation Date until, at least, the Termination Date, the Manager will maintain the Trust's and the Sub-Fund's SFC authorisation status and the Sub-Fund's SEHK listing status, and, subject to SEHK's approval, expects the Delisting to take effect at or around the same time as the Deauthorisation;
- the Manager expects that the Deauthorisation and the Delisting will take place either on the Termination Date or immediately after the Termination Date (please note that any product documentation for the Trust and the Sub-Fund previously issued to investors, including the Explanatory Memorandum and the KFS should be retained for personal use only and not for public circulation);
- upon the termination and Deauthorisation of the Trust and the Sub-Fund and the Delisting of the Sub-Fund, the Manager understands that Yuanta Securities Investment Trust Co. Ltd., the manager of the Master Fund, shall apply to the SFC for withdrawal of authorisation of the Master Fund;
- investors should pay attention to the risk factors as set out in section 7.1 below (including liquidity risk, Units trading at a discount or premium and Market Maker's inefficiency risk, tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk, Net Asset Value downward adjustment risk, possible provision for unforeseen expenses risk, failure to track the Underlying Index risk and delay in distribution risk). Investors should exercise caution and consult with their professional and financial advisers before dealings in the Units or otherwise deciding on the course of actions to be taken in relation to their Units.

Stockbrokers and financial intermediaries are urged to:

- forward a copy of this Announcement and Notice to their clients holding Units in the Sub-Fund, and inform them of the contents of this Announcement and Notice as soon as possible;
- facilitate their clients who want to dispose of Units in the Sub-Fund on or before the Last Trading Day; and
- inform their clients as soon as possible if any earlier dealing deadline, additional fees or charges, and/or other terms and conditions will be applicable in respect of the provision of their services in connection with any disposal of Units.

If investors are in doubt about the contents of this Announcement and Notice, they should contact their independent financial intermediaries or professional advisers to seek their professional advice, or direct their queries to the Manager (for details, please refer to section 9 below).

The Manager will, until the Last Trading Day, issue reminder announcements on a weekly basis to investors informing and reminding them of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date. Also, further announcements will be made in due course to inform the investors of the Final Distribution Date, together with the amount of Final Distribution per Unit, the Termination Date, the dates for the Deauthorisation and the Delisting and whether there is any further distribution after the Final Distribution as and when appropriate in accordance with the applicable regulatory requirements.

The Manager accepts full responsibility for the accuracy of the information contained in this Announcement and Notice, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Terms otherwise not defined in this Announcement and Notice will have the same meaning as those defined in the Explanatory Memorandum.

According to Clause 35.6(A) of the Trust Deed, if the aggregate Net Asset Value of all units outstanding under the Trust shall be less than HK\$100 million, the Manager may in its absolute discretion by notice in writing to the Trustee, terminate the Trust and the Sub-Fund.

As at 20 May 2016, the aggregate Net Asset Value of all units outstanding under the Trust and the Sub-Fund was less than HK\$100 million. The Manager therefore announces that it has, by means of a resolution of the board of directors of the Manager dated 20 May 2016, decided to seek the termination and the voluntary Deauthorisation of the Trust and the Sub-Fund and Delisting of the Sub-Fund, and has provided the Trustee with written notice of such decision. The Proposal will be subject to the final approval of the SFC and SEHK, and will only take place after the Trustee and the Manager have formed an opinion that the Trust and the Sub-Fund have no outstanding contingent or actual liabilities or assets.

Before the proposed termination, Deauthorisation and Delisting, the Units of the Sub-Fund will cease trading on SEHK as from 4 July 2016, the Trading Cessation Date. Accordingly, the last day on which the Units of the Sub-Fund can be traded on SEHK will be 30 June 2016, the Last Trading Day, and from the Trading Cessation Date onwards, no trading of Units on SEHK will be allowed. Also, while investors may continue to trade Units on SEHK on any trading day before the Trading Cessation Date, no creation of Units in the primary market through the Participating Dealer will be allowed from 30 May 2016 following the publication of this Announcement and Notice.

The Manager by this Announcement and Notice notifies the investors of the proposed termination of the Trust and the Sub-Fund. Also, as required under Chapter 11.1A of the Code, no less than one month's notice is hereby given to the investors, notifying them that the Sub-Fund will cease to track the Underlying Index via the Master Fund, and cease trading, from the Trading Cessation Date.

Provision will be set aside in respect of the Trust and the Sub-Fund for discharging all Future Costs from the date of this Announcement and Notice up to and including the Termination Date. A further Unforeseen Expenses Provision may also be set aside in respect of the Trust and the Sub-Fund to cover Unforeseen Expenses. Where (i) the Provision is insufficient to cover Future Costs until the Termination Date; and/or (ii) if applicable, the Unforeseen Expenses Provision is insufficient to cover Unforeseen Expenses until the Termination Date, any shortfall will be borne by the Manager.

Regarding the costs for effecting the Proposal, please refer to section 5 below.

## **1. Proposed termination of the Trust and the Sub-Fund, cessation of trading and liquidation of assets**

### **1.1 Proposed termination of the Trust and the Sub-Fund**

According to Clause 35.6(A) of the Trust Deed, the Trust and the Sub-Fund may be terminated by the Manager in its absolute discretion if the aggregate Net Asset Value of all units outstanding under the Trust shall be less than HK\$ 100 million. The Trust Deed does not require investors' approval for terminating the Trust and the Sub-Fund on the ground set out in Clause 35.6(A) of the Trust Deed.

The Net Asset Value and the Net Asset Value per Unit of the Sub-Fund as at 26 May 2016 was HK\$9,612,823.38 and HK\$9.61 respectively.

Having taken into account the relevant factors including interests of the investors as a whole, the currently relatively small Net Asset Value of the Sub-Fund and the relatively low trading volume of the Sub-Fund, the Manager is of the view that the proposed termination of the Trust (and therefore the Sub-Fund) would be in the best interests of the investors in the Sub-Fund. Therefore, the Manager has decided to exercise its power under Clause 35.6(A) of the Trust Deed and provided written notice to the Trustee to propose the termination of the Trust (and therefore the Sub-Fund) on the date on which the Trustee and the Manager form an opinion that the Trust and the Sub-Fund cease to have any contingent or actual assets or liabilities.

The total expense ratio of the Sub-Fund was 8.37% as of 31 December 2015, which is calculated by dividing the total expenses over the year from 1 January 2015 to 31 December 2015 by the average Net Asset Value of the Sub-Fund over the same period.

### **1.2 The proposed cessation of trading**

The Manager will apply to SEHK to have the Units of the Sub-Fund cease trading on SEHK with effect from the Trading Cessation Date, i.e. 4 July 2016. The Manager will aim to realise all of the assets of the Trust and the Sub-Fund effective from 4 July 2016 in exercise of its investment powers under Clause 9.5 of the Trust Deed.

The Manager will then proceed with the Final Distribution as soon as practicable (see details in section 2.2 below). As such, 30 June 2016 will be the Last Trading Day on

which investors may buy or sell Units on SEHK in accordance with the usual trading arrangements currently in place.

The Manager currently does not expect that there will be any further distribution after the Final Distribution. In case of contrary, the Manager will issue an announcement to confirm the amount of further distribution (which may include any refund of excess Provision and/or Unforeseen Expenses Provision (if any)) on or around 12 August 2016 and such further distribution (if any) will be payable on or around 2 September 2016. If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement informing the Unitholders of the revised dates.

Also, in view of the proposed cessation of trading, no further creation of Units by the Participating Dealer will be allowed from 30 May 2016 following the date of this Announcement and Notice.

For the avoidance of doubt redemption of Units by the Participating Dealer will continue to be permitted until the Last Trading Day.

Investors should note that they cannot redeem Units directly from the Sub-Fund. Only the Participating Dealer may submit redemption applications to the Manager and the Participating Dealer may have its own application procedures for its clients and may set application cut-off times for its clients which are earlier than those set out in the Explanatory Memorandum. Investors are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

### **1.3 Impact on the proposed realisation of the assets**

After the realisation of the assets of the Trust and the Sub-Fund (as described in section 1.2 above), the Trust and the Sub-Fund will mainly hold cash, primarily consisting of the proceeds from the realisation of the assets. It therefore follows that, from the Trading Cessation Date, the Sub-Fund will cease to track the Underlying Index via the Master Fund and will not be able to meet its investment objective of tracking the performance of the Underlying Index.

## **2. What will happen after the Trading Cessation Date?**

### **2.1 Immediately following the Trading Cessation Date**

Effective from the Trading Cessation Date, the Units will cease trading on SEHK, that is, investors will only be allowed to buy or sell Units on SEHK until (and including) the Last Trading Day which is 30 June 2016 and will not be allowed to do so from the Trading Cessation Date onwards.

### **2.2 During the period from the Trading Cessation Date until the Termination Date**

The Manager will, after having consulted the Trust's and the Sub-Fund's Auditors, declare a Final Distribution in respect of the Relevant Investors (i.e. those investors who do not sell their Units on or before the Last Trading Day). Such Final Distribution will be made on or around 1 August 2016. Please refer to section 3.2 below for further details on the Final Distribution. The Manager currently does not expect that there will be any further distribution after the Final Distribution. In case of contrary, the Manager will issue an announcement to confirm the amount of further distribution (which may include any refund of excess Provision and/or Unforeseen Expenses

Provision (if any)) on or around 12 August 2016 and such further distribution (if any) will be payable on or around 2 September 2016. If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement informing the Relevant Investors of the revised dates.

On the Termination Date (which is expected to be on or around 9 September 2016) which is the date on which the Trustee and the Manager form an opinion that the Trust and the Sub-Fund cease to have any contingent or actual assets or liabilities, the Manager and the Trustee will commence the completion of the termination of the Trust and the Sub-Fund.

During the period from the Trading Cessation Date until, at least, the Termination Date, the Sub-Fund will still have listing status on SEHK, and the Trust and the Sub-Fund will remain authorised by the SFC, although the Sub-Fund will be operated only in a limited manner (as described in section 4.2 below). The Manager has therefore applied to the SFC, and has been granted, waivers from strict compliance of certain provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation date. The details and the conditions on which such waiver is granted are as described in section 5 below.

The Deauthorisation and Delisting will take place either on the Termination Date or immediately after the Termination Date, subject to the SFC's and SEHK's approvals respectively. The Manager expects, subject to SEHK's approval, that the Delisting will only take place at or around the same time of the Deauthorisation.

The proposed termination, Deauthorisation and Delisting will be subject to the payment of all outstanding fees and expenses (for details, please refer to section 6 below), the discharge of all outstanding liabilities of the Trust and the Sub-Fund, as well as the final approvals of the SFC and SEHK.

Following Deauthorisation, the Trust and the Sub-Fund will no longer be subject to regulation by the SFC. Any product documentation for the Trust and the Sub-Fund previously issued to investors, including the Explanatory Memorandum and the KFS should be retained for personal use only and not for public circulation. Further, stockbrokers, financial intermediaries and investors must not circulate any marketing or other product information relating to the Trust and the Sub-Fund to the public in Hong Kong as this may be in breach of the SFO.

### **2.3 Important dates**

Subject to the SFC's and SEHK's respective approvals for the proposed arrangements set out in this Announcement and Notice, it is anticipated that the expected important dates in respect of the Trust and the Sub-Fund will be as follows:

1	Dispatch of this Announcement and Notice and the setting aside of the Provision	27 May 2016
2	No further creation of Units	From 30 May 2016
3	Last day for setting aside any Unforeseen Expenses Provision. If the amount of Unforeseen Expenses Provision (if any) set aside is material, an announcement will be issued	27 June 2016

4	Last day for dealings in the Units on SEHK and last day for redemption of Units by the Participating Dealer (the “ <b>Last Trading Day</b> ”)	30 June 2016
5	Dealings in the Units on SEHK cease (the “ <b>Trading Cessation Date</b> ”) and no further redemption of Units, i.e. same date on which the Manager will start to realise all the assets of the Trust and the Sub-Fund and the Sub-Fund will cease to be able to track the Underlying Index via the Master Fund	4 July 2016
6	The date as at which an investor needs to be recorded by HKSCC as the beneficial owner of Units which are registered in the name of HKSCC Nominees Limited and held in CCASS to be entitled to the Final Distribution and further distribution (if any) (which may include any refund of excess Provision and/or Unforeseen Expenses Provision (if any)) (the “ <b>Distribution Record Date</b> ”)	At close of business on 25 July 2016
7	Announcement on the amount of Final Distribution per Unit	On or before 29 July 2016
8	Final Distribution (after the Manager having consulted with the Trust’s and the Sub-Fund’s Auditors) will be paid to the investors who are still holding Units as at the Distribution Record Date (the “ <b>Final Distribution Date</b> ”)	On or around 1 August 2016
9	If there is any further distribution after the Final Distribution, announcement to confirm the amount and the payment date of further distribution (which may include any refund of excess Provision and/or Unforeseen Expenses Provision (if any))	On or around 12 August 2016
10	Further distribution (if any) (which may include any refund of excess Provision and/or Unforeseen Expenses Provision (if any)) will be paid to the investors who are still holding Units as at the Distribution Record Date	On or around 2 September 2016
11	Termination of the Trust and the Sub-Fund (the “ <b>Termination Date</b> ”)	On or around 9 September 2016, which is the date on which the Manager and the Trustee form an opinion that the Trust and the Sub-Fund cease to have any contingent or actual assets or liabilities
12	Deauthorisation of the Trust and the Sub-Fund and Delisting of the Sub-Fund	On or around 9 September 2016,

		<p>which is the date on which the SFC and SEHK approve the Deauthorisation and Delisting respectively</p> <p>The Manager expects that the Deauthorisation and Delisting will take place either on the Termination Date or immediately after the Termination Date</p>
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The Manager will, on a weekly basis from the date of this Announcement and Notice to the Last Trading Day, issue reminder announcements to Unitholders informing and reminding them of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date. In addition, the Manager will issue further announcements in due course to inform the Unitholders of the Final Distribution Date, together with the amount of Final Distribution per Unit, the dates for the Deauthorisation and Delisting, as well as the Termination Date, with regard to the Trust and the Sub-Fund, and whether there is any further distribution after the Final Distribution, as and when appropriate in accordance with the applicable regulatory requirements.

All stockbrokers and financial intermediaries are urged to forward a copy of this Announcement and Notice, together with any further announcements, to their clients investing in the Units, and inform them of the contents of this Announcement and Notice, and any further announcements, as soon as possible.

### **3. Potential actions to be taken by investors on or before the Last Trading Day**

#### **3.1 Trading on SEHK on any trading day up to (and including) the Last Trading Day**

On any trading day up to (and including) the Last Trading Day, an investor may continue to buy or sell its Units in the Sub-Fund on SEHK in accordance with the usual trading arrangements, during the trading hours of SEHK and based on the prevailing market prices. Yuanta Securities (Hong Kong) Company Limited, the sole Market Maker of the Sub-Fund will continue to perform its market making functions in accordance with the Trading Rules of SEHK in respect of the Sub-Fund.

Investors should note that stockbrokers or other financial intermediaries may impose brokerage fees on any sale of the Units on SEHK on investors, and a transaction levy (at 0.0027% of the price of the Units or such other applicable rate) and a trading fee (at 0.005% of the price of the Units) will be payable by each of the buyer and the seller of the Units.

No charge to stamp duty will arise in Hong Kong in respect of sale or purchase of Units of the Sub-Fund on SEHK.

The trading price of Units may be below or above the Net Asset Value per Unit.

### **3.2 Holding Units after the Last Trading Day**

For Relevant Investors who are still holding Units in the Sub-Fund after the Last Trading Day, the Manager will, after having consulted with the Trust's and the Sub-Fund's Auditors, declare Final Distributions in respect of such Relevant Investors. Each Relevant Investor will be entitled to a Final Distribution of an amount equal to the Sub-Fund's then Net Asset Value in proportion to the Relevant Investor's interests in the Sub-Fund as at the Distribution Record Date. The Sub-Fund's then Net Asset Value will be the total value of the net proceeds from the realisation of the assets of the Trust and the Sub-Fund as described in section 1.3 above, less the Provision and, if any, the Unforeseen Expenses Provision (see section 6 below) as at the Distribution Record Date.

The Final Distribution to each Relevant Investor is expected to be paid to the accounts of its financial intermediary or stockbroker maintained with CCASS on or around 1 August 2016. The Manager will issue further announcement to inform the Relevant Investors of the exact day of payment of the Final Distribution, together with the amount of Final Distribution per Unit, in due course.

The Manager currently does not expect that there will be any further distribution after the Final Distribution. In case of contrary, the Manager will issue an announcement to confirm the amount of further distribution (which may include any refund of excess Provision and/or Unforeseen Expenses Provision (if any)) on or around 12 August 2016 and such further distribution (if any) will be payable on or around 2 September 2016. If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement informing the Unitholders of the revised dates.

**IMPORTANT NOTE: Investors should note and consider the risk factors as set out in section 7.1 below and consult their professional and financial advisers before disposing of any Units. If an investor disposes of its Units at any time on or before the Last Trading Day, such investor will not, in any circumstances, be entitled to any portion of the Final Distribution or any further distribution (if any) in respect of any Units so disposed. Investors should therefore exercise caution and consult their professional and financial advisers before dealing in their Units or otherwise deciding on any course of action to be taken in relation to their Units.**

## **4. Consequences of the commencement of the cessation of trading**

### **4.1 Continued existence of the Trust and the Sub-Fund**

Each of the Trust and the Sub-Fund will maintain its SFC authorisation status and the Sub-Fund will maintain its SEHK listing status, until the Deauthorisation and Delisting. Deauthorisation and Delisting will follow as soon as possible after the termination of the Trust and the Sub-Fund.

By the time the Trustee and the Manager form an opinion that the Trust and the Sub-Fund cease to have any contingent or actual assets or liabilities, the Manager and the Trustee will complete the proposed termination process and the Manager will proceed with applying to the SFC for Deauthorisation, and to SEHK to complete the Delisting respectively.

### **4.2 Limited operation of the Sub-Fund**

During the period from the Trading Cessation Date until the Deauthorisation, the Sub-Fund will only be operated in a limited manner as there will not be any trading of Units and the Sub-Fund will have no investment activities from the Trading Cessation Date onwards.

## **5. Waiver**

### **5.1 Background**

As set out in section 2.2 above, while the Sub-Fund will cease trading effective from the Trading Cessation Date, because of certain outstanding actual or contingent assets or liabilities in relation to the Trust and the Sub-Fund, the Trust and the Sub-Fund will remain in existence after the Trading Cessation Date until the Termination Date. During such period, the Trust and the Sub-Fund will maintain their SFC authorisation status, and the Sub-Fund will maintain its SEHK listing status, until the completion of the proposed termination, Deauthorisation and Delisting. The Master Fund will also maintain its SFC authorisation status, and upon the termination and Deauthorisation of the Trust and the Sub-Fund and the Delisting of the Sub-Fund, the Manager understands that Yuanta Securities Investment Trust Co. Ltd., the manager of the Master Fund, shall apply to the SFC for withdrawal of authorisation of the Master Fund and the withdrawal of authorisation from the SFC is expected to take place after the Deauthorisation and Delisting. The SFC's authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

However, following the date of this Announcement and Notice, there will be no further creation of Units, and from the Trading Cessation Date onwards: (i) there will be no further trading of Units and no further redemption of Units; (ii) the Manager will start to realise all the assets of the Trust and the Sub-Fund and the Sub-Fund will therefore cease to track the Underlying Index via the Master Fund and will not be able to meet its investment objective of tracking the performance of the Underlying Index; (iii) the Trust and the Sub-Fund will no longer be marketed to the public in Hong Kong; and (iv) the Trust and the Sub-Fund will mainly hold cash, and the Sub-Fund will only be operated in a limited manner.

Accordingly, with a view to minimising the further costs, fees and expenses in managing the Trust and the Sub-Fund following the Trading Cessation Date and in the best interest of investors, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with certain provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation date.

The details of the waiver granted and the conditions on which such waiver was granted are set out in this section 5.

### **5.2 Publishing of the suspension of dealing**

Under Chapter 10.7 of the Code, the Manager is required to: (a) immediately notify the SFC if dealing in Units ceases or is suspended; and (b) publish the fact that dealing is suspended immediately following the decision to suspend and at least once a month during the period of suspension in an appropriate manner (the requirements under (b) are referred to as the “**Investor Notification Requirements**”).

The Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the Investor Notification Requirements under Chapter 10.7 of the Code, subject to the conditions that (a) a statement shall be posted in a prominent position of the Manager's website from the Trading Cessation Date until the Deauthorisation date to notify investors that the Units of the Sub-Fund have ceased trading on SEHK from 4 July 2016, and draw investors' attention to this Announcement and Notice and all other relevant announcements; and (b) the announcements in relation to the Trust and the Sub-Fund will remain published on the Manager's website for a period of one year after the Deauthorisation date.

Because the Sub-Fund will retain its SEHK listing status after the Last Trading Day (30 June 2016) until the Deauthorisation date, investors may continue to access further announcements in relation to the Trust and the Sub-Fund via HKEx's website and the Manager's website during such period. In addition, as one of the conditions of this waiver, the announcements in relation to the Trust and the Sub-Fund will remain published on the Manager's website for a period of one year after the Deauthorisation date. The Manager is of the view that one-year period should be sufficient to cater for investors who may have questions about the Trust and/or the Sub-Fund after the Deauthorisation. Also, according to the current policy of HKEx (which may change from time to time), the announcements in relation to the Trust and the Sub-Fund will remain published on HKEx's website for a period of at least 5 years after the date of Delisting.

### **5.3 Provision of estimated Net Asset Value or RUPV and last closing Net Asset Value on a real time or near real time basis**

Under paragraphs 4, 17(a) and 17(b) of Appendix I to the Code, the Manager is required to provide estimated Net Asset Value or RUPV and last closing Net Asset Value of the Sub-Fund to the public on a real time or near-real time basis unless otherwise waived, via any suitable channels in paragraph 18 of Appendix I to the Code (which include the Sub-Fund's own website).

As following the date of this Announcement and Notice, there will be no further creation of Units, and from the Trading Cessation Date onwards, there will be no further trading of Units and no further redemption of Units, and the Trust and the Sub-Fund will mainly hold cash and the Sub-Fund will only be operated in a limited manner, the Manager proposes and the Trustee consents that the Net Asset Value per Unit will be updated on the Manager's website only when there is any event which causes the Net Asset Value of the Sub-Fund to change. The Manager and the Trustee expect that the events which will cause the Net Asset Value per Unit to change are: (i) the Final Distribution (please see further in section 3.2 above); (ii) further distribution (if any); (iii) any change in the market value of any scrip dividend receivable by the Sub-Fund; and (iv) any change in exchange rate.

Accordingly, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the above-mentioned requirements under paragraphs 4, 17(a) and 17(b) of Appendix I to the Code, subject to the following conditions:

- (A) the Net Asset Value per Unit as of 4 July 2016 (i.e. the Trading Cessation Date), which will be the latest available Net Asset Value per Unit, will be published on the Manager's website; and
- (B) the Manager shall update the latest available Net Asset Value per Unit on the Manager's website as soon as practicable should there be any other change

to the Net Asset Value of the Sub-Fund including but not limited to changes arising from (i) the Final Distribution (please see further in section 3.2 above); (ii) further distribution (if any); (iii) any change in the market value of any scrip dividend receivable by the Sub-Fund; and (iv) any change in exchange rate.

#### **5.4 Updating of the offering document**

Under Chapters 6.1 and 11.1B of the Code, the offering document of the Trust and the Sub-Fund (consisting of the Explanatory Memorandum and the KFS) (“**Offering Document**”) must be up-to-date and must be updated to incorporate any relevant changes to the Trust and/or the Sub-Fund.

In view of the cessation of trading of Units from the Trading Cessation Date, and there being no further creation or redemption of Units, the Manager considers that it is not necessary to update the Offering Document to reflect any future changes to the Trust and/or the Sub-Fund.

As such, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the above-mentioned requirements under Chapters 6.1 and 11.1B of the Code so that the Offering Document needs not be updated from the Trading Cessation Date.

Without prejudice to the other obligations of the Manager under Chapter 11.1B of the Code, the Manager has undertaken and confirmed with the SFC that it shall:

- (A) promptly notify investors of any changes to the Trust and/or the Sub-Fund or to the Offering Document by means of publishing the announcement(s) on its and HKEx’s websites (each, a “**Relevant Future Announcement**”); and
- (B) ensure that each Relevant Future Announcement shall include a statement to refer investors to read this Announcement and Notice together with the Offering Document, and any other Relevant Future Announcement(s).

#### **5.5 Other related matter**

The Manager confirms that, save for the particular provisions of the Code set out in sections 5.2 to 5.4 above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed and other applicable laws and regulations in respect of the Trust and the Sub-Fund.

### **6. Costs**

As indicated in section 3.1 above, investors’ stockbrokers or financial intermediaries may levy certain fees and charges for any orders to dispose of Units on or before the Last Trading Day.

All redemption of Units by the Participating Dealer will be subject to the fees and costs as set out in the Explanatory Memorandum. The Participating Dealer may pass on to the relevant investors such fees and costs. The Participating Dealer may also impose fees and charges in handling any redemption request which would also increase the cost of redemption. Investors are advised to check with the Participating Dealer as to the relevant fees, costs and charges.

Immediately after this Announcement and Notice has been published, a certain portion of the assets of the Trust and the Sub-Fund, amounting to HK\$460,000.00

(the “**Provision**”), will be set aside. This Provision is to discharge any future costs, charges, expenses, claims and demands (including but not limited to any legal costs, auditors’ fees, regulatory maintenance costs, termination related expenses and the fees payable to any service provider to the Trust and the Sub-Fund, including the Trustee) that the Trustee and the Manager may incur or make, during the period commencing immediately following publication of this Announcement and Notice up to and including the Termination Date, in connection with or arising out of the ongoing maintenance of the Trust and the Sub-Fund and the implementation of the Proposal (together, the “**Future Costs**”). The Trustee has confirmed that it has no objection to the amount of the Provision in respect of the Trust and the Sub-Fund.

**As a result of the setting aside of the Provision in respect of the Trust and the Sub-Fund immediately after this Announcement and Notice has been published, the Net Asset Value and Net Asset Value per Unit of the Sub-Fund will be reduced before the commencement of trading on SEHK on 30 May 2016 as follows:**

Before setting aside Provision		After setting aside Provision	
NAV	NAV per Unit	NAV	NAV per Unit
HK\$9,684,431.07	HK\$9.68	HK\$9,224,431.07	HK\$9.22

**Please refer to “Net Asset Value downward adjustment risk” in section 7.1 below.**

If after the setting aside of the Provision in respect of the Trust and the Sub-Fund, certain types of expenses which are unforeseeable at the time of this Announcement and Notice, including but not limited to the full amount of all taxes, levies, duties or similar charges and professional fees in relation to agreeing and/or contesting any such liabilities or recoveries and all litigation expenses (the “**Unforeseen Expenses**”) come to the attention of the Manager and/or the Trustee, then, subject to the approval from both the Trustee and the Manager, a further provision (the “**Unforeseen Expenses Provision**”) may be set aside for such expenses in relation to the Trust and the Sub-Fund. The Manager envisages that, in respect of the Trust and the Sub-Fund, the amount of such Unforeseen Expenses and therefore the amount of the Unforeseen Expenses Provision to be set aside (if any), should be immaterial. However, if the Unforeseen Expenses Provision to be set aside in respect of the Trust and the Sub-Fund is, in the opinion of the Trustee and the Manager, a material amount, any setting aside of such Unforeseen Expenses Provision will be subject to the Trustee’s approval and notification to the investors. **The setting aside of any Unforeseen Expenses Provision for the Trust and the Sub-Fund will reduce the Net Asset Value and the Net Asset Value per Unit of the Sub-Fund. Please refer to “Net Asset Value downward adjustment risk” in section 7.1 below.**

Where (i) the Provision is insufficient to cover Future Costs until the Termination Date; and/or (ii) if applicable, the Unforeseen Expenses Provision is insufficient to cover Unforeseen Expenses until the Termination Date, any shortfall will be borne by the Manager.

Conversely, where (i) the Provision is in excess of the actual amount of Future Costs until the Termination Date; and/or (ii) if applicable, the Unforeseen Expenses Provision is in excess of the actual amount of Unforeseen Expenses until the Termination Date, such excess will be refunded to the Relevant Investors as part of the Final Distribution and, if necessary, any further distribution of the Sub-Fund in

proportion to the Relevant Investor's interests in the Sub-Fund as at the Distribution Record Date.

The Trust and the Sub-Fund do not have any unamortised preliminary expense or contingent liabilities (such as outstanding litigation) as at the date of this Announcement and Notice.

## 7. **Other matters**

### 7.1 **Other implications of the proposed cessation of trading, the proposed termination of the Trust and the Sub-Fund and the proposed Deauthorisation and Delisting**

In consequence of this Announcement and Notice and the proposed cessation of trading, the proposed termination of the Trust and the Sub-Fund and the proposed Deauthorisation and Delisting, investors should note and consider the following risks:

**"Liquidity risk"** - Trading of Units in the Sub-Fund on SEHK from the date of this Announcement and Notice may become less liquid.

**"Units trading at a discount or premium and Market Maker's inefficiency risk"** - Although up to (and including) the Last Trading Day, the Market Maker will continue to perform its market making functions in respect of the Sub-Fund in accordance with the Trading Rules of SEHK, Units in the Sub-Fund may trade at a discount compared to its Net Asset Value in extreme market situations. This is because many investors may want to sell their Units after the Proposal has been announced but there may not be many investors in the market who are willing to purchase the Units. On the other hand, it is also possible that the Units of the Sub-Fund may trade at a premium because there will be no creation of Units from 30 May 2016 and consequently the divergence between the supply of and demand for the Units may be larger than usual. The Market Maker may not be able to effectively perform its market making activities to provide liquidity of the trading of Units on SEHK in these extreme market situations. As a result, the price volatility of the Units may be higher than usual from the date of this Announcement and Notice up to (and including) the Last Trading Day.

**"Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk"** - The setting aside of the Provision (immediately after this Announcement and Notice has been published) and the Unforeseen Expenses Provision, if any, will adversely affect the Net Asset Value per Unit. This reduction of Net Asset Value per Unit may cause the Sub-Fund's returns to substantially deviate from the performance of the Underlying Index so that the Sub-Fund will not be able to properly track the performance of the Underlying Index via the Master Fund during the period from the date of this Announcement and Notice to the Last Trading Day and thus triggering significant tracking error. Furthermore, it is possible that the size of the Sub-Fund may drop drastically before the Last Trading Day. This may impair the Manager's ability to fulfill the investment objective of the Sub-Fund and result in significant tracking error. In the extreme situation where the size of the Sub-Fund becomes so small that the Manager considers that it is not in the best interest of the Sub-Fund to continue to invest in the market, the Manager may decide to convert the whole or part of the investments of the Sub-Fund into cash or deposits in order to protect the interest of the investors of the Sub-Fund.

**"Possible provision for unforeseen expenses risk"** - There may be certain expenses such as (but not limited to) tax, levy, duty or similar charges and professional fees in relation to agreeing and/or contesting any such liabilities or

recoveries and litigation expenses in relation to or arising out of the termination process together with the Delisting and Deauthorisation, which are unforeseeable at the time of this Announcement and Notice. If the need for incurring any such expenses comes to the attention of the Manager and/or the Trustee during the period from the date of this Announcement and Notice to the Last Trading Day, the Unforeseen Expenses Provision may be set aside for such expenses. While the Manager envisages that the amount of such expenses should be immaterial, any such Unforeseen Expenses Provision will reduce the Net Asset Value per Unit.

**“Net Asset Value downward adjustment risk”** - Changes in economic environment, consumption pattern and investors’ expectations may have significant impact on the value of the investments and there may be significant drop in value of the securities. Also, the Net Asset Value of the Sub-Fund will be reduced as the Trust and the Sub-Fund will set aside a Provision (in the amount of HK\$460,000) immediately after the publication of this Announcement and Notice. The Trust and the Sub-Fund may, if applicable, also set aside an Unforeseen Expenses Provision which may result in substantial downward adjustment of the Net Asset Value per Unit before the Last Trading Day.

**“Failure to track the Underlying Index risk”** - The Manager will aim to realise all of the Sub-Fund’s investment in the Master Fund with effect from the Trading Cessation Date. Thereafter, the Trust’s and the Sub-Fund’s assets will mainly be in cash. The Sub-Fund will only be operated in a limited manner. It therefore follows that, from the Trading Cessation Date, the Sub-Fund will cease to track the Underlying Index via the Master Fund, and will not be able to meet its investment objective of tracking the performance of the Underlying Index.

**“Delay in distribution risk”** - The Manager will aim to realise all of the assets of the Trust and the Sub-Fund and then proceed with the Final Distribution as soon as practicable. However, the Manager may not be able to realise all the assets of the Trust and the Sub-Fund in a timely manner during certain periods of time, for example, when the Manager cannot sell the relevant units in the Master Fund (the “MF Units”) because the trading limit on the price of the MF Units imposed by the Taiwan Stock Exchange has been exceeded or when trading on exchanges is restricted or suspended or when the official clearing and settlement depository of the relevant market is closed. In this case, the payment of the Final Distribution or further distribution (if any) to the Relevant Investors may be delayed.

## **7.2 Tax implications**

Upon obtaining professional advice, as at the date of this Announcement and Notice, the Trust and the Sub-Fund are not subject to any capital gain tax and/or profit tax in relation to the realisation of assets under the Proposal.

No tax will be payable by investors in Hong Kong in respect of the Final Distribution or further distribution (if any) to the extent of distribution of profits and/or capital of the Trust and the Sub-Fund. For investors carrying on a trade, profession or business in Hong Kong, profits derived in redemption or disposal of Units may be subject to Hong Kong profits tax if the profits in question arise in or are derived from such trade, profession or business, sourced in Hong Kong as well as where the Units are revenue assets of the investors.

Investors should consult their professional tax advisers for tax advice.

## **7.3 Connected party transaction**

None of the connected persons of the Manager and/or the Trustee is involved in any transaction in relation to the Trust and the Sub-Fund, nor holds any interest in the Trust and the Sub-Fund.

#### **8. Documents available for inspection**

Copies of the following 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 (except that copies of the audited reports and semi-annual reports of the Trust and the Sub-Fund, the Explanatory Memorandum and KFS may be obtained free of charge):

- the Trust Deed;
- the audited reports and semi-annual reports of the Trust and the Sub-Fund;
- the Explanatory Memorandum and KFS;
- Conversion agency agreements; and
- Participation agreements.

#### **9. Enquiries**

If you have any queries, please direct them to your financial adviser(s) or alternatively to us at 23/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong (telephone number: (852) 3555 7888; email: [AssetManagement-Operation.brk@yuanta.com](mailto:AssetManagement-Operation.brk@yuanta.com); fax number: (852) 3555 7717).

The Manager accepts full responsibility for the accuracy of the information contained in this Announcement and Notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading.

**Yuanta Securities (Hong Kong) Company Limited**  
as the Manager of the Trust and the Sub-Fund

Date: 27 May 2016

*As at the date of this Announcement and Notice, the Board of Directors of the Manager consists of CHEN Chi Chang, CHEN Miao Ju, TAN Pei San, KUO Ming Cheng, WANG Yi Min, WAN Siu Shun and WAN Ngar Yin David.*

## DEFINITIONS

In this Announcement and Notice, unless the context otherwise requires, the following terms shall have the following meanings:

CCASS	The Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors
Code	The Code on Unit Trusts and Mutual Funds issued by the SFC (as amended or replaced from time to time)
Deauthorisation	The deauthorisation of the Trust, the Sub-Fund and their Offering Document by the SFC under section 106 of the SFO
Delisting	The delisting of the Sub-Fund from SEHK
Distribution Record Date	25 July 2016, being the date for the purpose of determining the beneficial owners of Units in the Sub-Fund who are entitled to the Final Distribution and further distribution (if any) (which may include any refund of excess Provision and/or Unforeseen Expenses Provision (if any))
Final Distribution	Has the meaning given to that term in section 3.2 above
Final Distribution Date	On or around 1 August 2016, being the date on which the Final Distribution will take place
Future Costs	Has the meaning given to that term in section 6 above
HKEx	Hong Kong Exchanges and Clearing Limited or its successors
HKSCC	Hong Kong Securities Clearing Company Limited or its successors
Investor Notification Requirements	Has the meaning given to that term in section 5.2 above
Last Trading Day	30 June 2016, being the last day for dealings in the Units on SEHK and last day for redemption of Units by the Participating Dealer
Manager	Yuanta Securities (Hong Kong) Company Limited
Market Maker	Yuanta Securities (Hong Kong) Company Limited
Master Fund	Yuanta/P-shares Taiwan Top 50 ETF
Participating Dealer	Yuanta Securities (Hong Kong) Company Limited
Proposal	The proposal to terminate the Trust and the Sub-Fund, and to voluntarily seek the Deauthorisation and the Delisting
Provision	Has the meaning given to that term in section 6 above

Registrar	HSBC Institutional Trust Services (Asia) Limited
Relevant Future Announcement	Has the meaning given to that term in section 5.4 above
Relevant Investors	The investors who are still holding Units in the Sub-Fund after the Last Trading Day
RUPV	Reference Underlying Portfolio Value, which is updated at 15 second intervals during trading hours
SEHK	The Stock Exchange of Hong Kong Limited or its successors
SFC	The Securities and Futures Commission of Hong Kong or its successors
SFO	The Securities and Futures Ordinance (Cap.571 Laws of Hong Kong)
Sub-Fund	Yuanta/P-shares Taiwan Top 50 ETF (H.K.)
Termination Date	The date on which the Trustee and the Manager form an opinion that the Trust and the Sub-Fund cease to have any contingent or actual assets or liabilities
Trading Cessation Date	4 July 2016, being the date on which the dealings in the Units on SEHK cease
Trust	Yuanta Tracker Fund (H.K.) Series
Trust Deed	The trust deed dated 27 July 2009 establishing the Trust, as amended, novated or supplemented from time to time
Trustee	HSBC Institutional Trust Services (Asia) Limited
Underlying Index	FTSE TWSE Taiwan 50 Index, the index tracked by the Master Fund
Unforeseen Expenses	Has the meaning given to that term in section 6 above
Unforeseen Expenses Provision	Has the meaning given to that term in section 6 above
Unit	In respect of the Sub-Fund, one undivided share in the Sub-Fund
Unitholder	A holder of Units in respect of the Sub-Fund

## YUANTA TRACKER FUND (H.K.) SERIES

### *Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)*

The Ninth Addendum to Explanatory Memorandum dated 20 January 2015 as amended by the addenda dated 31 March 2015, 24 June 2015, 7 July 2015, 1 September 2015, 15 October 2015, 21 December 2015, 21 March 2016 and 11 May 2016  
(together the “EM”)

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. This Addendum forms an integral part of and should be read in conjunction with the EM. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The EM is hereby supplemented as follows:

1. Under section 5 entitled “**Key Operators of the Trust**” of **INFORMATION ABOUT THE TRUST**, the last paragraph of the sub-section entitled “5.1 **The Manager**” on page 16 of the EM is deleted in its entirety and replaced with the following:

“As of the date of this Explanatory Memorandum, the directors of the Manager are Mr. Pei-San TAN, Mr. Ngar Yin David WAN, Mr. Ming-Cheng KUO, Ms. Miao Ju CHEN, Mr. Yi-Min WANG, Mr. Chi-Chang CHEN, Mr. Tsung Hsien WEN and Mr. Te Hau YANG.”

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

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

Yuanta Securities (Hong Kong) Company Limited  
Date: 1 June 2016

## YUANTA TRACKER FUND (H.K.) SERIES

### *Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)*

The Eighth Addendum to Explanatory Memorandum dated 20 January 2015 as amended by the addenda dated 31 March 2015, 24 June 2015, 7 July 2015, 1 September 2015, 15 October 2015, 21 December 2015 and 21 March 2016  
(together the “EM”)

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. This Addendum forms an integral part of and should be read in conjunction with the EM. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The EM is hereby supplemented as follows:

1. Under **Part 1 – Yuanta/P-shares Taiwan Top 50 ETF (H.K.)** of **APPENDIX 1**, the second paragraph of section 4.1 **General description** on page 42 of the EM is deleted in its entirety and replaced with the following:

“As of 29 April 2016, the Underlying Index had a total market capitalisation of NTD16.73 trillion and 50 constituents.”

2. Under **Part 1 – Yuanta/P-shares Taiwan Top 50 ETF (H.K.)** of **APPENDIX 1**, the first paragraph of section 4.2 **Constituent securities of the Underlying Index** on page 42 of the EM is deleted in its entirety and replaced with the following:

“As at 29 April 2016, the 10 largest constituent stocks of the Underlying Index, represented in excess of 58.68% of the total market capitalisation, based on total shares in issue of the Underlying Index, were as follows:

	<b>Index Constituent</b>	<b>Weighting in index</b>
1	Taiwan Semiconductor Manufacturing Co., Ltd	28.45%
2	Hon Hai Precision Industry Co., Ltd	8.31%
3	Chunghwa Telecom Co., Ltd	3.28%
4	Formosa Plastics Corporation	3.12%
5	Formosa Chemicals & Fibre Corporation	2.87%
6	Nan Ya Plastics Corporation	2.86%
7	MediaTek Inc	2.66%
8	Delta Electronics Inc	2.59%
9	Cathay Financial Holding Co., Ltd	2.28%
10	Fubon Financial Holding Co., Ltd	2.26%”

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

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

Yuanta Securities (Hong Kong) Company Limited  
Date: 11 May 2016

## YUANTA TRACKER FUND (H.K.) SERIES

### *Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)*

The Seventh Addendum to Explanatory Memorandum dated 20 January 2015 as amended by the addenda dated 31 March 2015, 24 June 2015, 7 July 2015, 1 September 2015, 15 October 2015 and 21 December 2015  
(together the “EM”)

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. This Addendum forms an integral part of and should be read in conjunction with the EM. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The EM is hereby supplemented as follows:

1. Under section 5 entitled “**Key Operators of the Trust**” of **INFORMATION ABOUT THE TRUST**, the last paragraph of the sub-section entitled “5.1 **The Manager**” on page 16 of the EM is deleted in its entirety and replaced with the following:

“As of the date of this Explanatory Memorandum, the directors of the Manager are Mr. Pei-San TAN, Mr. Ngar Yin David WAN, Mr. Siu Shun WAN, Mr. Ming-Cheng KUO, Ms. Miao Ju CHEN, Mr. Yi-Min WANG and Mr. Chi-Chang CHEN.”

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

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

Yuanta Securities (Hong Kong) Company Limited  
Date: 21 March 2016

## YUANTA TRACKER FUND (H.K.) SERIES

### *Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)*

The Sixth Addendum to Explanatory Memorandum dated 20 January 2015 as amended by the addenda dated 31 March 2015, 24 June 2015, 7 July 2015, 1 September 2015 and 15 October 2015  
(together the “EM”)

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. This Addendum forms an integral part of and should be read in conjunction with the EM. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The EM is hereby supplemented as follows:

1. Under section 5 entitled “**Key Operators of the Trust**” of **INFORMATION ABOUT THE TRUST**, the last paragraph of the sub-section entitled “5.1 **The Manager**” on page 16 of the EM is deleted in its entirety and replaced with the following:

“As of the date of this Explanatory Memorandum, the directors of the Manager are Mr. Pei-San TAN, Mr. Chun-Chieh WANG, Mr. Chi Wah YIU, Mr. Siu Shun WAN, Mr. Ming-Cheng KUO, Ms. Miao Ju CHEN, Mr. Yi-Min WANG and Mr. Chi-Chang CHEN.”

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

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

Yuanta Securities (Hong Kong) Company Limited  
Date: 21 December 2015

## YUANTA TRACKER FUND (H.K.) SERIES

Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)

The Fifth Addendum to Explanatory Memorandum dated 20 January 2015 as amended by the addenda dated 31 March 2015, 24 June 2015, 7 July 2015 and 1 September 2015  
(together, the “Explanatory Memorandum”)

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker(s), bank manager(s), solicitor(s), accountant(s) or other financial adviser(s). This Addendum forms an integral part of and should be read in conjunction with the Explanatory Memorandum. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The Explanatory Memorandum is hereby supplemented as follows :

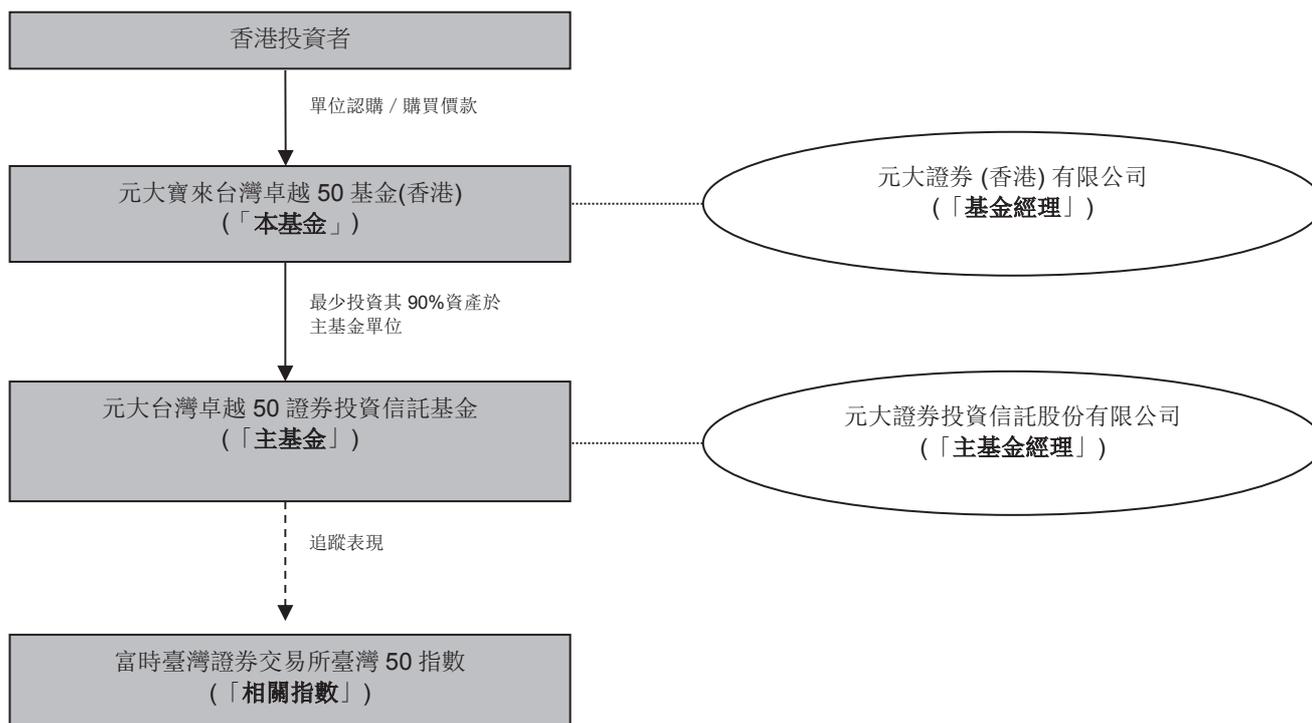
1. In Chinese version of the Explanatory Memorandum, the heading of **Part 2 – Yuanta/P-shares Taiwan Top 50 ETF** under **APPENDIX 1** of **TABLE OF CONTENTS** on page ii of the Explanatory Memorandum is deleted entirely and replaced with the following:

「第二部分 – 元大台灣卓越50證券投資信託基金」

2. In Chinese version of the Explanatory Memorandum, under **Part 1 - Yuanta/P-shares Taiwan Top 50 ETF (H.K.)** of **APPENDIX 1**, the first paragraph of section 1 “**Key Information**” on page 41 is deleted in its entirety and replaced with the following:

「本基金旨在投資其至少90%資產於元大台灣卓越50證券投資信託基金（「主基金」），投資目標為在扣除開支後，提供與富時臺灣證券交易所臺灣50指數（「相關指數」）的表現貼近或相符的投資回報。」

3. In Chinese version of the Explanatory Memorandum, under **Part 1 – Yuanta/P-shares Taiwan Top 50 ETF (H.K.)** of **APPENDIX 1**, the diagram in section 1 “**Key Information**” on page 41 of the Explanatory Memorandum (as amended by the Addendum dated 7 July 2015) is deleted in its entirety and replaced with the following:



4. In Chinese version of the Explanatory Memorandum, under **Part 1 – Yuanta/P-shares Taiwan Top 50 ETF (H.K.)** of **APPENDIX 1**, the second paragraph under section 3 “**Investment Objective and Policies**” on page 43 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「為達致投資目標，本基金將尋求投資其至少90%的資產於元大台灣卓越50證券投資信託基金(在本附錄內稱「主基金」)，並亦可能投資於指數期貨合約、期貨合約期權、股市指數期權及現金、本地貨幣及遠期外匯合約、以促使本基金盡可能取得與相關指數貼近或相對應的投資成績，或作對沖用途。基金經理人將不會利用該等工具與本基金的證券持倉對沖或以該等持倉進行借貸，又或將其用於投機目的。本基金不會訂立任何回購協議、股票貸出交易及其他同類場外交易。」

5. In Chinese version of the Explanatory Memorandum, the heading of **Part 2 – Yuanta/P-shares Taiwan Top 50 ETF** of **APPENDIX 1** on page 50 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「**第二部分 – 元大台灣卓越50證券投資信託基金**」

6. In Chinese version of the Explanatory Memorandum, under the section 7 “**Share Lending**” of **Part 2 – Yuanta/P-shares Taiwan Top 50 ETF** of **APPENDIX 1**, the paragraph of 7.4(A) on page 57 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「(A) 一名借股人可根據「元大台灣卓越50證券投資信託基金的股份借貸規則」向主基金經理提出要求，透過可議息條款交易借入主基金所持的股份;」

7. In Chinese version of the Explanatory Memorandum, under the section 7 “**Share Lending**” of **Part 2 – Yuanta/P-shares Taiwan Top 50 ETF** of **APPENDIX 1**, the paragraph of 7.4(C) and 7.4(D) on page 57 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「(C) 借出主基金所持的股份的條款，應符合上述股份借出協議及「元大台灣卓越50證券投資信託基金的股份借貸規則」。主基金經理可在其酌情認為必需的情況下，要求借股人在借貸到期日前交還所借入的股份；」

(D) 借股人在借入主基金所持的股份時，應根據「元大台灣卓越50證券投資信託基金的股份借出規則」存放抵押品及支付相關費用。相關抵押品應根據證券投資信託基金管理辦法及股份借出協議提供，並須根據適用法例及規例或相關規則的修訂而更改；」

8. In Chinese version of the Explanatory Memorandum, under the section of “**Share Lending**” of **Part 2 – Yuanta/P-shares Taiwan Top 50 ETF** of **APPENDIX 1**, the paragraph of 7.4(F) on page 57 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「(F) 除非金管會的指令、臺灣證交所營業細則、臺灣證交所借貸辦法及臺灣證交所的其他相關規則另行規定，否則通過可議息條款交易借貸主基金所持的股份的程序、條款及條件、權利及責任以及相關條款均必須遵守信託契據及「元大台灣卓越50證券投資信託基金的股份借出規則」」

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

The Explanatory Memorandum may only be distributed if accompanied by this Addendum.

Yuanta Securities (Hong Kong) Company Limited  
Date: 15 October 2015

## YUANTA TRACKER FUND (H.K.) SERIES

*Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)*

**The Forth Addendum to Explanatory Memorandum dated 20 January 2015 as amended by the addenda dated 31 March 2015, 24 June 2015 and 7 July 2015 (together, the “Explanatory Memorandum”)**

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. This Addendum forms an integral part of and should be read in conjunction with the EM. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The Explanatory Memorandum is hereby supplemented as follows:

1. Under section 5 entitled “**Key Operators of the Trust**” of **INFORMATION ABOUT THE TRUST**, the last paragraph of the sub-section entitled “5.1 **The Manager**” on page 16 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

“As of the date of this Explanatory Memorandum, the directors of the Manager are Mr. Pei-San TAN, Mr. Chun-Chieh WANG, Mr. Pak Fu LIM, Mr. Chi Wah YIU, Mr. Siu Shun WAN, Mr. Ming-Cheng KUO, Ms. Miao Ju CHEN, Mr. Yi-Min WANG and Mr. Chi-Chang CHEN.”

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

The Explanatory Memorandum may only be distributed if accompanied by this Addendum.

Yuanta Securities (Hong Kong) Company Limited  
Date: 1 September 2015

## YUANTA TRACKER FUND (H.K.) SERIES

Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)

### The Third Addendum to Explanatory Memorandum dated 20 January 2015 as amended by the addenda dated 31 March 2015 and 24 June 2015 (together, the “Explanatory Memorandum”)

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker(s), bank manager(s), solicitor(s), accountant(s) or other financial adviser(s). This Addendum forms an integral part of and should be read in conjunction with the Explanatory Memorandum. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The Explanatory Memorandum is hereby supplemented as follows :

1. In Chinese version of the Explanatory Memorandum, the first paragraph of **PRELIMINARY INFORMATION** on page 1 of the Explanatory Memorandum is deleted entirely and replaced with the following:

「本基金說明書載有關於元大寶來香港指數基金系列（「**本信託**」）的元大寶來台灣卓越50基金（香港）的資料。此基金乃一開放式單位信託基金，由寶來證券（香港）有限公司為基金經理及滙豐機構信託服務（亞洲）有限公司（「**受託人**」）為受託人，根據香港法律按日期為二零零九年七月二十七日的信託契據（經不時修訂）所成立。根據日期為二零一五年一月二十日的退任、委任及變動契據，元大證券（香港）有限公司（「**基金經理**」）被任命為本信託的基金經理以代替寶來證券（香港）有限公司。」

2. In Chinese version of the Explanatory Memorandum, under the section of “**DIRECTORY**”, the information of “**Manager**” on page 3 is deleted in its entirety and replaced with the following:

「元大證券（香港）有限公司  
香港  
夏慤道18號  
海富中心1座23樓」

3. In Chinese version of the Explanatory Memorandum, under the section of “**DIRECTORY**”, the information of “**Initial Market Maker**” on page 3 is deleted in its entirety and replaced with the following:

「元大證券（香港）有限公司  
香港  
夏慤道18號  
海富中心1座23樓」

4. In Chinese version of Explanatory Memorandum, under the section of “**DEFINITIONS**”, the definition of “**Manager**” on page 6 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「元大證券（香港）有限公司，或根據信託契據於當時正式委任以繼元大證券（香港）有限公司後擔任基金經理的任何該位或該等人士」

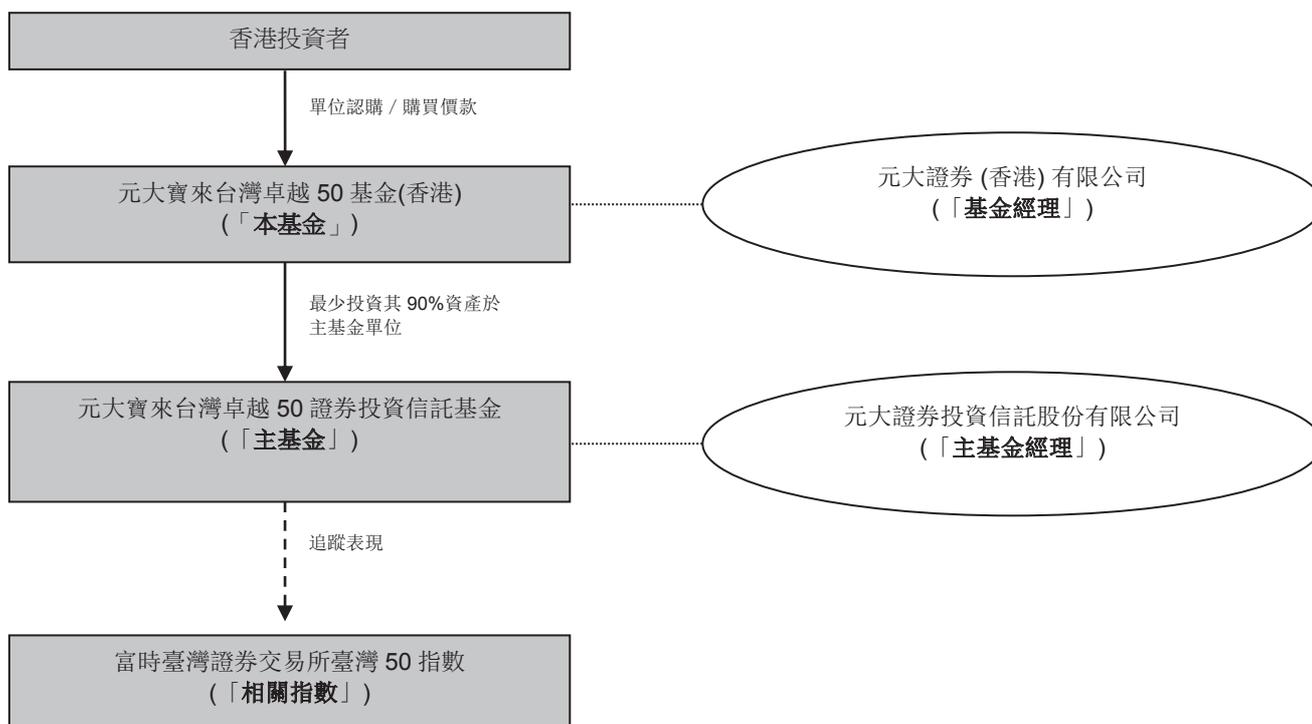
5. In Chinese version of the Explanatory Memorandum, under the section of “**DEFINITIONS**”, the definition of “**MF Manager**” on page 6 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「元大證券投資信託股份有限公司」

6. In Chinese version of the Explanatory Memorandum, under section 5 entitled “**Key Operators of the Trust**” of **INFORMATION ABOUT THE TRUST**, the first paragraph of the sub-section “**5.1 The Manager**” on page 15 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「本信託的基金經理為元大證券（香港）有限公司。基金經理於一九九二年十月二十二日在香港註冊成立，並獲證監會發牌進行證券及期貨條例第V部分下的第1類（證券交易）、第2類（期貨合約交易）、第3類（槓桿式外匯交易）、第4類（就證券提供意見）、第5類（就期貨合約提供意見）、第6類（就機構融資提供意見）及第9類（提供資產管理）的受規管業務。」

7. In Chinese version of the Explanatory Memorandum, under **Part 1 – Yuanta/P-shares Taiwan Top 50 ETF (H.K.)** of **APPENDIX 1**, the diagram in section 1 “**Key Information**” on page 41 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:



8. In Chinese version of the Explanatory Memorandum, under **Part 2 – Yuanta/P-shares Taiwan Top 50 ETF** of **APPENDIX 1**, the information of “MF Manager” under “Directory” on page 50 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「元大證券投資信託股份有限公司  
台灣  
台北 104  
民生東路  
二段141號六樓」

9. In Chinese version of the Explanatory Memorandum, under **Part 2 – Yuanta/P-shares Taiwan Top 50 ETF** of **APPENDIX 1**, the first three paragraphs of the subsection “3.1 MF Manager” of “Operators of the Master Fund” on page 51 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

「主基金的基金經理為元大證券投資信託股份有限公司(「主基金經理」)，其受到金管會規管。

主基金經理的繳足資本為2,269,000,000新臺幣。

只要元大證券投資信託股份有限公司根據適用法律繼續正式獲發牌照進行其業務活動，其會一直留任為主基金經理。雖然如此，在下列情況下，主基金經理可能會由其他基金經理取代（須經金管會及證監會批准，方為生效）：

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

The Explanatory Memorandum may only be distributed if accompanied by this Addendum.

Yuanta Securities (Hong Kong) Company Limited  
Date: 7 July 2015

## YUANTA TRACKER FUND (H.K.) SERIES

### *Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)*

**The Second Addendum to Explanatory Memorandum dated 20 January 2015 as amended  
by the addendum dated 31 March 2015  
(together the “EM”)**

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. This Addendum forms an integral part of and should be read in conjunction with the EM. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The EM is hereby supplemented as follows:

1. Under section 5 entitled “**Key Operators of the Trust**” of **INFORMATION ABOUT THE TRUST**, the last paragraph of the sub-section entitled “5.1 **The Manager**” on page 16 of the EM is deleted in its entirety and replaced with the following:

“As of the date of this Explanatory Memorandum, the directors of the Manager are Mr. Pei-San TAN, Mr. Chun-Chieh WANG, Mr. Pak Fu LIM, Mr. Chi Wah YIU, Mr. Siu Shun WAN, Mr. Ming-Cheng KUO and Ms. Miao Ju CHEN.”

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

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

Yuanta Securities (Hong Kong) Company Limited  
Date: 24 June 2015

## YUANTA TRACKER FUND (H.K.) SERIES

Yuanta/P-shares Taiwan Top 50 ETF (H.K.) (Stock Code: 3002)

### Addendum to Explanatory Memorandum dated 20 January 2015 (the “EM”)

**Important:** If you are in any doubt about the contents of this Addendum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. This Addendum forms an integral part of and should be read in conjunction with the EM. Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate at the date hereof.

The EM is hereby supplemented as follows:

1. Under section 5 entitled “**Key Operators of the Trust**” of **INFORMATION ABOUT THE TRUST**, the last paragraph of the sub-section entitled “5.1 **The Manager**” on page 16 of the EM is deleted in its entirety and replaced with the following:

“As of the date of this Explanatory Memorandum, the directors of the Manager are Mr. Pei-San TAN, Ms. Ya-Wen CHANG, Mr. Chun-Chieh Wang, Mr. Pak Fu LIM, Mr. Chi Wah YIU, Mr. Siu Shun WAN, Mr. Ming Cheng KUO and Ms. Miao Ju. CHEN”

Yuanta Securities (Hong Kong) Company Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

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

Yuanta Securities (Hong Kong) Company Limited

Date: 31 March 2015

# **YUANTA TRACKER FUND (H.K.) SERIES**

## **EXPLANATORY MEMORANDUM**

### ***Yuanta/P-shares Taiwan Top 50 ETF (H.K.)***

**Stock Code : 3002**

**20 January 2015**

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission take no responsibility for the contents of this Explanatory Memorandum, 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 Explanatory Memorandum. The Trust and each Sub-Fund have been authorised as a collective investment scheme by the Hong Kong Securities and Futures Commission (the "SFC"). SFC authorisation is not a recommendation or endorsement of the Trust and the Sub-Fund nor does it guarantee the commercial merits of the Trust and the Sub-Fund or their performances. It does not mean the Trust and the Sub-Fund are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

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## PRELIMINARY INFORMATION

**Important: If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.**

This Explanatory Memorandum comprises information in relation to the Yuanta/P-shares Taiwan Top 50 ETF (H.K.) of Yuanta Tracker Fund (H.K.) Series (the “Trust”), an open ended unit trust established under Hong Kong law by a Trust Deed dated 27 July 2009, as amended from time to time between Polaris Securities (Hong Kong) Limited as manager and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) as trustee. Pursuant to a Deed of Retirement, Appointment and Variation dated 20 January 2015, Yuanta Securities (Hong Kong) Company Limited (the “Manager”) was appointed as the manager of the Trust in place of Polaris Securities (Hong Kong) Limited.

The Directors of the Manager collectively and individually accept full responsibility for the information contained in this Explanatory Memorandum (including the Appendices) and Product Key Facts Statement, as being accurate at the date of publication. Having made all reasonable enquiries to ensure that such is the case, the Directors of the Manager confirm that, to the best of their knowledge and belief, the information contained in this Explanatory Memorandum and Product Key Facts Statement are true, accurate and complete in all material respects and not misleading. The Trustee, its employees and agents are not responsible for the preparation of this Explanatory Memorandum and Product Key Facts Statement and shall not be liable for any statement or information contained herein.

This Explanatory Memorandum, the Appendices and Product Key Facts Statement may from time to time be updated and intending applicants for units of the Trust (the “Units”) should enquire with the Manager if any supplements to this Explanatory Memorandum, any Appendix or Product Key Facts Statement or any later Explanatory Memorandum, Appendix or Product Key Facts Statement have been issued.

Distribution of this Explanatory Memorandum and Product Key Facts Statement are not authorised unless it is accompanied by a copy of the latest available annual report and accounts of the Trust and any subsequent interim report. Units are offered on the basis only of the information contained in this Explanatory Memorandum, Product Key Facts Statement and (where applicable) the above mentioned annual reports and accounts and interim reports. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained herein should be regarded as unauthorised and accordingly must not be relied upon.

Dealings in the Units in Yuanta/P-shares Taiwan Top 50 ETF (H.K.), the first Sub-Fund of the Trust, on the SEHK commenced on 19 August 2009. The Units have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearing and settlement in the Central Clearing and Settlement System (“CCASS”). All activities under CCASS are subject to the general rules of CCASS and CCASS Operational Procedures in effect from time to time. In addition, it is possible that Units in the Yuanta/P-shares Taiwan Top 50 ETF (H.K.) may trade at a premium or at a discount to the Net Asset Value of the Units. Further, it is possible that the Yuanta/P-shares Taiwan Top 50 ETF (H.K.) may suffer greater tracking error than typical exchange traded index funds due to the inability of the Yuanta/P-shares Taiwan Top 50 ETF (H.K.) to hold Taiwan securities directly.

No action has been or will be taken in any jurisdiction (other than Hong Kong) that would permit a public offering of the Units or the possession, circulation or distribution of this Explanatory Memorandum or any other offering or publicity material relating to the offering of Units in any country or jurisdiction (other than Hong Kong) where action for the purpose is required. Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this Explanatory Memorandum nor any other offering material, circular, prospectus, form of

application or advertisement in connection with the Units may be distributed or published in or from any country or jurisdiction (other than Hong Kong) except under circumstances that will result in compliance with any applicable rules and regulations of such country or jurisdiction.

The following information is provided for guidance only. Applicants for Units should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Units should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Investors should note that any amendment or addendum to this Explanatory Memorandum will only be posted on the Manager's website ([www.yuanta.com.hk](http://www.yuanta.com.hk)) and the Hong Kong Exchanges and Clearing Limited's website ([www.hkex.com.hk](http://www.hkex.com.hk)).

### **Enquiries or Complaints Handling**

Investors may contact the Manager by the following means if they have any enquiries or complaints in relation to the Trust or any Sub-Fund:

For enquiries:

- By writing to 23/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong (Attention: Asset Management Division) or by email at [AssetManagement-Operation.brk@yuanta.com](mailto:AssetManagement-Operation.brk@yuanta.com) or by fax at (852) 3555 7717
- By calling (852) 3555 7930

For complaints:

- By writing to 23/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong (Attention: Legal and Compliance Department) or by email at [6110HK-Compliance.brk@yuanta.com](mailto:6110HK-Compliance.brk@yuanta.com) or by fax at (852) 3555 7689
- By calling (852) 3555 7453

The Manager will aim to respond by phone or in writing within 10 Business Days from the date of receipt of the enquiry or complaint.

## **DIRECTORY**

<b>Manager</b>	YUANTA SECURITIES (HONG KONG) COMPANY LIMITED  23/F, Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
<b>Trustee and Registrar</b>	HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED 1 Queen's Road Central Central Hong Kong
<b>Listing Agent</b>	POLARIS CAPITAL (ASIA) LIMITED Rooms 6503-06 The Centre 99 Queen's Road Central Hong Kong
<b>Initial Market Maker</b>	YUANTA SECURITIES (HONG KONG) COMPANY LIMITED 23/F, Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
<b>Service Agent</b>	HK CONVERSION AGENCY SERVICES LIMITED 2/F Infinitus Plaza 199 Des Voeux Road Central Hong Kong
<b>Legal Adviser to the Manager</b>	DEACONS 5/F, Alexandra House 18 Chater Road Central Hong Kong
<b>Auditors</b>	KPMG 8 <sup>th</sup> Floor Prince's Building 10 Chater Road Hong Kong

## DEFINITIONS

<b>“Appendix”</b>	The appendix containing specific information in relation to a Sub-Fund which is provided with this Explanatory Memorandum
<b>“Application”</b>	In respect of a Sub-Fund, an application by a Participating Dealer to the Trustee for the creation or redemption of Units, in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines and the terms of the Trust Deed
<b>“Application Cancellation Fee”</b>	The fee payable by a Participating Dealer in respect of a default, as set out in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made
<b>“Application Unit”</b>	In relation to each Sub-Fund, such number of Units of a class or multiples thereof as specified in the Appendix for the relevant Sub-Fund or such other multiple of Units of a class 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
<b>“Business Day”</b>	In respect of a Sub-Fund shall mean a day (other than a Saturday) on which the SEHK is open for normal trading and on which the relevant Underlying Index is compiled and published, and on which banks in Hong Kong are open for general business provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee otherwise determine
<b>“Cancellation Compensation”</b>	An amount payable by a Participating Dealer in respect of a default, as set out in the Trust Deed and in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made
<b>“Code”</b>	The Code on Unit Trusts and Mutual Funds dated June 2010 issued by the SFC (as amended from time to time)
<b>“Connected Person”</b>	In relation to a company means:  (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”**

In respect of a Sub-Fund, an application by a Participating Dealer for the creation and issue of Units in an Application Unit size (or whole multiples thereof)

**“CCASS”**

The Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors

**“CCASS Operational Procedures”**

The CCASS Operational Procedures as amended from time to time

**“CSDE”**

The Centralized Securities Depository Enterprise in Taiwan

**“Dealing Day”**

In relation to a Sub-Fund, means each Business Day or such other day or days in each week or each month as are specified in the relevant Appendix, as the Manager may from time to time, in consultation with the Trustee, determine for processing Applications of Units in a Sub-Fund

**“Dealing Deadline”**

In relation to any particular place and any particular Dealing Day, such time on that day as specified in the Appendix for the relevant Sub-Fund from time to time determined by the Manager, approved by the Trustee, either generally or for a particular class or classes of Units

**“Deposited Property”**

In respect of each Sub-Fund, all the assets (including cash) for the time being held or deemed to be held upon the trusts of the Trust Deed for the account of the relevant Sub-Fund excluding (i) the Income Property and (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed)

**“Duties and Charges”**

In relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing

**“Extension Fee”**

Any fee payable by a Participating Dealer in accordance with the Operating Guidelines because of the extension of any settlement period

<b>“FSC”</b>	The Taiwan Financial Supervisory Commission
<b>“FTSE”</b>	FTSE International Limited
<b>“HKD” or “HK Dollar”</b>	Hong Kong dollars
<b>“Hong Kong Representative”</b>	The Hong Kong representative of a Master Fund as set out in the relevant Appendix of a Sub-Fund
<b>“Hong Kong Stock”</b>	A stock the transfer of which is required to be registered in Hong Kong
<b>“Income Evaluation Date”</b>	30 September of each year
<b>“Income Property”</b>	In respect of each Sub-Fund, (a) all interest, dividends and other sums deemed by the Manager, (after consulting the auditors either on a general or case by case basis), to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the relevant Sub-Fund (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Trustee in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Trustee for the account of the relevant Sub-Fund in respect of an Application; and (d) all Cancellation Compensation received by the Trustee for the account of the relevant Sub-Fund, but excluding (i) the Deposited Property of the relevant Sub-Fund; (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed) for the account of the relevant Sub-Fund or previously distributed to Unitholders; (iii) gains for the account of the relevant Sub-Fund arising from the realisation of securities; and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Trust from the Income Property of the relevant Sub-Fund
<b>“Index Provider”</b>	The entity described in the relevant Appendix, acting as sponsor of the Underlying Index
<b>“Initial Offer Date”</b>	In respect of each Sub-Fund, means the date of the first issue of Units relating to the Sub-Fund, which shall be the last day of the Initial Offer Period
<b>“Initial Offer Period”</b>	In respect of each Sub-Fund, means such period as may be agreed between the Trustee and the Manager and as specified in the relevant Appendix of the Sub-Fund
<b>“Insolvency Event”</b>	Occurs in relation to a person where (i) an order has been made or an effective resolution passed for the liquidation or bankruptcy of the person; (ii) a receiver or similar officer has been appointed in respect of the person or of any of

the person's assets or the person becomes subject to an administration order; (iii) the person enters into an arrangement with one or more of its creditors or is deemed to be unable to pay its debts; (iv) the person ceases or threatens to cease to carry on its business or substantially the whole of its business or makes or threatens to make any material alteration to the nature of its business; or (v) the Manager in good faith believes that any of the above is likely to occur

<b>"Issue Price"</b>	In respect of a Unit of a Sub-Fund, the price per Unit calculated in accordance with the Trust Deed
<b>"Manager"</b>	Yuanta Securities (Hong Kong) Company Limited, or any other person or persons for the time being duly appointed manager or managers in succession to Yuanta Securities (Hong Kong) Company Limited under the Trust Deed
<b>"Market"</b>	In any part of the world:  (i) in relation to any security, the stock exchange on which such security is listed and/or traded; and  (ii) in relation to any futures contract, the futures exchange on which the futures contract is traded
<b>"Master Fund"</b>	A collective investment scheme managed by the MF Manager in which the relevant Sub-Fund invests substantially all its assets
<b>"MF Business Day"</b>	A day on which the TWSE is open for normal trading
<b>"MF Creation Consideration"</b>	The shares and cash amount to be tendered by a subscriber to the Master Fund to purchase the MF Unit(s)
<b>"MF Custodian Institution"</b>	Chinatrust Commercial Bank, Ltd., a company incorporated in Taiwan
<b>"MF Manager"</b>	Yuanta Securities Investment Trust Co., Ltd
<b>"MF Redemption Consideration"</b>	The share and cash amount to be tendered by the MF Manager to a MF Unitholder in a redemption request of the MF Units
<b>"MF Trust Deed"</b>	The trust deed dated 24 April 2008 made between the MF Custodian Institution and the MF Manager and constituting the Master Fund, as amended from time to time
<b>"MF Unit(s)"</b>	Unit(s) in the Master Fund
<b>"MF Unitholders"</b>	The person for the time being entered in the register as the holder of a MF Unit and (where the context so permits) persons jointly so entered

<b>"MF Valuation Day"</b>	Any day on which TWSE is open for normal trading, or such other day or days as may from time to time be determined by the MF Manager
<b>"Net Asset Value"</b>	Net asset value of the Trust or Sub-Fund or per Unit of a class or classes relating to a Sub-Fund, as the context requires
<b>"NTD"</b>	New Taiwan dollars
<b>"Operating Guidelines"</b>	In relation to each Sub-Fund, the guidelines for the creation and redemption set out in the Schedule to the Participation Agreement as amended from time to time by the Manager with the approval of the Trustee following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers
<b>"OTC"</b>	The Gre Tai Securities Market in Taiwan
<b>"Participating Dealer"</b>	Any dealer (licensed for type 1 regulated activity under the SFO) which has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee
<b>"Participation Agreement"</b>	An agreement entered into between the Trustee, the Manager, and a Participating Dealer setting out, (amongst other things), the arrangements in respect of the issue of Units and the redemption and cancellation of Units
<b>"Recognized Exchange"</b>	A stock exchange, over-the-counter market or other organized securities market which is open to the international public and on which securities are regularly traded
<b>"Redemption Application"</b>	In respect of a Sub-Fund, an application by a Participating Dealer to the Trustee for the redemption of Units in Application Unit size (or whole multiples thereof)
<b>"Redemption Price"</b>	In respect of a Unit of a Sub-Fund, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed
<b>"Registrar"</b>	HSBC Institutional Trust Services (Asia) Limited or such person as may from time to time be appointed to keep the register of the Trust
<b>"SEHK"</b>	The Stock Exchange of Hong Kong Limited
<b>"Service Agent"</b>	HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent in relation to a Sub-Fund
<b>"Settlement Day"</b>	In respect of a <b>Creation Application</b> , the Business Day which is two Business Days after the relevant Dealing Day (or such later Business Day as is permitted in relation to such Dealing Day 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 a particular class or classes of Units; and

In respect of a **Redemption Application**, the Business Day which is three Business Days after the relevant Dealing Day (or such later Business Day as is permitted in relation to such Dealing Day 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 a particular class or classes of Units

<b>“SFC”</b>	The Securities and Futures Commission of Hong Kong or its successors
<b>“SFO”</b>	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified, re-enacted or replaced from time to time
<b>“Subscription Amount”</b>	The amount (excluding Duties and Charges and any Transaction Fee) payable upon the making of the Creation Application
<b>“Sub-Fund”</b>	Each separate portfolio of assets within the Trust, with regard to which one or more separate classes of Units may be issued by the Trust
<b>“Transaction Fee”</b>	The fee in respect of a Sub-Fund which may at the discretion of the Manager be charged for the benefit of the Sub-Fund, Service Agent and/or Registrar to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer, the maximum level of which shall be as determined by the Manager from time to time and as set out in the Appendix of the relevant Sub-Fund
<b>“Trust”</b>	Yuanta Tracker Fund (H.K.) Series, an umbrella trust constituted by the Trust Deed and established under Hong Kong law
<b>“Trust Deed”</b>	The trust deed dated 27 July 2009 establishing the Trust, as amended, novated or supplemented from time to time
<b>“Trust Fund”</b>	All the property for the time being held or deemed to be held upon the trusts of the Trust Deed including all Deposited Property and Income Property and subject to the terms and provisions of the Trust Deed, except any amount for the time being standing to the credit of any Distribution Account (as defined in the Trust Deed)
<b>“Trustee”</b>	HSBC Institutional Trust Services (Asia) Limited or any other person or persons for the time being duly appointed trustee or trustees hereof in succession to the said HSBC Institutional Trust Services (Asia) Limited under the Trust Deed

<b>“TWSE”</b>	The Taiwan Stock Exchange
<b>“Underlying Index”</b>	The underlying index to which the performance of a Sub-Fund and a Master Fund is linked to, as described in the relevant Appendix of a Sub-Fund
<b>“Unit”</b>	Where there is only one class of Units in issue in relation to a particular Sub-Fund, one undivided share in the Sub-Fund to which it relates. Where more than one class of Units is in issue in relation to a Sub-Fund, the number of undivided shares of that Sub-Fund represented by a Unit of a particular class is adjusted to take account of the different terms of issue of the different classes of Units. A fraction of a Unit of the same class shall represent the corresponding fraction of an undivided share in the relevant Sub-Fund or part of the relevant Sub-Fund
<b>“Unitholder”</b>	A registered holder of Units
<b>“US Dollars” and “USD”</b>	United States of America dollars
<b>“Valuation Point”</b>	In relation to a Sub-Fund, means such time or times as the Manager and the Trustee may agree on a Dealing Day by reference to which the Net Asset Value of such Sub-Fund or of a Unit of the class or classes relating to such Sub-Fund is to be calculated. Please refer to the relevant Appendix of a Sub-Fund for the Valuation Point of the relevant Sub-Fund

## **INFORMATION ABOUT THE TRUST**

The Trust is an open ended unit trust established under the laws of Hong Kong in the name of Yuanta Tracker Fund (H.K.) Series, pursuant to the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust has been established as an umbrella fund and accordingly, the assets of the Trust may be separated into different Sub-Funds. More than one class of Units may be offered in relation to a particular Sub-Fund. Each Sub-Fund is authorised by the SFC as a feeder fund which will invest substantially all of its assets in a Master Fund (as set out in the relevant Appendix).

Each Sub-Fund will have its own investment objective and policies corresponding to that of the relevant Master Fund and these will be described in the Appendix for each Sub-Fund. Additional classes of Units and/or additional Sub-Funds may be created in the future. Currently, the Trust has one Sub-Fund.

### **1. Investment Objectives and Policies**

The investment objective of each Sub-Fund will be to provide the investors with a return that, after expenses, closely linked to or correspond to the performance of the Underlying Index (as is defined in the relevant Appendix).

To achieve the investment objective, each Sub-Fund will invest substantially all of its assets in a Master Fund. Each Master Fund is an exchange traded fund listed on the TWSE which aims at providing its unitholders a return closely linked to or correspond to the performance of the relevant Underlying Index.

The Trust offers investors a convenient way to obtain index-based exposure to the stock markets of a specific country or region. However, investors should be aware of the high volatility of the prices of the Units. The Manager cannot assure that the investment objective of any Sub-Fund or any Master Fund will actually be achieved. The Trust is designed for investors in Hong Kong who want to adopt a long-term investment approach to investing in Taiwan equity market.

The current Sub-Fund as well as Sub-Funds to be established from time to time in the future and their respective investment objective and policies are described in the Appendices for such Sub-Funds.

### **2. Investment and Borrowing Restrictions**

The following restrictions are applicable to each Sub-Fund unless otherwise stated in the Appendix for the relevant Sub-Fund. The SFC may grant a waiver of certain restrictions in respect of a Sub-Fund. Where that has occurred, it will be described in the Appendix for the relevant Sub-Fund. With regard to each Sub-Fund:

- 2.1 not more than 10% of the latest Net Asset Value of the Sub-Fund may be invested in securities (other than Government and other public securities) issued by any single issuer unless otherwise permitted by the Code;
- 2.2 the relevant Sub-Fund's holding of securities of a single class (other than Government and other public securities) when aggregated with other the holdings of the same class of securities held by all the other Sub-Funds may not exceed 10% of the nominal amount of all the issued securities of that class unless otherwise permitted by the Code;
- 2.3 not more than 15% of the Net Asset Value of the Sub-Fund may be invested in securities which are neither listed nor quoted on a stock exchange, over-the-counter market or other organized securities market which is open to the international public and on which such securities are regularly traded;

- 2.4 not more than 30% of the Net Asset Value of the Sub-Fund may be invested in Government and other public securities of a single issue (save that the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues);
- 2.5 not more than 10% of the Net Asset Value of the Sub-Fund may be invested in commodities (including physical commodities, forward and futures contracts in respect of commodities, options on commodities, and other commodity-based investments and excluding, for this purpose, securities of companies engaged in the production, processing or trading of commodities);
- 2.6 the net total aggregate value of contract prices of any futures contracts or options on futures contracts which are entered into for hedging purposes or for the purpose of facilitating the Investment Objective of the Sub-Fund may not exceed 10% of the Net Asset Value of the Sub-Fund;
- 2.7 the value of the Sub-Fund's total holding of warrants and options in terms of the total amount of premium paid (other than for hedging purposes) may not exceed 15% of its Net Asset Value;
- 2.8 the Sub-Fund may not invest in a unit trust, mutual fund corporation or other collective investment scheme which is managed by the Manager or any of its Connected Persons which would result in an increase in the overall total of preliminary charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Unitholders or by the Sub-Fund other than a Master Fund authorised by the SFC;
- 2.9 the Manager shall not in addition:
- (A) invest in a security of any class in any company or body if directors and officers of the Manager individually own more than 0.5% of the total nominal amount of all the issued securities of that class or collectively own more than 5% of those securities;
  - (B) invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares/interests or derivative interests thereon in real estate companies and SFC authorised/permitted real estate investment trusts (REITs));
  - (C) make short sales if as a consequence the liability of that Sub-Fund to deliver securities would exceed 10% of its Net Asset Value (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);
  - (D) grant any uncovered option;
  - (E) grant call options over investments held by that Sub-Fund the total value of which, in terms of the prices at which all such options may be exercised, exceeds 25% of its Net Asset Value;
  - (F) make a loan out of that Sub-Fund without the prior written consent of the Trustee except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan;
  - (G) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money without the prior written consent of the Trustee;
  - (H) acquire any asset for that Sub-Fund which involves the assumption of any liability which is unlimited;

- (I) apply any part of that Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made unless such call could be met in full out of cash or near cash forming part of the Sub-Fund which has not been appropriated and set aside for any other purposes and shall not be entitled without the consent of the Manager to apply any part of the Sub-Fund in the acquisition of any other investment which is in the opinion of the Manager likely to involve the Sub-Fund in any liability (contingent or otherwise); or
- (J) hold any Hong Kong stock.

Although each Sub-Fund aims at investing at least 90% of its assets in a Master Fund, the Manager may enter into financial futures contracts on behalf of a Sub-Fund (up to 10% of the Net Asset Value of any Sub-Fund, as further explained in paragraph 2.6 above) for hedging and efficient portfolio management purposes.

In addition, the Manager may, with the written consent of the Trustee, borrow for a Sub-Fund up to 10% of the Net Asset Value of any Sub-Fund for liquidity purposes to meet redemptions and other expenses of the Sub-Fund. For the purposes of such restriction, back-to-back loans shall not be regarded as borrowing.

For the purpose of complying with the above investment restrictions, each Sub-Fund and its corresponding Master Fund will be deemed a single entity.

It is not the current intention of the Manager to engage in security lending in respect of any securities of any Sub-Fund.

### 3. **Distribution Policy**

The Manager may in its absolute discretion distribute income to Unitholders at such times as it may determine in each financial year. The amount to be distributed to Unitholders will be derived from the net income of the relevant Sub-Fund.

On a distribution from a Sub-Fund the Registrar, in accordance with the instructions of the Manager, will allocate the amounts available for distribution between Unitholders and will pay such amounts to Unitholders.

Amounts to be distributed in respect of each Unit of a class shall be rounded down to nearest unit (being the smallest denomination commonly in use) of the relevant Sub-Fund's currency of account. Any amount of income not distributed, in accordance with the Trust Deed and unclaimed for twelve calendar months after the relevant distribution date shall be deemed to form part of the Income Property of the relevant Sub-Fund and any right a Unitholder may previously have had in respect of such undistributed income shall be extinguished.

Investors should note that it is possible that the Unitholders may not receive any distributions even though the Sub-Fund has received distributions made out of its corresponding Master Fund.

### 4. **Valuation of Sub-Funds and Unit Prices**

#### 4.1 **Calculation of Net Asset Value**

The Net Asset Value of a Sub-Fund shall be calculated by the Trustee by valuing the assets of the Sub-Fund and deducting the Sub-Fund's liabilities, in accordance with the Trust Deed as at the Valuation Point (or at such other time as the Manager may determine). The Trust Deed provides, among other things, that for the purpose of calculating the Net Asset Value:

- (A) except in the case of any interest in an unlisted mutual fund corporation or an unlisted unit trust (excluding any MF Unit) to which paragraph (B) applies, all calculations based on the

value of investments quoted, listed, traded or dealt in on any securities market shall be made by reference to the price appearing to the Trustee (upon the direction of the Manager) to be the official closing bid price or if unavailable, the last traded price on the Market which appears to the Trustee (upon the direction of the Manager) to provide the principal market for such investments provided that 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 bid price or the last traded price (as the case may be);

- (B) the value of each interest in any unlisted mutual fund corporation or unit trust (excluding any MF Unit) shall be the last available net asset value per share or unit, in such mutual fund corporation or unit trust;
- (C) if no net asset value, official closing price, bid and offer prices or price quotations are available as provided in paragraph (A) above, the value of the relevant investment 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;
- (D) the value of any investment which is not listed or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the consent of 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;
- (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 if, having regard to relevant circumstances, the Manager considers that such adjustment is required to reflect the fair value of the investment.

Where there is no stock exchange, commodities exchange, futures exchange or over-the-counter market, all calculations based on the value of investments quoted by any person, firm or institution making a market in that investment (and if there shall be more than one such market maker then such particular market maker as the Investment Manager may designate) shall be made by reference to the price quoted thereon.

#### **4.2 Calculation of Issue Price and Redemption Price**

The Trust Deed provides that Units may be offered in a Sub-Fund during an Initial Offer Period at a fixed price. Thereafter, the Trust Deed provides that the Issue Price or Redemption Price of a Unit of a class in a Sub-Fund for any relevant Dealing Day will, subject to the addition of any allowance as described below, be determined as follows:

- (A) dividing the Net Asset Value of the relevant Sub-Fund by the aggregate number of Units of that class in a Sub-Fund in issue as at the Valuation Point; and
- (B) unless otherwise agreed by the Manager and the Trustee, or specified in the relevant Appendix, rounding down the resulting amount to the nearest two decimal places.

#### 4.3 Net Asset Value Publication

Subject as otherwise provided in the relevant Appendix, the estimated Net Asset Value per Unit (on a real time or near real time basis) and last closing Net Asset Value per Unit of a Sub-Fund will be published on the Manager's website at [www.yuanta.com.hk](http://www.yuanta.com.hk). The last closing Net Asset Value per Unit of a Sub-Fund will also be published in the Hong Kong Economic Journal and South China Morning Post on each Business Day.

#### 4.4 Reliance on Information

The Trustee may:

- (A) rely on price data and/or other information provided by third parties including mechanised and/or electronic systems of price/valuation dissemination for the purposes of valuing investments of any Sub-Fund and the prices provided by any such third party shall be deemed to be the last traded prices for the purpose of section 4.1. In the absence of fraud, negligence or wilful default on the part of the Trustee, the Trustee shall not be liable for any loss suffered by the Trust, any Sub-Fund, any Unitholders or any other person arising out of any error in any information or data provided to the Trustee by any third party including any providers of mechanized and/or electronic pricing services, brokers, market makers, intermediaries, the Manager, the relevant MF Manager, and any administrator or valuation agent of other collective investment schemes (including the relevant Master Fund) into which a Sub-Fund invests; and
- (B) accept as sufficient evidence of the value of any investments of a Sub-Fund or the cost price or sale price thereof or of any market quotation a certificate by a broker, any professional person, firm or association qualified in the opinion of the Trustee to provide such a certificate provided that nothing in this section shall impose an obligation on the Trustee to obtain such a certificate in circumstances where a certificate is not required by any provision of the Trust Deed.

#### 4.5 Suspension of Calculation of Net Asset Value

The Manager may at any time after giving notice to the Trustee suspend the determination of the Net Asset Value of any Sub-Fund during:

- (A) any period when a Market on which a security (including a Master Fund or a component of the Underlying Index for the relevant Sub-Fund) has its primary listing, or the official clearing and settlement depository (if any) of such Market, is closed;
- (B) any period when dealings on a Market on which a security (including a Master Fund or a component of the Underlying Index for the relevant Sub-Fund) has its primary listing is restricted or suspended;
- (C) any period when, in the opinion of the Manager, settlement or clearing of securities in the official clearing and settlement depository (if any) of such Market is disrupted;
- (D) the existence of any state of affairs as a result of which delivery or purchase of securities, as appropriate or disposal of investments for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant class;
- (E) any period when the Underlying Index for the relevant Sub-Fund is not compiled or published; or
- (F) any breakdown in the means normally employed in determining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit of the relevant class or when for any

other reason the Value of any securities or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained.

Whenever the Manager declares such a suspension it shall, as soon as practicable after any declaration and at least once a month during the period of the suspension, publish a notice on the Manager's website at [www.yuanta.com.hk](http://www.yuanta.com.hk) stating that the suspension declaration has been made.

No Units relating to any affected Sub-Fund may be issued or redeemed during such period of suspension.

## **5. Key Operators of the Trust**

### **5.1 The Manager**

The Manager of the Trust is Yuanta Securities (Hong Kong) Company Limited. The Manager was incorporated in Hong Kong on 22 October 1992 and is licensed by the SFC to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under Part V of the SFO.

The Manager is a wholly-owned subsidiary of Yuanta Securities Asia Financial Services Co., Ltd., which is wholly owned by Yuanta Securities Co., Ltd.. Yuanta Securities Co., Ltd. is a wholly-owned subsidiary of Yuanta Financial Holdings Co., Ltd. ("YFH"). YFH provides a comprehensive range of financial services with a focus on securities investment, including services in securities brokerage, securities financing, banking products, futures, investment trusts, investment consulting, venture capital and asset management via its subsidiaries. YFH is listed on the TWSE and has an issued capital of NTD101 billion as at 22 December 2014.

The Manager is responsible for managing the Trust's investments and affairs, with full power to delegate the whole or any part of its functions to any person, firm or company.

As of the date of this Explanatory Memorandum, the directors of the Manager are Mr. Pei-San TAN, Ms. Ya-Wen CHANG, Mr. Yeu-Shun YANG, Mr. Chun-Chieh Wang, Mr. Pak Fu LIM, Mr. Chi Wah YIU, and Mr. Siu Shun WAN.

### **5.2 Key Directors of the Manager**

The key director of the Manager is Mr. Pak Fu LIM.

#### **PAK FU LIM**

Mr. Pak Fu LIM has over 20 years of experience in investment field and has been working at key management positions for several international financial corporations, asset management firms and banks. Mr. Lim is responsible for overseeing the Company in all aspects. Mr. Lim is also the Chairman in the investment committee of the Company and responsible for leading and managing investment team, its services and products. Mr. Lim graduated from University of London and obtained his honours degree in Mathematics. He is also a Chartered Wealth Manager holder.

### **5.3 Trustee and Registrar**

The Trustee is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. The Trustee was incorporated in Hong Kong in 1974. HSBC Institutional Trust Services (Asia) Limited is a member of the HSBC Group.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets and administration of the Fund. Given each Sub-Fund is a feeder fund which invests substantially all its assets in a Master Fund, the main assets of each Sub-Fund safe-kept by the Trustee will be MF Units of the corresponding Master Fund. Assets of each Master Fund will be safe-kept by the custodian of such Master Fund and, in the case of the current Sub-Fund, by the Master Fund Custodian Institution. The Trustee is not responsible for (i) safe-keeping or controlling any assets of a Master Fund; (ii) any assets safe-kept by the custodian of any Master Fund; or (iii) ensuring that the relevant Master Fund or MF Manager comply with the applicable investment restrictions.

The Trustee may, however, appoint any person or persons (including a Connected Person) to be custodian of the assets of each Sub-Fund or to act as its agent in the performance of its duties. The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and monitoring of such persons and, during the term of their appointment, must satisfy itself as to the ongoing suitability of such persons to provide custodial services to the Trust, having regard to the market or markets for which such persons are appointed to act as custodian. The Trustee will remain responsible for the acts or omissions of such persons in the same manner as if such acts or omissions were those of the Trustee, except where such persons are appointed in respect of a market or markets which the Trustee has determined by notice to the Manager to be emerging markets. Notwithstanding the above, the Trustee will remain responsible for the acts or omissions of any associate of the Trustee appointed in respect of an emerging market.

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 (“OFAC”) of the US Department of the Treasury. HSBC Group has adopted a policy of compliance with the sanctions issued by OFAC.

The Trustee is not involved directly or indirectly with the sponsorship or investment management of the Trust. In addition, the Trustee is not responsible for the preparation of this Explanatory Memorandum and therefore accepts no responsibility for any information contained in this Explanatory Memorandum other than information relating to itself and the HSBC Group.

The Trustee is entitled, in the absence of manifest error, to rely upon the register of Unitholders as conclusive evidence of the matters contained in the register of Unitholders.

The Trustee may also act as the Registrar of one or all of the Sub-Funds of the Trust. The Trustee is entitled to the fees set out below under the section headed “Charges and Expenses”.

#### **5.4 Listing Agent**

Polaris Capital (Asia) Limited has been appointed by the Manager as the Listing Agent for the Trust in accordance with The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

#### **5.5 Auditors**

KPMG is the independent auditors of the Trust and each Sub-Fund.

#### **5.6 Market Makers**

A market maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK. A market maker’s obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for Units on the SEHK. Market makers accordingly facilitate the trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK. The Manager anticipates that at least one market maker will maintain a market for Units of each Sub-Fund, to

facilitate trading. The list of market makers in respect of each Sub-Fund from time to time will be displayed on [www.hkex.com.hk](http://www.hkex.com.hk) and [www.yuanta.com.hk](http://www.yuanta.com.hk).

### **5.7 Participating Dealer**

The role of the Participating Dealer is to create and redeem Units in any Sub-Funds from time to time. A Participating Dealer has no obligation to create or redeem Units, and generally will do so only to the extent necessary to facilitate secondary market trading of the Units by the Participating Dealer or its clients. The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in Application Unit size in exchange for a payment of cash in accordance with the Operating Guidelines and the Trust Deed. In its absolute discretion, the Participating Dealer may also create Units on behalf of its clients from time to time.

A list of current Participating Dealers is available at the Manager's website.

### **5.8 Potential Conflicts of Interest**

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser in relation to, or be otherwise involved in or with, other funds and clients which may have similar investment objectives to those of the Trust or any Sub-Fund. In addition, the Manager may also act as a Participating Dealer of any Sub-Fund. It is therefore possible that each of them may, in the course of business, have potential conflicts of interest with the Trust in respect of one or more Sub-Funds.

Notwithstanding the foregoing, each of the Manager and the Trustee will, at all times, have regard in such event to its obligations to the Trust and will take reasonable steps to ensure that such conflicts are resolved fairly. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated in accordance with applicable law.

No person will be allowed to enter into, on behalf of Sub-Fund, underwriting or sub-underwriting contracts without the prior consent of the Trustee and unless the Manager provides in writing that all commissions and fees payable to the Manager under such contracts, and all investments acquired pursuant to such contracts, will form part of the Trust's assets.

The Manager or any of its Connected Persons may, with the prior written consent of the Trustee, deal in respect of any Sub-Fund, both as principal and agent provided that, in both cases, dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. All such transactions must be disclosed in the relevant Sub-Fund's annual report.

The Manager or any of its 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 any Sub-Fund.

If cash forming part of the Trust's assets is deposited with the Manager, the Trustee or any of their Connected Person (being an institution licensed to accept deposits), interest must be received on the deposit at a rate not lower than the prevailing commercial rate for a deposit of that size and term.

Money may be borrowed from the Manager, the Trustee or any of their Connected Persons (being a bank) so long as that bank charges interest at no higher rate and any fee for arranging or terminating the loan is of no greater amount than is in accordance with normal banking practice, the commercial rate for a loan of the size and nature of the loan in question negotiated at arm's length.

The Manager is responsible for selecting brokers and dealers through whom transactions for the account of a Sub-Fund are to be executed. Transactions for the account of any Sub-Fund may be carried out through brokers or dealers who are Connected Persons of the Manager or any

investment adviser appointed by the Manager or any of their Connected Persons provided that the Manager must ensure that it complies with the following obligations:

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

#### 5.9 **Soft commission and cash rebates**

Neither the Manager nor any of its Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them. The Manager is authorised to receive and retain soft commission from brokers, dealers, agents, investment advisers or other persons in consideration of directing transactions in relation to the assets and investments of a Sub-Fund to these persons provided that those services comprised in such soft commission are of demonstrable benefit to the relevant Sub-Fund, the transaction execution is consistent with best execution standards and the amounts of brokerage on service fees payable to the said persons are not in excess of customary rates. Goods and services which a broker or a dealer may provide to the Manager include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services; computer hardware and software incidental to the foregoing; clearing and custodian services and investment related publications. The goods and services which the Manager is permitted to receive may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments or any other goods and services as may be prescribed from time to time in any code or guideline issued by the SFC.

The Trustee or its Connected Persons may provide banking facilities to any Sub-Fund or enter into foreign exchange transactions with any Sub-Fund provided that they do so on the same or better terms to the Sub-Fund than those obtainable from any other party. The Trustee and its Connected Persons may, in all other cases, contract with or enter into any transaction with any Sub-Fund in the ordinary course of banking activities provided that such contract or transaction is on the best terms reasonably obtainable having regard to the interests of the Sub-Fund.

#### 6. **Fees and Expenses**

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

##### 6.1 **Management Fees**

Under the terms of the Trust Deed, the Manager may, on giving not less than 1 month's notice to the Trustee and the affected Unitholders, increase the rate of the management fee payable in respect of an Sub-Fund up to or towards the maximum rate of 0.99% per annum of the Net Asset Value of the Sub-Fund accrued daily and calculated as at each Dealing Day and payable monthly in arrear.

*Further details of the management fee in respect of each Sub-Fund are set out in the relevant Appendix.*

## **6.2 Trustee Fees**

The Trustee may increase the rate of trustee fees payable in respect of the relevant Sub-Fund (up to or towards the maximum rate of 1% per annum set out in the Trust Deed) on giving not less than 1 month's notice to affected Unitholders.

Subject to the agreement of fees between the Manager and the Trustee, the Trustee is entitled to receive and retain for its own absolute use and benefit all or any part of any Application Cancellation Fee or Extension Fee charged to a Participating Dealer.

The Trustee is also entitled to receive various transaction and processing fees as set out in the relevant Appendix.

*Further details of the Trustee's fee in respect of each Sub-Fund are set out in the relevant Appendix.*

## **6.3 Registrar's Fees**

The Registrar may charge a fee based on the number of Unitholders on the register or on the number of Applications in respect of any Sub-Fund.

In addition, the Registrar will be reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services such as the cost of postage and envelopes.

*Further details of the Registrar's fee in respect of each Sub-Fund are set out in the relevant Appendix.*

## **6.4 Service Agent's Fees**

The Service Agent will charge a fee for each Application which will be met out of the Transaction Fee. Such fee may be either based on the total aggregated value of the Applications transacted daily or fixed.

*Further details of the Service Agent's in respect of each Sub-Fund are set out in the relevant Appendix.*

## **6.5 Other Charges and Expenses**

Each Sub-Fund will bear the costs of its own establishment and its own operating costs, and any other costs set out in the Trust Deed which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, they will be apportioned between the relevant Sub-Funds as the Manager may determine, after consulting the Trustee. Such apportionment will be disclosed in the annual accounts of the Trust. Such costs include but are not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, any disbursements or out-of-pocket expenses properly incurred on behalf of the Trust by any of its service providers, the expenses incurred in convening meetings of Unitholders, printing and distributing annual and half-yearly reports, accounts and other circulars relating to the Sub-Fund and the expenses of publishing Unit prices.

Please refer to the relevant Appendix of a Sub-Fund for fees and charges that are payable by Unitholders of that Sub-Fund.

## 7. **Dealing on the SEHK**

Investors, other than Participating Dealers, cannot create or redeem Units directly from any Sub-Fund.

However, as all the Sub-Funds are listed on the SEHK, such investors can place an order to buy Units during the trading day through a broker on the SEHK as one would in the case of a share listed on the SEHK, at any time after dealings in the Units commence. The trading price of Units of a Sub-Fund may differ from the Net Asset Value per Unit of that Sub-Fund and there can be no assurance that a liquid secondary market will exist for the Units.

Investors may place an order with a broker to sell their Units on the SEHK at any time during the trading day. To sell Units - or to buy new ones - an investor will need to use an intermediary such as a stockbroker or any of the share dealing services offered by banks or other financial advisers. There are also one or more exchange participants that will make a market for the Units in the secondary trading market. These market makers will facilitate the trading of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

No money should be paid to any intermediary in Hong Kong who is not licensed for type 1 regulated activity under the SFO.

Brokerage, stamp duty and other fees may be payable when selling (and purchasing) Units. Please refer to the sub-section "Fees Payable on Dealings in Units on the SEHK" in the relevant Appendix for further details.

If trading of the Units of a Sub-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.

## 8. **Subscription for Units**

### 8.1 **General**

Only Participating Dealers may apply for Units.

Only cash Creation Applications of the Sub-Funds are allowed. None of the Sub-Funds accepts in-kind Creation Application.

### 8.2 **Initial Offer Period**

Units in a Sub-Fund will initially be offered only to Participating Dealers during the Initial Offer Period unless extended by the Manager. The purpose of the Initial Offer Period is to enable the Participating Dealers to create Units to be listed and traded on the SEHK after the Initial Offer Date.

During the Initial Offer Period, the Issue Price of a Unit which is the subject of a Creation Application in relation to each Sub-Fund, shall be HKD10 per Unit, or such other amount from time to time determined by the Manager and approved by the Trustee.

Please refer to the relevant Appendix for the Initial Offer Period and Initial Offer Date with respect to each Sub-Fund.

### 8.3 **Continuous Offering of Units**

Units in a Sub-Fund are continuously offered to Participating Dealers who may apply for Units on any Dealing Day on their own account or for the account of their clients in accordance with the Operating Guidelines.

Units in the Sub-Funds are continuously offered to Participating Dealers who may apply in multiples of such number of Units as specified in the Appendix for the relevant Sub-Fund on any Dealing Day on their own account or for the account of their clients in accordance with the Operating Guidelines. All dealing requests are dealt with at the same Net Asset Value at the same Valuation Point.

#### **8.4 Application Unit**

Units in the Sub-Funds are offered and issued at their Net Asset Value only in aggregations of a specified number of Units (each, an "Application Unit") or whole multiples thereof. The Application Unit for each Sub-Fund are specified in the relevant Appendix. Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof will not be accepted. The minimum holding of Units is one Application Unit.

#### **8.5 Procedures for Creation of Application Unit**

Only Participating Dealers may apply for Units. The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in the Sub-Fund in Application Unit size in exchange for cash in accordance with the Operating Guidelines and the Trust Deed.

The Manager shall have the right to reject or suspend a creation application if:

- (A) circumstances outside control of the Manager make it for all practicable purposes impossible to process Creation Application, including, but not limited, to the situation where the creation application of MF Units of the corresponding Master Fund is suspended on the relevant Dealing Day;
- (B) the Manager has suspended the rights of Participating Dealers pursuant to the Trust Deed;
- (C) an Insolvency Event occurs in respect of the Participating Dealer; or
- (D) the Manager cannot purchase the relevant MF Units on TWSE because the trading limit on the price of the MF Units imposed by TWSE has been exceeded.

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 are denominated in Hong Kong dollars and no fractions of a Unit shall be created or issued by the Trustee.

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

Units of a Sub-Fund can be subscribed by paying in cash (i) the Subscription Amount equivalent to a percentage (which is 105% as of the date of this Explanatory Memorandum) of the Net Asset Value per Unit of the relevant Sub-Fund on the preceding Dealing Day multiplied by the number of Units in Application Unit size; (ii) an additional sum (as determined by the Manager in its discretion) to provide for Duties and Charges; and (iii) the Transaction Fee (please refer to the sub-section "Transaction Fee" in the relevant Appendix for further details). Such Subscription Amount and the Transaction Fee rate shall be published daily on the Manager's website. The Issue Price in respect of a Sub-Fund will be calculated as the Net Asset Value per Unit of that Sub-Fund at the Valuation Point. The Net Asset Value in turn will be calculated by reference to the official closing bid price of the relevant Master Fund. In the event that the Subscription Amount per Application Unit paid (less the amount of relevant Duties and Charges and the Transaction Fee) exceeds the Issue Price on the Dealing Day multiplied by the number of Units in

Application Unit size, the Manager will refund the amount of such excess to a Participating Dealer. In the event that the Subscription Amount per Application Unit paid is less than the Issue Price on the Dealing Day multiplied by the number of Units in Application Unit size, the Participating Dealer will be required by the Manager to pay all or part of the amount of such difference in addition to the Subscription Amount in consideration for the Units.

In addition, a Participating Dealer may charge and pass on to the relevant investor a subscription fee which is payable to the Manager by the Participating Dealer making a Creation Application. Please refer to the sub-section “Subscription Fee” in the relevant Appendix for further details.

The creation and issue of Units pursuant to a Creation Application shall be effected as at 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.

If a Creation Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The Dealing Deadline for each Sub-Fund is specified in the relevant Appendix.

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.

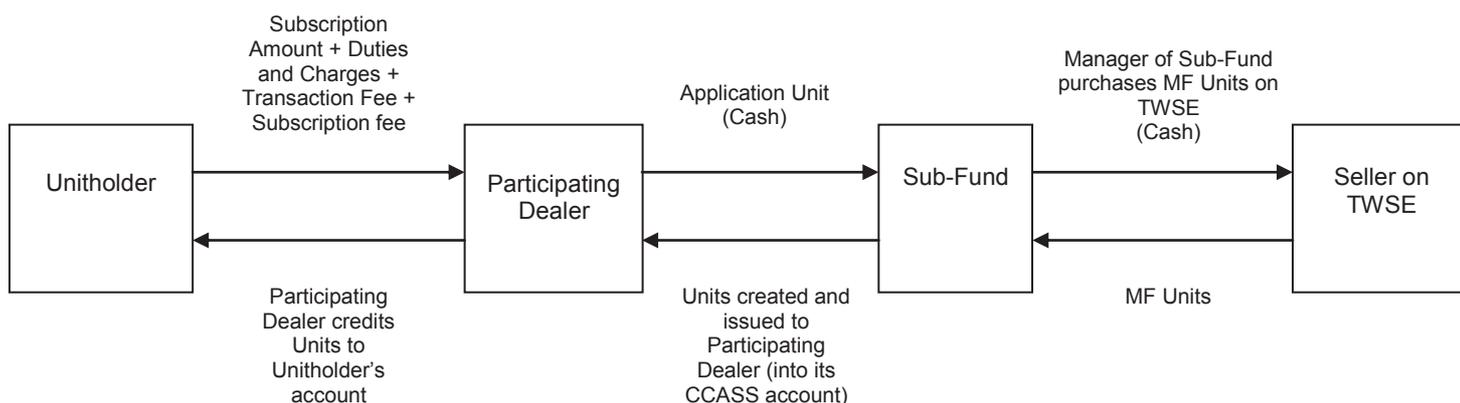
The Manager may charge a Transaction Fee in respect of Creation Applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the same Sub-Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units (and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Creation Application(s)) for the benefit of the Sub-Fund, Registrar and/or the Service Agent.

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

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.

Please see below a diagram illustrating the operational workflow of creation of Application Units:

*Procedures for Creation of Application Units*



## 8.6 Cancellation of Units

The Trustee shall cancel Units in any Sub-Fund created and issued in respect of a Creation Application if it has not received the cash (including any Duties and Charges) relating to the Creation Application by or on the relevant Settlement Day provided that the Manager may at its discretion, in consultation with the Trustee extend the settlement period (either for the whole or part of the Creation Application), 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 it may determine) as the Manager may determine.

## 8.7 Fees and Charges relating to Cancellation of Units

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

- (A) the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee, currently HKD10,000;
- (B) the Manager may at its discretion require the Participating Dealer to pay to the Trustee for the account of the relevant Sub-Fund in respect of each Unit so cancelled Cancellation Compensation, being (a) the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Price 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 (b) such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the relevant Sub-Fund as a result of any such cancellation;
- (C) the Registrar and/or the Service Agent shall be entitled to the Transaction Fee payable in respect of a Redemption Application; and
- (D) no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

## 8.8 No certificates

Certificates will not be issued in respect of Units in the Sub-Fund. After listing all Units will be registered in the name of HKSCC Nominees Limited by the Registrar. The register of Unitholders of the Sub-Fund is the evidence of ownership. Any beneficial interest in the Units of the Sub-Fund will be established through an account with a Participating Dealer or a participant in CCASS.

## 9. Redemption of Units

### 9.1 General

Only Participating Dealers may redeem Units. The Manager shall have the exclusive right, at any time and from time to time following a Redemption Application made by a Participating Dealer in accordance with the Operating Guidelines, by notice in writing to the Trustee to effect a reduction of the Trust Fund on the relevant Settlement Day by requiring the Trustee to cancel the number of Units specified in such notice.

Only cash Redemption Applications of the Sub-Funds are allowed. None of the Sub-Funds accepts in-kind Redemption Application.

## 9.2 Application Unit

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

## 9.3 Procedures for Redemption of Application Unit

If a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received. The Dealing Deadline for Redemption Applications of each Sub-Fund is specified in the relevant Appendix.

The Manager shall, on receipt of an effective Redemption Application for a Sub-Fund from a Participating Dealer, effect the redemption of the relevant Units and shall require the Trustee to transfer to the Participating Dealer cash in accordance with the Operating Guidelines.

To be effective, a Redemption Application must:

- (A) be given by a Participating Dealer in accordance with a Participation Agreement;
- (B) specify the number of Units which is the subject of the Redemption Application; and
- (C) include any such documents 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 Registrar may charge an Application Cancellation Fee in connection with cancellation of each accepted Redemption Application.

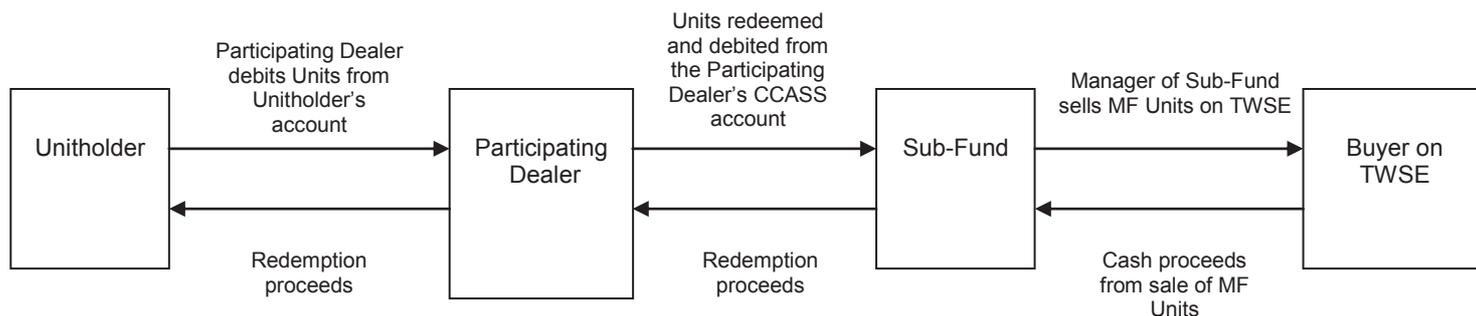
The Redemption Price of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit in the relevant Sub-Fund rounded to the nearest 2 decimal places.

The Manager may deduct from and set off against any cash payable to a Participating Dealer on the redemption of Units such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and the Transaction Fee. To the extent that the cash amount is insufficient to pay such Duties and Charges and the Transaction Fee payable on such redemption the Participating Dealer shall promptly pay the shortfall in the currency of account for the Sub-Fund to or to the order of the Trustee. The Trustee shall not be obliged to deliver any cash 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.

In addition, a Participating Dealer may charge and pass on to the relevant investor a redemption fee which is payable to the Manager by the Participating Dealer making a Redemption Application. Please refer to the sub-section "Redemption Fee" in the relevant Appendix for further details.

Please see below a diagram illustrating the operational workflow of redemption of Application Units:

## Procedures for Redemption of Application Units



### 9.4 Settlement

Any accepted Redemption Application will be effected by the transfer or payment of cash 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, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received in accordance with the Operating Guidelines and provided further that the Manager shall have received (unless otherwise provided in the Operating Guidelines) the full amount of any cash amount payable by the Participating Dealer and any Duties and Charges and the Transaction Fee payable have been deducted or otherwise paid in full.

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

- (A) the Units, which are the subject of the Redemption Application, shall be redeemed and cancelled;
- (B) the Trust 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
- (C) 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 cash relevant to the Redemption Application out of the Deposited Property of the Sub-Fund to the Participating Dealer in accordance with the Operating Guidelines.

No cash shall be transferred or paid in respect of any Redemption Application unless Units, 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:

- (A) 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 Sub-Fund, Registrar and/or the Service Agent;
- (B) the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee, currently HKD10,000;

- (C) the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the relevant Sub-Fund, in respect of each Unit Cancellation Compensation, being (a) the amount (if any) by which the Redemption Price 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 final day permitted for delivery of Units the subject of the Redemption Application, made a Creation Application, plus (b) such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the relevant Sub-Fund as a result of any such cancellation; and
- (D) no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

The Manager, with approval of the Trustee, may at its discretion extend the settlement period, for example, when the settlement or clearing of securities through the CCASS is disrupted or when an event which is beyond the control of the Participating Dealer occurs which leads to a delay in settlement. Such extension will 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 it may determine) as the Manager may determine but, in any event, not later than one month from the receipt of an effective Redemption Application.

The Manager may charge a Transaction Fee in respect of Redemption Applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the same Sub-Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Redemption Application(s)).

If there is no delay in submitting all duly completed redemption documentation and the Manager is not exercising any of its powers described in section 4.5, headed "Suspension of Calculation of Net Asset Value", the interval between the receipt of a properly documented request for redemption of Units and payment of redemption proceeds to the Unitholders will not exceed one calendar month.

Notwithstanding any provisions of the Trust Deed, the Manager may refuse to make a redemption payment to a Unitholder if the Manager suspects or is advised that the payment of any redemption proceeds to such Unitholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction, or if such refusal is necessary to ensure compliance by the Unitholder, the Manager or the Trustee with any anti-money laundering law in any relevant jurisdiction. No payments of redemption proceeds will be made to persons other than the redeeming Unitholders.

The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Unitholder(s). Such currency conversion will be carried out at arm's length and executed on the best available terms.

## 9.5 Suspension of Redemptions

The Trustee may, after prior consultation with the Manager, suspend the right of redemption requests by Unitholders and/or may delay the payment of any monies in respect of any such redemptions during any period when:

- (A) in the reasonable opinion of the Trustee, it would be contrary to the interests of the Unitholders as a whole to continue to allow such redemption;
- (B) the Manager exercises any of its powers described in section 4.5, headed "Suspension of Calculation of Net Asset Value"; or

- (C) the Manager cannot sell the relevant MF Units on TWSE because the trading limit on the price of the MF Units imposed by TWSE has been exceeded.

## 9.6 Deferral of Redemptions

Subject to specific provisions (if any) in the Appendix of the relevant Sub-Fund, with a view to protecting the interests of Unitholders, the Manager is entitled to direct the Trustee to limit the number of Units in any Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10% of the total value of Units in that Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units in that Sub-Fund on that Dealing Day will redeem the same proportion by the value of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

## 10. Risk Factors

**Each Sub-Fund is subject to the following principal risks. Further risk factors applicable to any Sub-Fund are set out in the relevant Appendix.**

**Given that each Sub-Fund is a feeder fund which invests substantially all its assets in a Master Fund, each Sub-Fund will also be subject to the risk factors which are applicable to the corresponding Master Fund.**

**There can be no assurance that the investment objective of a Sub-Fund will be achieved. Prospective investors should carefully evaluate the merits and risks of an investment in a particular Sub-Fund in the context of their overall financial circumstances, knowledge and experience as an investor.**

**This does not purport to be an exhaustive list of the risk factors relating to an investment in a Sub-Fund.**

### 10.1 Investment Risks

- **Market Risk.** Past performance is not indicative of future performance. The Net Asset Value of a Sub-Fund will change with changes in the market value of the securities it holds. The price of Units and the income from them may go down as well as up. There can be no assurance that a Sub-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 each Sub-Fund is based on the capital appreciation and income on the securities it holds, less expenses incurred. Each Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, each Sub-Fund may experience volatility and decline in a manner that broadly corresponds with its Underlying Index. Investors in a Sub-Fund are exposed to the same risks that investors who invest directly in the underlying securities would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a security that forms part of the Underlying Index). Investors should note that a Sub-Fund may not make distributions to investors.
- **Asset Class Risk.** Although the Manager is responsible for the continuous supervision of the investment portfolio of each Sub-Fund, the returns from the types of securities in which a Sub-Fund invests may underperform returns from other securities markets or from investment in other assets. Different types of securities tend to go through cycles of out-performance and underperformance when compared with other general securities markets.

- **Passive Investments.** The Sub-Funds may not actively managed. Accordingly, each Sub-Fund may be affected by a decline in world market segments relating to its Underlying Index. Each Sub-Fund invests substantially all its assets in the relevant Master Fund, which in turn invests in the securities included in or reflecting its Underlying Index regardless of their investment merit, except to the extent of any optimisation strategy. The Manager does not attempt to select stocks individually or to take defensive positions in declining markets.
- **Management Risk.** Because a Master Fund may not fully replicate its Underlying Index and may hold non-index stocks, it is subject to management risk. This is the risk that the MF Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the MF Manager has absolute discretion to exercise shareholders' rights with respect to securities comprising the Master Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the Sub-Fund or the Master Fund being achieved. Investors should also note that in certain cases, none of the Manager, the MF Manager, the Master Fund, the Sub-Fund or the Unitholders has any voting rights with respect to securities comprising the Master Fund.
- **Tracking Error Risk.** The net asset value of a Master Fund may not correlate exactly with its Underlying Index. Factors such as the fees and expenses of a Master Fund, imperfect correlation between a Master Fund's assets and the securities constituting its Underlying Index, inability to rebalance a Master Fund's holdings of securities in response to changes in the constituents of the Underlying Index, rounding of share prices, changes to the Underlying Indices and regulatory policies may affect the MF Manager's ability to achieve close correlation with the Underlying Index of each Master Fund. Each Master Fund's returns (and as a result each Sub-Fund's returns) may therefore deviate from its Underlying Index. Moreover, given the Net Asst Value of a Sub-Fund will be based upon the closing bid price of MF Units which may be different from the net asset value of the MF Units, the Net Asset Value of a Sub-Fund may as a result deviate further from the performance of the Underlying Index.
- **Concentration.** If the Underlying Index of a Master Fund is concentrated in a particular stock, group of stocks, industry or group of industries, that Master Fund (and as a result the corresponding Sub-Fund) may be adversely affected by the performance of those stocks and be subject to price volatility. In addition, a Master Fund that is concentrated in a single stock, group of stocks, industry or group of industries may be more susceptible to any single economic, market, political or regulatory occurrence.
- **Futures Options and Other Derivatives.** A derivative is a financial contract the value of which depends on, or is derived from, the value of an underlying asset such as a security or an index. Each Sub-Fund may invest in stock index future contracts and other derivatives. Compared to conventional securities, derivatives can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (or gain) to the Sub-Fund. Thus a Sub-Fund's losses may be greater if it invests in derivatives than if it invests only in conventional securities. In addition, many derivatives are not traded on exchanges. As a result, a Sub-Fund that engages in transactions involving derivatives is subject to the risk that its trade counterparty is unable or refuses to perform with respect to such contracts and as such may also expose the Sub-Fund to additional liquidity risks. This risk is also affected by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade. Any transfer of such over-the-counter derivatives will not take place through a clearing house which means if the counterparty to the derivative is

involved in any Insolvency Event, the trade underlying the derivative will not be settled and as a result the relevant Sub-Fund may sustain financial loss.

- **Foreign Exchange Risk.** Many of a Sub-Fund's or a Master Fund's assets and securities are not denominated in Hong Kong dollars. A substantial portion of the revenue and income of a Sub-Fund or a Master Fund may be received in currencies other than Hong Kong dollars. Accordingly any fluctuation in the relevant exchange rates will affect the value of securities, the net asset value and official closing bid price of the relevant Master Fund as well as the Net Asset Value. Significant changes, including changes in liquidity, may occur in such markets within very short periods of time, often within minutes. A Sub-Fund may experience losses if the values of its currency forwards and futures positions were poorly correlated with its other investments or if it could not close out its positions because of an illiquid market. Some of the risks associated with foreign exchange transactions include but are not limited to:
  - exchange rate risk;
  - maturity gaps;
  - interest rate risk;
  - counterparty risk; and
  - potential interference by government intervention through regulation of local exchange markets, foreign investment or particular transactions in foreign currency.
- **Foreign security Risk.** Each Master Fund invests entirely within or relates to the equity markets of a single country or region. These markets are subject to special risks associated with foreign investment including market fluctuations caused by factors affected by political and economic development. Investing in the securities of non-Hong Kong companies involves special risks and considerations not typically associated with investing in Hong Kong companies. These include differences in accounting, auditing and financial reporting standards, the possibility of nationalisation of assets (in whole or in part), the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability which could affect local investments in foreign countries, and potential restrictions on the flow of international capital. Non-Hong Kong companies may be subject to less governmental regulation than Hong Kong companies. Moreover, individual foreign economies may differ favourably or unfavourably from the Hong Kong economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions.
- **Emerging Market Risk.** Some overseas markets in which the Master Funds may invest are considered to be emerging market countries. The economies of many emerging markets are still in the early stages of modern development and subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions that have a sudden and widespread effect. Also, many less developed market and emerging market economies have a high degree of dependence on a small group of markets or even a single market that can render such economies more susceptible to the adverse impact of internal and external shocks.

Emerging market regions are subject to special risks including, but not limited to: generally less liquid and less securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; higher volatility of the value of debt (particularly as impacted by interest rates); imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties

in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may not be fully developed which may expose a Fund to sub-custodial risk in circumstances whereby the custodian will have no liability; the risk of expropriation of assets and the risk of war.

- **Counterparty 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. Such institutions may also be issuers of the securities in which a Sub-Fund invests. 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 a particular Sub-Fund. The Manager will use reasonable efforts 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, the Trust. Furthermore, the Trust is permitted to borrow in order to carry out its functions under the Trust Deed. Borrowings may be secured by the securities or other assets of the Trust that are pledged to counterparties as collateral.
- **Counterparty Risk of an exchange or clearing house.** If any exchange or a clearing house becomes bankrupt or insolvent, the Trust could experience a loss of funds deposited through its broker as margin with the exchange or clearing house, a loss of any profits on its open positions on the exchange, and the loss of unrealised profits on its closed positions on the exchange.
- **Counterparty Risk of the Custodian.** A Sub-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 depositories. In the event of the insolvency of the custodian or other depositories, the Sub-Fund will be treated as a general creditor of the custodian or other depositories in relation to cash holdings of the Sub-Fund. The Sub-Fund's securities are however maintained by the custodian or other depositories in segregated accounts and would be protected in the event of insolvency of the custodian or other depositories.
- **Securities Lending Risk.** The MF Manager may engage in a securities lending programme on behalf of any Master Fund. A default by a counterparty, or 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 a Master Fund, and as a result the corresponding Sub-Fund.
- **Subscription Amount.** Units of a Sub-Fund can be subscribed by paying in cash the Subscription Amount. The Subscription Amount is equivalent to a percentage of the Net Asset Value per Unit on the preceding Dealing Day multiplied by the number of Units in Application Unit size. The Subscription Amount per Unit may be less than the Issue Price which will be calculated by reference to the Net Asset Value per Unit of the Sub-Fund on the Dealing Day. In such case the Participating Dealer may be required to pay an additional amount per Unit to the Subscription Amount per Unit as consideration for subscription for such Unit.
- **Risk of Early Termination.** Under the terms of the Trust Deed and as summarised under sub-section 12.6 "Termination of the Trust and/or Sub-Funds" below, the Manager or the Trustee may terminate the Trust or a Sub-Fund under certain circumstances.

In the event of the early termination of a Sub-Fund, the relevant Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund in accordance with the Trust Deed. It is possible that at the time of such sale or distribution, certain investments held by that Sub-Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Unitholders. Moreover, any organisational expenses with regard to the relevant Sub-Fund that had not yet become

fully amortised would be debited against the relevant Sub-Fund's net assets at that time. Any amount distributed to the Unitholders of the relevant Sub-Fund may be more or less than the capital invested by such Unitholders.

## 10.2 Market Trading Risks associated with an ETF

- **Trading Risk.** The secondary market prices of Units will fluctuate in accordance with changes in Net Asset Value and supply and demand on any exchange on which Units are listed. The Manager cannot predict whether Units will trade below, at or above their Net Asset Value (which is dependent on the official closing bid price of the corresponding Master fund). Given, however, that Units must be created and redeemed in Application Unit aggregations (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their net asset value), the Manager believes that ordinarily large discounts or premiums to the Net Asset Value of Units should not be sustained. In the event that the Manager suspends creations and/or redemptions of Units of a Sub-Fund, the Manager expects larger discounts or premiums.
- **Cost of trading Units.** Buying or selling Units 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, being 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). 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.
- **Secondary market trading risk.** Units of a Sub-Fund may trade on the SEHK when the Sub-Fund does not accept orders to create or redeem Units. On such days, Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Sub-Fund accepts creation and redemption orders. Additionally, as foreign stock exchanges may be open on days when Units in a Sub-Fund are not priced, the value of the securities in a Master Fund's portfolio (and as a result the Net Asset Value of the corresponding Sub-Fund) may change on days when investors will not be able to purchase or sell a Sub-Fund's Units.
- **Trading in Units on the SEHK may be suspended.** Investors will not be able to purchase or sell Units on the SEHK during any period that the SEHK suspends trading in the Units. 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. Furthermore, the trading of Units on the SEHK may be suspended when the trading of MF Units on the TWSE is suspended. The creation and redemption of Units may also be suspended in the event that the trading of Units on the SEHK is suspended.
- **Units may be delisted from the SEHK.** The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that the Sub-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 a Sub-Fund are delisted from the SEHK, Unitholders of such Units will have the option to redeem such Units as may then be held by them by reference to the then Net Asset Value of the relevant Sub-Fund.
- **No trading market in the Units.** Although the Units are listed on the SEHK and one or more market makers have been appointed, investors should be aware that there may be no liquid trading market for the Units or 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.

- **Dealing risk.** Following listing on the SEHK, it is likely that the Units will initially not be widely held. Accordingly any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. In order to address such dealing risk, one or more market makers have been appointed.
- **Reliance on Market Makers.** Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market Maker for a Sub-Fund. It is the Manager's intention that there will always be at least one Market Maker for the Units.
- **Creation and Redemption through Participating Dealers only.** Investors may only create or redeem Units through Participating Dealers who are under no obligation to agree to do so. Each Participating Dealer may, in its absolute discretion, refuse to accept a creation or redemption order from an investor and can charge such fees as it may determine. 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, trading of the MF Units on the TWSE is not available, or if the Underlying Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of a Sub-Fund or disposal of a Sub-Fund's securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.
- **An ETF is different from a typical Unit trust offered to the public in Hong Kong.** Investors should note that an ETF is not like a typical unit trust offered to the public in Hong Kong. Units may only be created and redeemed in Application Unit sizes by Participating Dealers and Units may not be subscribed for, or redeemed, by retail investors. 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 in CCASS is disrupted or the Underlying Index is not compiled or published. Investors may generally only realise the value of their Units by selling their Units on the SEHK. These features are not usually present in a typical unit trust offered to the public in Hong Kong, where units can generally be purchased and redeemed directly by the retail public.

### 10.3 Legal and regulatory risks

- **Right of the SFC to withdraw authorisation.** Each Master Fund (as consequently each Sub-Fund) seeks to provide investment results that, after expenses, closely correspond with the performance of the Underlying Index. Each Master Fund and Sub-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. The SFC however reserves the right to withdraw the authorisation of a Master Fund or a Sub-Fund or impose such conditions as it considers appropriate. The SFC may withdraw authorisation if an Underlying Index is no longer considered acceptable to the SFC. 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 a Sub-Fund, the relevant Sub-Fund will be terminated.
- **Legal and Regulatory Risk.** Each Sub-Fund and Master 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 a Sub-Fund or Master 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 a Sub-Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for any Sub-Fund. In the worst case scenario, a Unitholder may lose all its investments in the Sub-Fund.

- **Taxation in overseas jurisdictions.** The Master Funds and the Sub-Funds will make investments in a number of different jurisdictions. Interest, dividend and other income realised by a Master Fund or a Sub-Fund from sources in these jurisdictions, and capital gains realised on the sale of assets may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced and/or in which the issuer is located and/or in which the permanent establishment is located.
- **Taxation.** Investing in a Sub-Fund may have tax implications for a Unitholder depending on the particular circumstances of each Unitholder. Prospective investors are strongly urged to consult their own tax advisers and counsel with respect to the possible tax consequences to them of an investment in the Units. Such tax consequences may differ in respect of different investors.

#### 10.4 Risk Factors Relating to the Underlying Index

- **The Underlying Index is subject to fluctuations.** The performance of the Units should, after 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.** The companies 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. The composition of the Underlying Index may also change if one of the constituent companies were to delist its shares or if a new eligible company were to list its shares and be added to the Underlying Index. If this happens, the weighting or composition of the securities owned by the corresponding Master Fund would be changed as considered appropriate by the MF Manager in order to achieve the investment objective of the Master Fund. 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.
- **Licence to use the Underlying Index may be terminated.** The MF Manager has the non-exclusive licence to use the Underlying Index in connection with the operation, marketing and promotion of the corresponding Master Fund. The licence may be terminated for reasons including breach of the relevant Underlying Index licence agreement, or breach of any relevant law or any material rules. Further, the Underlying Index licence agreement will terminate if the Index Provider ceases to calculate and publish the Underlying Index and does not make available a substitute Underlying Index which the MF Manager chooses to use. A Master Fund (and as a result a Sub-Fund) may be terminated if the Underlying Index licence agreement is terminated and the MF Manager is unable to identify or agree with any Index Provider terms for the use of a suitable replacement Underlying Index, using, in the opinion of the MF Manager, the same or substantially similar formula for the method of calculation as used in calculating the current Underlying Index and which meets the acceptability criteria under the Code. Any such replacement Underlying Index will be notified to Unitholders, subject to the prior approval of the SFC under the Code. Accordingly prospective investors should note that the ability of a Master Fund to track the Underlying Index depends on the continuation in force of the Underlying Index licence agreement in respect of the Underlying Index or a suitable replacement.

#### 10.5 Risk Factors Relating to Master Fund Structure

- **Risks relating to Taiwan.** Each Master Fund is a unit trust domiciled in Taiwan and listed on the TWSE. Therefore each Master Fund is subject risks associated with investment in Taiwanese market. Please refer to the sub-section 10.6 “Risk Factors Relating to Taiwan” below for further information.
- **Foreign Exchange Risk.** The base currency of each Master Fund is NTD whereas the base currency of each Sub-Fund is HKD. Accordingly any fluctuation in the NTD and HKD will affect the value of the Sub-Fund. Please refer to the sub-section 10.1 “Investment Risks - Foreign Exchange Risk” above for further information.
- **Limit on Daily Fluctuation.** Under Taiwan regulations, the range of daily fluctuation of transaction of the trading price of a stock listed on the TWSE is limited to a certain percentage, currently 7%, above or below the reference price of that day. As a result, to comply with such rule, a Master Fund may not be able to satisfy redemption requests by disposing the constituent shares of the Underlying Index during the period when the Taiwanese stock market is volatile. Investors should note that the redemption of Units of a Sub-Fund may as a result be suspended in such circumstances.
- **No voting rights.** The Unitholders of a Sub-Fund do not have any direct interests in MF Units and accordingly are not entitled to vote as a MF Unitholder at the MF Unitholders’ meeting. Each Sub-Fund will be the MF Unitholder in the relevant Master Fund and the Manager will vote such MF Units without reference to individual Unitholders. Accordingly, Unitholders have to rely on the Manager’s own judgement and discretion when exercising its voting rights with respect to the Sub-Fund’s interests in the corresponding Master Fund. Although the Manager will take into account the interests of the Unitholders as a whole when exercising its judgement and discretion in voting, there can be no guarantee that the exercise of such judgement or discretion will result in the investment objective of the Sub-Fund being achieved.

## 10.6 Risk Factors Relating to Taiwan

- **Political Risks.** Investors should note that the political issues and the diplomatic situations, as well as social factors of the country/region might have an impact on the performance of the Master Fund (and as a result the performance of the corresponding Sub-Fund). The performance of a Master Fund may be affected by uncertainties such as changes in the government in Taiwan or its policies regarding inward investment, taxation and the restrictions on currency repatriation and other developments in the laws and regulations of Taiwan. Each of the government in Taiwan and in the People’s Republic of China claims to be the only legitimate government for Taiwan. There can be no guarantee that the People’s Republic of China will not use forcible means, which it has refused to forego, to gain control of Taiwan. The Fund’s assets maybe affected by other political or diplomatic uncertainty or developments, social and religious instability, higher inflation and other considerations.
- **Government Intervention.** There may be substantial government intervention in the economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests. Foreign investment made directly into Taiwan is permitted under the “Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals” and relevant foreign exchange settlement procedures. Foreign institutional investors are required to register with the TWSE and obtain an investment ID as Foreign Institutional Investors (“FINI”). So far, except for certain investment threshold limitation in the restricted industries, there should be no more investment quotas applicable to FINI.

## 11. **Taxation**

Please refer to the Appendix of the relevant Sub-Fund for tax (if any) levied on each Sub-Fund and on the Unitholders.

## 12. **General**

### 12.1 **Reports and Accounts**

The financial year-end of the Trust is 31 December of every year. Audited annual financial reports, which include the investment portfolio of the Master Funds as at the end of the financial year, are to be prepared and published on the Manager's website and the Hong Kong Exchanges and Clearing Limited's website within four months of the end of each financial year.

The half-yearly unaudited interim financial reports will be prepared and published on the Manager's website and the Hong Kong Exchanges and Clearing Limited's website within two months of the period which they cover.

Hard copies of these financial reports may also be obtained from the Manager free of charge. Unitholders will be notified of the means of getting access to the financial reports as and when the financial reports are issued and available. Unitholders will be given at least one month's prior notice of any change to the mode of delivery of the audited annual financial reports and the half-yearly unaudited interim financial reports.

Both English and Chinese versions of the annual financial reports and the half-yearly unaudited interim financial reports of the Trust will be available.

### 12.2 **Trust Deed**

The Trust was constituted by the Trust Deed and is governed by the laws of Hong Kong. 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 the duties and responsibilities of the Trustee and the Manager. The Trust Deed requires that (subject as provided in the Trust Deed) the Trustee and the Manager exercise their respective powers and authorities in the best interests of the Unitholders.

The Trust Deed also contains provisions for the indemnification of the Trustee and the Manager and their respective agents and their relief from liability in certain circumstances.

### 12.3 **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 and the Manager such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee, the Manager or any other person from any responsibility to the Unitholders and (with the exception of the cost of preparing and executing the relevant supplemental deed) does not increase the costs and charges payable out of the assets of any Sub-Fund and borne by the Unitholders of that Sub-Fund at the time of such modification or (ii) is necessary in order to comply with any fiscal, statutory or official requirement or (iii) is made to correct a manifest error. In all other cases modifications require the sanction of an extraordinary resolution of the Unitholders of the Sub-Fund(s) affected.

Any modifications to the Trust Deed, unless they are sanctioned by an extraordinary resolution of the Unitholders of the Sub-Fund(s) affected or in the opinion of the Trustee and the Manager are not of material significance or are made to correct a manifest error, will be notified to the relevant Unitholders as soon as practicable after they are made.

## 12.4 Meetings of Unitholders

The Trust Deed provides for meetings of Unitholders of a Sub-Fund to be convened by the Trustee or the Manager upon at least 21 days' notice. Notices of meetings of Unitholders of a Sub-Fund will be posted to the relevant Unitholders. Any accidental omissions to give notice to, or the non receipt of notice by, any Unitholder(s) shall not invalidate the proceedings at any meeting.

Proxies may be appointed. The quorum at Unitholders' meetings is Unitholders present in person or by proxy holding not less than 10% (or, in relation to a resolution proposed as an extraordinary resolution, 25%) of the Units of the relevant Sub-Fund(s) in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. Separate notice of any adjourned meeting will be given, and at an adjourned meeting, Unitholders of the relevant Sub-Fund(s), whatever their number or the number of Units held by them, will form a quorum.

An extraordinary resolution is required under the Trust Deed for certain purposes and is a resolution proposed as such and passed by a majority of 75% of the total number of votes cast.

The Trust Deed provides that at any meeting of Unitholders, on a show of hands, every Unitholder who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised representative shall have one vote and, on a poll, every Unitholder who is present as aforesaid or by proxy shall have one vote for every Unit of which he is the holder.

Where the Unitholder is a recognized clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meetings of Unitholders 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 of Units 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.

## 12.5 Compulsory Redemption

The Manager may require a redemption of a Unitholder's Units in accordance with the Trust Deed if it comes to the notice of the Manager that the Units are owned directly or beneficially by that Unitholder in contravention of any such restrictions as are referred to in the Trust Deed.

## 12.6 Termination of the Trust and/or Sub-Funds

The Trust shall continue until it is terminated in one of the following ways set out below. The trust will automatically terminate at the expiry of 80 years from the date of the Trust Deed.

- (A) The Trustee may terminate the Trust by notice in writing if:
- (1) the Manager goes into forced liquidation; or
  - (2) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily; or
  - (3) any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Trust; or
  - (4) the Manager ceases to act as manager of the Trust and the Trustee fails to appoint a successor manager within the subsequent period of 30 days; or

- (5) the Trustee shall desire to retire and no new trustee is appointed within 30 days of the Trustee giving notice of such desire.
- (B) The Trust and/or any Sub-Funds and the class or classes of Units relating to such Sub-Funds (as the case may be) may be terminated by the Manager in its absolute discretion by notice in writing as hereinafter provided:
- (1) if, in relation to the Trust, the aggregate Net Asset Value of all Units outstanding under the Trust shall be less than HKD100 million or, in relation to any Sub-Fund the aggregate Net Asset Value of the Units of the relevant classes outstanding under the Trust in respect of such Sub-Fund shall be less than HKD50 million; or
  - (2) if the Trust and/or the relevant Sub-Fund (as the case may be) shall not be or cease to be authorised or otherwise officially approved pursuant to the SFO; or
  - (3) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Trust and/or any Sub-Funds; or
  - (4) if, in relation to any Sub-Fund, the corresponding Master Fund of that Sub-Fund is terminated; or
  - (5) if within a reasonable time and using commercially reasonable endeavours, the Manager shall be unable to find a person acceptable to the Manager to act as the new Trustee after deciding to remove the Trustee for the time being.

The party terminating the Trust or a Sub-Fund (as the case may be) pursuant to paragraphs (A) and (B) above must give at least three months' notice to Unitholders of termination of the Trust or the relevant Sub-Fund (as the case may be).

On termination of a Sub-Fund, the Trustee will sell the investments and other property of the Sub-Fund in such manner and within such period of time as it thinks advisable. The Trustee will then distribute the cash proceeds of such realisation (net of any costs and expenses attributable to the Sub-Fund and its termination) to Unitholders of the Sub-Fund in proportion to their respective interests in the Sub-Fund.

## 12.7 Documents Available for Inspection

Copies of the following documents in respect of the Trust and/or a Master Fund are available for inspection at the address of the Hong Kong Representative free of charge during normal business hours and for making of copies thereof upon the payment of a reasonable fee:

### *Documents in respect of the Trust*

- (A) The Trust Deed;
- (B) The Hong Kong Representative Agreement entered into between the MF Manager and the Hong Kong Representative; and
- (C) The most recent yearly audited reports and semi-annual reports.

### *Documents in respect of a Master Fund*

- (D) The prospectus distributed in Taiwan;
- (E) The trust deed; and
- (F) The most recent yearly audited reports and semi-annual reports.

## 12.8 Information on the Internet

The Manager will publish the following information both in the English and in the Chinese languages (unless otherwise specified):

- (A) this Explanatory Memorandum and Appendices (as revised from time to time);
- (B) the latest annual and semi-annual financial reports of the Trust;
- (C) any notices and any announcements issued by the Manager in respect of any Sub-Fund, including information with regard to the relevant Underlying Index, notices of the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading;
- (D) the estimate Net Asset Value per Unit (on a real time or near real time basis) and last closing Net Asset Value per Unit;
- (E) list of market makers and participating dealers of each Sub-Fund;
- (F) the estimated net asset value per MF unit, last closing net asset value per MF unit and last market closing price for MF unit (in the Chinese language only);
- (G) the latest annual and semi-annual financial reports of the Master Fund (in the Chinese language only);
- (H) any notices of the suspension and resumption of trading in respect of MF Units;
- (I) any information in relation to the Master Fund which the MF Manager is required to notify to MF Unitholders under Taiwanese laws and regulations (in the Chinese language only);
- (J) any other information in relation to the Master Fund which are available to investors including monthly report, press release etc. (in the Chinese language only); and
- (K) any notices in relation to (i) changes to constitutive documents of the Master Fund, (ii) changes of key operators of the Master Fund and their regulatory status and controlling shareholder, (iii) changes in investment objectives, policies and restrictions (including the purpose or extent of use of derivatives), fee structure and dealing and pricing arrangements of the Master Fund; and (iv) any other changes that may materially prejudice MF Unitholders' rights or interests.

Such information are available for inspection, free of charge at the office of the Manager and on the website [www.yuanta.com.hk](http://www.yuanta.com.hk). For information set out in (F) to (K) above, they will be made available via a hyperlink to the MF Manager's website.

Copies of these information may be obtained from the office of the Manager at a cost of HKD150 per copy.

## APPENDIX 1

### Yuanta/P-shares Taiwan Top 50 ETF (H.K.)

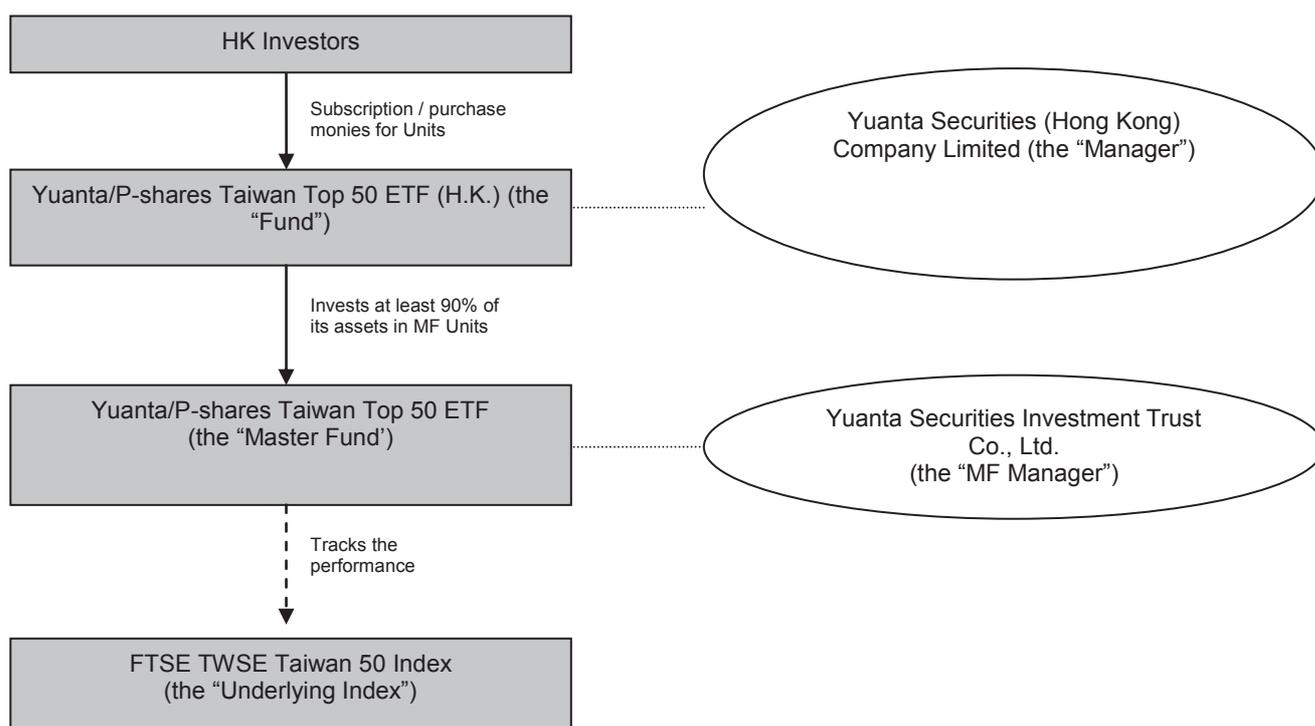
#### Part 1 - Yuanta/P-shares Taiwan Top 50 ETF (H.K.)

This Part 1 of the Appendix relates to the Yuanta/P-shares Taiwan Top 50 ETF (H.K.), a Sub-Fund of the Trust (referred to in this Appendix as the “Fund”) and should be read in conjunction with the full text of Part 2 of this Appendix and the Explanatory Memorandum.

#### 1. Key Information

The Fund aims at investing at least 90% all of its assets in Yuanta/P-shares Taiwan Top 50 ETF (the “Master Fund”), whose investment objective is to provide investment results that, after expenses, closely linked to or correspond to the performance of the FTSE TWSE Taiwan 50 Index (the “Underlying Index”).

Please see below a diagram illustrating the relationship between the Fund and the Master Fund:



The following table is a summary of key information in respect of the Fund and should be read in conjunction with the full text of this Appendix and the Explanatory Memorandum.

Fund	Yuanta/P-shares Taiwan Top 50 ETF (H.K.)
Listing Date in Hong Kong	19 August 2009
Exchange Listing in Hong Kong	SEHK – Main Board
Stock Code	3002
Trading Board Lot Size	200 Units
Trading Currency	Hong Kong Dollars (HKD)
Dealing Deadline	12:00 noon
Dividend Payout	Annually (if any)
Application Units (only Participating Dealers)	Minimum 500,000 Units (or multiples thereof)
Dealing Day	A day (other than a Saturday) on which the SEHK and TWSE are open for normal trading
Valuation Point (for the purpose of calculating the Net Asset Value and Issue Price)	4:00 p.m. on the Dealing Day

## 2. **Exchange Listing and Trading**

Dealings in the Units on the SEHK commenced on 19 August 2009. The Units have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS.

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

### 3. **Investment Objective and Policies**

The investment objective of the Fund aims to provide investment results that, after expenses, closely linked to or correspond to the performance of the FTSE TWSE Taiwan 50 Index (the “Underlying Index”).

To achieve the investment objective, the Fund will aim at investing at least 90% of its assets in the Yuanta/P-shares Taiwan Top 50 ETF (referred to in this Appendix as the “Master Fund”). It may also invest in index futures contracts, options on futures contracts, stock index options and cash, local currency and forward currency exchange contract that are intended to facilitate the Fund to achieve investment results that closely linked to or correspond to the performance of the Underlying Index as closely as possible, or for hedging purposes. The Manager will not use these instruments to leverage, or borrow against, the Fund’s securities holdings or for speculative purposes. The Fund will not enter into any repurchase agreement, stock lending transactions and other similar over-the-counter transactions.

The Master Fund is an exchange traded fund listed on the TWSE which aims at providing the MF Unitholders a return that closely correspond to the performance of the Underlying Index.

There is no assurance that the investment objective of the Fund or the Master Fund will actually be achieved.

### 4. **Underlying Index**

#### 4.1 **General description**

The Underlying Index is consisted of the 50 most highly capitalised blue chip stocks listed on the TWSE and represents nearly 70% of the Taiwanese market. It is a price return index which means that the net dividends of the securities of the Underlying Index are excluded.

As of 16 January 2015, the Underlying Index had a total market capitalisation of NTD 17.40 trillion and 50 constituents.

The Index Provider is a joint venture between the TWSE and FTSE. The Manager (or its Connected Persons) is independent of the TWSE and FTSE.

#### 4.2 **Constituent securities of the Underlying Index**

As at 16 January 2015, the 10 largest constituent stocks of the Underlying Index, represented in excess of 56.65% of the total market capitalisation, based on total shares in issue of the Underlying Index, were as follows:

	<b>Index Constituent</b>	<b>Weighting in index</b>
1	Taiwan Semiconductor Manufacturing Co., Ltd	24.74%
2	Hon Hai Precision Industry Co., Ltd	8.04%
3	MediaTek Inc	5.23%
4	Delta Electronics Inc	2.74%
5	Nan Ya Plastics Corporation	2.71%
6	Fubon Financial Holding Co Ltd	2.70%
7	Formosa Plastics Corporation	2.69%
8	Chunghwa Telecom Co., Ltd	2.69%
9	Cathay Financial Holding Co., Ltd	2.66%
10	China Steel Corporation	2.45%

FTSE will carry out the quarterly review of the Underlying Index and implement the resulting constituent changes as required by the Ground Rules of FTSE TWSE Taiwan Index Series.

The Underlying Index is calculated from 9:00 a.m. (Taiwan time) to 1:35 p.m. (Taiwan time) on each day when trading takes place on the TWSE.

The Ground Rules of FTSE TWSE Taiwan Index Series and further information in relation to the Underlying Index are available on the following website:

<http://www.ftse.com/products/indices/twse-taiwan>

#### **4.3 Licence Agreement**

The Manager has been granted a non-exclusive licence pursuant to a licence agreement entered into between the Manager and the MF Manager (the "Licence Agreement"), to use the Underlying Index in connection with the operation, marketing and promotion of the Fund. The agreement has a term of 1 year and will automatically renew for additional, successive one year terms unless (i) either party notifies the other in writing of its decision not to extend the term; (ii) the Licence Agreement is terminated pursuant to the provisions thereof; or (iii) the index licence agreement dated 31 July 2014 entered into among the MF Manager, FTSE and TWSE (the "MF Licence Agreement") is terminated for whatever reason.

Either party may terminate the Licence Agreement if the other party (i) commits any material breach of its obligations and fail to remedy the breach within 15 days of receipt of written notice requiring the same; (ii) enters into insolvency proceedings; or (iii) becomes unable to pay its debts or ceases or threatens to cease trading.

The MF Manager may terminate the Licence Agreement forthwith by notice in writing to the Manager if (i) the MF Licence Agreement expires or is otherwise terminated; or (ii) the Manager is convicted of any criminal offence relating to the Fund or to the trading or issue of the Units thereof.

Further, the Manager may terminate the Licence Agreement if the Manager decides to and effects the delisting and deauthorisation of the Fund in Hong Kong.

The Licence Agreement may also be terminated by the parties through mutual agreement in writing.

Please refer to section 16.3 in Part 2 of this Appendix for a summary of the termination provisions of the MF Licence Agreement.

### **5. Charges and expenses**

#### **5.1 Manager's Fee**

The Manager is entitled to receive a management fee from the Fund, currently at the rate of 0.38% per annum of the Net Asset Value of the Fund accrued daily and calculated as at each Dealing Day and payable monthly in arrears. Such fee is payable out of the assets of the Fund.

The management fee currently payable by the Master Fund to the MF Manager is 0.32% per annum of the net asset value of the Master Fund. Accordingly the current aggregate amount of management fee payable to the Manager and its Connected Persons of the Fund and the Master Fund (being its underlying fund) is equal to 0.70% per annum of the Net Asset Value of the Fund.

The level of the Manager's management fee remunerates the Manager in respect of the management of foreign exchange dealings in relation to the Sub-Fund's investment in the Master Funds, administration of the Sub-Fund and investment in futures and options on behalf of the

Sub-Fund to reduce tracking error of the Sub-Fund. As such the management fee charged by the Manager relates to different and additional services provided by the Manager in Hong Kong in operating the Sub-Fund to those provided by the MF Manager.

## 5.2 Trustee's Fee

The Trustee is entitled to receive a trustee fee from the Fund, currently at the rate of 0.115% per annum of the Net Asset Value of the Fund (subject to a minimum of HKD312,000 per annum) accrued daily and calculated as at each Dealing Day and payable monthly in arrears. Such fee is payable out of the assets of the Fund.

In addition to the foregoing trustee fee, the Trustee shall be entitled to receive a daily valuation fee, sub-custodian fee and a transactional fee with regard to acquiring, receiving dividends from and disposing of Taiwan securities (MF Units).

The Trustee shall also be entitled to be reimbursed all out-of-pocket expenses incurred.

## 5.3 Registrar's Fee

Apart from the Application Cancellation Fee and Extension Fee, the Trustee, on behalf of the Fund will pay all other fees chargeable by the Registrar in connection with the Fund, including the Registrar's fee, out of the assets of the Fund.

Please refer to the section "Fees Payable by Participating Dealers" for further information in relation to such fees.

## 5.4 Service Agent's Fee

The Trustee, on behalf of the Fund will pay all other fees chargeable by the Service Agent in connection with the Service Agent's fee out of the assets of the Fund.

The monthly reconciliation fee of HKD5,000 is payable to the Service Agent out of the assets of the Fund.

## 5.5 Fees Payable by Participating Dealers

The fees payable by Participating Dealers in respect of the Fund are summarised as follows:

### **Creation of Units:**

Transaction Fee .....	See section 5.7 below
Subscription Fee .....	See section 5.8 below
Application Cancellation Fee .....	HKD10,000 <sup>1</sup> per Application
Extension Fee .....	HKD10,000 <sup>1</sup> per Application
Duties and Charges .....	Market rate
Stamp duty .....	Nil
Transaction levy and trading fee.....	Nil

<sup>1</sup> Such fee is payable by the Participating Dealer on each occasion that the Manager grants the Participating Dealer's request for cancellation or extended settlement in respect of such Application

**Redemption of Units:**

Transaction Fee .....	See section 5.7 below
Redemption Fee .....	See section 5.9 below
Application Cancellation Fee .....	HKD10,000 <sup>1</sup> per Application
Extension Fee .....	HKD10,000 <sup>1</sup> per Application
Ad valorem stamp duty .....	Nil

**5.6 Transaction Fee**

A Transaction Fee is payable by the Participating Dealer to the Fund. The Participating Dealer may pass on to the relevant investor such Transaction Fee.

As of the date of this Explanatory Memorandum, the Transaction Fee is 0.3% of the Net Asset Value per Unit multiplied by the number of Units to be created or redeemed.

The Manager may on any day vary the amount of the Transaction Fee it charges up to 3% of the Net Asset Value per Unit multiplied by the number of Units to be created or redeemed (but not as between different Participating Dealers in respect of the Fund). The level of such fee will be published on the Manager's website at [www.yuanta.com.hk](http://www.yuanta.com.hk).

The Manager has determined to apportion the Transaction Fee as follows: HKD230 per Application to the Registrar, HKD1,000 per Application to the Service Agent, and the remaining balance will be retained by the Fund.

**5.7 Subscription Fee**

A subscription fee is payable to the Manager by the Participating Dealer making a Creation Application. The Participating Dealer may pass on to the relevant investor such subscription fee.

Such fee is 2% of the Net Asset Value per Unit multiplied by the number of Units to be created. The Manager reserves the right to waive in full or in part such subscription fee.

No subscription fees will be payable by the Fund to the Master Fund on the basis that the Fund will purchase MF Units on the secondary market on TWSE (in which case the Master Fund's subscription fee is not applicable).

**5.8 Redemption Fee**

A redemption fee is payable to the Manager by the Participating Dealer making a Redemption Application. The Participating Dealer may pass on to the relevant investor such redemption fee.

Such fee is 1% of the Net Asset Value per Unit multiplied by the number of Units to be redeemed. The Manager reserves the right to waive in full or in part such redemption fee.

No redemption fees will be payable by the Fund to the Master Fund on the basis that the Fund will sell MF Units on the secondary market on TWSE (in which case the Master Fund's redemption fee is not applicable).

**5.9 Fees Payable on Dealings in Units on the SEHK**

The fees payable by retail investors dealing in Units in the Fund on the SEHK summarised as follows:

Brokerage .....	Market rates
Transaction levy .....	0.0027% <sup>2</sup>
Trading fee .....	0.005% <sup>3</sup>
Stamp duty .....	Nil

## 6. Valuation Point

The Net Asset Value of the Fund will be calculated as at 4:00 p.m. on each Dealing Day.

## 7. Base currency

The base currency of the Fund is HK Dollars.

## 8. Taxation

The following summary of taxation is of a general nature, is 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 the 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 Unitholders. The information below is based on the law and practice in force at the date of this Explanatory Memorandum. 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 Explanatory Memorandum.

### Hong Kong

*The Fund* **Profits Tax**: As the Fund has been authorised as a collective investment scheme by the SFC pursuant to section 104 of the Securities and Futures Ordinance, profits of the Fund arising from the sale or disposal of securities, net investment income received by or accruing to the Fund and other profits of the 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, no Hong Kong stamp duty is payable by the Fund on an issue or redemption of Units.

Hong Kong stamp duty is ordinarily payable on the transfer of Hong Kong stock. As at the date of this Explanatory Memorandum, the Fund does not buy or sell Hong Kong stock and it is not the Manager's intention to do so.

*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 the Trust. In accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum) tax should not be payable in Hong Kong in respect of dividends payable to Unitholders.

**Stamp Duty**: It is expected that approval will be given by Financial Services and the Treasury Bureau on or around the listing date of the Fund for remission or refund in full of stamp duty payable or paid in respect of any

<sup>2</sup> Transaction levy of 0.0027% of the price of the Units, payable by the buyer and the seller.

<sup>3</sup> Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.

contract notes or instruments of transfer relating to transactions in Units in the Fund.

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

## Taiwan

*The Fund as MF Unitholder* No tax is imposed on any capital gain by a MF Unitholder and it is not anticipated that the Fund will be subject to any Taiwan tax by virtue of it being a MF Unitholder and buying or selling MF Units on the TWSE.

For non-capital gain:

Taiwan national and resident individuals are subject to personal profit tax.

Taiwan incorporated and resident corporations are subject to business profit tax.

Non-Taiwan individuals, Non-Taiwan incorporated corporations and Non-Taiwan resident corporations are subject to 20% withholding tax.

*The Master Fund* The Master Fund is not subject to any tax imposed by the Taiwan government.

*The Unitholders* The Unitholders are not subject to any tax imposed by the Taiwan government as a result of their investment activities in the Fund because any such tax liability would be borne by the Fund as MF Unitholder.

## **Part 2 - Yuanta/P-shares Taiwan Top 50 ETF**

This Part 2 of the Appendix relates to the Master Fund, an exchange traded fund which will be invested by the Fund.

This Part 2 should be read in conjunction with the full text of this Appendix and the Explanatory Memorandum.

**Investors' attention is drawn to the fact that the Master Fund is not available for direct investment by Hong Kong investors in Hong Kong even though it has been authorised by the SFC as part of the authorisation process of the Fund. The SFC's authorisation of the Fund and the Master Fund does not imply official approval or recommendation of either the Fund or the Master Fund and the SFC accepts no responsibility as to the accuracy of the statements made or opinions expressed in this Appendix and the Explanatory Memorandum.**

### **1. Overview**

The Master Fund is a unit trust domiciled and managed in Taiwan and listed on the TWSE. The Master Fund is constituted by the MF Trust Deed which is available for inspection at the office of the Hong Kong Representative.

It was established on 25 June 2003. The Master Fund is an exchange traded fund whose investment objective is to track the performance of the FTSE TWSE Taiwan 50 Index (the "Underlying Index") and is authorised by the FSC.

The base currency of the Master Fund is NTD.

The duration of the Master Fund is unlimited. It will expire when the MF Trust Deed is terminated.

### **2. Directory**

<b>MF Manager</b>	YUANTA SECURITIES INVESTMENT TRUST CO., LTD. 6F, No. 141, Sec. 2 Min Sheng E. Road Taipei 104 Taiwan
<b>MF Custodian Institution</b>	CHINATRUST COMMERCIAL BANK, LTD. 10F, No. 77, Sec. 1 Chungking S. Road Taipei City 100
<b>Hong Kong Representative</b>	POLARIS SECURITIES (HONG KONG) LIMITED 23/F, Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
<b>Auditors of the Master Fund</b>	DELOITTE TOUCHE TOHMATSU Hung-Tai Plaza 12th Floor, 156 Min Sheng East Road, Sec. 3 Taipei 105 Taiwan

### **3. Operators of the Master Fund**

#### **3.1 MF Manager**

The MF Manager of the Master Fund is Yuanta Securities Investment Trust Co., Ltd. (the “MF Manager”), which is regulated by the FSC.

The MF Manager has a paid-up capital of NTD2,269 million.

Yuanta Securities Investment Trust Co., Ltd. will remain as the MF Manager of the Master Fund for so long as it continues to be duly licensed to carry out its activities under the applicable law. The MF Manager may, nonetheless, be replaced by another manager (subject to the approval by the FSC and the SFC) in any of the following events:

- (A) Upon a resolution to replace the MF Manager adopted at a MF Unitholders' meeting;
- (B) Upon an order from the FSC on the ground of public interest or the common benefit of the MF Unitholders;
- (C) In the opinion of the FSC, the MF Manager is obviously deficient in performing its obligations for the Master Fund; or
- (D) Where the MF Manager is unable to continue engaging in fund management business because of dissolution, suspension or termination of business, or voidance or revocation of its business licence.

The MF Manager, their respective directors and their Connected Persons are not entitled to receive any part of any brokerage charged to the Master Fund or any part of any fees, allowances, benefits received on purchases charged to the Master Fund other than as disclosed in this Appendix.

#### **3.2 MF Custodian Institution**

Chinatrust Commercial Bank, Ltd. acts as the Master Fund's fund custodian institution.

Chinatrust Commercial Bank, Ltd. is a full licensed bank regulated by the Hong Kong Monetary Authority and a registered institution regulated by the SFC. As of 30 September 2014, the paid up capital of Chinatrust Commercial Bank, Ltd. is NTD91.1 billion.

#### **3.3 Hong Kong Representative**

Polaris Securities (Hong Kong) Limited has been appointed as the Hong Kong Representative for the Master Fund in accordance with the requirements of the Code.

#### **3.4 Auditors**

The auditors of the Master Fund are Deloitte Touche Tohmatsu, Taiwan.

### **4. Investment Strategy**

In order to achieve the investment objective, the Master Fund will adopt a combination of (a) full replication, and (b) “optimisation” as the investment strategy.

#### **4.1 Full replication strategy**

Using a full replication strategy, the Master Fund will invest in substantially all the securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these securities have in the Underlying Index.

## 4.2 Optimisation strategy

Using an optimisation strategy, the Master Fund will hold a representative sample of the securities in the Underlying Index, selected by the MF Manager using quantitative analytical models. Under this technique, each security is considered for inclusion in the Master Fund based on its contribution to certain capitalisation, industry and fundamental/technical investment characteristics. The MF Manager seeks to construct the portfolio of the Master Fund so that, in the aggregate, its capitalisation, industry and fundamental/technical investment characteristics perform like those of the Underlying Index. Over time, the Manager may alter (or “rebalance”) the portfolio composition of the Master Fund to reflect changes in the characteristics of the Underlying Index or to bring the performance and characteristics of the Master Fund more in line with that of the Underlying Index. The Manager will review the Master Fund regularly and will adjust the Master Fund’s portfolio, when necessary, to conform to changes in the composition of the Underlying Index. Rebalancing may also be required for tax purposes. These rebalancings will require the Master Fund to incur transaction costs and other expenses.

## 4.3 Switching between strategies

Investors should note that the MF Manager may switch between the above strategies, without prior notice to the MF Unitholders, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Master Fund by tracking the Underlying Index as closely as possible for the benefit of the MF Unitholders.

The MF Manager normally employs full replication and will only switch to optimisation if:

- (A) a certain market event occurs as a result of which the Master Fund is unable to buy securities in accordance with the Underlying Index weighting, or
- (B) the MF Manager receives news of possible changes in the constituent securities of the Underlying Index in advance.

## 5. Investment Restrictions

The MF Manager will ensure that the Master Fund complies with the investment restrictions set out below which are replicated from the MF Trust Deed. Under Taiwan regulations the MF Custodian Institution has the responsibility to take reasonable care to ensure that the Master Fund and/or the MF Manager comply with the applicable investment restrictions.

5.1 Subject to risk diversification, ensuring safety for the Master Fund and the principles of full replication of the performance of the Underlying Index, the MF Manager shall, based on bona fide principles and professional management and the following rules, invest the assets of the Master Fund in stocks listed on the TWSE or the OTC, including subscription in stocks issued for cash capital increase subscribed by the MF Manager as the original shareholder of listed stocks, and the stocks issued for cash capital increase of the same kind as listed stock or stocks subscribed in initial public offerings (“IPO's”):

- (A) The MF Manager shall use an indexing strategy to provide investment results that closely correspond to the performance of the Underlying Index after deducting the necessary expenses. To achieve the above purpose, the Master Fund will invest all or substantially all of its assets in the constituent shares in the same weighting as appears in the Underlying Index.
- (B) The above indexing strategies include (1) full replication and (2) a best available investment approach. The operating strategy of the Master Fund will, in principal, be full replication. However, if (1) the Master Fund cannot purchase the constituent shares according to the weighting of the Underlying Index due to market factors, or (2) the constituent shares of the Underlying Index are expected to be changed in

the near future, the MF Manager may use the best available investment approach to manage the Master Fund to meet the needs so as to closely correspond to the performance of the Underlying Index.

- (C) The Master Fund's subscriptions for shares traded on the OTC or subscriptions in IPOs shall be limited to such shares that have already announced their listings on the TWSE, and in the case where the MF Manager, in its professional judgment, expects such shares to be included as constituent shares of the Underlying Index by the Index Provider upon the listing of such shares.
- 5.2 The MF Manager may hold cash, deposit cash with bank (including the Master Fund's fund custodian institution), purchase short-term bills or adopt any other methods to maintain the assets of the Master Fund, subject to any applicable FSC regulations and any FSC-prescribed ratios pursuant to Article 18 of Regulations Governing Securities Investment Trust Funds. Any deposits with banks or short-term bills as mentioned above shall only be obtained from a credit rating institution approved or recognized by the FSC.
- 5.3 If the MF Manger, on behalf of the Master Fund, invests in securities which are listed on the TWSE or the OTC, the MF Manager shall, unless otherwise provided by laws and regulations, mandate brokers to handle such transactions on a cash against delivery basis and instruct the MF Custodian Institution to settle same.
- 5.4 If the MF Manager instructs the brokers to handle transactions pursuant to the preceding paragraph, the MF Manager may give instructions to qualified brokers which are Connected Persons to the MF Manager or the MF Custodian Institution, provided that the commission paid to such brokers shall not be in excess of customary commission paid to the other local brokers.
- 5.5 The MF Manager may engage the Master Fund in transactions in futures and options derivative from stock indexes, stocks and ETFs.
- 5.6 The MF Manager should operate the Master Fund in accordance with the applicable laws and regulations and the MF Trust Deed, and unless otherwise provided by the FSC, comply with the following:
- (A) The MF Manager shall not invest in structured interest rate products, stocks which are not yet listed on the TWSE or the OTC, or privately-placed securities. Provided that the Manager will not be bound by the investment restrictions set out in 4.1 above if the securities being subscribed (1) are issued by companies listed on the TWSE or the OTC; (2) are for cash capital increases and subscribed by the MF Manager as the original shareholder of listed stocks; or (3) having received FSC approval for underwriting or effective registration.
  - (B) The MF Manager shall not make loans out of the Master Fund's assets or offer the Master Fund's assets as security, except for providing the Master Fund's assets as collateral in case of the shares borrowed by the Master Fund in compliance with the conditions set out in paragraph 6 below.
  - (C) The MF Manager shall not engage in margin trading.
  - (D) The MF Manager shall not engage in any securities transactions with the investment trust funds managed by the MF Manager itself.
  - (E) The MF Manager shall not invest in any securities issued by the MF Manager itself or a Connected Person, except for holding the shares that comprise the Underlying Index.

- (F) The MF Manager shall not use the Master Fund's assets to buy MF Units except for meeting redemptions requested by the MF Unitholders or when MF Units are redeemed because of the discontinuance of all or some part of the Master Fund.
  - (G) The aggregate investment in the stocks and corporate bonds issued by any single company which is listed on the TWSE or the OTC shall not exceed ten percent (10%) of the Master Fund's net asset value, except for holding the shares that comprise the Underlying Index.
  - (H) The aggregate investment in stocks issued by a company listed on the TWSE or the OTC shall not exceed ten percent (10%) of the aggregate outstanding shares issued by such company. The aggregate investment in stocks issued by a company listed on the TWSE or the OTC by all securities investment trust funds managed by the Manager shall not exceed ten percent (10%) of the aggregate outstanding shares issued by such company.
  - (I) The aggregate investment in underwritten stocks listed on the TWSE or the OTC shall not exceed one percent (1%) of the aggregate of the underwritten amount for the same issuance.
  - (J) The aggregate investment in the stocks in an underwriting shall not exceed three percent (3%) of the total underwritten amount by all the securities investment trust funds managed by the Manager.
  - (K) The MF Manager shall not lend securities held by the Master Fund to any third party, except for the lending of securities pursuant to 7 (Share Lending) below.
  - (L) When adjusting the Master Fund's investment portfolio of constituent shares, the amount of transactions mandated to a particular broker shall not exceed thirty percent (30%) of the aggregate Master Fund transactions in any given year.
  - (M) The MF Manager shall not sell or transfer the proxy for shareholders' meeting issued by companies whose shares are held by the Master Fund.
  - (N) The aggregate investment in the bills guaranteed by a single bill house shall not exceed ten percent (10%) of the Master Fund's net asset value and shall not exceed NTD500 million.
  - (O) The MF Manager shall not engage in any activities which are prohibited or restricted by the FSC.
- 5.7 The limits set out in items (G) through (J), item (L) and item (N) of 5.6 above may change in accordance with any amendments to applicable laws and regulations or relevant rules.
- 5.8 Whether or not the MF Manager is in breach of the restrictions set out in 5.6 above shall be determined at the time of the alleged breach. If any such breach occurs as a result of change in circumstances after the action has occurred, then it will not be considered as a breach under 5.6. However, when disposing of the Master Fund's assets for cash needs, the MF Manager shall take it as a first priority to dispose of the securities which have exceeded the limit of the prescribed percentage.
- 5.9 Collateral collected by the MF Manager in accordance with 7 below (Share Lending) in stock lending should be kept by the MF Manager in bank deposits, short-term bills or repurchase transactions purchased from bills dealers, fixed income funds or any other manners approved by the competent authority, and shall comply with the following requirements:

- (A) The total number of units of any standalone fund that may be invested by all funds under the common management of the MF Manager may not exceed ten percent of the issued units of the fund being invested.
- (B) The MF Manager may not receive any management fee with respect to other funds which is also under the management of the MF Manager.

In addition, for so long as the Master Fund is authorised by the SFC, the MF Manager will ensure that the Master Fund will comply with the applicable investment restrictions under the Code.

## 6. **Borrowing Policy**

The MF Manager may not make loans of the Master Fund's assets or offer the Master Fund's asset as security, except that the MF Manager may borrow shares and provide the Master Fund's assets as collateral if the following conditions are met:

- 6.1 the borrowing of shares is limited to borrowing for strategic trading purposes in situations where the shares held by the Master Fund are insufficient to meet redemption requests, as described in subparagraph 6.4 below;
- 6.2 the borrowing of shares is done in accordance with the regulations of the SFC, the FSC, the Taiwan Stock Exchange Operating Rules ("TWSE Operating Rules"), the Taiwan Stock Exchange Securities Lending and Borrowing Rules ("TWSE Lending Regulations"), other relevant regulations of the TWSE and the MF Trust Deed;
- 6.3 the aggregate amount of shares listed on the TWSE or the OTC borrowed by the Master Fund may not exceed 10% of the Master Fund's latest available net asset value;
- 6.4 the borrowing of shares is for purposes of meeting redemption requests in circumstances where:
  - (A) the shares held by the Master Fund are stock dividends, and during the period after the ex-dividend date and before the issuance of stocks, there occurs major redemptions, resulting in the shares held by the Master Fund becoming insufficient to meet redemption requests;
  - (B) due to an adjustment of the portfolio of the Underlying Index, the Master Fund is unable to purchase a sufficient quantity of the new constituent shares to meet redemption requests as a result of the prices of such shares hitting the up-limit of trading on the first day as they become constituent stocks;
  - (C) due to resumption of trading of the constituent shares of the Underlying Index after their suspension, the MF Manager is unable to purchase a sufficient quantity of these shares to meet redemption requests as a result of restrictions on the price movement upper limit on the shares;
  - (D) due to adjustments of the investment portfolio to track the Underlying Index, the MF Manager is unable to purchase a sufficient quantity of shares to meet redemption requests as a result of market conditions or other causes not attributable to the fault of the MF Manager; or
  - (E) the MF Manager adopts an indexing strategy of a best available investment approach, but cannot purchase a sufficient quantity of shares to meet redemption requests for the Master Fund's delivery of shares to the Unitholders as a result of market conditions or other causes not attributable to the fault of the MF Manager.

## 7. Share Lending

Under the MF Trust Deed, the MF Manager may not lend shares held by the Master Fund to any third party, unless the following conditions are satisfied:

- 7.1 the lending of shares shall be conducted in accordance with the regulations of the FSC, the TWSE Operating Rules, the TWSE Lending Regulations, other relevant regulations of the TWSE and the MF Trust Deed;
- 7.2 the number of shares of any one issuer lent by the Master Fund shall not exceed the ceiling ratio by law (which as at the date of this Explanatory Memorandum is 50% of the aggregate number of shares of that issuer held by the Master Fund);
- 7.3 the lending of shares held by the Master Fund through fixed rate lending term transactions or through competitive rate auction term transactions shall be done in accordance with the regulations of the FSC, the TWSE Operating Rules, the TWSE Lending Regulations and other relevant regulations of the TWSE;
- 7.4 in addition to complying with the regulations of the FSC, the TWSE Operating Rules, the TWSE Lending Regulations and other relevant regulations of the TWSE, the lending of shares held by the Master Fund through negotiable lending rate term transactions shall be handled in accordance with the following:
  - (A) a borrower may submit requests to the MF Manager to borrow shares held by the Master Fund through negotiable rate lending term transactions in accordance with the "Yuanta/P-shares Taiwan Top 50 ETF Share Lending and Borrowing Rules";
  - (B) the MF Manager may accept or reject such request taking into account the Master Fund's shareholding, creations and redemptions, the situation of the Master Fund and other relevant circumstances. If the MF Manager agrees to lend shares held by the Master Fund, the MF Manager shall, prior to lending such shares, enter into a share lending agreement with the borrower ("Borrower"), setting out the terms and conditions for the loan, including the type and volume of shares to be lent, the date of lending and return thereof, the consideration and collateral for lending of the shares and the lending fee rate;
  - (C) the terms of lending of shares held by the Master Fund shall comply with the abovementioned share lending agreement and the "Yuanta/P-shares Taiwan Top 50 ETF Share Lending Rules". The MF Manager may, if necessary in its discretion, request the Borrower to return the borrowed shares prior to the maturity date of the loan;
  - (D) when borrowing shares held by the Master Fund, the Borrower shall deposit collateral and pay the relevant fee in accordance with the "Yuanta/P-shares Taiwan Top 50 ETF Share Lending Rules". The relevant collateral shall be done in accordance with the Regulations Governing Securities Investment Trust funds and share lending agreement, and shall be changed if necessary in accordance with amendments to applicable laws and regulations or relevant rules;
  - (E) the MF Manager may retain a professional institution to manage collateral deposited by Borrowers for the purpose of borrowing shares, and pay the fee to such institution out of the assets of the Master Fund. If the MF Manager manages the collateral itself rather than retaining a professional institution, the MF Manager may claim for a fee therefor from the Master Fund. Such management fee rate and calculation shall not exceed 30% of the lending fee paid by the Borrower. However, if the collateral tendered by the Borrower is cash, to the extent of the shares that the cash secures, the management fee charged by the MF Manager should not (1)

exceed 30% of the lending fee paid by the Borrower per year, and (2) exceed the total profit from utilizing the collateral plus all the total economic benefits arising from the duration of lending stocks of the current year; and

- (F) unless otherwise provided by an FSC order, TWSE Operating Rules, TWSE Lending Regulations, and any other relevant regulations of the TWSE, the lending and borrowing of shares held by the Master Fund through negotiable lending rate term transactions, the procedure, terms and conditions, rights and obligations and relevant terms shall comply with the Trust Deed and the “Yuanta/P-shares Taiwan Top 50 ETF Share Lending and Borrowing Rules”.

If any of the above investment borrowing or share lending limitations and prohibitions (for which a waiver has not been obtained) are breached (as a result of price fluctuations or otherwise), the MF Manager will make it a priority objective to take all steps necessary to remedy the situation within a reasonable time, taking into account the interests of MF Unitholders.

## 8. **Fees and Charges of the Master Fund**

The following fees are payable by an investor of the Master Fund:

Subscription fee	Up to 2% of the net asset value per MF Unit multiplied by the number of MF Units subscribed
Redemption fee	Up to 1% of the net asset value per MF Unit multiplied by the number of MF Units redeemed

The following fees are payable out of the assets of the Master Fund:

Management fee	Currently 0.32% per annum of the net asset value of the Master Fund, accrued daily and payable monthly to the MF Manager
Custodian fee	Currently 0.035% per annum of the net asset value of the Master Fund, accrued daily and payable monthly to the MF Custodian Institution

The following fees and charges will be borne by the Master Fund:

- (A) brokerage commissions, transaction handling fees and other costs and expenses directly related to the operation of the Master Fund;
- (B) taxes payable by the Master Fund;
- (C) remuneration payable to the MF Manager and MF Custodian Institution pursuant to the MF Trust Deed;
- (D) index licence fees;
- (E) expenses related to the listing of the MF Units on the TWSE, including but not limited to the listing fee and the annual fee payable to the TWSE;
- (F) lending fees incurred by the Master Fund in connection with the borrowing of shares;

- (G) handling fees, handling charges and other expenses related but not limited to a professional institution retained by the MF Manager to manage collateral deposited by the borrower for borrowing shares, or the management fee paid to the MF Manager if the MF Manager manages the collateral itself rather than retaining a professional institution to do so;
- (H) expenses incurred in connection with convening a MF Unitholders' meeting;
- (I) audit fees in respect of the Master Fund;
- (J) expenses incurred in connection with defending litigious and non-litigious claims brought by any person against the MF Manager or the MF Custodian Institution where such claims pertain to the Master Fund or the MF Trust Deed and where such costs are not borne by third parties. However, the MF Manager and the MF Custodian Institution shall be liable for such expenses if the claim arises out of the MF Manager's or MF Custodian Institution's failure to exercise the care of a good administrator;
- (K) expenses arising from litigious and non-litigious actions brought against any person by the MF Manager or the MF Custodian Institution in connection with matters related to the MF Manager's management of the Master Fund, or the handling of the Master Fund assets by the MF Custodian Institution where such costs are not borne by the relevant third party; any expenses incurred by the MF Manager or by the MF Custodian Institution pursuant to the applicable articles of the MF Trust Deed;
- (L) expenses arising out of the liquidation of the Master Fund. However, such expenses shall be borne by the MF Manager if the MF Trust Deed is terminated pursuant to Article 28.01, item 6 of the Trust Deed.

If the Master Fund's net asset value as of any given calendar date falls below NTD300,000,000, all costs and expenses in respect of the Master Fund (except for the costs and expenses listed in items (A) to (G) of the preceding paragraph) shall be borne by the Manager.

No advertising or promotional expenses will be charged to the Master Fund.

Except for the fees and charges listed mentioned above which shall be borne by the Master Fund, any other costs and expenses incurred by the MF Manager or the MF Custodian Institution in connection with the Master Fund shall be borne by the MF Manager or the MF Custodian Institution as applicable.

No fee increases may be imposed, and no additional fees may be charged, without obtaining both the MF Unitholders' approval and the FSC's approval. An increase in fee or an addition of fee will take effect immediately upon the FSC's approval.

#### **9. Subscription and Redemption for MF Units**

The Master Fund is not available for direct investment by Hong Kong investors and subscription or redemption for the MF Units by Hong Kong investors will not be accepted. Hong Kong investors should refer to sections 8 and 9 of the Explanatory Memorandum headed "Subscription for Units" and "Redemption of Units" for further information on the subscription and redemption procedures for Units of the Fund.

#### **10. Valuation of the Master Fund**

The MF Manager shall calculate the Master Fund's net asset value on each MF Valuation Day.

The Master Fund's net asset value shall be calculated in accordance with the criteria issued by the Securities Investment Trust & Consulting Association and approved by the FSC, and such other applicable laws and regulations and generally recognized accounting principles.

11. **Suspension of Dealing and Calculation of Net Asset Value of the Master Fund**

The request for creation or redemption of MF Units and/or the calculation of the net asset value of the Master Fund may be suspended or deferred as required by the FSC or upon the occurrence of any of the following events:

- 11.1 the TWSE and the OTC are closed otherwise than for holidays, or during which transactions therein are suspended;
- 11.2 the CSDE cannot conduct book-entry operations for the Units;
- 11.3 the normally used communication channels are disconnected; or
- 11.4 any other special situations which render receiving creation or redemption requests, calculation of MF Creation Consideration or MF Redemption Consideration, or delivery of the MF Units or MF Redemption Consideration impossible.

12. **Distributions**

The MF Manager shall, on each Income Evaluation Date, determine whether a distribution of income shall be made in the current year. If the MF Manager determines that such distribution to the MF Unitholders shall be made, such distributions shall be the distributable income derived from the cash dividends of investment income of MF Units minus expenses borne by the Master Fund, without deducting realized and unrealized capital loss.

In the event of distributing at the same time interest income, realized stock dividends, lease income, and realized capital gain generated from other investments after deducting capital loss (including realized and unrealized capital loss) and expenses borne by the Master Fund, the net asset value per MF Unit on the Income Evaluation Date shall be higher than the issuance price per MF Unit before the establishment date of the Master Fund (but excluding the establishment date of the Master Fund), and the remaining sum of the net asset value per MF Unit minus the distribution of income for each MF Unit in the current year shall not be lower than the issuance price of each MF Unit before the establishment date of the Master Fund (but excluding the establishment date of the Master Fund).

The amount of distributions to be declared should be calculated in accordance with the relevant provisions in the MF Trust Deed.

13. **Soft Dollar Commissions/Arrangements**

The Trust's policies on soft dollar commissions and arrangements also apply to the Master Fund. Please refer to section 5.8 of the Explanatory Memorandum in this regard.

14. **Transactions with Connected Persons**

The Trust's policies on transactions with Connected Persons also apply to the Master Fund. Please refer to section 5.8 of the Explanatory Memorandum in this regard.

15. **Taxation**

The following summary of taxation is of a general nature, is 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 the MF 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 Unitholders or MF Unitholders. The information below is based on the law and practice in force at the date of this Explanatory Memorandum. 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 Explanatory Memorandum.

## Hong Kong

### *The Master Fund*

Profits Tax: As the Master Fund has been authorised as a collective investment scheme by the SFC pursuant to section 104 of the Securities and Futures Ordinance, profits of the Master Fund arising from the sale or disposal of securities, net investment income received by or accruing to the Master Fund and other profits of the Master Fund are exempt from Hong Kong profits tax.

Stamp Duty: Hong Kong stamp duty is ordinarily payable on the transfer of Hong Kong Stock. As at the date of this Explanatory Memorandum, the Master Fund does not buy or sell Hong Kong stock and it is not the MF Manager's intention to do so.

### *The MF Unitholders*

Profits Tax: Hong Kong profits tax will not be payable by the MF Unitholder (other than MF 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 MF Units and on any distributions made by the Master Fund. In accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum) tax should not be payable in Hong Kong in respect of dividends payable to MF Unitholders.

Stamp Duty: The register of MF Unitholders of the Master Fund shall be maintained outside Hong Kong. Accordingly, the MF Units will not constitute Hong Kong Stock for the purposes of the Stamp Duty Ordinance of Hong Kong and a charge to Hong Kong stamp duty should not arise on any redemption or transfer of any MF Units in the Master Fund.

## Taiwan

### *The Master Fund*

The Master Fund is not subject to any tax imposed by the Taiwan government.

### *The MF Unitholders*

No tax is imposed on capital gain.

For non-capital gain:

Taiwan national and resident individuals are subject to personal profit tax.

Taiwan incorporated and resident corporations are subject to business profit tax.

Non-Taiwan individuals, Non-Taiwan incorporated corporations and Non-Taiwan resident corporations are subject to 20% withholding tax.

## 16. **General**

### 16.1 **Fiscal Year End**

The Master Fund's fiscal year end is 31 December of each year.

### 16.2 **Reports**

Yearly audited reports and semi-annual reports for the Master Fund will be prepared by the MF Manager.

Yearly audited reports will be sent to MF Unitholders within 4 months of the period covered by the relevant report.

Semi-annual reports will be sent to MF Unitholders within 2 months of the period covered by the relevant report.

All the aforesaid reports will contain the information as may from time to time be required by the Code.

### 16.3 **MF Licence Agreement**

The MF Manager has been granted a non-exclusive licence pursuant to index licence agreement dated 31 July 2014 entered into among the MF Manager, FTSE and TWSE (the "MF Licence Agreement"), to use the Underlying Index in connection with the operation, marketing and promotion of the Master Fund.

The agreement has a term of 3 years and will automatically renew for additional, successive 1 year terms unless (i) either FTSE and TWSE provide to the MF Manager, or the MF Manager provide to FTSE and TWSE, not less than 6 months' written notice of its/their decision not to extend the term; or (ii) the MF Licence Agreement is terminated pursuant to the provisions thereof, namely:

- (A) any party commits any material breach of its obligations and fail to remedy the breach within 15 days of receipt of written notice requiring the same;
- (B) any party suffers an "Insolvency Event" (as defined in the MF Licence Agreement);
- (C) the MF Manager is convicted of any offence relating to the Master Fund or to the trading or issue of the MF Units thereof or is found by the FSC or any other relevant regulatory bodies to be in breach of any applicable laws, orders or material rules;
- (D) FTSE and TWSE cease to calculate and publish the Underlying Index and they either (i) do not make available a replacement or substitute index; or (ii) do make available such a replacement or substitute index but the MF Manager does not elect to use such an index within 90 days after being notified of FTSE and TWSE's intention to cease calculating and publishing the Underlying Index;
- (E) the Master Fund is delisted from any of the "Exchange" (as defined in the MF Licence Agreement); or
- (F) FTSE and TWSE vary the index licence fee and the increase is greater than 15% of the total amount of index licence fee.

The MF Manager may terminate the Licence Agreement forthwith by notice in writing to the Manager if (i) the MF Licence Agreement expires or is otherwise terminated; or (ii) the Manager is convicted of any criminal offence relating to the Fund or to the trading or issue of the Units thereof.

Further, the Manager may terminate the Licence Agreement if the Manager decides to and effects the delisting and deauthorisation of the Fund in Hong Kong.

The Licence Agreement may also be terminated by the parties through mutual agreement in writing.

#### **16.4 Meetings of MF Unitholders**

The manner in which meeting of the MF Unitholders is conducted should comply with the Code and the Regulations Governing Securities Investment Trust Fund Beneficiaries Meetings of Taiwan. Some of the major requirements are set out below:

- (A) meetings of the MF Unitholders will be convened upon at least 21 days' notice. Notices of meetings of MF Unitholders will be posted to the relevant MF Unitholders;
- (B) proxies may be appointed;
- (C) meetings of MF Unitholders may not be held unless attended by MF Unitholders representing one half or more of the total number of issued MF Units;
- (D) adoption of an ordinary resolution at meetings of the MF Unitholders shall require the approval of one half or more of the total number of votes of MF Unitholders present at a meeting attended by MF Unitholders representing one half or more of the total number of issued MF Units; and
- (E) an extraordinary resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting.

#### **16.5 Termination of the Master Fund**

The Master Fund will be terminated if the MF Trust Deed is terminated and the liquidation process is completed.

The MF Trust Deed and the listing of the MF Units shall be terminated with the approval of the FSC in any of the following situations:

- (A) the suspension of the compilation or provision of the Underlying Index by the Index Provider without providing a substitute index;
- (B) the substitute index provided by the Index Provider is not approved by the MF Unitholders' Meeting;
- (C) the termination of the Index license agreement and no replacement Index license agreement is executed;
- (D) with the approval from the FSC, for (i) the application for delisting by the MF Manager upon the occurrence of termination causes prescribed in the MF Licence Agreement, or (ii) the termination of the Listing Agreement by the TWSE according to Taiwanese laws or regulations, the regulations of TWSE or the provisions of the TWSE Listing Agreement;
- (E) the FSC, in the belief that such is appropriate, orders the termination of the MF Trust Deed for the public interest or the common benefit of the Unitholders;
- (F) the MF Manager is dissolved, bankrupted, or its approval is voided or revoked, or its management of the Master Fund is obviously unsound, and the FSC has ordered that it be replaced, such that it is unable to continue executing its duties, and there is no other

- suitable securities investment trust enterprise to assume the rights and obligations of the MF Manager;
- (G) the MF Custodian Institution is dissolved, bankrupted, or its approval is voided or revoked, or its custodianship of the Fund is obviously unsound, and the FSC has ordered that it be replaced, such that it is unable to continue executing its duties, and there is no other suitable fund custodian institution to assume the rights and obligations of the original institution;
  - (H) a resolution is adopted at a MF Unitholders' meeting to replace the MF Manager or the MF Custodian Institution, and there is no other suitable manager or fund custodian institution to undertake the rights and obligations of the former MF Manager or MF Custodian Institution;
  - (I) after the expiry of one year from the establishment of the Master Fund, if the average of the Master Fund's net asset value for the last thirty (30) MF Business Days falls below NTD200 million, the MF Manager shall immediately notify all Unitholders, the MF Custodian Institution and the FSC of the termination of the MF Trust Deed;
  - (J) the MF Manager believes that it is preferable to terminate the MF Trust Deed due to market conditions, the nature or size of the Master Fund or any other reason de facto or de jure, which renders the Master Fund unable to continue to operate, and the MF Manager notifies all Unitholders, the MF Custodian Institution and the FSC to terminate the MF Trust Deed;
  - (K) a resolution is adopted at a MF Unitholders' meeting to terminate the MF Trust Deed; or
  - (L) the MF Manager or the MF Custodian Institution cannot accept a resolution of the MF Unitholders' meeting and there is no other suitable manager or fund custodian institution to undertake the rights and obligations of the MF Manager or the MF Custodian Institution, as the case may be.