

IMPORTANT: If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent professional financial advice.

# GLOBAL X EXCHANGE TRADED FUNDS SERIES OFC

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

## PROSPECTUS

*Manager*

**Mirae Asset Global Investments (Hong Kong) Limited**  
**未來資產環球投資(香港)有限公司**

**13 July 2023**

Hong Kong Exchanges and Clearing Limited (“HKEX”), The Stock Exchange of Hong Kong Limited (the “SEHK”), Hong Kong Securities Clearing Company Limited (“HKSCC”) and the Hong Kong Securities and Futures Commission (the “SFC”) take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The Company has been registered with the SFC as an open-ended fund company. The Company and each Sub-Fund have each been authorised as collective investment schemes by the SFC. Registration with and authorisation by the SFC do not represent a recommendation or endorsement of the Company or any of the Sub-Funds nor do they guarantee the commercial merits of the Company, any of the Sub-funds or their performance. They do not mean the Company or the Sub-Funds are suitable for all investors nor do they represent an endorsement of their suitability for any particular investor or class of investors.

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

## IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of shares (the “Shares”) in the Global X Exchange Traded Funds Series OFC (the “Company”) and its sub-funds (the “Sub-Funds”). The Company is a public umbrella open-ended fund company incorporated in Hong Kong on 13 December 2019 with variable capital and limited liability. The Company can have a number of sub-funds (the “Sub-Funds” or individually a “Sub-Fund”) with segregated liability among the Sub-Funds. Mirae Asset Global Investments (Hong Kong) Limited (the “Manager”) has been appointed as the management company of the Company and each Sub-Fund. Cititrust Limited has been appointed as the custodian of the Company and each Sub-Fund.

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

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and the Product Key Facts Statement of each Sub-Fund and confirms having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus or any Product Key Facts Statement misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* and the *Code on Unit Trusts and Mutual Funds* (the “UT Code”), the *Code on Open Ended Fund Companies* and the “Overarching Principles” of the *SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products* for the purposes of giving information with regard to the Shares in each Sub-Fund.

Each Sub-Fund is a fund falling within Chapter 8.6 or Chapter 8.10 of the UT Code. Certain Sub-Fund(s) may also be subject to additional Chapters of the UT Code. The Company has been registered with the SFC as an open-ended fund company under Section 112D of the SFO. The Company and each Sub-Fund are authorised by the SFC in Hong Kong under Section 104 of the SFO. The SFC takes no responsibility for the financial soundness of the Company, any Sub-Fund or for the correctness of any statements made or opinions expressed in this Prospectus. Registration with and authorisation by the SFC do not represent a recommendation or endorsement of the Company or any of the Sub-Funds nor do they guarantee the commercial merits of a scheme or its performance. They do not mean the Company or the Sub-Funds are suitable for all investors nor do they represent an endorsement of their suitability for any particular investor or class of investors.

You should consult your financial adviser, consult your tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable you to acquire Shares as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in a Sub-Fund is appropriate for you.

The Shares of Global X China Consumer Brand ETF, Global X China Electric Vehicle and Battery ETF, Global X China Clean Energy ETF, Global X China Semiconductor ETF, Global X China Robotics and AI ETF, Global X China Innovator Active ETF, Global X China Global Leaders ETF, Global X China Games and Entertainment ETF, Global X China E-commerce and Logistics ETF and Global X Asia Semiconductor ETF are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). The Shares of Global X China Consumer Brand ETF, Global X China Electric Vehicle and Battery ETF, Global X China Clean Energy ETF, Global X China Semiconductor ETF, Global X China Robotics and AI ETF, Global X China Innovator Active ETF, Global X China Global Leaders ETF, Global X China Games and Entertainment ETF, Global X China E-commerce and Logistics ETF, Global X Asia Semiconductor ETF, Global X Autonomous and Electric Vehicles ETF, Global X FinTech ETF and Global X Asia Innovator Active ETF have been accepted as eligible securities by the Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearing and settlement in the Central Clearing and Settlement System (“CCASS”). All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, this Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or any other United States Federal or State law and, except in a transaction which does not violate the Securities Act, may not be directly or indirectly offered to or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of the Securities Act). The Company and each Sub-Fund have not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended. Shares may not be acquired or owned by (i) an employee benefit plan, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), that is subject to Title I of ERISA, (ii) a

plan, as defined in Section 4975(e)(1) of the United States Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), that is subject to Section 4975 of the Internal Revenue Code, (iii) a plan that is subject to any other law, regulation, rule or restriction that is substantially similar to ERISA or Section 4975 of the Internal Revenue Code (“Similar Law”) or (iv) an entity whose assets are deemed to include the assets of such an employee benefit plan or plan for purposes of ERISA, Section 4975 of the Internal Revenue Code or Similar Law, unless the purchase, holding and disposition of Shares will not constitute a violation under ERISA, Section 4975 of the Internal Revenue Code and any applicable Similar Law.

The Shares cannot be offered or sold, directly or indirectly, in the United States of America (including its territories and possessions), to or for the benefit of a “U.S. Person”, as defined in the U.S. “Regulation S” adopted by the Securities and Exchange Commission (the “SEC”).

The Manager may impose restrictions on the Shareholders by any “U.S. Person” and operate (i) compulsory redemption of Shares or (ii) transfer of Shares held by such “U.S. Person”.

Such power covers any person (a) who appears to be directly or indirectly in breach of the laws or regulations of any country or governmental authority, or (b) in the opinion of the Manager, might result in a Sub-Fund suffering any disadvantage which such Sub-Fund might not otherwise have incurred or suffered.

“U.S. Person” means: (a) any natural person resident in the U.S.; (b) any partnership or corporation organised or incorporated under the laws of the U.S.; (c) any estate of which any executor or administrator is a U.S. Person; (d) any trust of which any trustee is a U.S. Person; (e) any agency or branch of a non-U.S. entity located in the U.S.; (f) any non-discretionary or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the U.S.; and (h) any partnership or corporation if (i) organised or incorporated under the laws of any non-U.S. jurisdiction and (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act unless it is organised or incorporated, and owned, by accredited investors (as defined under Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.

Furthermore, distribution of this Prospectus shall not be permitted unless it is accompanied by copies of the latest product key facts statement of each Sub-Fund and the latest annual financial statements of each Sub-Fund (where existing) and, if later, its most recent interim report.

You should note that any amendment or addendum to this Prospectus will only be posted on the Company’s website (<https://www.globalxetfs.com.hk/>) the contents of which, and of any other websites referred to in this Prospectus, have not been reviewed by the SFC. This Prospectus may refer to information and materials included in websites. Such information and materials do not form part of this Prospectus and they have not been reviewed by the SFC or any regulatory body. Investors should note that the information provided in websites may be updated and changed periodically without any notice to any person.

## **Questions and Complaints**

Investors may raise any questions on or make any complaints about the Company (including any Sub-Fund) by contacting the Manager at its address as set out in the Directory of this Prospectus or calling the Manager +852 2295 1500 during normal office hours.

## DIRECTORY

### *Directors*

Wanyoun CHO  
Se Han SONG  
Stewart Robert Kenneth ALDCROFT

### *Company*

**Global X Exchange Traded Funds  
Series OFC**  
Room 1101, 11/F, Lee Garden Three  
1 Sunning Road, Causeway Bay  
Hong Kong

### *Manager*

#### **Mirae Asset Global Investments (Hong Kong) Limited**

未來資產環球投資(香港)有限公司  
Room 1101, 11/F, Lee Garden Three  
1 Sunning Road, Causeway Bay  
Hong Kong

### *Custodian*

**Cititrust Limited**  
50/F, Champion Tower  
3 Garden Road, Central  
Hong Kong

### *Registrar*

**Tricor Investor Services Limited**  
54/F, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### *Sub-Custodian*

**Citibank, N.A.**  
50/F, Champion Tower  
3 Garden Road, Central  
Hong Kong

### *Participating Dealers<sup>#</sup>*

Please refer to the relevant Appendix of each  
Sub-Fund

### *Market Makers<sup>#</sup>*

Please refer to the relevant Appendix of each  
Sub-Fund

### *Administrator*

**Citibank, N.A., Hong Kong Branch**  
50/F, Champion Tower  
3 Garden Road, Central  
Hong Kong

### *Conversion Agent or Service Agent*

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

### *Legal Counsel to the Manager*

Deacons  
5th Floor, Alexandra House  
18 Chater Road  
Central, Hong Kong

### *Auditor*

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

### *Listing Agent*

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

<sup>#</sup> Please refer to the Company's website for the latest lists of Market Makers and Participating Dealers

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

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

The information presented in this Part 1 should be read in conjunction with the information presented in the relevant Appendix in Part 2 of this Prospectus in respect of a particular Sub-Fund. Where the information in Part 2 of this Prospectus conflicts with the information presented in this Part 1, the information in the relevant Appendix in Part 2 prevails, however, it is applicable to the specific Sub-Fund of the relevant Appendix only. Please refer to Part 2 “Specific Information Relating to Each Sub-Fund” for further information.

## DEFINITIONS

*In this Prospectus (including the relevant Appendix for any Sub-Fund), unless the context requires otherwise, the following expressions have the meanings set out below.*

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

“A-Shares” means shares issued by companies incorporated in Mainland China and listed on the SSE or the SZSE, traded in RMB and available for investment by domestic investors through Stock Connect.

“Administrator” means Citibank, N.A., Hong Kong Branch, or such other person or persons for the time being duly appointed as administrators hereof in succession thereto.

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

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

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

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

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

“Cancellation Compensation” means an amount payable by a Participating Dealer for the account of a Sub-Fund in respect of a Default or a cancellation of Creation Application or Redemption Application in accordance with the Instrument, the Participation Agreement and/or the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

“CCASS” means the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors.

“CCASS Settlement Day” means the term “Settlement Day” as defined in the General Rules of CCASS.

“Company” means Global X Exchange Traded Funds Series OFC.

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

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

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

“Conversion Agency Agreement” means the agreement by which the Conversion Agent agrees with the Manager to provide its services entered amongst the Manager, the Conversion Agent and HKSCC.

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

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

“CSDCC” means the China Securities Depository and Clearing Co., Ltd.

“CSRC” means the China Securities Regulatory Commission.

“Custodian” means Cititrust Limited unless otherwise specified in Part 2 of this Prospectus.

“Custody Agreement” means the custody agreement dated 10 January 2020 between the Company for itself and each Sub-Fund and the Custodian by which the Custodian is appointed.

“Dealing Day” means, in relation to a Sub-Fund, each Business Day during the continuance of the Sub-Fund, and/or such other day or days as the Manager may from time to time determine.

“Dealing Deadline” means, in relation to any particular place and any particular Dealing Day, the time on each Dealing Day specified in the Appendix of a Sub-Fund or such other time or day as the Manager may from time to time determine in consultation with the Custodian.

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

- (a) a Creation Application to deliver the requisite Securities and/or any relevant cash amount; or
- (b) a Redemption Application to deliver the Shares the subject of the Redemption Application and/or relevant cash amount.

“Deposited Property” means, in respect of a Sub-Fund, all the assets (including Income Property), received or receivable by the Company for the time being held or deemed to be held by the Company for the account of the relevant Sub-Fund but excluding (i) Income Property standing to the credit of the distribution account of such Sub-Fund (other than interest earned thereon), and (ii) any other amount for the time being standing to the credit of the distribution account of such Sub-Fund.

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

“Dual Counter” means a Multi-Counter facility under which Shares of a Sub-Fund are traded in two eligible currencies.



“Duties and Charges” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage fees, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Shares or the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing and including but not limited to, in relation to an issue of Shares or redemption of Shares, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of compensating or reimbursing the Sub-Fund for the difference between (a) the prices used when valuing the Securities in the Scheme Property for the purpose of such issue or redemption of Shares and (b) (in the case of an issue of Shares) the prices which would be used when acquiring the same Securities if they were acquired by the Sub-Fund with the amount of cash received by the Sub-Fund upon such issue of Shares and (in the case of a redemption of Shares) the prices which would be used when selling the same Securities if they were sold by the Sub-Fund in order to realise the amount of cash required to be paid out of the Sub-Fund upon such redemption of Shares. For the avoidance of doubt, when calculating subscription and redemption prices, duties and charges may include (if applicable) any provision for bid and ask spreads (to take into account the difference between the price at which assets were valued for the purpose of calculating the Net Asset Value and the estimated price at which such assets shall be bought as a result of a subscription or sold as a result of a redemption), but may not include (if applicable) any commission payable to agents on sales and purchases of the Shares or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Shares).

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

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

“ETF” means an exchange-traded fund.

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

“FDIs” means financial derivative instruments.

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

“H-Shares” means shares issued by companies incorporated in Mainland China and listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollars.

“HKD” means Hong Kong dollars, the lawful currency of Hong Kong.

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

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

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC.

“IFRS” means International Financial Reporting Standards.

“Income Property” means, in respect of a Sub-Fund, (a) all interest, dividends and other sums deemed by the Manager, (after consulting the 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 Custodian in respect of the Deposited Property of the Sub-Fund (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale or transfer of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Company in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Custodian for the account of the Sub-Fund in respect of an Application; (d) all Cancellation Compensation received by the Custodian for the account of the Sub-Fund; and (e) any payments to be received or are receivable by the Company under any contractual agreements in the nature of investments for the benefit of the relevant Sub-Fund but excluding (i) other Deposited Property; (ii) any amount for the time being standing to the credit of the distribution account for the account of the Sub-Fund or previously distributed to Shareholders; (iii) gains for the account of the Sub-Fund arising from the realisation of Securities; and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Company from the Income Property of the Sub-Fund.

“Index” means, the index or benchmark, if any, against which an Index Tracking Sub-Fund may be benchmarked or may otherwise be referenced as set out in the relevant Appendix.

“Index Provider” means, in respect of an Index Tracking Sub-Fund, the person responsible for compiling the Index against which the relevant Sub-Fund benchmarks its investments and who holds the right to licence the use of such Index to the relevant Sub-Fund as set out in the relevant Appendix.

“Index Tracking Sub-Fund” means a Sub-Fund with a principal objective to track, replicate or correspond to a financial index or benchmark, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Index that it tracks.

“Initial Issue Date” means the date of the first issue of Shares, which shall be the Business Day immediately before the Listing Date.

“Initial Offer Period” means, in respect of each Sub-Fund the period before the relevant Listing Date as set out in the relevant Appendix.

“Insolvency Event” occurs in relation to a person where (i) an order has been made or an effective resolution passed for the liquidation or bankruptcy of the person; (ii) a receiver or similar officer has been appointed in respect of the person or of any of the person’s assets or the person becomes subject to an administration order; (iii) the person enters into an arrangement with one or more of its creditors or is deemed to be unable to pay its debts; (iv) the person ceases or threatens to cease to carry on its business or substantially the whole of its business or makes or threatens to make any material alteration to the nature of its business; or (v) the Manager in good faith believes that any of the above is likely to occur.

“Instrument” means the instrument of incorporation of the Company filed to the Companies Registry of Hong Kong on, and effective as of, 13 December 2019, including its Schedules and Appendices, as amended from time to time.

“Issue Price” means the price at which Shares may be issued, determined in accordance with the Instrument.

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

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

“Macau” means the Macao Special Administrative Region of the PRC.

“Mainland China” means all the custom territories of the PRC, excluding for the purposes of interpretation of this Prospectus only, Hong Kong, Macau and Taiwan, and “Mainland Chinese” shall be construed accordingly.

“Management Agreement” means the discretionary management agreement dated 10 January 2020 between the Company for itself and each Sub-Fund and the Manager by which the Manager is appointed.

“Manager” means Mirae Asset Global Investments (Hong Kong) Limited or such other person or persons for the time being duly appointed as investment manager of the Company in succession thereto being approved by the SFC under the UT Code.

“Market” means in any part of the world:

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

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

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

“Multi-Counter” means the facility by which the Shares of a Sub-Fund traded in more than one currency (HKD, RMB and/or USD) are each assigned separate stock codes on the SEHK and are accepted for deposit, clearance and settlement in CCASS in more than one eligible currency (HKD, RMB and/or USD) as described in the relevant Appendix of this Prospectus. Where the Share of a Sub-Fund is traded in two eligible currencies, the facility is referred to as a “Dual Counter”.

“N-Shares” means shares of Mainland Chinese companies listed on a US stock exchange such as the NYSE or NASDAQ.

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

“OFC Code” means the Code on Open Ended Fund Companies issued by the SFC (as amended, or replaced, from time to time).

“Operating Guidelines” means, in respect of a Sub-Fund, the guidelines for the creation and redemption of Shares of a class as set out in the schedule to each Participation Agreement as amended from time to time by the Manager with the approval of the Custodian, and where applicable, with the approval of HKSCC and the Conversion Agent, and following consultation, to the extent reasonably practicable, with the relevant Participating Dealers, subject always, in respect of the relevant Operating Guidelines for a Participating Dealer, any amendment being notified in writing by the Manager in advance to the relevant Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the class of Shares applicable at the time of the relevant Application.

“P-chips” means Mainland Chinese companies listed on the SEHK and traded in HKD which are incorporated in the Cayman Islands, Bermuda and the British Virgin Islands with a majority of their business operations in Mainland China and controlled by private Mainland Chinese shareholders.

“Participating Dealer” means a licensed broker or dealer who is (or who has appointed an agent or delegate who is) a person admitted for the time being by HKSCC as a participant of CCASS and who has entered into a Participation Agreement in form and substance acceptable to the Manager and Custodian, and any reference in this Prospectus to “Participating Dealer” shall include a reference to any agent or delegate so appointed by the Participating Dealer.

“Participation Agreement” means an agreement entered into between, among others, the Company, the Manager, the Custodian and a Participating Dealer (and its agent, if applicable), and if determined necessary by the Manager (in its absolute discretion), each of HKSCC and the Conversion Agent, setting out, (amongst other things), the arrangements in respect of the issue of Shares and the redemption and cancellation of Shares. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

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

“PD Agent” means a person who is admitted by HKSCC as either a Direct Clearing Participant or a General Clearing Participant (as defined in the General Rules of CCASS) in CCASS and who has been appointed by a Participating Dealer as its agent for the creation and redemption of Shares.

“PRC” means the People’s Republic of China.

“Recognised Futures Exchange” means an international futures exchange which is recognised by the SFC or which is approved by the Manager.

“Recognised Stock Exchange” means an international stock exchange which is recognised by the SFC or which is approved by the Manager.

“Red Chips” means shares of companies incorporated outside of Mainland China with a majority of their business operations in Mainland China and traded on the SEHK in HKD.

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

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

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

“Registrar Agreement” means the registrar agreement dated 7 January 2020 between the Company for itself and each Sub-Fund and the Registrar by which the Registrar is appointed.

“reverse repurchase transactions” means transactions whereby a Sub-Fund purchases Securities from a counterparty of sale and repurchase transactions and agrees to sell such Securities back at an agreed price in the future.

“RMB” or “Renminbi” means Renminbi Yuan, the lawful currency of Mainland China.

“SAFE” means the State Administration of Foreign Exchange of the PRC.

“sale and repurchase transactions” means transactions whereby a Sub-Fund sells its Securities to a counterparty of reverse repurchase transactions and agrees to buy such Securities back at an agreed price with a financing cost in the future.

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

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

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

“Securities Lending Agent” means such person as may from time to time be appointed by the Custodian and/or the Manager to manage a Sub-Fund’s securities lending activities.

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

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

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

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

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

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

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

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

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

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

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

“SSE” means the Shanghai Stock Exchange.

“STA” means the State Taxation Administration of the PRC.

“Stock Connect” means the securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

“SZSE” means the Shenzhen Stock Exchange.

“Sub-Fund” means a segregated pool of assets and liabilities into which the Scheme Property is divided, established under the Instrument and as described in the relevant Appendix.

“Swap” means a swap agreement to be entered by the Company on behalf of a Sub-Fund which may, subject to the terms of the Instrument, take such form as determined or agreed by the Manager, including an International Swaps and Derivatives Association master agreement, schedules, annexes and confirmations as well as related documents.

“Swap Counterparty” means a counterparty of each Sub-Fund pursuant to a Swap.

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

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

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

“Valuation Point” means, in respect of a Sub-Fund, unless otherwise specified in the relevant Appendix of a Sub-Fund, the official close of trading on the Market on which the Securities constituting the Index (if any) or the Sub-Fund are listed on each Dealing Day or if more than one, the official close of trading on the last relevant Market to close or such other time or times as determined by the Manager from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Shares.

## INTRODUCTION

### **The Company**

The Company is a public umbrella open-ended fund company with variable capital with limited liability, which was incorporated in Hong Kong under the SFO on 13 December 2019 with the company number OF0000003. It is constituted by way of its Instrument filed to the Companies Registry of Hong Kong on, and effective as of, 13 December 2019.

The Company is registered with the SFC under Section 112D of the SFO. The Company and each Sub-Fund is authorised as a collective investment scheme by the SFC under Section 104 of the SFO and each Sub-Fund falls within Chapter 8.6 or Chapter 8.10 of the UT Code. SFC registration or authorisation is not a recommendation or endorsement of a Sub-Fund nor does it guarantee the commercial merits of the Company, any Sub-Fund or their performance. It does not mean that the Company or a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **The Sub-Funds**

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

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

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

## THE OFFERING PHASES

### Initial Offer Period

During the Initial Offer Period, Participating Dealers (acting for themselves or for their clients) may apply for Shares (to be available for trading on the Listing Date) by means of Creation Applications on each Dealing Day for themselves and/or their clients in accordance with the Operating Guidelines.

To be dealt with during the Initial Offer Period, the relevant Participating Dealer must submit the Creation Applications to the Company and the Manager (with a copy to the Custodian) on a Business Day no later than 3 Business Days prior to the Listing Date unless otherwise stated in the relevant Appendix.

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

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

Please refer to the section on “Creations and Redemptions (Primary Market)” for the operational procedures in respect of Creation Applications.

### After Listing

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

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

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

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

After Listing, all investors can buy and sell Shares in the secondary market in Trading Board Lot Size (as described in the section “Key Information” in the relevant Appendix) or whole multiples thereof like ordinary listed stocks through an intermediary such as a stockbroker or through any of the share dealing services offered by banks or other financial advisers at any time the SEHK is open.

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

Please refer to the section on “Exchange Listing and Trading (Secondary Market)” for further information in respect of buying and selling of Shares on the SEHK.

#### *Creations and Redemptions Through Participating Dealers*

Shares will continue to be created and redeemed in the primary market at the Issue Price and Redemption Value respectively through Participating Dealers in Application Share size or multiples thereof. Where stated in the relevant Appendix, in-kind creations or in-kind redemptions may be



permitted by the Manager. The Application Share size and currency for settlement are as set out in the relevant Appendix.

To be dealt with on a Dealing Day, the relevant Participating Dealer must submit the Applications to the Company and the Manager (with a copy to the Custodian) before the Dealing Deadline on the relevant Dealing Day. If an Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Application. Participating Dealers are under no obligation to create or redeem generally or for their clients and may charge their clients such fee or fees as such Participating Dealers determine.

Settlement in cash for subscribing Shares in cash is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

Settlement of Shares for redeeming Shares is due 2 Business Days (unless as otherwise stated in the relevant Appendix) after the Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

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

After Listing, all Shares will be registered in the name of HKSCC Nominees Limited on the register of the relevant Sub-Fund. The register of the relevant Sub-Fund is the evidence of ownership of Shares. The beneficial interests in Shares of any client of the Participating Dealers shall be established through such client's account with the relevant Participating Dealer or PD Agent (as the case may be) or with any other CCASS participants if the client is buying from the secondary market.

## **Timetable**

### *Initial Offer Period*

The Initial Offer Period and the Listing Date of a new Sub-Fund is set out in the Appendix of the new Sub-Fund.

The purpose of the Initial Offer Period is to enable Participating Dealers to subscribe for Shares either on their own account or for their clients, in accordance with the Instrument and the Operating Guidelines. During this period, Participating Dealers (acting for themselves or for their clients) may apply for Shares to be available for trading on the Listing Date by creation. No redemptions are permitted during the Initial Offer Period.

Upon receipt of a Creation Application from a Participating Dealer (acting for itself or its clients) during the Initial Offer Period, the Manager shall procure the creation of Shares for settlement on the Initial Issue Date.

Participating Dealers may have their own application procedures for their respective clients and may set application and payment cut-off times for their respective clients which are earlier than those set out in this Prospectus and which may change from time to time. The Dealing Deadline in respect of Shares in a Sub-Fund may also change due to market related events. Investors are therefore advised to consult with the relevant Participating Dealer on its requirements if they want a Participating Dealer to subscribe for Shares on their behalf.

### *After Listing*

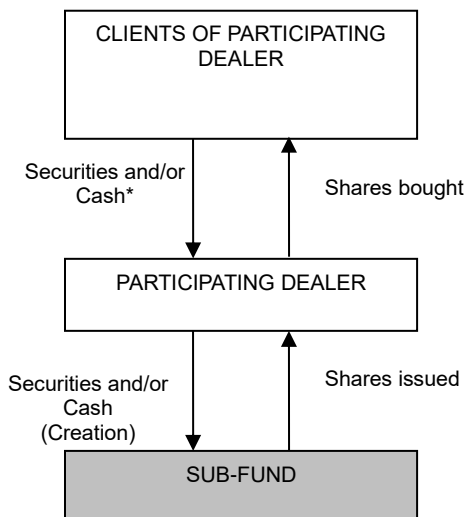
"After Listing" commences on the Listing Date and continues until the relevant Sub-Fund is terminated.

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

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

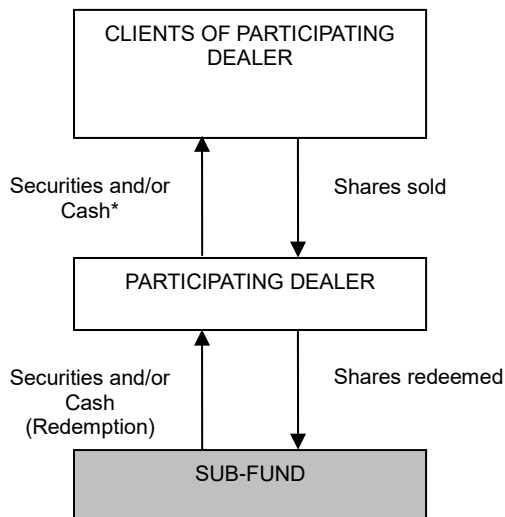
The diagrams below illustrate the creation or redemption and the buying or selling of Shares:

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



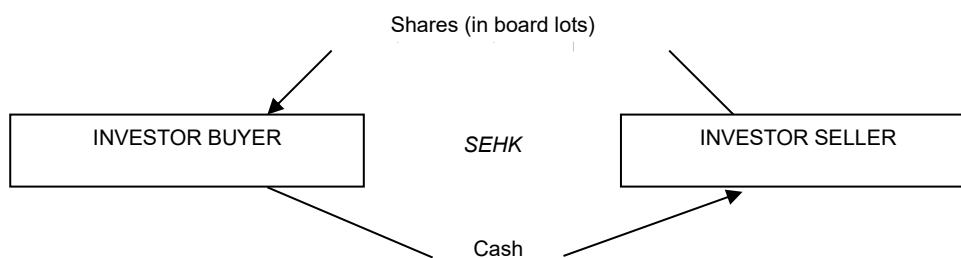
\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.

(b) Redemption and selling of Shares in the primary market – After Listing



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

(c) Buying or selling of Shares in the secondary market on the SEHK – After Listing



**Summary of Offering Methods and Related Fees**

*Initial Offer Period*

<b>Method of Offering*</b>	<b>Minimum Number of Shares (or multiple thereof)</b>	<b>Channel</b>	<b>Available to</b>	<b>Consideration, Fees and Charges**</b>
Cash creation	Application Share size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges
In-kind creation	Application Share size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of Securities Cash component Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges

After Listing

<b>Method of Acquisition or Disposal of Shares*</b>	<b>Minimum Number of Shares (or multiple thereof)</b>	<b>Channel</b>	<b>Available to</b>	<b>Consideration, Fees and Charges**</b>
Purchase and sale in cash through brokers on the SEHK (secondary market)	Board lot size (see relevant Appendix)	On the SEHK	Any investor	Market price of Shares on SEHK Brokerage fees and Duties and Charges
Cash creation and redemption	Application Share size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges
In-kind creation and redemption	Application Share size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of Securities Cash component Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges

\* The methods of creation available to the Participating Dealers in respect of each Sub-Fund, whether in-kind or in cash, are specified in the relevant Appendix.

\*\* Please refer to "Fees and Expenses" for further details. The currency for payment of subscription monies is specified in the relevant Appendix.

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

### **Investment Objective**

A Sub-Fund may be an Index Tracking Sub-Fund or an actively managed Sub-Fund.

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

The investment objective of each actively managed Sub-Fund is set out in the relevant Appendix.

### **Investment Strategy**

The investment strategy of each Sub-Fund is stated in the relevant Appendix.

#### **Index Tracking Sub-Funds**

Each Index Tracking Sub-Fund will adopt either a replication or a representative sampling strategy.

#### *Replication Strategy*

Where an Index Tracking Sub-Fund adopts a replication strategy as its investment strategy, it will invest, directly in Securities that are included in the Index and/or indirectly through FDIs, in substantially all the Securities constituting the Index in substantially the same weightings (i.e. proportions) as these Securities have in the Index. When a Security ceases to be a constituent of the Index, rebalancing occurs which involves, among other things, selling the outgoing Security and potentially using the proceeds to invest in the incoming Security.

#### *Representative Sampling Strategy*

Where an Index Tracking Sub-Fund adopts a representative sampling strategy as its investment strategy, it will invest, directly in Securities that are included in the Index and/or indirectly through FDIs, in a representative sample of the Securities in the relevant Index that collectively reflects the investment characteristics of such Index and aims to replicate its performance. An Index Tracking Sub-Fund adopting a representative sampling strategy may or may not obtain exposure to all of the Securities that are included in the relevant Index, and may hold a portfolio of Securities (in case of direct investment for physical representative sampling strategy) and/or FDIs (in case of indirect investment for synthetic representative sampling strategy) which are not included in the Index, provided that these collectively feature a high correlation with the Index.

#### *Switching Between Strategies*

Whilst the replication strategy is likely to track the performance of the relevant Index more closely when compared to the representative sampling strategy, it may not be the most efficient way to do so. Also, it may not always be possible or it may be difficult to buy or hold certain Securities comprising the Index. The Manager may therefore, in the appropriate circumstances, choose to use a representative sampling strategy, having regard to the number of Securities constituting the Index, the liquidity of such Securities, any restrictions on the ownership of such Securities, the transaction expenses and other trading costs, and tax and other regulatory restrictions.

Investors should note that the Manager may switch between the above investment strategies, without prior notice to investors, in its absolute discretion as it believes appropriate in order to achieve the investment objective of the relevant Index Tracking Sub-Fund by tracking the relevant Index as closely (or efficiently) as possible for the benefit of investors.

In addition to the investment strategies set out above, an Index Tracking Sub-Fund may be launched with synthetic or futures-based strategies as described in the relevant Appendix for each such Index Tracking Sub-Fund.

#### Actively managed Sub-Funds

An actively managed Sub-Fund does not track an index. The Manager will actively manage the relevant Sub-Fund based on its investment strategy in seeking to achieve the investment objective of the Sub-Fund, as described in the relevant Appendix.

#### **Stock Connect**

The Stock Connect is a securities trading and clearing linked programme developed by the HKEX, the SSE, the SZSE and the CSDCC, with an aim to achieve mutual stock market access between Mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including a Sub-Fund), through their Hong Kong brokers and securities trading service companies (in Shanghai and Qianhai Shenzhen respectively) established by the SEHK and the HKSCC, are able to trade eligible securities listed on the SSE or the SZSE by routing orders to the SSE or the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through Mainland Chinese securities firms and securities trading service companies established by the SSE and the SZSE, are able to trade eligible securities listed on the SEHK by routing orders to the SEHK.

#### *Eligible Securities*

Initially, Hong Kong and overseas investors are only able to trade certain stocks and ETFs listed on the SSE market (the “SSE Securities”) and the SZSE market (the “SZSE Securities”). SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on the SEHK, except the following:

- a) SSE-listed shares which are not traded in RMB; and
- b) SSE-listed shares which are included in the “risk alert board”.

SZSE Securities include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A-Shares which have corresponding H shares listed on SEHK, except the following:

- a) SZSE-listed shares which are not traded in RMB; and
- b) SZSE-listed shares which are included in the “risk alert board”.

At the initial stage of Shenzhen-Hong Kong Stock Connect, shares listed on the ChiNext Board of SZSE under Northbound Trading Link will be limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares.

Hong Kong and overseas investors are able to trade eligible SSE-listed and SZSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound trading in Stock Connect. Regular reviews will be performed to determine the eligible ETFs for Northbound trading every six months.

It is expected that the list of eligible securities will be subject to review.

#### *Trading Day*

Investors (including a Sub-Fund) will only be allowed to trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

#### *Trading Quota*

Trading under the Stock Connect will be subject to a daily quota (“Daily Quota”), which will be separate for Northbound and Southbound trading, for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to any Sub-Fund and are utilised on a first-come-first-serve basis. The SEHK monitors the quota and publishes the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX’s website. The Daily Quota may change in future. The Manager will not notify investors in case of a change of quota.

#### *Settlement and Custody*

The HKSCC is responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors. Accordingly investors do not hold SSE Securities or SZSE Securities directly – these are held through their brokers’ or custodians’ accounts with CCASS.

#### *Corporate Actions and Shareholders’ Meetings*

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities or SZSE Securities held in its omnibus stock account in the CSDCC, the CSDCC as the share registrar for SSE or SZSE listed companies still treats the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities. The HKSCC will monitor the corporate actions affecting SSE Securities or SZSE Securities and keep the relevant CCASS participants informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

#### *Currency*

Hong Kong and overseas investors (including a Sub-Fund) will trade and settle SSE Securities and SZSE Securities in RMB only.

#### *Trading Fees and Taxes*

In addition to paying trading fees and stamp duties in connection with A-Share trading, a Sub-Fund may be subject to other fees and taxes concerned with income arising from stock transfers which are determined by the relevant authorities.

#### *Coverage of Investor Compensation Fund*

Since a Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, such trading is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in Mainland China.

Further information about the Stock Connect is available at the website: [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm).

### **Investment Restrictions**

Unless otherwise specifically provided for in the relevant Appendix, the investment restrictions applicable to each Sub-Fund (that are included in the Instrument) are summarised below:

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following may not exceed 10% of the total Net Asset Value of such Sub-Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the UT Code in respect of an Index Tracking Sub-Fund:
  - (1) investments in Securities issued by such entity;
  - (2) exposure to such entity through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;
- (b) subject to (a) above and Chapter 7.28(c) of the UT Code and unless otherwise approved by the SFC, the aggregate value of a Sub-Fund's investments in, or exposure to, Entities within the Same Group through the following may not exceed 20% of the total Net Asset Value of the Sub-Fund:
  - (1) investments in Securities issued by such entities;
  - (2) exposure to such entities through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;
- (c) unless otherwise approved by the SFC, the value of a Sub-Fund's cash deposits made with the same entity or Entities within the Same Group may not exceed 20% of the total Net Asset Value of the Sub-Fund, unless:
  - (1) the cash is held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested, or
  - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interest of investors; or
  - (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;

For the purpose of this sub-paragraph (c), cash deposits generally refer to those that are repayable on demand or have the right to be withdrawn by a Sub-Fund and not referable to provision of property or services.

- (d) ordinary shares issued by any single entity held for the account of a Sub-Fund, when aggregated with other holdings of ordinary shares of the same entity held for the account of all other Sub-Funds under the Company collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;
- (e) not more than 15% of the total Net Asset Value of a Sub-Fund may be invested in Securities and other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such Securities are regularly traded;
- (f) notwithstanding (a), (b), (d) and (e), where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:



- (1) the underlying investments of the subsidiary, together with the direct investments made by the Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the UT Code;
  - (2) any increase in the overall fees and charges directly or indirectly borne by the Shareholders or the Sub-Fund as a result must be clearly disclosed in the Prospectus; and
  - (3) the Sub-Fund must produce the financial reports as required under 5.10(b) of the UT Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund;
- (g) notwithstanding (a), (b) and (d), not more than 30% of the total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue except, for an Index Tracking Sub-Fund, such limit may be exceeded with the approval of the SFC;
- (h) subject to (f)(g), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the SFC, an Index Tracking Sub-Fund which has been authorised by the SFC as an index fund may exceed the 30% limit in (g) and may invest all of its assets in Government and other Public Securities in any number of different issues;
- (i) unless otherwise approved by the SFC, a Sub-Fund may not invest in physical commodities;
- (j) for the avoidance of doubt, exchange traded funds that are:
- (1) authorised by the SFC under Chapter 8.6 or 8.10 of the UT Code; or
  - (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the UT Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the UT Code,

may either be considered and treated as (i) listed Securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in paragraph (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and the relevant investment limits in exchange traded funds by a Sub-Fund should be consistently applied and clearly disclosed in this Prospectus;

- (k) where a Sub-Fund invests in shares or units of other collective investment schemes ("**underlying schemes**"),
- (1) the value of such Sub-Fund's investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC, may not in aggregate exceed 10% of the total Net Asset Value of the Sub-Fund; and
  - (2) such Sub-Fund may invest in one or more underlying schemes which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Sub-Fund's investment in units or shares in each such underlying scheme may not exceed 30% of the total Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Prospectus of the Sub-Fund,

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

- (i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the UT Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the UT Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the UT Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the UT Code (except for hedge funds under Chapter 8.7 of the UT Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the UT Code) does not exceed 100% of its total net asset value, and exchange traded funds satisfying the requirements in paragraph (j) above in compliance with paragraph (k)(1) and (k)(2);
  - (ii) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;
  - (iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
- (3) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and
- (4) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) a Sub-Fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme and may be authorised as a feeder fund by the SFC. In this case:
- (1) the underlying scheme ("**master fund**") must be authorised by the SFC;
  - (2) the relevant Appendix must state that:
    - (i) the Sub-Fund is a feeder fund into the master fund;
    - (ii) for the purpose of complying with the investment restrictions, the Sub-Fund and its master fund will be deemed a single entity;
    - (iii) the Sub-Fund's annual report must include the investment portfolio of the master fund as at the financial year end date; and
    - (iv) the aggregate amount of all the fees and charges of the Sub-Fund and its master fund must be clearly disclosed;
  - (3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, the Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Shareholders or by the Sub-Fund may result, if the master fund in which the Sub-Fund invests is managed by the Manager or by its Connected Person; and
  - (4) notwithstanding paragraph (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and

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

### **Investment Prohibitions**

A Sub-Fund shall not:

- (a) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (b) invest in any type of real estate (including buildings) or interests in real estate, including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs) and in the case of investments in such shares and REITs, they shall comply with the investment restrictions and limitations set out in sub-paragraphs (a), (b), (d), (e) and (k) under the section entitled "Investment Restrictions" above where applicable;
- (c) make short sales if as a result a Sub-Fund would be required to deliver Securities exceeding 10% of the total Net Asset Value of the Sub-Fund (for this purpose Securities sold short must be actively traded on a market where short selling is permitted, and for the avoidance of doubt, a Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations);
- (d) lend or make a loan out of the assets of a Sub-Fund, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (e) subject to Chapter 7.3 of the UT Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the UT Code;
- (f) enter into any obligation in respect of a Sub-Fund or acquire any asset or engage in any transaction for the account of a Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Shareholders is limited to their investment in the relevant Sub-Fund; or
- (g) apply any part of a Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs).

*Note:* The investment restrictions set out above apply to each Sub-Fund, subject to the following in relation to an Index Tracking Sub-Fund: A collective investment scheme authorised by the SFC under the UT Code is usually restricted from making investments which would result in the value of that collective investment scheme's holdings of the Securities of any single entity exceeding 10% of the collective investment scheme's total net asset value. Given the investment objective of each Index Tracking Sub-Fund and nature of the relevant Index, an Index Tracking Sub-Fund is allowed under Chapter 8.6(h) of the UT Code to hold investments in constituent Securities of any single entity exceeding 10% of the relevant Index Tracking Sub-Fund's latest available Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Index Tracking Sub-Fund's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a

result of changes in the composition of the Index and the excess is only transitional and temporary in nature. However, the Manager may cause an Index-Tracking Sub-Fund to deviate from the Index weighting (in pursuing a representative sampling strategy) under Chapter 8.6(h)(a) of the UT Code on the condition that (i) the representative sampling strategy must be clearly disclosed in this Prospectus, (ii) the excess of weightings of the constituent Securities held by the Index Tracking Sub-Fund over the weightings in the Index must be caused by the implementation of the representative sampling strategy and (iii) the maximum deviation from the index weighting of any constituent will not exceed the percentage as determined by the Manager after consultation with the SFC, as disclosed in the relevant Appendix. In determining this limit, the relevant Index Tracking Sub-Fund must consider the characteristics of the underlying constituent Securities, their weightings and the investment objectives of the index and any other suitable factors. The Manager shall report to the SFC on a timely basis if there is any non-compliance with this limit. The annual and interim financial statements of the relevant Index Tracking Sub-Fund shall also disclose whether or not such limit has been complied with during such period and account for any non-compliance in those reports.

### **Securities Financing Transactions**

Where indicated in the relevant Appendix, a Sub-Fund may enter into securities lending transactions, sale and repurchase transactions and reverse repurchase transactions or other similar over-the-counter transactions (“securities financing transactions”), provided that they are in the best interests of the Shareholders, the associated risks have been properly mitigated and addressed, and the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

A Sub-Fund which engages in securities financing transactions is subject to the following requirements:

- (a) it shall have at least 100% collateralisation in respect of the securities financing transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;
- (b) all the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions to the extent permitted by applicable legal and regulatory requirements, shall be returned to the Sub-Fund;
- (c) it shall ensure that it is able to at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the securities financing transactions or terminate the securities financing transactions into which it has entered.

Further, details of the arrangements are as follows:

- (a) each counterparty for such transactions will be independent counterparties approved by the Manager with credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies) or which are corporations licensed by the SFC or are registered institutions with the Hong Kong Monetary Authority;
- (b) the Custodian, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under “Collateral” below;
- (c) the maximum and expected level of a Sub-Fund's assets available for these transactions will be as set out in the relevant Appendix; and
- (d) where any securities financing transaction has been arranged through the Custodian or a Connected Person of the Custodian or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement.

## Borrowing

Subject always to the provisions of the Instrument and the UT Code, borrowing against the assets of each Sub-Fund is allowed up to a maximum of 10% of its total Net Asset Value. For this purpose, back-to-back loans do not count as borrowing. Where the Manager so determines, a Sub-Fund's permitted borrowing level may be a lower percentage as set out in the relevant Appendix. The Company may borrow for the account of a Sub-Fund any currency, and charge or pledge assets of that Sub-Fund for securing such borrowing for the account of that Sub-Fund, and interest thereon and expenses thereof, for the following purposes:

- (a) facilitating the creation or redemption of Shares or defraying operating expenses;
- (b) enabling the Manager to acquire Securities for the account of such Sub-Fund; or
- (c) for any other proper purpose as may be agreed by the Manager from time to time, except to enhance the performance of any Sub-Fund.

## Financial Derivative Instruments

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

Where specified in the relevant Appendix, a Sub-Fund may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purpose if they meet all of the following criteria:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

Where specified in the relevant Appendix, a Sub-Fund may acquire FDIs for non-hedging purposes ("**investment purposes**"), subject to the limit that the Sub-Fund's net exposure relating to these FDIs ("**net derivative exposure**") does not exceed 50% of its total Net Asset Value (unless otherwise approved by the SFC for a Sub-Fund pursuant to Chapter 8.8 or Chapter 8.9 of the UT Code). For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the position;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and
- (c) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

Subject to Chapter 7.26 and 7.28 of the UT Code, a Sub-Fund may invest in FDIs provided that the exposure to the underlying assets of the FDI, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to

such underlying assets and investments as set out in the relevant provisions of Chapter 7 of the UT Code.

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

- (a) the underlying assets consist solely of shares in companies, debt Securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies;
- (b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions;
- (c) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, the net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the Net Asset Value of the Sub-Fund; and
- (d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager, the Custodian or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

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

- in the case of FDI transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- in the case of FDI transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation. Where it is holding alternative assets as cover, the Sub-Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embed financial derivatives as well.

### **Collateral**

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid market place with transparent pricing;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut – collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. For the avoidance of doubt the price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or Entities within the Same Group and a Sub-Fund’s exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapter 7 of the UT Code;
- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs in such a way that would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or any of their related entities should not be used as collateral;
- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Custodian;
- Enforceability – collateral must be readily accessible/enforceable by the Custodian without further recourse to the issuer of the FDIs;
- Cash collateral – any re-investment of cash collateral received for the account of the Sub-Fund shall be subject to the following requirements:
  - (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the UT Code. For this purpose, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account.
  - (ii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapter 8.2(f) and (n) of the UT Code;
  - (iii) cash collateral received is not allowed to be further engaged in any securities financing transactions; and

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

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

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

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

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, stocks, funds and money market instruments;
- no maturity constraints will apply to the collateral received;
- collateral must have an investment grade rating (e.g. BBB- or higher by Moody's or Standard & Poor's or equivalent);
- regular stress tests are carried out under normal and exceptional liquidity conditions to enable adequate assessment of the liquidity risks of the collateral received;
- the issuer is expected to have a minimum credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies) or be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions;
- the Manager's haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility of the collateral and the results of any stress tests which may be performed in accordance with the collateral policy. Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the Manager's intention that any collateral received shall have a value (adjusted in light of the haircut policy) which equals or exceeds the relevant counterparty exposure where appropriate;
- the collateral should be sufficiently diversified in terms of country, markets and issuers with a limit to the maximum exposure to each given issuer. Where a Sub-Fund has exposure to different counterparties, different baskets of collateral (provided by different counterparties) will be aggregated to determine the Sub-Fund's exposure to a single issuer;
- the issuer of collateral will be independent from the counterparty of the relevant transaction and is expected not to display a high correlation with the creditworthiness of the relevant counterparty;
- collateral must be readily enforceable by the Custodian and may be subject to netting or set-off; and
- cash collateral may be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code. Otherwise, cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Manager and notified to investors.



A description of holdings of collateral (including a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Sub-Fund's annual and interim financial reports for the relevant period.

If any of the restrictions or limitations set out above is breached in respect of a Sub-Fund, the Manager will make it a priority objective to take all necessary steps within a reasonable period of time to remedy such breach, taking into account the interests of the Shareholders of that Sub-Fund.

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

## **THE OFFSHORE RMB MARKET**

### **What led to RMB internationalisation?**

RMB is the lawful currency of Mainland China. RMB is not a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Mainland Chinese government. Since July 2005, the Mainland Chinese government began to implement a controlled floating exchange rate system based on the supply and demand in the market and adjusted with reference to a portfolio of currencies. The exchange rate of RMB is no longer pegged to USD, resulting in a more flexible RMB exchange rate system.

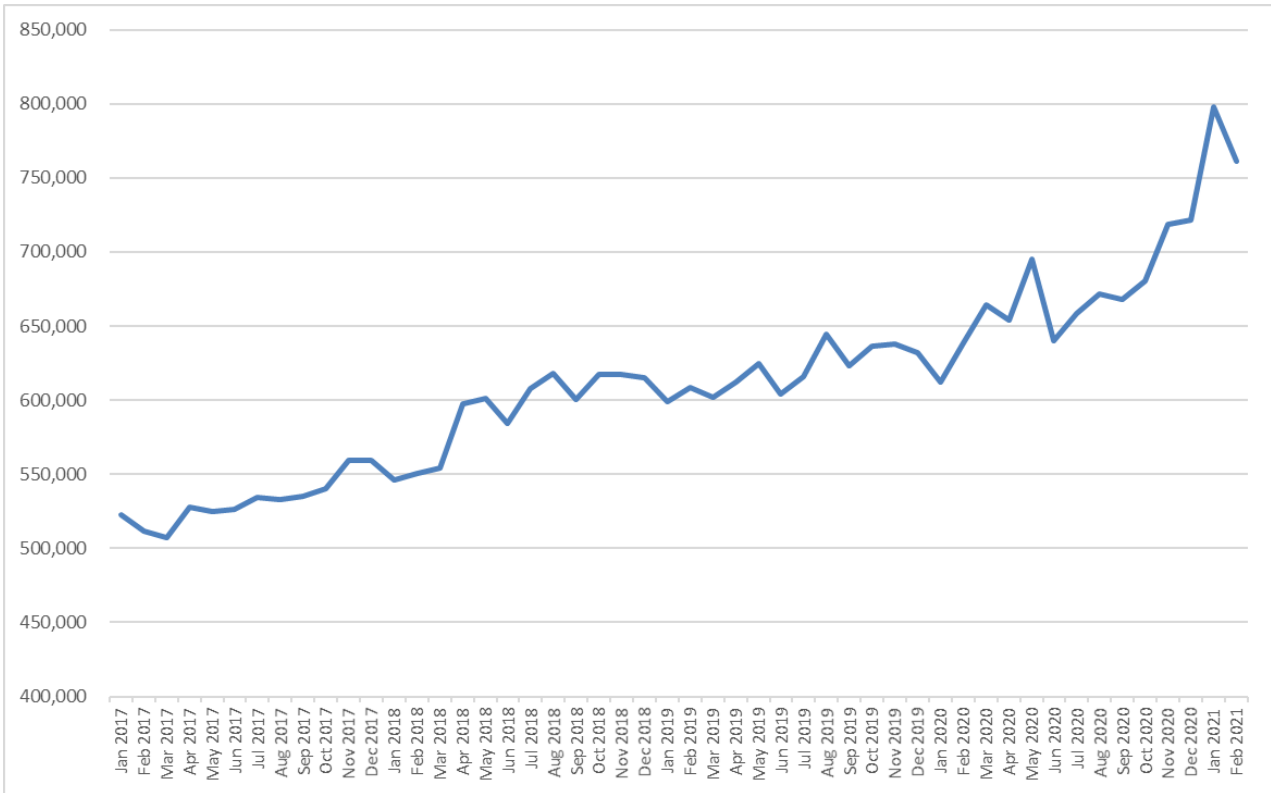
Over the past decade, Mainland China's economy grew rapidly at an average annual rate of 7.95% in real terms. This enables it to overtake Japan to become the second largest economy and trading country in the world. As Mainland China's economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

### **Accelerating the pace of the RMB internationalisation**

Mainland China has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed Mainland Chinese financial institutions to issue RMB bonds in Hong Kong. As of the end of February 2021, there are 142 authorised institutions in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB761 billion, as compared to just RMB63 billion in 2009.

The pace of RMB internationalisation has accelerated since 2009 when the Mainland Chinese authorities permitted cross-border trade between Hong Kong / Macau and Shanghai/four Guangdong cities, and between ASEAN and Yunnan/Guangxi, to be settled in RMB. In June 2010, the arrangement was expanded to 20 provinces / municipalities on Mainland China and to all countries / regions overseas. In 2018, about RMB4.21 trillion worth of cross-border trade was settled in Hong Kong using RMB.

RMB deposits in Hong Kong (in RMB million)



Data source: HKMA, as of end of February 2021

Remittances for RMB cross-border trade settlement (in RMB billion)



Data source: Bloomberg, as of end of March 2021

## **Onshore versus offshore RMB market**

Following a series of policies introduced by the Mainland Chinese authorities, an RMB market outside Mainland China has gradually developed and started to expand rapidly since 2009. RMB traded outside Mainland China is often referred as “offshore RMB” with the denotation “CNH”, which distinguishes it from the “onshore RMB” or “CNY”.

Both onshore and offshore RMB are the same currency but are traded in different markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relative strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

Notwithstanding that the offshore RMB market showed a meaningful growth during recent years, it is still at an early stage of the development and is relatively sensitive to negative factors or market uncertainties. For instance, the value of offshore RMB slumped from RMB6.4 to RMB6.6 per USD in June 2018 amid soft economic data from Mainland China and escalated trade tensions between Mainland China and the United States. In general, the offshore RMB market is more volatile than the onshore one due to its relatively thin liquidity.

There have been talks on the potential convergence of the two RMB markets but that is believed to be driven by political decisions rather than just economics. It is widely expected that the onshore and offshore RMB markets would remain two segregated, but highly related, markets for the next few years.

## **Recent measures**

On 19 July 2010, restrictions on interbank transfer of RMB funds were lifted, and permission was granted for companies in Hong Kong to exchange foreign currencies for RMB without limit. One month later, the Mainland Chinese authorities announced the partial opening up of Mainland China’s interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. Also the Mainland Chinese government has given approval for the first non-financial Mainland Chinese firm to issue RMB-denominated bonds in Hong Kong.

The Shanghai-Hong Kong Stock Connect was launched in November 2014. It is a mutual market access programme that allows investment in eligible Shanghai-listed shares through the SEHK and eligible Hong Kong-listed shares through the SSE. The Shenzhen-Hong Kong Stock Connect (which was launched in December 2016) is also a mutual market access programme that allows investment in eligible Shenzhen-listed shares through the SEHK and eligible Hong Kong-listed shares through the SZSE.

## **RMB internationalisation is a long-term goal**

Given Mainland China’s economic size and growing influence, RMB has the potential to become an international currency in the same rank as USD and Euro. But Mainland China has to first accelerate the development of its financial markets and gradually make RMB fully convertible on the capital account. Although the internationalisation of RMB will bring benefits such as increasing political influence and reduced exchange rate risks, it also entails risks including rising volatility of RMB exchange rate.

The process of RMB internationalisation is a long and gradual one. It took USD many decades to replace the British pound sterling to become a dominant reserve currency. It will also take time for RMB to gain importance in coming years. RMB will not be in a position to challenge the USD's main reserve currency status for some time to come.

## THE A-SHARE MARKET

### Introduction

Mainland China's A-Share market commenced in 1990 with 2 exchanges.

The SSE was established on 26 November 1990 and stocks are further divided into class A-Shares and class B-Shares, with access to A-Shares limited to domestic investors as well as QFIIs and RQFIIs or through Stock Connect only while B-Shares available to both domestic and foreign investors. Bonds traded on the SSE include treasury bonds (T-bonds), local government bonds, corporate bonds (including those approved by the State Development and Reform Commission), corporate bonds with detachable warrants, and convertible corporate bonds. In addition, securities investment funds (including exchange traded funds) and warrants are available for trading on the SSE. As of 30 April 2021, there are 1,922 companies listed on the SSE with total market capitalisation of RMB45.76 trillion.

The SZSE was founded on 1 December 1990 stocks are further divided into class A-Shares and class B-Shares, with access to A-Shares limited to domestic investors as well as QFIIs and RQFIIs or through Stock Connect only while B-Shares available to both domestic and foreign investors. As of 30 April 2021 there are 2,479 listed companies, 1,512 of which are listed on the SZSE main board with total market capitalisation of RMB23.28 trillion, and 947 of which are listed on the ChiNext (the board mainly for "hi-tech" companies) with total market capitalisation of RMB11.28 trillion. The SZSE's products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds and listed open ended funds), fixed income products (including SME collective bonds and asset-backed securities), and diversified derivative financial products (including warrants and repurchases).

The A-Shares market has grown significantly in the past 20 years, with the latest total market capitalisation reaching RMB76.98 trillion comprising 4,124 A-Shares listed companies by 15 December 2020.

In terms of investor breakdown, there is an increasing number of institutional investors participating in the A-Share market since the inception, which include securities investment funds, social pension funds, qualified foreign institutional investors and insurance companies, ordinary investment institutions. However, on a daily basis, retail investors still make up for the majority of the trading volume.

### Development of the A-Share market

The A-Share market's development is illustrated in the following charts:

### Shanghai Composite, and Shenzhen Composite Index price and CSI 300 Index price

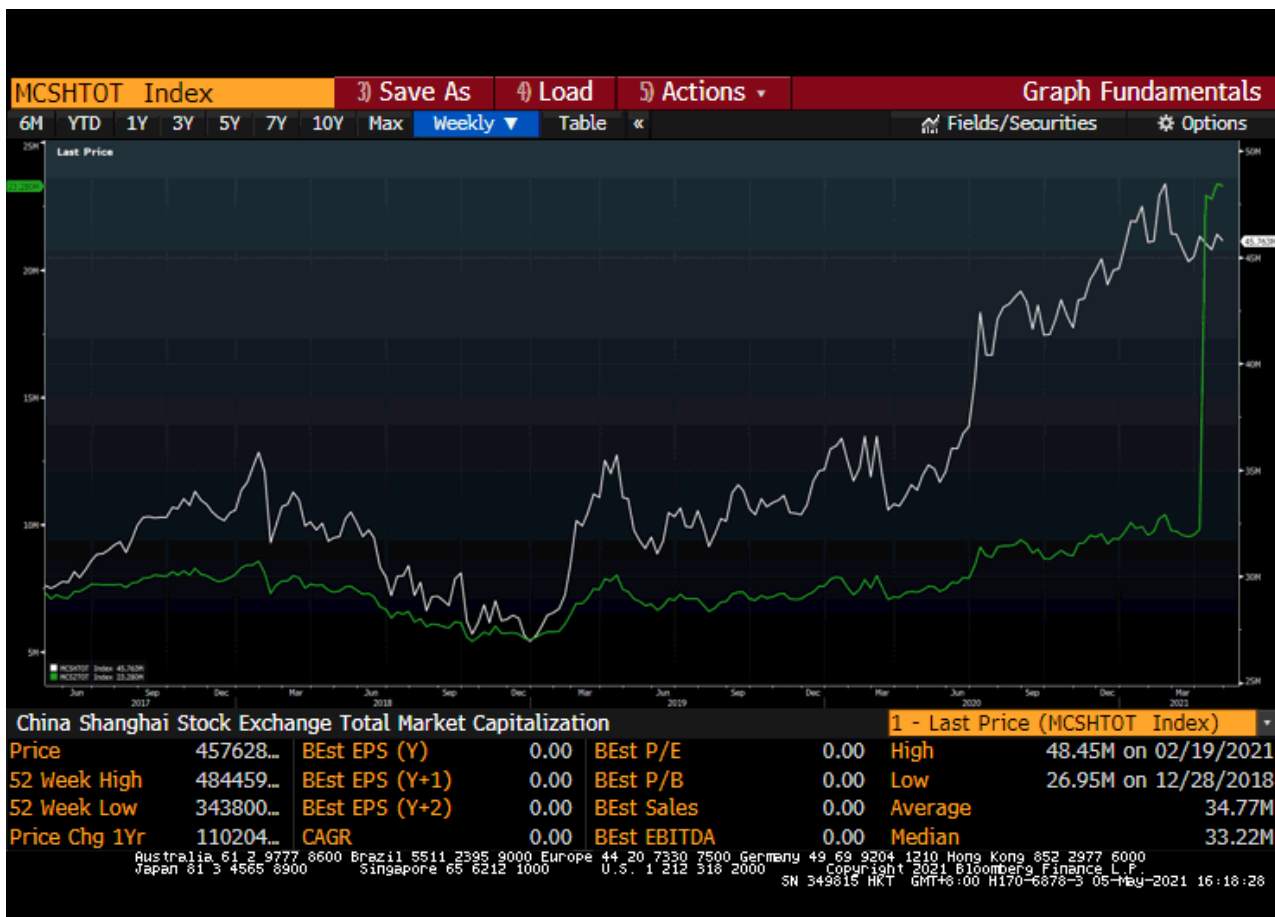


Data source: Bloomberg as of 5 May 2021

Note: SHCOMP Index represents the Shanghai Stock Exchange Composite Index, SZCOMP Index represents the Shenzhen Stock Exchange Composite Index and SHSZ300 Index represents the CSI 300 Index

### Total market capitalisation of both SSE and SZSE – Main Board

MCSHTOT Index (SSE Total Market Capitalization, white line)  
MCSZTOT Index (SZSE Total Market Capitalization, green line)\*



Data source: Bloomberg as of 5 May 2021

\*SZSE SME Board and Main Board merged in 6 April 2021

### Trading volumes of SSE and SZSE



Data source: Bloomberg as of 5 May 2021

Note: The white line represents Shanghai Composite Index and the green line represents Shenzhen Composite Index



## Differences with the Hong Kong market

The major differences between the A-Share market and the Hong Kong market are set out in the table below:

	Mainland China	Hong Kong
<b>Key indexes</b>	SSE Composite Index (SHCOMP) / CSI 300 Index (CSI 300) / SZSE Component Index (SZCOMP)	Hang Seng Index (HSI) / Hang Seng China enterprises Index (HSCEI)
<b>Trading band limits</b>	10% for ordinary stocks / 5% for ST/S stocks*	No Limit
<b>Trading lots</b>	100 shares for BUY / 1 share for SELL**	Each stock has its own individual board lot size (an online broker will usually display this along with the stock price when you get a quote); purchases in amounts which are not multiples of the board lot size are done in a separate "odd lot market".
<b>Trading hours</b>	pre-open: 0915-0925 morning session: 0930-1130 afternoon session: 1300-1500 (1457-1500 is closing auction for the SZSE)	pre-open order input: 0900-0915 pre-order matching: 0915-0920 order matching: 0920-0928 morning session: 0930-1200 afternoon session: 1300-1600 closing auction session: 1600 to a random closing between 1608 and 1610
<b>Settlement</b>	T+1	T+2
<b>Reporting requirements</b>	Annual report: <ul style="list-style-type: none"> <li>Full annual report must be disclosed within 4 months after the reporting period.</li> </ul> Interim report: <ul style="list-style-type: none"> <li>Full report must be disclosed within 2 months after the reporting period.</li> </ul> Quarterly report: <ul style="list-style-type: none"> <li>Full report must be disclosed within 1 month after the reporting period. The first quarterly report cannot be disclosed before last year's annual report.</li> </ul>	Annual report: <ul style="list-style-type: none"> <li>Earnings must be disclosed within 3 months after the reporting period;</li> <li>Full annual report must be disclosed within 4 months after the reporting period.</li> </ul> Interim report: <ul style="list-style-type: none"> <li>Earnings must be disclosed within 2 months after the reporting period;</li> <li>Full report must be disclosed within 3 months after the reporting period.</li> </ul>

Note:

\* 1) ST stocks refer to special treatment stocks, which means special treatment for companies with financial problems (consecutive 2 fiscal years loss or audited net assets per share less than par value in the most recent fiscal year), effective from 22 April 1998. Stocks with ST usually means they have a delisting risk.

2) S stocks refer to those stocks which have not yet performed the "split share structure reform".

\*\* Purchasing in an odd lot is not allowed while selling in an odd lot is allowed in the A-Share market, with no price difference between odd lot and round lot trading.

## CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

### Investment in a Sub-Fund

There are 2 methods of making an investment in a Sub-Fund and of disposing of Shares to realise an investment in a Sub-Fund.

The first method is to create Shares at the Issue Price or redeem Shares at the Redemption Value directly with the Sub-Fund in the primary market through a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the relevant Sub-Fund. Where a Sub-Fund has a Multi-Counter, although a Participating Dealer may, subject to arrangement with the Manager, elect to CCASS to have Shares which it creates deposited in any available counter, all creation and redemption for all Shares must be in the base currency of that Sub-Fund. Because of the size of the capital investment (i.e. Application Share size) required either to create or redeem Shares through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals. Participating Dealers are under no obligations to create or redeem Shares for their clients and may impose terms, including charges, for handling creation or redemption orders as they determine appropriate, as described in more detail in this section.

The second method is to buy or to sell Shares in the secondary market on the SEHK which is more suitable for retail investors. The secondary market price of Shares may trade at a premium or discount to the Net Asset Value of the relevant Sub-Fund.

This section of this Prospectus describes the first method of investment and should be read in conjunction with the Participation Agreement and the Instrument. The section on "Exchange Listing and Trading (Secondary Market)" relates to the second method of investment.

### Creation of Shares Through Participating Dealers

Any application for the creation of Shares of a Sub-Fund must only be made through a Participating Dealer in respect of an Application Share size or whole multiple thereof as set out in the "Key Information" section. Investors cannot acquire Shares directly from a Sub-Fund. Only Participating Dealers may submit Creation Applications to the Company and the Manager (with a copy to the Custodian).

Shares in each Sub-Fund are continuously offered through a Participating Dealer, who may apply for them on any Dealing Day for its own account or for your account as their client(s), in accordance with the Operating Guidelines, by submitting a Creation Application to the Company and the Manager (with a copy to the Custodian).

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

- (a) any period during which (i) the creation or issue of Shares of the relevant Sub-Fund, (ii) the redemption of Shares of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to (i) for an Index Tracking Sub-Fund, any of the Securities in the relevant Index or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (c) where acceptance of the creation request or any Security in connection with such creation request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements; or

- (d) circumstances outside the control of the Participating Dealer which make it for all practicable purposes impossible to process the creation request.

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

The methods and currency of creation available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the creation of Shares in exchange for a transfer of Securities) or in cash or both in-kind and in cash, are specified in the relevant Appendix. A Participating Dealer may in its absolute discretion require a creation request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Creation Application be effected in a particular method. Specifically, the Manager has the right to (a) accept cash equal to or in excess of the market value at the Valuation Point for the relevant Dealing Day of such Security in lieu of accepting such Security as constituting part of the Creation Application; or (b) accept cash collateral on such terms as it determines if (i) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery to the Custodian in connection with the Creation Application; or (ii) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

A Participating Dealer may impose fees and charges in handling any creation request which would increase the cost of investment. Investors are advised to check with the Participating Dealer as to relevant fees and charges. Although the Manager has a duty to monitor the operations of each Sub-Fund closely, neither the Company, the Manager nor the Custodian is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Company, the Manager or the Custodian or to accept any such creation requests received from clients.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any creation request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Creation Application in respect of a Sub-Fund can be submitted by it to the Company and the Manager (with a copy to the Custodian). Investors are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

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

#### *Creation Process*

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

If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The current Dealing Deadline After Listing on the relevant Dealing Day is specified in the relevant Appendix, or such other time as the Manager may determine in consultation with the Custodian on any day when the trading hours of the SEHK, the Recognised Futures Exchange or the Recognised Stock Exchange are reduced. To be effective, a Creation Application must:

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

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

The Company shall have the right to reject, acting in good faith, any Creation Application under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Shares of the relevant Sub-Fund, (ii) the redemption of Shares of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the Creation Application would have an adverse effect on the relevant Sub-Fund;
- (c) where, if relevant to a Sub-Fund, in the opinion of the Manager, acceptance of the Creation Application would have a material impact on the relevant market on which (i) for an Index Tracking Sub-Fund, a Security that is a component of the Index of the relevant Index Tracking Sub-Fund, or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund, has its primary listing;
- (d) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to (i) for an Index Tracking Sub-Fund, any of the Securities in the relevant Index, or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (e) where acceptance of the Creation Application would render the Company in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Company or the Manager necessary for compliance with applicable legal and regulatory requirements;
- (f) circumstances outside the control of the Company or the Manager which make it for all practicable purposes impossible to process the Creation Application;
- (g) any period when the business operations of the Company or any delegate of the Company in relation to the creation of Shares in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (h) an Insolvency Event occurs in respect of the relevant Participating Dealer.

In the event of such rejection, the Company shall notify the relevant Participating Dealer and the Custodian of its decision to reject such Creation Application in accordance with the Operating Guidelines. Where for any reason there is a limit to the number of Shares which can be created, priority will be given to Participating Dealers and the relevant Creation Applications as set out in the Operating Guidelines.

The Company's right to reject a Creation Application is separate and in addition to a Participating Dealer's right to reject, acting in good faith, any creation request received from a client of the Participating Dealer under exceptional circumstances. Notwithstanding a Participating Dealer has accepted creation requests from its clients and in that connection submitted an effective Creation Application, the Company may exercise its rights to reject such Creation Application in the circumstances described herein.

Where the Company accepts a Creation Application from a Participating Dealer, it shall instruct the Custodian and Registrar to effect (i) for the account of the Sub-Fund, the creation of Shares in Application Share size in exchange for a transfer of cash and/or Securities (at the discretion of the Participating Dealer but subject to the Manager's agreement); and (ii) the issue of Shares to the Participating Dealer, both in accordance with the Operating Guidelines and the Instrument.

#### *Issue of Shares*

Shares will be issued at the Issue Price prevailing on the relevant Dealing Day, provided that there may be added to such Issue Price such sum (if any) as represents an appropriate provision for Duties and Charges. Please refer to the section on "Issue Price and Redemption Value" for the calculation of the Issue Price.

On receipt of a Creation Application by a Participating Dealer for Shares in a Sub-Fund during the relevant Initial Offer Period, the Company shall procure the creation and issue of Shares in that Sub-Fund on the relevant Initial Issue Date.

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

The creation and issue of Shares pursuant to a Creation Application shall be effected on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Shares shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on the relevant Settlement Day or the Dealing Day immediately following the Settlement Day if the settlement period is extended. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application.

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

#### *Fees Relating to Creation Applications*

The Conversion Agent, the Service Agent, the Registrar and/or the Custodian may charge a Transaction Fee in respect of Creation Applications and may on any day vary the rate of the Transaction Fee they charge (but not as between different Participating Dealers in respect of the same Sub-Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Shares. See the section on "Fees and Expenses" for further details.

In relation to cash creation of Shares, the Company reserves the right to require the Participating Dealer to pay or cause to be paid an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

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

#### **Cancellation of Creation Applications**

A Creation Application once submitted cannot be revoked or withdrawn without the consent of the Company.

The Company may cancel a creation order in respect of any Shares deemed created pursuant to a Creation Application if it has not received good title to all Securities and/or cash (including Transaction Fees, Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Company may at its discretion, (i) extend the settlement period (either for the Creation Application as a whole or for a particular Security) such extension to be on such terms and conditions (including as to the payment of an Extension Fee or otherwise as the Company may determine) as the Directors may determine and in accordance with the provisions of the Operating Guidelines; or (ii) partially settle the Creation Application to the extent to which Securities and/or cash has been vested in the Sub-Fund, on such terms and conditions as the Directors determine including terms as to any extension of the settlement period for the outstanding Securities, futures contracts or cash.

In addition to the preceding circumstances, the Company may also cancel any creation order of any Shares if it determines by such time as it specifies in the Operating Guidelines that it is unable to invest the cash proceeds of any Creation Application.

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

- (a) the Custodian may charge the relevant Participating Dealer an application cancellation fee (see the section on "Fees and Expenses" for further details);
- (b) the Company may at its discretion require the Participating Dealer to pay to the Company, for the account of the Sub-Fund, in respect of each Share so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Share exceeds the Redemption Value which would have applied in relation to each such Share if the Participating Dealer had, on the date on which such Shares are cancelled, made a Redemption Application, together with charges, expenses and losses incurred by the Sub-Fund as a result of such cancellation;
- (c) the Transaction Fee in respect of such Creation Application shall remain due and payable (notwithstanding that the Creation Application shall be deemed to never have been made) and once paid shall be retained by and for the benefit of the Company, the Custodian, the Registrar, the Conversion Agent and/or the Service Agent (see the section on "Fees and Expenses" for further details); and
- (d) no previous valuations of the Scheme Property shall be re-opened or invalidated as a result of the cancellation of such Shares.

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

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

A Participating Dealer may redeem Shares on any Dealing Day for its own account or for the account of its clients in accordance with the Operating Guidelines, by submitting a Redemption Application to the Company and the Manager (with a copy to the Custodian).

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

- (a) any period during which (i) the creation or issue of Shares of the relevant Sub-Fund, (ii) the redemption of Shares of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to (i) for an Index Tracking Sub-Fund, any of the Securities in the relevant Index or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (c) where acceptance of the redemption request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements; or
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the redemption request.

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

The methods and currency of redemption available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the redemption of Shares in exchange for a transfer of Securities plus any cash amount) or in cash only, are as set out in the relevant Appendix. A Participating Dealer may in its absolute discretion require a redemption request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Redemption Application be effected in a particular method. Specifically, the Manager has the right to instruct the Custodian to deliver cash equivalent of any Security in connection with the Redemption Application to the Participating Dealer if (a) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery in connection with the Redemption Application; or (b) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

A Participating Dealer may impose fees and charges in handling any redemption request which would increase the cost of investment and/or reduce the redemption proceeds. You are advised to check with the Participating Dealer as to relevant fees and charges. Although the Manager has a duty to monitor the operations of each Sub-Fund closely, neither the Manager nor the Custodian is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Custodian or to accept any such redemption requests received from clients. In addition, neither the Company nor the Manager can ensure effective arbitrage by a Participating Dealer.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any redemption request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Redemption Application in respect of a Sub-Fund can be submitted by it to the Company and the Manager (with a copy to the Custodian). You are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

#### *Redemption Process*

A Participating Dealer may from time to time submit Redemption Applications in respect of a Sub-Fund to the Company and the Manager (with a copy to the Custodian), following receipt of

redemption requests from clients or where it wishes to redeem Shares of the relevant Sub-Fund for its own account.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. The current Dealing Deadline After Listing on the relevant Dealing Day is specified in the relevant Appendix, or such other time as the Manager may determine in consultation with the Custodian on any day when the trading hours of the SEHK are reduced.

To be effective, a Redemption Application must:

- (a) be given by a Participating Dealer in accordance with the Instrument, the relevant Participation Agreement and the relevant Operating Guidelines;
- (b) specify the number of Shares and the class of Shares (where applicable) which is the subject of the Redemption Application; and
- (c) include the certifications required in the Participation Agreement and Operating Guidelines (if any) in respect of redemptions of Shares, together with such certifications and opinions of counsel (if any) as the Company may consider necessary to ensure compliance with applicable securities and other laws in relation to the redemption of Shares which are the subject of the Redemption Application.

The Company shall have the right to reject, acting in good faith, any Redemption Application under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Shares of the relevant Sub-Fund, (ii) the redemption of Shares of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the Redemption Application would have an adverse effect on the relevant Sub-Fund;
- (c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to (i) for an Index Tracking Sub-Fund, any of the Securities in the relevant Index or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (d) where acceptance of the Redemption Application would render the Company in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Company or the Manager necessary for compliance with applicable legal and regulatory requirements;
- (e) circumstances outside the control of the Company or the Manager make it for all practicable purposes impossible to process the Redemption Application; or
- (f) during any period the business operations of the Company or any delegate of the Company in relation to the redemption of Shares in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

In the event of such rejection, the Company shall notify the relevant Participating Dealer and the Custodian of its decision to reject such Redemption Application in accordance with the Operating Guidelines. Where for any reason there is a limit to the number of Shares that can be redeemed,



priority will be given to Participating Dealers and the relevant Redemption Applications as set out in the Operating Guidelines.

The Company's right to reject a Redemption Application is separate and in addition to a Participating Dealer's right to reject, acting in good faith, any redemption request received from a client under exceptional circumstances. Notwithstanding a Participating Dealer has accepted redemption requests from clients and in that connection submitted an effective Redemption Application, the Company may exercise its rights to reject such Redemption Application in the circumstances described herein.

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

The Participating Dealer will then transfer the Securities and/or cash to the relevant client if the Redemption Application was submitted by the Participating Dealer for the account of its client.

#### *Redemption of Shares*

Any accepted Redemption Application will be effected on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Company) has been received and provided further that the Company shall have received (unless otherwise provided in the Operating Guidelines) the full amount of any amount payable by the Participating Dealer including the Transaction Fee and any other Duties and Charges have been either deducted or otherwise paid in full.

For valuation purposes only, Shares shall be deemed to have been redeemed and cancelled after the Valuation Point on the Dealing Day on which the Redemption Application was received or deemed received. The name of the Shareholder of such Shares shall be removed from the Register in respect of those Shares redeemed and cancelled on the relevant Settlement Day.

The Redemption Value of Shares tendered for redemption and cancellation shall be the Net Asset Value per Share of a Sub-Fund on the relevant Dealing Day rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down). The benefit of any rounding adjustments will be retained by the Sub-Fund. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received.

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

The Company may at its discretion extend the settlement period upon receipt of the extended settlement request by a Participating Dealer in respect of the Redemption Application on such terms and conditions (including as to the payment of the Extension Fee or otherwise as the Company may determine) as the Manager and the Custodian may in their discretion determine, in accordance with the Operating Guidelines.

#### *Fees Relating to Redemption Applications*

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

Custodian, the Registrar, the Conversion Agent and/or the Service Agent. See the section on “Fees and Expenses” for further details.

In relation to cash redemption of Shares, notwithstanding the aforesaid regarding the redemption and cancellation of Shares based on Net Asset Value, the Participating Dealer may be required to pay an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

The Company may deduct from the redemption proceeds such sum (if any) as the Manager may consider represents an appropriate provision for the Transaction Fee and/or other Duties and Charges.

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

### **Cancellation of Redemption Applications**

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

No Security shall be transferred and/or no cash amount shall be paid in respect of any Redemption Application unless Shares, which are the subject of the Redemption Application, have been delivered to the Company free and clear of any Encumbrance for redemption by such time on the Settlement Day or other deadline set forth in the Instrument and/or Operational Guidelines as the Company shall for the time being prescribe for Redemption Applications generally.

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

- (a) the Custodian may charge the relevant Participating Dealer an application cancellation fee (see the section on “Fees and Expenses” for further details);
- (b) the Company may at its discretion require the Participating Dealer to pay to the Company, for the account of the relevant Sub-Fund, in respect of each Share so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Share is less than the Issue Price which would have applied in relation to each such Share if the Participating Dealer had, on the actual date when the Manager is able to repurchase any replacement Securities made a Creation Application in accordance with the provisions of the Instrument plus such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the Sub-Fund as a result of such cancellation;
- (c) the Transaction Fee in respect of such Redemption Application shall remain due and payable (notwithstanding that the Redemption Application shall be deemed to never have been made) and once paid, shall be retained by and for the benefit of the Company, the Custodian, the Registrar, the Conversion Agent and/or the Service Agent (see the section on “Fees and Expenses” for further details); and
- (d) no previous valuations of the Scheme Property shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

### **Deferred Redemption**

In the event that redemption requests are received for the redemption of Shares representing in aggregate more than 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund as permitted by the SFC) of the total number of Shares in a Sub-Fund then in issue,

the Company may reduce the requests rateably and pro rata amongst all Shareholders seeking to redeem Shares on the relevant Dealing Day and carry out only sufficient redemptions which, in aggregate, amount to 10% (or such higher percentage as the Manager may determine in respect of a Sub-Fund as permitted by the SFC) of the total number of Shares in the relevant Sub-Fund then in issue (as the case may be). Shares which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the relevant Sub-Fund themselves exceed 10% (or such higher percentage as the Manager may determine in respect of that Sub-Fund as permitted by the SFC) of the total number of Shares in the relevant Sub-Fund then in issue (as the case may be)) in priority to any other Shares in the relevant Sub-Fund for which redemption requests have been received. Shares will be redeemed at the Redemption Value prevailing on the Dealing Day on which they are redeemed.

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

The Company may at its discretion (in consultation with the Custodian and, in respect of redemptions, where practicable following consultation with the relevant Participating Dealers and having regard to the best interests of the Shareholders), suspend the creation or issue of Shares of any Sub-Fund, suspend the redemption of Shares of any Sub-Fund and/or (subject to all applicable legal or regulatory requirements where payment of redemption proceeds exceeds one calendar month) delay the payment of any monies and transfer of any Securities in respect of any Creation Application and/or Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK or any other Recognised Stock Exchange or Recognised Futures Exchange is restricted or suspended;
- (b) during any period when a market on which (i) for an Index Tracking Sub-Fund, a Security that is a component of the Index of the relevant Index Tracking Sub-Fund, or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund, has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (c) during any period when dealing on a market on which (i) for an Index Tracking Sub-Fund, a Security that is a component of the Index of the relevant Index Tracking Sub-Fund, or (ii) for a Sub-Fund that is not an Index Tracking Sub-Fund, a substantial part of the investments of the Sub-Fund, has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during the existence of any state of affairs as a result of which delivery or purchase of Securities, as appropriate or disposal of investments for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Shareholders of the relevant Sub-Fund;
- (f) in respect of an Index Tracking Sub-Fund only, during any period when the relevant Index for the relevant Index Tracking Sub-Fund is not compiled or published;
- (g) during any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Share of the relevant class or when for any other reason the value of any Securities or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (h) during any period when the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in the section on "Suspension of Determination of Net Asset Value" below arises;

- (i) during any period when the business operations of the Company, the Manager, the Custodian or any delegate of the Company in respect of the creation or redemption of Shares in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (j) if as a result of the investment of the proceeds of issue of such Shares in accordance with the investment objective of the Sub-Fund, the Company collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single entity.

In addition, where the Sub-Funds under the Company hold in aggregate more than the limit of 10% of the ordinary shares issued by any single entity, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Shareholders.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Company's website at <https://www.globalxetfs.com.hk/> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or in such other publications as it decides.

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

A Participating Dealer may, at any time after a suspension has been declared and before termination of such suspension, withdraw any Creation Application or Redemption Application by notice in writing to the Company and the Company shall promptly notify and request the Custodian to return to the Participating Dealer any Securities and/or cash received by it in respect of the Creation Application (without interest) as soon as practicable.

A suspension shall remain in force until the earlier of (a) the Company declaring the suspension is at an end; and (b) the first Dealing Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised exists.

### **Evidence of Shareholding**

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

### **Restrictions on Shareholders**

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

- (a) a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Shares are listed in circumstances which, in the Directors' opinion, might result in the Company or the Sub-Fund suffering any adverse effect which the Company or the Sub-Fund might not otherwise have suffered; or

- (b) in the circumstances which, in the Directors' opinion, may result in the Company or the Sub-Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Company or the Sub-Fund might not otherwise have incurred or suffered.

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

### **Transfer of Shares**

The Instrument provides that a Shareholder may transfer Shares subject to the provisions of the Instrument.

As all Shares will be held in CCASS, an investor is entitled to transfer Shares held by him by using the standard transfer form issued by SEHK or by an instrument in writing in such other form (and if the transferor or the transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution) as the Directors may from time to time approve. A transferor will be deemed to remain the Shareholder of the Shares transferred until the name of the transferee is entered in the register of Shareholders in respect of the Shares being transferred. Each instrument of transfer must relate to a single Sub-Fund only. To the extent that all Shares are deposited, cleared and settled in CCASS, HKSCC Nominees Limited will be the sole Shareholder, holding such Shares for the persons admitted by HKSCC as a participant of CCASS and to whose account any Shares are for the time being allocated in accordance with the General Rules of CCASS.

## EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

### *General*

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

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

The Manager use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Shares of each Sub-Fund. Where a Multi-Counter has been adopted in respect of a Sub-Fund the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker for each available counter although these Market Makers may be the same entity. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager may make available to a Market Maker, the portfolio composition information made available to a Participating Dealer.

Shares may be purchased from and sold through the Market Makers. However, there is no guarantee or assurance as to the price at which a market will be made. In maintaining a market for Shares, the Market Makers may make or lose money based on the differences between the prices at which they buy and sell Shares, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying Securities of the relevant Sub-Fund and/or comprised within the Index, as the case may be. Market Makers may retain any profits made by them for their own benefit and they are not liable to account to the relevant Sub-Fund in respect of their profits.

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

The Shares of Global X China Consumer Brand ETF, Global X China Electric Vehicle and Battery ETF, Global X China Clean Energy ETF, Global X China Semiconductor ETF, Global X China Robotics and AI ETF, Global X China Innovator Active ETF and Global X China Global Leaders ETF are listed on the SEHK. The Shares of Global X China Consumer Brand ETF, Global X China Electric Vehicle and Battery ETF, Global X China Clean Energy ETF, Global X China Semiconductor ETF, Global X China Robotics and AI ETF, Global X China Innovator Active ETF, Global X China Global Leaders ETF, Global X China Games and Entertainment ETF, Global X China E-commerce and Logistics ETF and Global X Asia Semiconductor ETF have been accepted as eligible securities by the HKSCC for deposit, clearing and settlement in CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in the Shares of Global X Autonomous and Electric Vehicles ETF, Global X FinTech ETF and Global X Asia Innovator Active ETF. Subject to compliance with the admission requirements of the HKSCC, the Shares of Global X Autonomous and Electric Vehicles ETF, Global X FinTech ETF and Global X Asia Innovator Active ETF will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the date of commencement of dealings in the Shares of Global X Autonomous and Electric Vehicles ETF, Global X FinTech ETF and Global X Asia Innovator Active ETF on the SEHK or such other date as may be determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

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

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

Please also refer to the sub-sections on “General”, “Renminbi Equity Trading Support Facility” (if relevant) and “Multi-Counter” in the relevant Appendix of the Sub-Fund for additional disclosures on secondary market trading.

## DETERMINATION OF NET ASSET VALUE

### Calculation of Net Asset Value

The Net Asset Value of each Sub-Fund will be calculated by the Administrator in the base currency of the relevant Sub-Fund as at each Valuation Point applicable to the relevant Sub-Fund by valuing the assets of the relevant Sub-Fund and deducting the liabilities of the relevant Sub-Fund, in accordance with the terms of the Instrument.

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

- (a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (in consultation with the Custodian) determines that some other method is more appropriate, be valued by reference to the official closing price or, if unavailable, the last traded price on the Market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a Security is quoted or listed on more than one Market, the Manager shall adopt the price quoted on the Market which in its opinion provides the principal market for such Security; (ii) if prices on that Market are not available at the relevant time, the value of the Securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager, or, if the Custodian so requires, by the Manager after consultation with the Custodian if the prices on that Market is not available for more than such period of time as may be agreed between the Manager, the Custodian and/or any delegates appointed by the Custodian applicable to the Sub-Fund; (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager and the Administrator shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the last traded prices as the case may be;
- (b) the value of each interest in any unlisted mutual fund corporation or unit trust shall be the latest available net asset value per share or unit in such mutual fund corporation or unit trust or if not available or appropriate, the latest available bid or offer price for such unit, share or other interest;
- (c) futures contracts will be valued based on the formulae set out in the Instrument;
- (d) except as provided for in paragraph (b), the value of any investment which is not listed, quoted or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended on behalf of the relevant Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at any time in consultation with the Custodian and shall at such times or at such intervals as the Custodian may request, cause a revaluation to be made on a regular basis by a professional person approved by the Custodian as qualified to value such investments (which may, if the Custodian agrees, be the Manager);
- (e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager after consultation with the Custodian, any adjustment should be made to reflect the value thereof; and
- (f) notwithstanding the foregoing, the Manager may in consultation with the Custodian adjust the value of any investment if, having regard to relevant circumstances, the Manager considers that such adjustment is required to fairly reflect the value of the investment.

Currency conversion will be performed at such rates as determined by the Manager (after consultation with the Custodian where the Manager considers appropriate) from time to time.

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



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

The Company may, in consultation with the Custodian, declare a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or of any class of Shares for the whole or any part of any period during which:

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

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

The Manager shall immediately after declaration of any such suspension by the Company notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Company's website at <https://www.globalxetfs.com.hk/> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or in such other publications as the Company decides.

No Shares of a Sub-Fund will be issued or redeemed during any period of suspension of the determination of the Net Asset Value of the relevant Sub-Fund.

## **Issue Price and Redemption Value**

The Issue Price which is the subject of a Creation Application during the Initial Offer Period of a Sub-Fund will be a fixed amount per Share, or (for an Index Tracking Sub-Fund only) a percentage of the closing level of the relevant Index (expressed in the base currency of the relevant Sub-Fund) as at the last day of the Initial Offer Period, rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down), or such other amount from

time to time determined by the Manager. The Issue Price during the Initial Offer Period of each Sub-Fund will be set out in the relevant Appendix.

After the expiry of the Initial Offer Period, the Issue Price of Shares created and issued by a Creation Application, will be the prevailing Net Asset Value of the relevant Sub-Fund as at the relevant Valuation Point divided by the total number of Shares in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The Redemption Value on a Dealing Day shall be the prevailing Net Asset Value of the relevant Sub-Fund as at the relevant Valuation Point divided by the total number of Shares in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

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

The latest Net Asset Value of the Shares will be available on the Company's website at <https://www.globalxetfs.com.hk/> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or published in such other publications as the Manager decides.

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

## FEES AND EXPENSES

There are different levels of fees and expenses applicable to investing in a Sub-Fund as set out below, current as at this date of this Prospectus. Where any levels of fees and expenses applicable to a particular Sub-Fund differs from the following, such fees and expenses will be set out in full in the relevant Appendix.

Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Shares (applicable both during the Initial Offer Period and After Listing)	Amount
Transaction Fee and Service Agent's Fee	RMB6,000 <sup>1</sup> per Application <sup>^</sup> or USD1,000 <sup>1</sup> per Application <sup>#</sup>  HKD1,000 <sup>1</sup> per book-entry deposit and book-entry withdrawal transaction
Application cancellation fee	RMB8,000 <sup>2</sup> per Application <sup>^</sup> or USD1,300 <sup>2</sup> per Application <sup>#</sup>
Extension Fee	RMB8,000 <sup>3</sup> per Application <sup>^</sup> or USD1,300 <sup>3</sup> per Application <sup>#</sup>
Stamp duty	Nil
All other Duties and Charges incurred by the Custodian or the Manager in connection with the creation or redemption	As applicable

<sup>^</sup> Applicable to Global X China Consumer Brand ETF, Global X China Electric Vehicle and Battery ETF, Global X China Clean Energy ETF, Global X China Semiconductor ETF, Global X China Robotics and AI ETF, Global X China Innovator Active ETF, Global X China Global Leaders ETF, Global X China Games and Entertainment ETF, Global X China E-commerce and Logistics ETF, Global X Asia Semiconductor ETF and Global X Asia Innovator Active ETF only.

<sup>#</sup> Applicable to Global X Autonomous and Electric Vehicles ETF and Global X FinTech ETF only.

Fees and expenses payable by investors	Amount
<b><i>(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)</i></b>	
Fees and charges imposed by the Participating Dealer <sup>4</sup>	Such amounts as determined by the relevant Participating Dealer

<sup>1</sup> The Transaction Fee is payable by a Participating Dealer to the Custodian for the benefit of the Custodian and/or Registrar. The Service Agent's fee is payable by a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

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

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

<sup>4</sup> The Participating Dealer may increase or waive the level of its fees in its discretion. Information regarding these fees and charges is available upon request to the relevant Participating Dealer.

<b><i>(ii) Fees payable by all investors in respect of dealings in the Shares on SEHK (applicable After Listing)</i></b>	
Inter-counter transfer	HKD5.00 <sup>5</sup>
Brokerage	Market rates
Transaction levy	0.0027% <sup>6</sup> of the trading price
SEHK trading fee	0.00565% <sup>7</sup> of the trading price
AFRC transaction levy	0.00015% <sup>8</sup> of the trading price
Stamp duty	Nil

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

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

#### *Management Fee*

The Manager is entitled to receive a management fee of up to 2% per year of the Net Asset Value of a Sub-Fund. The current management fee percentage in respect of each Sub-Fund is set out in the relevant Appendix and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears. This fee is payable out of the Scheme Property in respect of the relevant Sub-Fund.

A Sub-Fund may employ a single management fee structure, and details will be set out in the relevant Appendix of the Sub-Fund. For a Sub-Fund which do not employ a single management fee structures, the following fees and expenses may be payable out of and borne by the Sub-Fund: The Custodian's fee, Registrar's fees, fees of Service Agents, fees and expenses of the auditors, ordinary out-of-pocket expenses incurred by the Manager or the Custodian and, for an Index Tracking Sub-Fund, costs and expenses of licensing indices used in connection with the Index Tracking Sub-Fund.

The Manager may pay a distribution fee to any distributor or sub-distributors of a Sub-Fund out of the management fees it receives from such Sub-Fund. A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

#### *Custodian's Fee*

The Custodian is entitled to receive out of the assets of each Sub-Fund a monthly custodian fee, payable in arrears, accrued daily and calculated as at each Dealing Day, of the greater of (i) up to 1% per year of the Net Asset Value of a Sub-Fund and (ii) the applicable monthly minimum. Various transactional fees shall be charged as may be agreed by the Company in relation to

<sup>5</sup> HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer from one counter to another (if applicable). Investors should check with their respective brokers regarding any additional fees.

<sup>6</sup> Transaction levy of 0.0027% of the trading price of the Shares, payable by each of the buyer and the seller.

<sup>7</sup> Trading fee of 0.00565% of the trading price of the Shares, payable by each of the buyer and the seller.

<sup>8</sup> AFRC transaction levy of 0.00015% of the trading price of the Shares, payable by each of the buyer and the seller.

transactions involving the whole or any part (whether in the nature of capital and/or income, including gross income) of the Sub-Fund. Custody account maintenance fee may also be charged (where agreed by the Company) per month per custody account established in respect of the Company and payable monthly. The Sub-Custodian's fee will be included in the Custodian's fee.

For a Sub-Fund which does not employ a single management fee structure, the applicable custodian fee percentage is set out in the relevant Appendix of the Sub-Fund.

The custodian fee will be included in the Management Fee if a Sub-Fund employs a single management fee structure.

The custodian fee may be increased by agreement with the Company up to the maximum on giving one month's notice to the Shareholders.

#### *Registrar's Fee*

The Registrar is entitled to receive an ongoing registry service fee in its capacity as the Registrar for each Sub-Fund as set out in the relevant Appendix.

#### *Directors' Remuneration and Expenses*

Under the Instrument, the Directors shall be entitled to remuneration for their services as Directors up to an amount per financial year equivalent to USD100,000 per Director and, where payable, such remuneration shall be borne by the Manager. Currently, Mr. Wanyoun CHO and Mr. Se Han Song receive no remuneration for their services as Directors. Mr. Stewart Robert Kenneth Aldcroft receives USD23,000 per annum for his services as Director.

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

#### *Estimated Ongoing Charges*

The estimated ongoing charges of any newly established Sub-Fund, which are the sum of anticipated ongoing expenses of the relevant Sub-Fund expressed as a percentage of its estimated average Net Asset Value, and the actual ongoing charges of any existing Sub-Fund, which are the sum of actual ongoing expenses of the relevant Sub-Fund expressed as a percentage of its actual average Net Asset Value, are set out in the relevant Appendix. Where a Sub-Fund is newly established the Manager will make a best estimate of the ongoing charges and keep such estimate under review. The establishment costs of a Sub-Fund may also be included in the ongoing charges calculation payable by a Sub-Fund and in those cases will be set out in the relevant Appendix. Ongoing expenses may be deducted from the assets of a Sub-Fund where these are permitted by the Instrument, the UT Code, the OFC Code and the law. These include all types of cost borne by a Sub-Fund, whether incurred in its operation or the remuneration of any party. For Index Tracking Sub-Funds, the estimated or actual ongoing charges do not represent the estimated or actual tracking error. Where disclosed in an Appendix of a Sub-Fund, ongoing charges and expenses of that Sub-Fund may be borne by the Manager.

#### *Promotional Expenses*

A Sub-Fund will not be responsible for any promotional expenses including those incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Sub-Fund will not be paid (either in whole or in part) out of the Scheme Property.

## **Establishment Costs**

The cost of establishing the Company and the initial Sub-Funds (namely Global X China Consumer Brand ETF, Global X China Electric Vehicle and Battery ETF and Global X China Clean Energy ETF) including the initial preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs is approximately HKD3,000,000 and will be borne by the Company and the initial Sub-Funds (unless otherwise determined by the Manager) and will be amortised over the first three financial years of the Company and the initial Sub-Funds (or such other period as determined by the Manager after consulting the Auditor and the Custodian).

The cost of establishing subsequent Sub-Funds will be borne by the relevant Sub-Fund to which such costs relate and will be amortised over the first three financial years of the relevant Sub-Funds (or such other period as determined by the Manager after consulting the Auditor and the Custodian).

The attention of investors is drawn to the risk factor entitled "Valuation and accounting risk".

## **Increase in Fees**

The current fees in respect of each Sub-Fund payable to the Manager and the Custodian as described in the relevant Appendix may be increased on not less than one month's notice to Shareholders, subject to the maximum rates set out in this Prospectus.

## **RISK FACTORS**

*An investment in any Sub-Fund carries various risks. Each of these may affect the Net Asset Value, yield, total return and trading price of the Shares. There can be no assurance that the investment objective of a Sub-Fund will be achieved. Investors should carefully evaluate the merits and risks of an investment in the relevant Sub-Fund in the context of your overall financial circumstances, knowledge and experience as an investor. The risk factors set forth below are the risks which are believed by the Manager and its directors to be relevant and presently applicable to each Sub-Fund. You should refer to additional risk factors, specific to each Sub-Fund, as set out in the relevant Appendix.*

### **Risks Associated with Investment in Any Sub-Fund**

#### *Investment Objective Risk*

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

#### *Market Risk*

The Net Asset Value of each Sub-Fund will change with changes in the market value of the Securities it holds. The price of Shares and the income from them may go down as well as up. There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of each Sub-Fund are based on the capital appreciation and income on the Securities it holds, less expenses incurred. A Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, an Index Tracking Sub-Fund may experience volatility and decline in a manner that broadly corresponds with the relevant Index. Investors in each Sub-Fund are exposed to the same risks that investors who invest directly in the underlying Securities would face.

#### *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 the Sub-Fund invests may underperform or outperform returns from other Securities markets or from investment in other assets. Different types of securities tend to go through cycles of out-performance and underperformance when compared with other general Securities markets.

#### *Possible Business Failure Risk*

Global markets may experience very high levels of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the companies in which a Sub-Fund invests or (for an Index Tracking Sub-Fund only) a constituent of the relevant Index may have an adverse effect on the Index's (if any) and therefore the relevant Sub-Fund's performance. You may lose money by investing in any Sub-Fund.

#### *Management Risk*

Each Sub-Fund is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise Shareholders' rights with respect to Securities comprising a Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of a Sub-Fund being achieved. For an Index

Tracking Sub-Fund, because there can be no guarantee that such a Sub-Fund will fully replicate the relevant Index, it is also subject to the above management risk.

#### *Single Region / Single Industry Sector / Concentration Risk*

A Sub-Fund may be subject to concentration risk as a result of having a strategy of concentrating in a single region or industry sector or (for an index tracking Sub-Fund) tracking the performance of a single geographical region or country (such as Mainland China) or industry sector. For an index tracking Sub-Fund, the Index may be comprised of a limited number of securities. A Sub-Fund may therefore likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index or Securities resulting from adverse conditions in the particular geographical region, country or industry sector. Where an Index Tracking Sub-Fund's Index tracks a particular region or country or industry sector or where the Index has a small number of constituents, or where the active strategy of a Sub-Fund is concentrated in a single region or industry sector risk factors specific to the relevant Sub-Fund are set out in its Appendix. Please refer to each Sub-Fund's Appendix for details.

#### *Securities Risk*

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

#### *Counterparty Risk*

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

A Sub-Fund may be exposed to the counterparty risk of the Custodian with which the Scheme Property is deposited. The Custodian may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In these circumstances the relevant Sub-Fund may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the relevant Sub-Fund's assets.

#### *Equity Risk*

Investment in equity Securities by a Sub-Fund (where permitted) may offer a higher rate of return than a fund investing in short term and longer term debt securities. However, the risks associated with investments in equity Securities may also be higher, because the investment performance of equity Securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value.

#### *Trading Risk*

While the creation/redemption feature of each Sub-Fund is designed to make it likely that Shares will trade close to their Net Asset Value, disruptions to creations and redemptions (for example, as a result of imposition of capital controls by a foreign government) may result in trading prices that differ significantly from the Net Asset Value. The secondary market prices of Shares will fluctuate in accordance with changes in the Net Asset Value and supply and demand on any exchange on which Shares are listed. In addition, when buying or selling Shares on the SEHK additional charges (such as brokerage fees) mean that an investor may pay more than the Net Asset Value per Share when buying Shares on the SEHK and may receive less than the Net Asset Value per Share when selling Shares on the SEHK. The Manager cannot predict whether Shares will trade below, at, or above their Net Asset Value. Since, however, Shares must be



created and redeemed in Application Share size (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 Shares should not be sustained. If the Manager suspends creations and/or redemptions of Shares, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Shares and the Net Asset Value.

#### *Trading Error Risk*

Trading errors are an intrinsic factor in any investment process, and may occur, notwithstanding the execution of due care and special procedures designed to prevent such errors.

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

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

#### *Indemnity Risk*

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

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

Whether a Sub-Fund will pay distributions on its Shares is subject to the Manager's distribution policy (as described in the relevant Appendix) and also mainly depends on dividends declared and paid in respect of the Securities comprising the Index or in the Sub-Fund's portfolio. In addition, dividends received by a Sub-Fund may be applied towards meeting the costs and expenses of that Sub-Fund. Dividend payment rates in respect of such Securities will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

#### *Early Termination Risk*

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

#### *Foreign Exchange Risk*

If a Sub-Fund's assets are generally invested in non-Hong Kong Securities, and if a substantial portion of the revenue and income of a Sub-Fund is received in a currency other than HKD, any fluctuation in the exchange rate of the HKD relative to the relevant foreign currency will affect the Net Asset Value of a Sub-Fund denominated in the HKD regardless of the performance of its

underlying portfolio. If the relevant Sub-Fund's Net Asset Value is determined on the basis of the HKD, an investor may lose money if it invests in any Sub-Fund if the local currency of a foreign market depreciates against the HKD, even if the local currency value of an investment fund's holdings goes up.

#### *Foreign Security Risk*

Investing in the Securities of non-Hong Kong companies involves special risks and considerations not typically associated with investing in Hong Kong companies. These include differences in accounting, disclosure, auditing and financial reporting standards, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, the imposition of restrictions on the expatriation of funds or other assets of a Sub-Fund, political instability which could affect local investments in foreign countries, and potential restrictions on the flow of international capital. Non-Hong Kong companies may be subject to less governmental regulation than Hong Kong companies. Moreover, individual foreign economies may differ favourably or unfavourably from the Hong Kong economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions.

Some overseas stock exchanges may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. Some countries prohibit or restrict foreign investment, or the repatriation of income, capital or the proceeds from sale of Securities. The Sub-Fund may incur higher costs investing in these countries. These restrictions may limit the Sub-Fund's ability to invest in these countries, delay the investment or repatriation of capital of the Sub-Fund and, in respect of an Index Tracking Sub-Fund, impact the Index Tracking Sub-Fund's ability to track the performance of the Index.

#### *Securities Financing Transactions Risks*

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

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

#### *Collateral and FDI Risks*

The risks associated with the use of FDIs are different from, or possibly greater than, the risks associated with investing directly in Securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Any Sub-Fund

investing in FDIs may utilise both exchange-traded and over-the-counter derivatives. Compared to equity securities, FDIs can be more sensitive to changes in market prices of the underlying assets and thus market prices of FDIs may fall in value as rapidly as they may rise. Investors investing in such Sub-Funds are exposed to a higher degree of fluctuation in value than a Sub-Fund which does not invest in FDIs. Transactions in over-the-counter FDIs may involve additional risk such as the risk that a counterparty defaults as there is no regulated market for such FDIs. Investing in FDIs also involves other types of risks including, but not limited to, the risk of adopting different valuation methodologies and imperfect correlation between the FDI and its underlying securities, rates and indices. Risks associated with FDIs also include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a FDI can result in a loss significantly greater than the amount invested in the FDI by a Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by a Sub-Fund. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

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

#### *Risk Associated with Small-capitalisation/Mid-capitalisation Companies*

A Sub-Fund may invest in small-capitalisation/mid-capitalisation companies, the stock of which may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

### **Risks Associated with Investment in an Index Tracking Sub-Fund**

#### *Passive Investment Risk*

An Index Tracking Sub-Fund is not actively managed. Accordingly, such a Sub-Fund may be affected by a decline in the market segments relating to the relevant Index or Indices. Investors may lose a significant part of their respective investments if the Index falls. Each Index Tracking Sub-Fund invests in the Securities included in or representative of the relevant Index regardless of their investment merit, except to the extent of any representative sampling strategy. The Manager does not attempt to select securities individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of an Index Tracking Sub-Fund will mean a decline in the Index or Indices are expected to result in corresponding falls in the Net Asset Values of the Sub-Fund, and investors may lose substantially all of their investment.

#### *Representative Sampling Risk*

With a representative sampling strategy, an Index Tracking Sub-Fund does not hold all of the Securities in its Index and may invest in Securities not included in its Index, provided that the sample closely reflects the overall characteristics of the Index which the Manager believes will help the Sub-Fund achieve its investment objective. The Securities held by an Index Tracking Sub-Fund may also be over or underweight relative to the Securities in its Index. It is therefore possible that such a Sub-Fund may be subject to larger tracking error.

### *Tracking Error Risk*

Trading errors are an intrinsic factor in any investment process, and may occur, notwithstanding the execution of due care and special procedures designed to prevent such errors.

An Index Tracking's Sub-Fund's returns may deviate from the Index due to a number of factors. For example, the fees and expenses of an Index Tracking Sub-Fund, any adoption of a representative sampling strategy, liquidity of the market, imperfect correlation of returns between an Index Tracking Sub-Fund's assets and the Securities constituting its Index, rounding of share prices, foreign exchange costs, changes to the Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the Index of each Index Tracking Sub-Fund. Further, an Index Tracking Sub-Fund may receive income (such as interests and dividends) from its assets while the Index does not have such sources of income. There can be no guarantee or assurance of exact or identical replication at any time of the performance of the Index or that an Index Tracking will achieve its investment objective at any time of corresponding to the performance of the relevant Index.

Although the Manager regularly monitors the tracking error of each Index Tracking Sub-Fund, there can be no guarantee or assurance that any Index Tracking Sub-Fund will achieve any particular level of tracking error relative to the performance of its Index.

### **Risk Associated with Mainland China**

#### *Economic, Political and Social Risks of Mainland China*

The economy of Mainland China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

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

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

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

### *Mainland China Laws and Regulations Risk*

The regulatory and legal framework for capital markets and joint stock companies in Mainland China may not be as well developed as those of developed countries. Mainland China laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as Mainland China legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

### *Restricted Markets Risk*

A Sub-Fund may invest in Securities in respect of which Mainland China imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of such Sub-Fund holdings as compared to the performance of the Index. For an Index Tracking Sub-Fund, such restrictions or limitations may have adverse effects on the Index Tracking Sub-Fund as compared to the performance of the Index and hence may increase the risk of tracking error. At the worst, a Sub-Fund may not be able to achieve its investment objective.

### *Accounting and Reporting Standards Risk*

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

### *Changes in Mainland China taxation risk*

The Mainland Chinese government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of Mainland Chinese companies and foreign investors in such companies. Please also refer to the section below entitled "Taxation in Mainland China".

## **Risks Associated with A-Shares**

### *A-Shares Market Suspension and Volatility Risk*

A-Shares may only be bought from, or sold to, a Sub-Fund from time to time where the relevant A-Shares may be sold or purchased on the SSE or the SZSE, as appropriate. Given that the A-Shares market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the creation and redemption of Shares may be disrupted. A Participating Dealer is unlikely to create or redeem Shares if it considers that A-Shares may not be available. High market volatility and potential settlement difficulties in the A-Shares market may also result in significant fluctuations in the prices of the securities traded on the A-Shares market and thereby may adversely affect the value of the relevant Sub-Fund.

### *Mainland China Taxation Risk*

Pursuant to the "Notice for the tax policies in relation to the Pilot Program for Shanghai-Hong Kong Stock Connect" (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) Caishui [2014] No.81 ("Circular 81") and "Notice about the tax policies related to Shenzhen-Hong Kong Stock Connect" (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2016] No. 127) ("Circular 127") jointly promulgated by the Ministry of Finance of the PRC ("MOF"), the

STA and the CSRC on 14 November 2014 and 5 November 2016 respectively, Corporate Income Tax (“CIT”) will be temporarily exempted on capital gains derived by Hong Kong market investors (including each Sub-Fund) on the trading of A-Shares through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect with effect from 17 November 2014 and 5 December 2016 respectively. Based on Circular 81 and Circular 127 and having consulted independent professional tax adviser, no provision for gross realised or unrealised capital gains derived from trading of A-Shares via Stock Connect is made by the Manager on behalf of any Sub-Fund.

It should be noted that the tax exemptions granted under Circular 81 and Circular 127 are temporary. As such, as and when the Mainland Chinese tax authorities announce the expiry date of the tax exemption, a Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of such Sub-Fund.

The Manager reserves the right to provide for Mainland China withholding income tax (“WIT”) or other taxes on capital gains or income and withhold the tax for the account of a Sub-Fund if there is any future change in Mainland China tax rules. The Manager will closely monitor any further guidance by the relevant Mainland Chinese tax authorities and change its tax provision policy and the tax provision amount in respect of the Sub-Fund accordingly. Any change to the tax provision policy or the amount of tax provision in respect of a Sub-Fund will be notified to the Shareholders.

If actual tax is collected by the STA and a Sub-Fund is required to make payments reflecting tax liabilities for which no provision has been made, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Shares in issue at the relevant time, and the then existing Shareholders and subsequent Shareholders will be disadvantaged as such Shareholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

Please refer to the sub-section entitled “Taxation in Mainland China” under the section headed “Taxation” in this Prospectus for further information in this regard.

### **Risks Associated with N-Shares**

N-Shares are securities of companies with business operations in Mainland China and listed on a US stock exchange, such as NYSE, NASDAQ or the American Stock Exchange. Because companies issuing N-Shares often have business operations in Mainland China, they are subject to certain political and economic risks in Mainland China. The American stock market may behave very differently from Mainland China stock market, and there may be little to no correlation between the performance of the two.

### **Risks Associated with P-Chip Companies**

P-Chip companies are often run by the private sector and have a majority of their business operations in Mainland China. P-Chip shares are traded in HKD on the SEHK, and may also be traded by foreigners. Because they are traded on the SEHK, P-Chips are also subject to risks similar to those associated with investments in H-Shares. They are also subject to risks affecting their jurisdiction of incorporation, including any legal or tax changes.

### **Risks Associated with Red Chip Companies**

Red Chip companies are controlled, either directly or indirectly, by the central, provincial or municipal governments of Mainland China. Red Chip shares are traded in HKD on the SEHK and may also be traded by foreigners. Because Red Chip companies are controlled by various Mainland Chinese governmental authorities, investing in Red Chips involves risks that political changes, social instability, regulatory uncertainty, adverse diplomatic developments, asset expropriation or nationalisation, or confiscatory taxation could adversely affect the performance of Red Chip companies. Red Chip companies may be less efficiently run and less profitable than other companies.

## Risks Associated with the Stock Connect

A Sub-Fund's investments through the Stock Connect may be subject to the following risks.

### *Quota Limitations*

The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). The Sub-Fund's ability to invest in **the eligible securities** through the Stock Connect may be affected.

### *Suspension Risk*

It is contemplated that both the SEHK and the SSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, the Sub-Fund's ability to access the Mainland China market through the Stock Connect will be adversely affected.

### *Differences in Trading Day*

The Stock Connect will only operate on days when both Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the Sub-Funds) cannot carry out any trading **via the Stock Connect**. Due to the differences in trading days, a Sub-Fund may be subject to a risk of price fluctuation in A-Shares on a day that Mainland China markets are open for trading but the Hong Kong stock market is closed.

### *Operational Risk*

The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the programme could be disrupted.

### *Recalling of Eligible Securities*

If a **security** is recalled from the scope of eligible **securities** for trading via the Stock Connect, the **security** can only be sold and cannot be bought. This may affect the Manager's ability to select a **security** with the aim of achieving the investment objective of a Sub-Fund and, in the case of an Index Tracking Sub-Fund, affect the Index Tracking Sub-Fund's tracking of the Index if, for example, a constituent of the Index is recalled from the scope of eligible **securities**.

### *Clearing and Settlement Risk*

The HKSCC and CSDCC establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and the CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

### *Regulatory Risk*

The Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Sub-Fund may be adversely affected as a result of such changes.

### **No Protection by China Securities Investor Protection Fund Risk**

Investment through the Stock Connect is conducted through broker(s) and is subject to the risks of default by such brokers' in their obligations. **Since** the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, **it is** not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in Mainland China.

### *Participation in Corporate Actions and Shareholders' Meetings*

HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities. Hong Kong and overseas investors (including the Sub-Funds) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be as short as one business day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Hong Kong and overseas investors (including the Sub-Funds) are holding SSE Securities and SZSE Securities traded via Stock Connect program through their brokers or custodians. According to existing practice in Mainland China, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and SZSE Securities.

### **Risks Associated with the RMB Currency**

#### *RMB is not Freely Convertible and subject to Exchange Controls and Restrictions Risk*

It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Mainland Chinese government. Since 1994, the conversion of RMB into USD has been based on rates set by the People's Bank of China, which are set daily based on the previous day's Mainland China interbank foreign exchange market rate. On 21 July 2005, the Mainland Chinese government



introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, Mainland China announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate. However it should be noted that the Mainland Chinese government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the Sub-Fund. There can be no assurance that the RMB exchange rate will not fluctuate widely against the USD or any other foreign currency in the future. Any depreciation of the RMB will decrease the value of RMB-denominated assets the Sub-Fund may hold and of any dividends that the Sub-Fund may receive from such investments, which may have a detrimental impact on the Net Asset Value of the Sub-Fund, and vice versa.

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

#### ***RMB Trading and Settlement of Shares Risk***

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

#### ***Non-RMB or Late Settlement Redemption or Distributions Risk***

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

### ***Exchange Rates Movement Between the RMB and Other Currencies Risk***

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

### ***Future Movements in RMB Exchange Rates Risk***

The exchange rate of RMB ceased to be pegged to USD on 21 July 2005, resulting in a more flexible RMB exchange rate system. China Foreign Exchange Trading System, authorised by the PBOC, promulgates the central parity rate of RMB against USD, Euro, Yen, British Pound and Hong Kong dollar at 9:15 a.m. on each business day, which will be the daily central parity rate for transactions on the Inter-bank Spot Foreign Exchange Market and OTC transactions of banks. The exchange rate of RMB against the above-mentioned currencies fluctuates within a range above or below such central parity rate. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including USD and Hong Kong dollar, are susceptible to movements based on external factors.

There can be no assurance that such exchange rates will not fluctuate widely against USD, Hong Kong dollar or any other foreign currency in the future. From 1994 to July 2005, the exchange rate for RMB against USD and the Hong Kong dollar was relatively stable. Since July 2005, the RMB has begun to appreciate until August 2015 when the PBOC introduced a one-off devaluation of RMB. There can be no assurance that RMB will not be subject to further devaluation. The future movements in RMB exchange rates are uncertain and the fluctuations may have a positive or negative impact on investors' investment in a Sub-Fund.

### ***Offshore RMB ("CNH") Market Risk***

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

**However, the current size of RMB-denominated financial assets outside Mainland China is limited. As of the end of October 2020, there are 140 authorised institutions in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB680 billion. In addition, participating authorised institutions are also required by the Hong Kong Monetary Authority to maintain a total amount of RMB (in the form of cash and its settlement account balance with the Renminbi Clearing Bank) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorised institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi Clearing Bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual**

customers. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions. Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of Mainland China laws and regulations on foreign exchange. There is no assurance that new Mainland China regulations will not be promulgated or the relevant settlement agreement between Hong Kong banks and the PBOC will not be terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside Mainland China may affect the ability of investors to acquire Shares or to sell Shares of a Sub-Fund affecting the liquidity and therefore the trading price of the Shares on the SEHK. To the extent the Manager is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

## **Risks Associated with Multi-Counter**

### ***RMB Distributions Risk***

Where the base currency of a Sub-Fund is RMB, a Shareholder who holds Shares traded under the HKD counter will only receive distributions in RMB and not in HKD. In the event the relevant Shareholder has no RMB account, the Shareholder may have to bear the fees and charges associated with the conversion of such distribution from RMB into HKD or any other currency. Shareholders are advised to check with their brokers concerning arrangements for distributions. In exceptional circumstances dividend payments in RMB may be delayed due to exchange controls and restrictions applicable to RMB.

### ***Multi-Counter Risk***

The nature of the Multi-Counter for exchange traded funds may make investment in the Shares riskier than in single counter units or shares of an SEHK listed issuer for example where for some reason there is a settlement failure on an inter-counter transfer if the Shares of one counter are delivered to CCASS at the last settlement on a trading day, leaving not enough time to transfer the Shares to the other counter for settlement on the same day.

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

There is a risk that the market price on the SEHK of Shares traded in one counter may deviate significantly from the market price on the SEHK of Shares traded in another counter due to different factors such as market liquidity, supply or demand in each counter and exchange rate fluctuations. The trading price of Shares in each counter is determined by market forces and so will not be the same as the trading price of Shares multiplied by the prevailing rate of foreign exchange. Accordingly when selling Shares or buying Shares traded in one counter, an investor may receive less or pay more than the equivalent amount in the currency of another counter if the trade of the relevant Shares took place on another counter. There can be no assurance that the price of Shares in each counter will be equivalent.

Investors without RMB or USD accounts may not be able to buy or sell RMB or USD traded Shares and should note that distributions will only be made in the base currency of the Sub-Fund. As such, investors may suffer a foreign exchange loss and incur foreign exchange associated fees and charges to receive their distribution.

It is possible that some brokers and CCASS participants may not be familiar with and may not be able to (i) buy Shares in one counter and to sell Shares in another, (ii) carry out inter-counter

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

## **Risks Associated with Market Trading**

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

Although Shares of each Sub-Fund are listed for trading on the SEHK, there can be no assurance that an active trading market for such Shares will develop or be maintained. In addition, if the underlying Securities which comprise each Sub-Fund themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Shares and the ability of an investor to dispose of its Shares at the desired price. If an investor needs to sell his, her or its Shares at a time when no active market for them exists, the price received for the Shares – assuming an investor is able to sell them – is likely to be lower than the price received if an active market did exist.

### *Suspension of Trading Risk*

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

### *Effect of Redemptions Risk*

If significant redemptions of Shares are requested by the Participating Dealers, it may not be possible to liquidate the relevant Sub-Fund's investments at the time such redemptions are requested or the Manager may be able to do so only at prices which the Manager believes does not reflect the true value of such investments, resulting in an adverse effect on the return to investors. Where significant redemptions of Shares are requested by the Participating Dealers, the right of Participating Dealers to require redemptions in excess of 10% of the total number of Shares in a Sub-Fund then in issue (or such higher percentage as the Manager may determine) may be deferred, or the period for the payment of redemption proceeds may be extended.

In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of a Sub-Fund for the whole or any part of any period. Please see the section on "Determination of Net Asset Value" for further details.

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

Shares may trade on the SEHK at prices above or below the most recent Net Asset Value. The Net Asset Value per Share of each Sub-Fund is calculated at the end of each Dealing Day and fluctuates with changes in the market value of the relevant Sub-Fund's holdings. The trading prices of the Shares fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the Shares may deviate significantly from Net Asset Value particularly during periods of market volatility. Any of these factors may lead to the Shares of the relevant Sub-Fund trading at a premium or discount to the Net Asset Value. On the basis that Shares can be created and redeemed in Application Shares at Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term. While the creation/redemption feature is designed to make it likely that the Shares will normally trade at prices close to the relevant Sub-Fund's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the relevant Sub-Fund's Net Asset Value due to reasons relating to timing as well as market supply and

demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from Net Asset Value. In particular, if an investor purchases Shares at a time when the market price is at a premium to Net Asset Value or sells when the market price is at a discount to Net Asset Value, then the investor may sustain losses.

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

Investors should note that a Sub-Fund is not like a typical retail investment fund offered to the public in Hong Kong (for which units or shares can generally be purchased and redeemed directly from the manager). Shares of a Sub-Fund may only be created and redeemed in Application Share sizes directly by a Participating Dealer (either on its own account or on behalf of an investor through a stockbroker which has opened an account with the Participating Dealer). Other investors may only make a request (and if such investor is a retail investor, through a stockbroker which has opened an account with a Participating Dealer) to create or redeem Shares in Application Share sizes through a Participating Dealer which reserves the right to refuse to accept a request from an investor to create or redeem Shares under certain circumstances. Alternatively, investors may realize the value of their Shares by selling their Shares through an intermediary such as a stockbroker on the SEHK, although there is a risk that dealings on the SEHK may be suspended. Please refer to the section headed “Creations and Redemptions (Primary Market)” for details in relation to the circumstances under which creation and redemption applications can be rejected.

#### *Borrowing Risks*

The Company may borrow for the account of a Sub-Fund (up to 10% of the Net Asset Value of each Sub-Fund unless otherwise specified in the Appendix) for various reasons, such as facilitating redemptions or to acquire investments for the account of the Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of a Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that a Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

#### *Cost of Trading Shares Risk*

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

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

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

#### *Secondary Market Trading Risk*

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

### *Reliance on Market Makers Risk*

Although the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker to maintain a market for the Shares traded in each counter, it should be noted that liquidity in the market for the Shares may be adversely affected if there is no Market Maker for Shares traded in one or more counters. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one Market Maker for each counter (which may be the same Market Maker) gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market making agreements. There may be less interest by potential market makers in making a market in RMB denominated or traded Shares. Furthermore, any disruption to the availability of RMB may adversely affect the capability of Market Makers in providing liquidity for such RMB traded Shares. It is possible that there is only one SEHK Market Maker to a counter or to the Sub-Fund or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker, and there is also no guarantee that any market making activity will be effective.

### *Reliance on Participating Dealers Risk*

The creation and redemption of Shares may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Shares during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of Securities through the CCASS is disrupted or, in the case of an Index Tracking Sub-Fund, the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Shares if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Sub-Fund or disposal of the relevant Sub-Fund's Securities 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 Shares freely.

## **Risks Associated with the Indices (applicable to Index Tracking Sub-Funds only)**

### *Fluctuations Risk*

The performance of the Shares of an Index Tracking Sub-Fund should, before fees and expenses, correspond closely with the performance of the relevant Index. If the relevant Index experiences volatility or declines, the price of the Shares of the Sub-Fund which tracks that Index will vary or decline accordingly.

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

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

### *Compilation of Index Risk*

The Securities of each Index are determined and composed by the relevant Index Provider without regard to the performance of the relevant Index Tracking Sub-Fund. Each Index Tracking Sub-Fund is not sponsored, endorsed, sold or promoted by the relevant Index Provider. Each

Index Provider makes no representation or warranty, express or implied, to investors in any Index Tracking Sub-Fund or other persons regarding the advisability of investing in Securities generally or in any Index Tracking Sub-Fund particularly. Each Index Provider has no obligation to take the needs of the Manager or investors in the relevant Index Tracking Sub-Fund into consideration in determining, composing or calculating the relevant Index. There is no assurance that an Index Provider will compile the relevant Index accurately, or that the Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling the Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by the Index Provider without notice. Consequently there can be no guarantee that the actions of an Index Provider will not prejudice the interests of the relevant Index Tracking Sub-Fund, the Manager or investors.

#### *Composition of an Index May Change Risk*

The Securities constituting an Index will change as the Securities of the Index are delisted, or as the Securities mature or are redeemed or as new Securities are included in the Index or where the methodology of the Index is changed by the Index Provider. When this happens the weightings or composition of the Securities owned by the relevant Index Tracking Sub-Fund will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Shares of an Index Tracking Sub-Fund will generally reflect the Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Shares. However, there can be no guarantee that an Index Tracking Sub-Fund will, at any given time accurately reflect the composition of the relevant Index (please refer to the section on "Tracking Error Risk").

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

Securities acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded have become illiquid) the Manager may in consultation with the Custodian apply valuation methods to ascertain the fair value of such securities, pursuant to the Instrument.

#### *Errors and inaccuracies of Index Risk*

There may be inaccuracies, errors, omissions or mistakes in the compilation or calculation of an Index, which may result in significant deviations between the Net Asset Value of the Shares of an Index Tracking Sub-Fund and the relevant Index. The accuracy and completeness of the calculation of an Index may be affected by, without limitation, the availability and accuracy of prices for its constituent Securities, market factors and errors in its compilation. The Manager and the Custodian are not responsible or involved in the compilation or calculation of any Index, and thus cannot be held responsible or liable for any inaccuracies, errors, omissions or mistakes in such compilation or calculation.

### **Risks Associated with Regulation**

#### *Withdrawal of SFC Authorisation Risk*

The Company and each Sub-Fund have been authorised as a collective investment scheme under the UT Code by the SFC under Section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. This 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. For an Index Tracking Sub-Fund, the SFC reserves the right to withdraw the authorisation of the Company or a Sub-Fund if the relevant Index is no longer considered acceptable or impose such conditions as it considers appropriate. If the Manager does not wish the Company or a Sub-Fund to continue to be authorised by the SFC, the Manager will give Shareholders at least one month's notice of the

intention to seek SFC's withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain conditions which may be withdrawn or varied by the SFC. If, as a result of such withdrawal or variation of conditions, it becomes illegal, impractical or inadvisable to continue the Company or a Sub-Fund, the Company or the Sub-Fund (as applicable) will be terminated.

#### *General Legal and Regulatory Risk*

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

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

The SEHK imposes certain requirements for the continued listing of Securities, including the Shares, on the SEHK. Investors cannot be assured that any Sub-Fund will continue to meet the requirements necessary to maintain the listing of Shares on the SEHK or that the SEHK will not change the listing requirements. If the Shares of a Sub-Fund are delisted from the SEHK, Shareholders will have the option to redeem their Shares by reference to the Net Asset Value of the Sub-Fund. Where the relevant Sub-Fund remains authorised by the SFC, such procedures required by the UT Code will be observed by the Manager including as to notices to Shareholders, withdrawal of authorisation and termination, as may be applicable. Should the SFC withdraw authorisation of a Sub-Fund for any reason it is likely that Shares may also have to be delisted.

#### *Taxation Risk*

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

#### *FATCA Related Risks*

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

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



as a participating foreign financial institution or registered deemed compliant foreign financial institution.

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

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

#### *Valuation and Accounting Risk*

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

#### *Contagion Risk*

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

#### *Cross Liability Risk*

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

## MANAGEMENT OF THE COMPANY AND SUB-FUNDS

### The Directors

The Directors of the Company are as follows:

#### *Cho, Wanyoun*

Mr. Wanyoun Cho is the Chief Executive Officer of the Manager. Mr. Cho spearheads the development of the Manager's strategic initiatives and oversees the long-term growth of the Manager's businesses in the region.

Prior to his current role, Mr. Cho was the Chief Executive Officer of Mirae Asset Securities (HK) Limited. Between 2010 and 2019, Mr. Cho was the Chief Operating Officer and Head of Asia ETF Division of the Manager, responsible for the entire operations unit. He also led the Mirae Asset Horizons Exchange Traded Funds business in Hong Kong, overseeing the Manager's business strategic functions, and was the Chief Governance Officer at Horizons ETFs Management (Canada) Inc.

Before relocating to Hong Kong in 2010, he served as Chief Financial Officer of Mirae Asset Global Investments (India) from 2007 to 2009. He played a pivotal role in establishing the firm's business operations in India.

Mr. Cho joined Mirae Asset Securities in Seoul in 2000, and served in various roles including Head of Trust Division, Head of Wealth Management and Head of Wrap Account Strategy during his six-year tenure with the firm. He started his career with Boram bank in 1996.

Mr. Cho holds an MBA degree from Tippie School of Management, University of Iowa and a Bachelor's degree in Business Administration from Sogang University in Korea.

#### *Song, Se Han*

Mr. Se Han Song is the Chief Operating Officer of the Manager, where he is responsible for directing and overseeing the Manager's operational activities. Previously, he was Head of Business Planning and Product Development responsible for leading business-related and product development activities.

Prior to joining the Manager, Mr. Song was a Product Specialist at UBS Wealth Management, responsible for developing and managing mandate and advisory products. He had also previously served as a Senior Product Manager at First State Investments, managing offshore and onshore fund vehicles as well as delivering project management and product development initiatives. In his early career, Mr. Song was a Product Manager at Commonwealth Bank of Australia, where he focused on the management of superannuation and investment products and provided support in regulatory change projects and the implementation of process improvements.

Mr. Song holds a Bachelor of Commerce degree in Finance from Macquarie University in Australia.

#### *Aldcroft, Stewart Robert Kenneth*

Mr. Aldcroft was previously Chairman of Cititrust Limited in Hong Kong and also Senior Advisor for Cititrust Limited's Securities Services business. In this role, he was responsible for assisting the business to develop new initiatives and growing its client base across Asia Pacific, as well as advising global fund manager clients on accessing the Asian region.

Prior to his time at Cititrust Limited, Mr. Aldcroft was Head of Business Development for beta products at Enhanced Investment Products Limited, helping to develop a suite of ETFs for asset managers based in Hong Kong. He has had a long career in the business development and client relationship management for traditional, hedge, structured and alternatives fund houses across

Asia, including three years as a Regional Director at Horizon21 (Hong Kong) Limited and three years at Investec Asset Management Asia Limited as Managing Director.

His other previous roles include Head of Business Development and Marketing for investment services at Standard Chartered Bank (Hong Kong) Limited, Marketing and Sales Director at Franklin Templeton Investment (Asia) Limited, Executive Director at HSBC Asset Management and Associate Director at Schroders Asia.

As a frequent participant in fund management industry events, Mr. Aldcroft has over the years held various memberships with the Hong Kong Securities Institute Education and Seminars Committee, AIMA Hong Kong Education Committee and Chapter Executive Committee, as well as the Hong Kong Investment Funds Association Executive Committee.

## **The Manager**

The Manager of the Company and each Sub-Fund is Mirae Asset Global Investments (Hong Kong) Limited 未來資產環球投資(香港)有限公司, a company incorporated in 2003 under the laws of Hong Kong and licenced by the SFC to carry on Types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities in Hong Kong under the SFO.

The Manager is part of the Mirae Asset Global Investments Group, ("Mirae Asset Group"), which was the first to open up the mutual fund market in Korea in 1998. Currently, Mirae Asset Group has a presence in Hong Kong (as its global headquarter), Australia, Brazil, Canada, Mainland China, India, Taiwan, United Kingdom, USA and Vietnam in addition to its home office in Korea. The Mirae Asset Group has one of the largest teams of investment professionals globally dedicated to asset management in Asia and other emerging markets.

The Manager is a wholly-owned subsidiary of Mirae Asset Global Investments Co., Ltd. ("Mirae Asset"), which is a company incorporated in Korea.

The Manager will manage each Sub-Fund and continuously supervise the portfolio of each Sub-Fund. In addition, the Manager will be primarily responsible for portfolio composition file generation, cash management, trade execution and instructing money transfers.

The Manager has in place the necessary operating systems for creation, redemption and operation of each Sub-Fund.

The Manager has a risk management policy which enables it to monitor and measure at any time the risk of the financial derivative instruments used by any Sub-Fund for investment purposes. Each Sub-Fund is subject to daily risk management and control procedures such as, but not limited to:

- (A) daily calculation of value at risk (a methodology used to estimate the maximum amount of portfolio losses under normal market conditions)'
- (B) limitation on the percentage of the Net Asset Value committed as margin for all futures or options contracts;
- (C) liquidity guidelines on each open futures or option contract such as maximum holding compared to daily average volume for the contract;
- (D) diversification guidelines per futures or option contract (limitation on the percentage of the Net Asset Value committed as margin for each single futures or option contract); and
- (E) historical and hypothetical stress tests which aim to simulate adverse market scenarios.

The Directors of the Manager are as follows:

*Cho, Wanyoun*

See Mr Cho's bio above in the section headed "Directors".

*An, Joo Hee*

As Co-Chief Investment Officer of the Manager, Ms. Joo Hee An oversees the entire investment unit. She is a member of the Investment Committee and plays an instrumental role in the development of internal investment policies and processes for the Manager. She is the Lead Portfolio Manager of the Mirae Asset ESG Asia Great Consumer Equity Fund and has been managing the fund since its inception.

Ms. An transferred to the Manager in 2009 as Portfolio Manager and later promoted to Senior Portfolio Manager where she managed funds focusing on domestic demand growth in Asia, including the "Great Consumer" range of products. In 2006, she joined Mirae Asset Global Investments Co., Ltd. in Korea, as an Analyst covering consumer, healthcare, telecom, internet and energy sectors and promoted to Portfolio Manager shortly afterwards. Prior to Mirae Asset Global Investments Co., Ltd., she started her career at LG Investment & Securities Co. Ltd. in Korea, where she was an Equity Analyst from 2004 to 2006.

Ms. An holds a bachelor's degree in Business Administration from Yonsei University in Korea. She received an award certificate from the Korean Ministry of Strategy and Finance in 2014. She speaks both English and Korean.

*Song, Se Han*

See Mr Song's bio above in the section headed "Directors".

## **The Custodian**

The Custodian of the Company is Cititrust Limited, which is a registered trust company in Hong Kong. Cititrust Limited is a wholly-owned subsidiary of Citigroup Inc. ("**Citigroup**"). As a global financial services group, Citigroup and its subsidiaries provide a broad range of financial products and services, including consumer banking, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions.

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

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

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

Subject as provided in the Custody Agreement, the Custodian is entitled to be indemnified from the assets of the relevant Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses which may be incurred by or asserted against the Custodian in performing its obligations or duties in connection with the Company and/or the relevant Sub-Fund. Notwithstanding the aforesaid, the Custodian is neither exempted from any liability to holders imposed under Hong Kong law nor breaches of trust through fraud or negligence nor may it be indemnified against such liability by Shareholders or at Shareholders' expense. Subject to the applicable law and the provisions of the Custody Agreement and the Instrument, the Custodian shall not, in the absence of fraud, negligence or wilful default on the part of the Custodian, be liable for any losses, costs or damage to the Company, any Sub-Fund or any Shareholder.

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

The Custodian will be entitled to the fees described in the section headed "Fees and Expenses" above and to be reimbursed for all costs and expenses in accordance with the provisions of the Custody Agreement.

### **The Sub-Custodian**

The Custodian has appointed Citibank, N.A. as the Sub-Custodian of the Company.

The Sub-Custodian has been a provider of custodial and settlement services to domestic and international clients since its establishment in the United States of America in 1814. The Sub-Custodian's global custodial network covers all mature and major emerging markets.

The Sub-Custodian began offering securities services in Hong Kong in the mid-1970s and developed a full-blown capability by the mid 1980s.

### **The Administrator**

Citibank, N.A., Hong Kong Branch acts as administrator of the Company and each Sub-Fund, and is responsible for certain financial, administrative and other services in relation to the Company and each Sub-Fund, including:

- (a) determining the Net Asset Value and the Net Asset Value per Share;
- (b) preparing and maintaining the Company and the Sub-Funds' financial and accounting records and statements; and
- (c) assisting in preparing the financial statements of the Company and the Sub-Funds.

### **The Registrar**

Tricor Investor Services Limited as the Registrar of each Sub-Fund under the terms of the Registrar Agreement, unless otherwise stated in the relevant Appendix. The Registrar provides

services in respect of the establishment and maintenance of the register of the Shareholders of each Sub-Fund.

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

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

### **The Auditor**

The Manager has appointed PricewaterhouseCoopers to act as the auditor of the Company and each Sub-Fund (the "Auditor"). The Auditor is independent of the Manager and the Custodian.

### **The Participating Dealers**

A Participating Dealer may act for its own account or for your account as its clients in making Creation Applications and Redemption Applications. Different Sub-Funds may have different Participating Dealers. The latest list of the Participating Dealers in respect of each Sub-Fund is available at <https://www.globalxetfs.com.hk/> (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC).

### **The Market Makers**

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Shares in the secondary market and whose obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for the Shares on the SEHK. Market Makers facilitate the efficient trading of Shares by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, the Manager use its best endeavours to put in place arrangements so that there is at all times at least one Market Maker for Shares in each available counter. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager use its best endeavours to put in place arrangements so that there is at least one other Market Maker for each available counter of each Sub-Fund to facilitate the efficient trading of Shares. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker for each available counter of each Sub-Fund will give not less than 3 months' notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers for each Sub-Fund is available at [www.hkex.com.hk](http://www.hkex.com.hk) and <https://www.globalxetfs.com.hk/> (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC). Please refer to the section on "Website Information" for the warning and the disclaimer regarding information contained in such website.

### **The Listing Agent**

In respect of each Sub-Fund, the Manager may appoint a Listing Agent for the relevant Sub-Fund in accordance with The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in respect of the Sub-Fund's listing on the SEHK. Any Listing Agent will be a registered institution or licensed corporation which is registered or licensed by the SFC to carry out, amongst others, Type 6 (advising on corporate finance) regulated activity under the SFO. The name of the Listing Agent for each Sub-Fund is set out in the relevant Appendix for that Sub-Fund.

## Conflicts of Interest and Soft Dollars

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

In addition:

- (a) The Manager or any of its Connected Persons may purchase and sell investments for the account of a Sub-Fund as agent for the Sub-Fund or deal with any Sub-Fund as principal with the prior written consent of the Custodian.
- (b) The Custodian, the Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Shareholder or any company or body any of whose shares or securities form part of the relevant Sub-Fund's assets.
- (c) The Custodian or the Manager or any of their Connected Persons may become the owner of Shares and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Custodian or the Manager or any of their Connected Persons.
- (d) The Custodian, the Manager and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held by a Sub-Fund.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of a Sub-Fund may be made with any of the Custodian, the Manager, any investment delegate or any of their Connected Persons being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing rates or amounts for transactions of a similar type, size and term, in the same currency and with institutions of similar standing, negotiated at arm's length in accordance with ordinary and normal course of business. Any such deposits shall be maintained in a manner that is in the best interests of Shareholders.
- (f) Neither the Custodian nor the Manager nor any of their Connected Persons shall be liable to account to each other or to any Sub-Fund or to the Shareholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

It is, therefore, possible that any of the Custodian, the Manager or any of their Connected Persons may, in the course of business, have potential conflicts of interest with a Sub-Fund. Each will, at all times, have regard in such event to its obligations to the Sub-Fund and the Shareholders and will endeavour to ensure that such conflicts are resolved fairly.

Subject to applicable rules and regulations, the Manager, its delegate or any of its Connected Persons may enter into portfolio transactions for or with a Sub-Fund as agent in accordance with normal market practice, provided that commissions charged to the Sub-Fund in these circumstances do not exceed customary full service brokerage rates. If a broker does not provide research or other lawful services in addition to brokerage execution, such broker will generally charge a brokerage commission that is discounted from customary full service brokerage rates. Where the Manager invests a Sub-Fund in shares or units of a collective investment scheme managed by the Manager, its delegates or any of its Connected Persons, the manager of the scheme in which the investment is being made by the Sub-Fund must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or

other costs and charges payable to the Manager or any of its Connected Persons) borne by the Sub-Fund.

None of the Manager, its delegates (including investment delegates if any) or any of their Connected Persons shall, retain any cash commission rebates or other payment or benefit (except as otherwise provided for in this Prospectus or in the Instrument) received from a third party (either directly or indirectly) arising out of the sale or purchase or loan of investments for a Sub-Fund, and any such rebates or payments or benefits which are received shall be credited to the account of the Sub-Fund.

The Manager, its delegates (including investment delegates, if any) or any of their Connected Persons may receive, and are entitled to retain, goods, services or other benefits, such as research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publication (known as soft dollar benefits) which are of demonstrable benefit to a Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its Connected Persons in providing services to the relevant Sub-Fund (as may be permitted under the UT Code, applicable rules and regulations), from brokers and other persons through whom investment transactions are carried out ("brokers") provided that the quality of transaction execution is consistent with best execution standards, brokerage rates are not in excess of customary institutional full-service brokerage rates and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, such goods and services do not include travel accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the relevant Sub-Fund's annual report.

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

Conflicts of interest may also arise due to the widespread business operations of the Custodian, the Manager, the Registrar, the Conversion Agent or the Service Agent (as the case may be) and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Instrument and the relevant agreement(s), be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of a Sub-Fund will be on arm's length terms and in the best interests of Shareholders. For so long as a Sub-Fund is authorised by the SFC and it is an applicable requirement of the UT Code, the Manager, if transacting with brokers or dealers connected to the Manager, investment delegates, the Custodian or any of their respective Connected Persons, must ensure it complies with the following obligations:

- (a) such transactions should be on arm's length terms;
- (b) it must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;



- (e) the Manager must monitor such transactions to ensure compliance with its obligations;  
and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual financial statements of the Sub-Fund.

## STATUTORY AND GENERAL INFORMATION

### Financial Reports

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

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

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

### The Instrument

The Company was incorporated in Hong Kong under the SFO on 13 December 2019. Its constitution is set out in the Instrument filed to the Companies Registry of Hong Kong on, and effective as of, 13 December 2019 (and as may be further amended, modified or supplemented from time to time). All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Instrument.

### Indemnities of the Manager

Under the Management Agreement, the Manager is not liable in respect of any act or omission of:

- (a) any person, firm or company through whom transactions in Investments are effected for the account of any Sub-Fund;
- (b) the Custodian;
- (c) the Administrator (if any);
- (d) any Participating Dealer, Market Maker or Listing Agent;
- (e) any party having custody or possession of the Company's assets from time to time; or
- (f) any clearance or settlement system.

Nothing in any of the provisions of the Management Agreement and the Instrument (i) exempts the Manager from or against any liability to Shareholders for breach of its obligations through its fraud or negligence or any liability to Shareholders imposed by virtue of any Hong Kong law in relation to its duties nor (ii) indemnifies the Manager against such liability by Shareholders or at the Shareholders' expense.

Subject to the Instrument, the Company agrees to indemnify and keep indemnified the Manager and the directors, officers and employees of the Manager from and against any and all liabilities,

obligations, losses, damages, suits and expenses (each a "Loss") which may be incurred by or asserted against the Manager in its capacity as Manager of the Company. However, such indemnity excludes Losses resulting from the negligence, wilful default or fraud of the person seeking to rely on this indemnity and excludes expenses incurred by the Manager for which it is responsible under the Management Agreement.

When the Manager appears in, prosecutes or defends any action or suit in respect of the provisions of the Management Agreement or the Instrument or in respect of the Company, any Sub-Fund or any part thereof or any corporate or Shareholders' action which in its opinion would or might involve it in expense or liability, it shall be entitled to be indemnified by the Company out of the relevant Sub-Fund to its satisfaction against any costs or expenses in connection with the Manager appearing, prosecuting or defending such actions or suits.

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

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

#### **Indemnities of the Custodian**

The Custodian shall not be liable for payment to the Company of any amount in respect of any breach of the Custodian Agreement except for payments in respect of the relevant party's direct damages resulting from breach of the Custodian Agreement by reason of the negligence, intentional failure or fraud of the Custodian. Direct damages shall include the relevant party's reasonable legal fees and disbursements. For the avoidance of doubt, the Custodian shall be liable for the acts and omissions of its agents or sub-custodians in relation to the Company.

Under the Custodian Agreement, without prejudice to any indemnity to which the Custodian may otherwise be entitled under applicable law, the Company agrees to (1) indemnify the Custodian for all losses, costs, damages, taxes and expenses (including reasonable legal fees and disbursements) (each a "Loss") incurred by the Custodian (directly or payable to its agents or sub-custodians) arising in connection with the failure of the Company to perform any of its obligations under the Custodian Agreement or arising from or in connection with the Custodian's appointment or performance under the Custodian Agreement; and (2) defend and hold the Custodian harmless from or in connection with any Loss imposed on, incurred by, or asserted against the Custodian (directly or through any of its agents or sub-custodians) or otherwise arising in connection with or arising out of any claim, action or proceeding by any third party, except any Loss resulting from the Custodian's failure to satisfy its obligation of reasonable care, skill and diligence as provided in the Custodian Agreement or the failure of any Agent to satisfy the same standard of care, or any Loss for which the Custodian is liable under the Applicable Laws and Regulations (as defined in the Custodian Agreement), in each case except any Loss resulting from negligence, fraud or wilful default of the Custodian.

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

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

## **Modification of the Instrument**

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

No alteration to the Instrument may be made unless:

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

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

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

## **Meetings of Shareholders**

Proxies may be appointed. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at any meeting of the Shareholders. If a clearing house (or its nominee(s)), being a corporation, is a Shareholder, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Shareholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such representative is so authorised. Each person so authorised shall be deemed to have been duly authorised without further evidence of the facts and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person were the registered Shareholder of the Shares held by the clearing house (or its nominee(s)), including the right to vote individually on a poll.

## **Voting Rights**

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

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

Other matters that require an ordinary resolution being passed would be considered by Shareholders of at least 10% of the Shares in issue and passed by a simple majority of more than 50% of the votes cast. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to such day and time not being less than 15 days thereafter and to such place as may be appointed by the chairman of the meeting. At such adjourned meeting, the Shareholders present in person or by proxy shall be a quorum. Notice of any adjourned meeting of Shareholders shall be given in the same manner as for an original meeting and such notice shall state that the Shareholders present at the adjourned meeting, whatever their number and the number of Shares held by them, will form a quorum.

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

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

A person ceases to be a Director if the person:

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

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

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

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

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

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

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

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

- (i) when it ceases to be eligible to be a Custodian or is prohibited from being a Custodian under applicable Laws and Regulations, or when the SFC withdraws its approval of the Custodian;

- (ii) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets; or
- (iii) when for good and sufficient reason, the Directors state in writing that a change in the Custodian is desirable in the interests of the Shareholders.

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

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

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

- (a) in the case of a Sub-Fund including classes therein, 1 year from the date of the first issue of Share relating to the relevant Sub-Fund or at any date thereafter the Net Asset Value of the relevant Sub-Fund is less than HKD50,000,000 or its equivalent in the base currency of the Sub-Fund;
- (b) in the case of a class only, there are no Shareholders of such class in a Sub-Fund;
- (c) in the case of the Company, 1 year from the date of the first issue of Shares relating to the first Sub-Fund or at any date thereafter the Net Asset Value of the Company is less than HKD50,000,000 or its equivalent in the base currency of the Company;
- (d) any law shall be passed which renders it illegal or in the reasonable opinion of the Directors impracticable or inadvisable to continue the relevant Sub-Fund or the Company;
- (e) in the case of an Index Tracking Sub-Fund including classes therein, the Index is no longer available for benchmarking;
- (f) in the case of a Sub-Fund including classes therein, if the Shares of the relevant Sub-Fund are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager;
- (g) in the case of a Sub-Fund including classes therein, at any time, the relevant Sub-Fund ceases to have any Participating Dealer; or
- (h) in the case of a Sub-Fund including classes therein, at any time, the relevant Sub-Fund ceases to have any market maker.

The Directors shall give reasonable notice of termination of the Company, the relevant Sub-Fund, or the class of Shares (as the case may be) to the Shareholders in the Company, the relevant Sub-Fund or the class of Shares (as the case may be) in such manner and with such contents which are compliant with the applicable Laws and Regulations, and by such notice fix the date on which such termination is to take effect, provided that no less than one month's notice will be given to the relevant Shareholders in case of termination of the Company or a Sub-Fund.

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

- (a) no Shares of the relevant class or classes may be issued or sold by the Company;
- (b) the Manager shall on the instructions of the Directors realise all the assets then comprised in the relevant Sub-Fund;
- (c) distributions shall be made to the Shareholders of the relevant Class or Classes in proportion to their respective interests in the relevant Sub-Fund all net cash proceeds derived from the realisation of the relevant Sub-Fund and available for the purpose of such

distribution, provided that the Custodian shall be entitled to retain out of any monies in its hands as part of the relevant Sub-Fund full provision for all costs, charges, expenses, claims and demands reasonably incurred by or on behalf of the Company, Directors, the Manager or the Custodian in connection with or arising out of the termination of the relevant Sub-Fund; and

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

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

### **Winding Up**

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

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

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

### **Distribution Policy**

The Manager will adopt a distribution policy for each Sub-Fund as the Manager considers appropriate having regard to the Sub-Fund's net income, fees and costs. For each Sub-Fund this distribution policy (including the currency of such distribution) will be set out in the relevant Appendix. Distributions will always depend on payments on Securities held by the relevant Sub-Fund which will in turn depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and distribution policies of the relevant underlying entities. Unless otherwise specified in the relevant Appendix, no distribution will be paid out of capital and/or effectively out of capital of the Sub-Fund. There can be no assurance that such entities will declare or pay dividends or distributions.

### **Inspection of Documents**

Copies of the following documents in respect of each Sub-Fund are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager in the case of (d) to (f) free of charge and in the case of (a) to (c) at a cost of HKD150 per set of copy documents:

- (a) the Instrument;
- (b) the Management Agreement;
- (c) the Custody Agreement;

- (d) the Service Agreement(s) and Conversion Agency Agreement(s);
- (e) the Participation Agreement(s); and
- (f) the most recent annual financial statements of the Company and each Sub-Fund (if any) and the most recent interim financial statements of the Company and each Sub-Fund (if any).

### **Part XV of the SFO**

Part XV of the SFO sets out the Hong Kong disclosure of interests' regime applicable to Hong Kong listed companies. The regime applies to open-ended fund companies whose Securities are listed on the SEHK. However the Company has made a Category 3 application to the SFC for exemption from Part XV of the SFO pursuant to section 309(2) thereof and the Guidelines for the Exemption of Listed Corporations and Other Persons from Part XV of the SFO (Disclosure of Interests). Consequently, Shareholders are not obliged to disclose their interest in the Company or in a Sub-Fund.

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

As part of the Manager's, the Company's, the Registrar's and the Participating Dealer's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Company, the Registrar, each Sub-Fund or the relevant Participating Dealer is subject, the Manager, the Company, the Registrar or the relevant Participating Dealer may require a detailed verification of an investor's identity and the source of payment of any applications for Shares at any time as they think appropriate. The Company may, to the extent permitted by law, delegate the maintenance of its anti-money laundering procedures to a third party service provider or agent.

Delay or failure to provide with the required documents may result in delay or refusal of application or withholding of redemption proceeds. For the purpose of anti-money laundering and/or counter-terrorist financing, the Manager may compulsorily redeem the Shares held by any Shareholder.

The Manager may, to the extent permitted by law, share, for the purposes of combating money laundering and terrorist financing, the information in connection with the Shareholders with its affiliates.

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

Each Shareholder (i) will be required to, upon demand by the Company or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Company or the Manager that is necessary for the Company or a Sub-Fund (a) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate or exemption of withholding or backup withholding in any jurisdiction from or through which the Company or a Sub-Fund receives payments and/or (b) to satisfy reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

### **Power to Disclose Information to Authorities**

Subject to applicable Laws and Regulations in Hong Kong, the Manager, the Company or any of their authorised person (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS and the IRD), certain information in relation to a Shareholder, including but not limited to the Shareholder's name, address, jurisdiction of birth,



tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Shareholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI (as defined below)), regulation or agreement under FATCA).

### **Liquidity Risk Management**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund and to ensure that the liquidity profile of the investments of the relevant Sub-Fund will facilitate compliance with such Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Shareholders and safeguard the interests of remaining Shareholders in case of sizeable redemptions.

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of each Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

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

As a liquidity risk management tool, the Manager may limit the number of Shares of a Sub-Fund redeemed on any Dealing Day to Shares representing 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the total number of Shares in such a Sub-Fund then in issue (subject to the conditions under the heading entitled "Deferred Redemption" in the section headed "Creations and Redemptions (Primary Market)").

### **Index Licence Agreements (applicable in respect of Index Tracking Sub-Funds only)**

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

### **Material Changes to an Index (applicable in respect of Index Tracking Sub-Funds only)**

The SFC should be consulted on any events that may affect the acceptability of an Index. Significant events relating to an Index will be notified to the Shareholders of the relevant Sub-Fund as soon as practicable. These may include a change in the methodology/rules for compiling or calculating the Index, or a change in the objective or characteristics of the Index.

### **Replacement of an Index (applicable in respect of Index Tracking Sub-Funds only)**

The Manager reserves the right, with the prior approval of the SFC and provided that in its opinion the interests of the Shareholders of the relevant Index Tracking Sub-Fund would not be adversely affected, to replace an Index with another index in accordance with the provisions of the UT Code and the Instrument. The circumstances under which any such replacement might occur include but are not limited to the following events:

- (a) the relevant Index ceasing to exist;
- (b) the licence to use the Index being terminated;
- (c) a new index becoming available that supersedes the existing Index;

- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Shareholders than the existing Index;
- (e) investing in the Securities comprised within the Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Index rendering that index unacceptable in the opinion of the Manager; and
- (i) the instruments and techniques used for efficient portfolio management not being available.

The Manager may change the name of an Index Tracking Sub-Fund if the relevant Index changes or for any other reasons including if licence to use the Index is terminated. Any change to (i) the use by the relevant Index Tracking Sub-Fund of the Index and/or (ii) the name of the relevant Index Tracking Sub-Fund will be notified to investors.

#### **Information Available on the Internet**

The Manager will publish important news and information with respect to each Sub-Fund (including, for Index Tracking Sub-Funds, in respect of the relevant Index), in the English and Chinese languages (unless otherwise specified), on the following website <https://www.globalxetfs.com.hk/> (which has not been reviewed or approved by the SFC) and, where applicable, HKEX's website [www.hkex.com.hk](http://www.hkex.com.hk) including:

- (a) this Prospectus and the product key facts statement in respect of each of the Sub-Funds (as revised from time to time);
- (b) the latest annual financial reports and interim half yearly unaudited financial reports (in English only);
- (c) any notices relating to material changes to any of the Sub-Funds which may have an impact on its investors such as material alterations or additions to this Prospectus (including each product key facts statement) or any of the constitutive documents of the Company and/or a Sub-Fund;
- (d) any public announcements made by the Manager in respect of any of the Sub-Funds, including information with regard to a Sub-Fund and (where applicable) the Sub-Fund's Index, the suspension of creations and redemptions of Shares, the suspension of the calculation of its Net Asset Value, changes in its fees and the suspension and resumption of trading in its Shares;
- (e) the near real time indicative Net Asset Value per Share of each Sub-Fund in each trading currency of the Sub-Fund (updated every 15 seconds throughout each Dealing Day);
- (f) the last Net Asset Value of each Sub-Fund in the base currency of the Sub-Fund and the last Net Asset Value per Share of each Sub-Fund in the base currency and each trading currency of the Sub-Fund (updated on a daily basis on each Dealing Day);
- (g) the past performance information of each Sub-Fund;
- (h) (in respect of each Index Tracking Sub-Fund) the annual tracking difference and tracking error of each Sub-Fund;

- (i) the full portfolio information of each Sub-Fund (updated on a daily basis unless otherwise specified in the relevant Appendix);
- (j) the latest list of the Participating Dealers and Market Makers for each Sub-Fund;
- (k) if applicable to a Sub-Fund, the composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period; and
- (l) the proxy voting policies of the Manager.

The near real time indicative Net Asset Value per Share (in each trading currency of the Sub-Fund) referred to above is indicative and for reference only. This is updated every 15 seconds during SEHK trading hours and is calculated by ICE Data Services.

For Global X Autonomous and Electric Vehicles ETF and Global X FinTech ETF:

- The near real time indicative Net Asset Value per Share in HKD is calculated by ICE Data Services using the near real time indicative Net Asset Value per Share in USD multiplied by a real time HKD:USD foreign exchange rate provided by ICE Data Services Real-Time FX Rate. Since the indicative Net Asset Value per Share in USD will not be updated when the underlying share market(s) are closed, the change to the indicative Net Asset Value per Share in HKD (if any) during such period is solely due to the change in the foreign exchange rate.
- The last Net Asset Value per Share in HKD is indicative, is for reference only and is calculated using the last Net Asset Value per Share in USD multiplied by the HKD:USD exchange rate quoted by Thomson Reuters at 4:00pm (London Time) as of the same Dealing Day provided by the Custodian. The official last Net Asset Value per Share in USD and the indicative last Net Asset Value per Share in HKD will not be updated when the underlying share market(s) are closed.

For all other Sub-Funds:

- The near real time indicative Net Asset Value per Share in HKD and USD is calculated by ICE Data Services using the near real time indicative Net Asset Value per Share in RMB multiplied by a real time HKD:RMB and USD:RMB foreign exchange rate provided by ICE Data Services Real-Time FX Rate. Since the indicative Net Asset Value per Share in RMB will not be updated when the underlying A-Share market is closed, the change to the indicative Net Asset Value per Share in HKD and USD (if any) during such period is solely due to the change in the foreign exchange rate.
- The last Net Asset Value per Share in HKD and USD is indicative, is for reference only and is each calculated using the last Net Asset Value per Share in RMB multiplied by the HKD:RMB and USD:RMB exchange rate quoted by Thomson Reuters at 4:00pm (London Time) as of the same Dealing Day provided by the Custodian. The official last Net Asset Value per Share in RMB and the indicative last Net Asset Value per Share in HKD and USD will not be updated when the underlying A-Share market is closed.

For Index Tracking Sub-Funds, real time updates about the relevant Index can be obtained through other financial data vendors. It is your own responsibility to obtain additional and the latest updated information about the Index (including without limitation, a description of the way in which the Index is calculated, any change in the composition of the Index, any change in the method for compiling and calculating the Index) via the Company's website and the relevant Index Provider's website (neither of which, nor any other website referred to in this Prospectus, has been reviewed by the SFC). Please refer to the section on "Website Information" below for the warning and the disclaimer regarding information contained in such website.

## Notices

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

*Company*

Global X Exchange Traded Funds Series OFC  
Room 1101, 11/F, Lee Garden Three  
1 Sunning Road, Causeway Bay, Hong Kong

*Manager*

Mirae Asset Global Investments (Hong Kong) Limited 未來資產環球投資(香港)有限公司  
Room 1101, 11/F, Lee Garden Three  
1 Sunning Road, Causeway Bay, Hong Kong

*Custodian*

Cititrust Limited  
50/F, Champion Tower  
3 Garden Road, Central  
Hong Kong

**Website Information**

The offer of the Shares is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. Neither the Company, the Manager nor the Custodian accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Company, the Manager and the Custodian in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, the Company's website <https://www.globalxetfs.com.hk/> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC). The information and materials included in these websites have not been reviewed by the SFC or any regulatory body. You should exercise an appropriate degree of caution when assessing the value of such information.

## TAXATION

*The following summary of taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Shares. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Shares both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below. Investors should refer to additional summaries of applicable taxation, where appropriate, as set out in the Appendix relevant to a Sub-Fund.*

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

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

### **Taxation of the Shareholders**

Where the Shareholders do not carry on a trade, profession or business in Hong Kong or the Shares in a Sub-Fund are held by the Shareholders as capital assets for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Shares in the Sub-Fund should not be taxable. For Shareholders carrying on a trade, profession or business in Hong Kong, such gains may be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of individuals and unincorporated business) if the gains in question arise in or are derived from such trade, profession or business and sourced in Hong Kong. Shareholders should take advice from their own professional advisers as to their particular tax position.

Distributions by the Company or a Sub-Fund should generally not be subject to Hong Kong profits tax in the hands of the Shareholders according to the current law and practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus).

There is no withholding tax on dividends and interest in Hong Kong.

### **Stamp Duty**

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

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

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") was gazetted on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The AEOI comprise, among others, the model Competent Authority Agreement ("CAA") and Common Reporting Standard ("CRS"). In addition, the Inland Revenue Department of Hong Kong ("IRD") published guidance for financial institutions ("FIs") on 9 September 2016 to assist them in complying with the CRS obligations. The AEOI requires FIs in Hong Kong to collect certain information relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report such information to the IRD for the purpose of automatic exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are

tax residents in a partner jurisdiction(s) with which Hong Kong has a CAA in force; however, a Sub-Fund and/or its agents may further collect information relating to the residents of other jurisdictions that are not resident in a reportable jurisdiction for HK CRS purposes.

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

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

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

### **FATCA and Compliance with US Withholding Requirements**

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

FATCA withholding applies to payments of US source income, including US source dividends and interest, made after 30 June 2014. The 30% withholding could also apply to certain non-US source payments otherwise attributable to amounts that would be subject to FATCA withholding

(also known as “foreign passthru payments”). Withholding agents (which includes participating FFIs) will generally be required to begin withholding withholdable payments made after 30 June 2014.

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

The Company has been registered with the IRS as a reporting single FFI with Global Intermediary Identification Number FRJ9YA.99999.SL.344. The Manager has obtained competent tax advice confirming that the Sub-Funds do not need to be registered with the IRS and that the registration of the Company with the IRS satisfies the FATCA requirements. In order to protect Shareholders and avoid being subject to withholding under FATCA, it is the Manager’s intention to endeavour to satisfy the requirements imposed under FATCA. Hence it is possible that this may require the Company and each Sub-Fund (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Shareholder to the IRS or the local authorities pursuant to the terms of the IGA (as the case may be), including certain Shareholders who fail to provide the information and documents required to identify their FATCA status, or who are non-FATCA compliant financial institutions or who fall within other categories specified in the FATCA provisions and regulations. As at the date of this Prospectus, all Shares are registered in the name of HKSCC Nominees Limited. HKSCC Nominees Limited has registered as a participating foreign financial institution or registered deemed compliant foreign financial institution.

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

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

## **Taxation in Mainland China**

*The following summary of taxation in Mainland China is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Shares. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Shares both under the laws and practice of Mainland China and the*

*laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Mainland China at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.*

#### *Corporate income tax (“CIT”)*

If the Company or a Sub-Fund is considered as a tax resident enterprise of Mainland China, it will be subject to Mainland China CIT at 25% on its worldwide taxable income. If the Company or a Sub-Fund is considered as a non-tax resident enterprise with an establishment or a place of business or a permanent establishment (collectively known as “PE”) in Mainland China, the profits attributable to that PE would be subject to CIT at 25%.

The Manager intends to manage and operate the Company and each Sub-Fund in such a manner that the Company and each Sub-Fund should not be treated as tax resident enterprises of Mainland China or non-tax resident enterprises with a PE in Mainland China for CIT purposes. As such, it is expected that the Company and each Sub-Fund should only be subject to CIT on withholding basis to the extent a Sub-Fund derives Mainland China sourced income, although this cannot be guaranteed.

#### *Dividend income*

Unless a specific exemption or reduction is available under current Mainland China tax laws and regulations or relevant tax treaties, non-tax resident enterprises without a PE in Mainland China are subject to CIT on a withholding basis, generally at a rate of 10%, to the extent it directly derives Mainland China sourced passive income. In that respect, pursuant to Circular 81 and Circular 127, income from dividends and profit distributions of companies from Mainland China, received by Hong Kong and overseas investors, including any Sub-Fund, via the Stock Connect, is generally subject to Mainland China WIT at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with an applicable tax treaty signed with Mainland China.

Under the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “China-HK Arrangement”), dividends distributed by a Mainland China tax resident to a Hong Kong tax resident would be subject to a reduced Mainland China WIT rate of 5% provided (i) the Hong Kong tax resident is the beneficial owner of the dividend; (ii) the Hong Kong tax resident holds at least 25% of the equity of the Mainland China tax resident; and (iii) the relevant treaty conditions are satisfied. Due to each Sub-Fund’s investment restriction, a Sub-Fund would not hold more than 10% of the ordinary shares issued by any single Mainland Chinese issuer. In this connection, a Sub-Fund would not be able to enjoy the reduced WIT rate of 5% provided under the China-HK Arrangement and therefore the general WIT rate applicable to a Sub-Fund is 10%.

#### *Capital gains*

Based on the Mainland China CIT Law and its Implementation Rules, “income from the transfer of property” sourced from Mainland China by a non-tax resident enterprise without a PE in Mainland China should be subject to WIT of 10%. However, pursuant to Circular 81 and Circular 127, Mainland China CIT will be temporarily exempted on capital gains derived by Hong Kong market investors (including each Sub-Fund) on the trading of A-Shares through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect with effect from 17 November 2014 and 5 December 2016 respectively. Based on Circular 81 and Circular 127, no provision for gross realised or unrealised capital gains derived from trading of A-Shares via Stock Connect is made by the Manager on behalf of each Sub-Fund.



### *Value-added Tax (“VAT”) and other surtaxes*

Mainland China has introduced VAT to replace Business Tax (“BT”) across all industry sectors which were historically under the BT regime. Caishui [2016] No. 36 (“Notice No. 36”), jointly promulgated by the MOF and the STA on 23 March 2016, contains the VAT rates and rules applicable to the extension of VAT to financial services with effect from 1 May 2016.

Notice No. 36 provides that VAT at the rate of 6% applies generally to net gains derived from the trading in Mainland China marketable securities.

In addition, if VAT is applicable, local surcharges (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) would be imposed based on VAT liabilities. The amount of local surcharges differs from location to location, but the total would typically be expected to amount to approximately 6.8%.

There are certain exemptions from VAT applicable under Notice No. 36 and Circular 127, which include (among others) gains derived by Hong Kong market investors (including each Sub-Fund) from the trading of A-Shares through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect respectively.

Dividends and profit distributions are generally considered to be outside the scope of what is taxable under Mainland China’s VAT rules, although the VAT rules do not specifically state this.

The Manager does not intend at this stage to make any provision for VAT on any realised or unrealised gains derived by any of the Sub-Fund from trading of A-Shares via Stock Connect, on any dividends or on any profit distributions derived by each Sub-Fund in respect of investments or investors which fall within the scope of the exempted categories set out above.

### *Stamp duty*

Stamp duty under Mainland China laws generally applies to the execution and receipt of all taxable documents listed in Mainland China’s Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in Mainland China of certain documents, including contracts for the sale of A-Shares and B-Shares traded on Mainland China stock exchanges. In the case of contracts for sale of A-Shares and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1% of the sales consideration. The Sub-Fund will be subject to this tax on each disposal of Mainland China A-Shares.

### *General*

It should be noted that the actual applicable tax amount imposed by Mainland Chinese tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final Mainland China tax liabilities. Consequently, Shareholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Shares.

If the actual applicable tax amount levied by Mainland Chinese tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of a Sub-Fund may suffer more than the tax provision amount as such Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Shareholders will be disadvantaged. On the other hand, if the actual applicable tax amount levied by Mainland Chinese tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Shareholders who have redeemed their Shares before Mainland Chinese tax authorities’ ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager’s overprovision. In this case, the then existing and new Shareholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the relevant Sub-Fund as assets thereof. Notwithstanding the above provisions, Shareholders who have already redeemed their Shares in a Sub-Fund before the return of any

overprovision to the account of such Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

Shareholders should seek their own tax advice on their tax position with regard to their investment in any Sub-Fund.

It is possible that the current tax laws, regulations and practice in Mainland China will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on Mainland China investments than currently contemplated.

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

Part 2 of this Prospectus includes specific information relevant to each Sub-Fund established under the Company and listed on the SEHK. It is updated from time to time by the Manager. Information relating to each Sub-Fund is set out in a separate Appendix.

The information presented in each Appendix in this Part 2 should be read in conjunction with the information presented in Part 1 of this Prospectus. Where the information in any Appendix in this Part 2 conflicts with the information presented in Part 1, the information in the relevant Appendix in the Part 2 prevails. However, it is applicable to the specific Sub-Fund of the relevant Appendix only.

Defined terms used in each of the Appendices and which are not defined in this Part 2, bear the same meanings as in Part 1 of this Prospectus. References in each Appendix to “Sub-Fund” refer to the relevant Sub-Fund which is the subject of that Appendix. References in each Appendix to “Index”, if applicable, refer to the relevant Index details of which are set out in that Appendix.

## APPENDIX 1: GLOBAL X CHINA CONSUMER BRAND ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	Solactive China Consumer Brand Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	16 January 2020 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	17 January 2020
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	02806 (HKD counter) 09806 (USD counter)
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD) United States dollars (USD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the yield from management of the Sub-Fund’s cash and holdings of investment products. Furthermore, distributions may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time)
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March

<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Participating Dealers*</b>	China Merchants Securities (HK) Co., Limited Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited Yuanta Securities (Hong Kong) Company Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of Sub-Fund.

The Sub-Fund will:

- (i) invest 50% to 100% of its Net Asset Value directly in constituent stocks of the; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterparty(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Sub-Fund may invest in (including but not limited to) the following Mainland China-related securities: A-Shares, H-Shares, N-Shares, P-Chips and Red Chips. The Sub-Fund will invest in A-Shares included in the Index through Stock Connect (as explained in the section “What is Stock Connect?”), which may include stocks on the ChiNext Board of the Shenzhen Stock Exchange and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap Counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

#### *Other investments*

Other than Swaps, the Manager may also invest no more than 10% of the Sub-Fund’s Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

#### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled “The Custodian” of the section headed “Management of the Company and Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of

the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled "Securities lending transactions risks" below and the sub-section titled "Securities Financing Transactions Risks" of the section headed "Risk Factors" in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Mainland China concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of a single geographical region or country (Mainland China). The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China.

#### *Consumer sector concentration risk*

Due to the concentration of the Index in the consumer sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Consumer sector risk*

The performance of companies in the consumer sector are correlated to the growth rate of the global market, individual income levels and their impact on levels of domestic consumer spending in the global markets, which in turn depend on the worldwide economic conditions, which have recently deteriorated significantly in many countries and regions and may remain depressed for the foreseeable future. There are many factors affecting the level of consumer spending, including but not limited to disposable income and wealth, interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. Any future slowdowns or declines in the global markets economy or consumer spending may materially and adversely affect the business of the companies in the consumer sector and as a result the performance of the Sub-Fund.

The PRC consumer sector is heavily reliant upon trade and an increase in trade restrictions, such as in the event of a US-PRC trade war, or even the threat thereof, may negatively affect the performance of PRC companies in the consumer sector.

*ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market **and/or STAR Board** may result in significant losses for the Sub-Fund and its investors.

Higher fluctuation on stock prices and liquidity risk: Listed companies on the ChiNext market **and/or STAR Board** are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market **and STAR Board** are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the "Main Boards").

Over-valuation risk: Stocks listed on the ChiNext market **and/or STAR Board** may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation: The rules and regulations regarding companies listed on ChiNext market **and STAR Board** are less stringent in terms of profitability and share capital than those on the Main Boards.

Delisting risk: It may be more common and faster for companies listed on the ChiNext market **and/or STAR Board** to delist. In particular, ChiNext market **and STAR Board** have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

**Concentration risk: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.**

Investments in the ChiNext market **and/or STAR Board** may result in significant losses for the Sub-Fund and its investor.

*Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

*Trading hours differences risk*

**As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the**



**Sub-Fund's Shares.** Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

#### *Securities lending transactions risks*

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

*Counterparty risk:* The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

#### Risks associated with investing in FDIs

The Sub-Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

#### Synthetic replication strategy risk

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index,

which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

### **Dual Counter**

The Manager has arranged for the Shares of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Shares are denominated in RMB. The Sub-Fund offers two trading counters on the SEHK (i.e. HKD counter and USD counter) to investors for secondary trading purposes. Shares traded in HKD counter will be settled in HKD and Shares traded in USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of Shares in the counters may be different as the different counters are distinct and separate markets.

Shares traded on each counter are of the same class and all Shareholders of all counters are treated equally. The counters will have different stock codes (as set out in the section "Key Information" above), different stock short names and different ISIN numbers.

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

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor in Part 1 of the Prospectus entitled "Multi-Counter Risk".

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

#### *General*

Shares traded in HKD and USD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares traded in HKD and USD have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the yield from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

### **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the "Management Fee").

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any

costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month's prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, the Custodian's fee, the Registrar's fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the Solactive China Consumer Brand Index. The Index is a free float market capitalisation weighted index which is designed to represent PRC companies with relevant short term revenue growth (in order to capture the fast-changing consumer trends in the PRC) that are active in industries where the brand name is of great importance for the consumer.

The Index is compiled and published by Solactive AG (the "Index Provider"). The Manager (and each of its Connected Persons) is independent of the Index Provider.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in RMB.

As at 31 March 2023, it comprised 30 constituent stocks with total market capitalisation of approximately RMB7,056 billion.

The Index was launched on 20 September 2019 and had a base level of 1,000 on 5 December 2014.

### **Index methodology**

#### *Index universe*

The index universe of the Index ("**Index Universe**") includes shares of companies headquartered in Mainland China or Hong Kong that fulfill all of the following criteria:

1. Listed on one of the following exchanges:
  - a) Hong Kong: SEHK
  - b) Mainland China: SSE and SZSE

- c) United States of America: the New York Stock Exchange and the NASDAQ Stock Market
2. Classified as from the following economies according to the FactSet Industries and Economic Sectors:
    - a) Consumer Services
    - b) Consumer Non-Durables
    - c) Consumer Durables
  3. Not classified as from the following industries according to the FactSet Industries and Economic Sectors:
    - a) Catalog/Specialty Distribution
    - b) Internet Retail
    - c) Electronics Distributors
    - d) Consumer Sundries
    - e) Department Stores
    - f) Drugstore Chains
    - g) Electronics/Appliance Stores
    - h) Wholesale Distributors
    - i) Medical Distributors
    - j) Automotive Aftermarket
    - k) Specialty Stores
    - l) Food Retail
    - m) Apparel/Footwear Retail

The FactSet Industries and Economic Sectors is a proprietary industry classification matrix used by FactSet to determine the classification of securities.

4. The first trade date of the security should not be within the last six months until and including the Selection Day (as defined below).
5. The companies with the highest and the lowest short term revenue growth in their respective industries based on each company's revenue growth in HKD over a period specified as binding on 4 September 2019 and ending on (and including) the relevant Selection Day (as defined below) are excluded.
6. Then, the market capitalisation weighted average industry revenue growth is calculated and companies from one of the 15 industries with the highest weighted growth are eligible for inclusion in the Index.

7. Securities with an average daily value traded (i.e. sum of daily value traded over the specified period divided by the number of trading days that fall in the specified period) of less than HKD20 million over the 6 months prior to the Selection Day (as defined below) are excluded.
8. If a company has more than one share classes, then the most liquid share class is eligible.
9. The companies are ranked in their industries (see step 6 above) according to total market capitalisation. The top 3 per industry are selected to constitute the Index Universe.

#### *Constituent selection*

The initial composition of the Index as well as any rebalancing is based on the following rules:

On a Selection Day (as defined below), the Index Provider determines the securities that are eligible for inclusion in the Index Universe. The securities are selected for Index inclusion based on the following rules:

- (a) Top 25 by total market capitalisation rank are selected for Index inclusion.
- (b) Existing constituents with rank from 26 to 35 are selected for Index inclusion until the target constituent count of 30 is reached.
- (c) If there are less than 30 stocks after step (b), non-constituents with rank from 26 to 35 are selected until the target constituent count of 30 is reached.

If less than 30 securities pass the selection criteria described above, all such securities will be selected resulting in less than 30 Index constituents.

#### ***Weighting***

On each Selection Day (as defined below), the constituents of the Index are weighted according to their free float market capitalisation such that the weight of each constituent in the Index does not exceed 9%.

#### ***Index rebalancing***

##### *Ordinary rebalancing*

The Index is rebalanced semi-annually effective as of second Friday in January and July (and if that day is not a trading day, the immediately following trading day) ("**Rebalance Day**"). The Index constituents will be determined on as of the relevant "**Selection Day**" which is 10 weekdays (i.e. Monday to Friday) before each Rebalance Day.

##### *Ongoing review*

Under certain circumstances, an adjustment of the Index may be necessary between two regular Rebalance Days. Such adjustment has to be made if a corporate action (as defined in the Index methodology, including, for example, cash distributions, stock distributions, share splits, capital increases etc.) in relation of an Index constituent occurs. Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Solactive Equity Index Methodology, which available on the Index Provider's website <https://www.solactive.com/documents/equity-index-methodology/> (this website has not been reviewed by the SFC) .

The Index Provider will announce any such Index adjustment giving a notice period of at least two trading days on its website and such adjustment will be implemented on the effective day as specified in the relevant notice.

### ***Oversight Committee***

The Index Provider has established an oversight committee comprised of staff from the Index Provider and its subsidiaries ("**Oversight Committee**"), which is responsible for decisions regarding any amendments to the rules of the Index. Any such amendment, which may result in an amendment of the guideline, must be submitted to the Oversight Committee for prior approval and will be made in compliance with the Index Provider's Methodology Policy, which is available on the Index Provider's website at <https://www.solactive.com/documents/methodology-policy/> (this website has not been reviewed by the SFC).

### ***Index constituents***

You can obtain the list of the constituents of the Index and their respective weightings from the website of the Index Provider <https://www.solactive.com/> (this website has not been reviewed by the SFC), and additional information of the Index from the website of the Index Provider <https://www.solactive.com/> (this website has not been reviewed by the SFC).

### ***Index codes***

The Index is disseminated under the following identifiers:

ISIN: DE000SLA9KG0

WKN: SLA9KG

Reuters: .SOLCCBIN

Bloomberg: SOLCCBIN Index

### ***Index Provider disclaimer***

The Sub-Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Solactive China Consumer Brand Index and/or the use of Solactive trade mark or the index price/prices of the Solactive China Consumer Brand Index at any time or in any other respect. The Solactive China Consumer Brand Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Solactive China Consumer Brand Index is calculated correctly. Irrespective of its obligations towards Mirae Asset Global Investments (Hong Kong) Limited, Solactive AG has no obligation to point out errors in the Solactive China Consumer Brand Index to third parties including but not limited to investors and/or financial intermediaries of the the Sub-Fund. Neither publication of the Solactive China Consumer Brand Index by Solactive AG nor the licensing of the Solactive China Consumer Brand Index or Solactive trade mark for the purpose of use in connection with the Sub-Fund constitutes a recommendation by Solactive AG to invest capital in the Sub-Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Sub-Fund. Remember, the information in this Prospectus does not constitute tax, legal or investment advice and is not intended as a recommendation for buying or selling securities. The information and opinions contained in this Prospectus have been obtained from public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Solactive AG will not be

responsible for the consequences of reliance upon any opinion or statement contained herein or for any omission.

***Index licence agreement***

The initial term of the licence of the Index commenced on 18 October 2019 and will remain in full force and effect for an indefinite term unless terminated by either party in writing after the initial two years term subject to the terms of the licence agreement.

**Appendix dated** 28 April 2023



## APPENDIX 2: GLOBAL X CHINA ELECTRIC VEHICLE AND BATTERY ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	Solactive China Electric Vehicle and Battery Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	16 January 2020 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	17 January 2020
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	02845 (HKD counter) 09845 (USD counter)
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD) United States dollars (USD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the yield from management of the Sub-Fund’s cash and holdings of investment products. Furthermore, distributions may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time)
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March

<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers*</b>	AP Capital Management (Hong Kong) Limited Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Participating Dealers*</b>	China Merchants Securities (HK) Co., Limited Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited Yuanta Securities (Hong Kong) Company Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of the Sub-Fund.

The Sub-Fund will:

- (i) invest 50% to 100% of its Net Asset Value directly in constituent stocks of the; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterparty(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Sub-Fund may invest in (including but not limited to) the following Mainland China-related securities: A-Shares, H-Shares, N-Shares, P-Chips and Red Chips. The Sub-Fund will invest in A-Shares included in the Index through Stock Connect (as explained in the section “What is Stock Connect?”), which may include stocks on the ChiNext Board of the Shenzhen Stock Exchange and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap Counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

### **Other investments**

Other than Swaps, the Manager may invest no more than 10% of the Sub-Fund’s Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled “The Custodian” of the section headed “Management of the Company and Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of

the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled "Securities lending transactions risks" below and the sub-section titled "Securities Financing Transactions Risks" of the section headed "Risk Factors" in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Mainland China concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of a single geographical region or country (Mainland China). The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China.

#### *Sector concentration risk associated with electric vehicle and battery*

Due to the concentration of the Index in the field of electric vehicles and batteries related to electric vehicles, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Sector risk associated with electric vehicle and battery*

The electric vehicle and battery field is in the early stages of development. Participants in this field may include companies from various industries: Industrial Specialties, Motor Vehicles, Electrical Products, Auto Parts: OEM, Chemicals: Specialty, Industrial Machinery, Metal Fabrication and Environmental Services. Therefore, until the field expands, it is likely to include companies which have only dedicated a proportion of their operations towards the production of electric vehicles (e.g. traditional car producers).

Many of the companies in the electric vehicle and battery sector have a relatively short operating history. Companies in the electric vehicle and battery sector typically face intense competition which may have an adverse effect on profit margins and the prices of the securities of these

companies. Their profitability is particularly vulnerable and susceptible to rapid changes in technology, rapid obsolescence of products and services, the loss or breach of intellectual property rights, government regulation (including but not limited to tax incentives offered), domestic and international competition (including competition from foreign competitors which may have lower production costs), evolving industry standards, introduction of new product and service, fluctuations in supply and demand for their products and services and the company's ability to manufacture electric vehicles and batteries on schedule to meet consumer demand.

Companies in the electric vehicle and battery sector typically have heavy and significant spending on research and development, and there is no guarantee that the products or services produced by these companies will be successful. Moreover, the businesses of companies with exposure to or investments in autonomous driving vehicle technology may be exposed to the risk of cybersecurity breaches, traffic accidents related to autonomous vehicles, and other issues that could result in increased regulation. Any errors or vulnerabilities that may be discovered in the products after release may adversely affect the business and operating results of such companies in the electric vehicle and battery sector.

Companies involved in the production and supply of batteries may be adversely impacted by the development of alternative sources of energy and the increasing demand for energy conservation. The revenues of companies in the electric vehicle and battery sector are cyclical by nature and can also be significantly affected by changes in government spending policies in the region.

#### *Industrial sector risk*

Companies in the electric vehicle and battery sector are often involved in the manufacturing of electric vehicles and batteries and therefore are also subject to the risks affecting the industrial sector. The profitability of companies in the industrial sector may be affected by supply and demand both for the specific product or service and for the industrial sector in general. Government regulations, labour relations, world events, economic conditions and taxes may affect the performance of companies in the industrials sector. Companies in the industrial sector may be adversely affected by product liability claims, liability for environmental damage and changes in exchange rates. The industrial sector may also be adversely affected by changes or movements in commodity prices, which may be influenced by unpredictable factors. Manufacturing companies need to keep up with technological advancements or may face the risk of their products becoming uncompetitive or obsolete.

#### *Technology sector risk*

Companies in the electric vehicle and battery sector are often involved in development of new technology and will therefore be affected by the risks affecting the technology sector. The products of these companies may become less competitive or obsolete due to technological developments and frequent new product innovation in the industry, unpredictable changes in growth rates and competition for qualified and skilled personnel. Certain technology companies may be reliant on limited product lines, markets, financial resources and/or certain key personnel. Other risk factors may include substantial capital investment requirements, increased government regulations and imposition of taxes. Price movements of company stocks within the technology sector may be more volatile than other sectors.

#### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

Higher fluctuation on stock prices and liquidity risk: Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation

limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the “Main Boards”).

**Over-valuation risk:** Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

**Differences in regulation:** The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

**Delisting risk:** It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

**Concentration risk:** STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

#### *Trading hours differences risk*

**As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.**

### *Securities lending transactions risks*

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

*Counterparty risk:* The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

### *Risks associated with investing in FDIs*

The Sub-Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

### *Synthetic replication strategy risk*

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index, which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

## **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled “The Offering Phases” in Part 1 of this Prospectus.

### **Dual Counter**

The Manager has arranged for the Shares of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Shares are denominated in RMB. The Sub-Fund offers two trading counters on the SEHK (i.e. HKD counter and USD counter) to investors for secondary trading purposes. Shares traded in HKD counter will be settled in HKD and Shares traded in USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of Shares in the counters may be different as the different counters are distinct and separate markets.

Shares traded on each counter are of the same class and all Shareholders of all counters are treated equally. The counters will have different stock codes (as set out in the section “Key Information” above), different stock short names and different ISIN numbers.

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

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors’ attention is also drawn to the risk factor in Part 1 of the Prospectus entitled “Multi-Counter Risk”.

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

#### *General*

Shares traded in HKD and USD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors’ attention is drawn to the section entitled “Exchange Listing and Trading (Secondary Market)” in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares traded in HKD and USD have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.



## **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the yield from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

## **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the “Management Fee”).

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month’s prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, the Custodian’s fee, the Registrar’s fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the Solactive China Electric Vehicle and Battery Index. The Index is a free float market capitalisation weighted index which is designed to represent PRC companies that are active in the field of electric vehicles and batteries related to electric vehicles.

The Index is compiled and published by Solactive AG (the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in RMB.

As at 31 March 2023, it comprised 35 constituent stocks with total market capitalisation of approximately RMB3,384 billion.

The Index was launched on 20 September 2019 and had a base level of 1,000 on 2 June 2019.

## ***Index methodology***

### *Index universe*

The index universe of the Index (“**Index Universe**”) includes shares of companies headquartered in Mainland China or Hong Kong that fulfill all of the following criteria:

1. Listed on one of the following exchanges:
  - a) Hong Kong: SEHK
  - b) Mainland China: SSE and SZSE
  - c) United States of America: the New York Stock Exchange and the NASDAQ Stock Market
  
2. Classified as from one of the following Level 6 sub-industries according to the FactSet Revere Business Industry Classification System Focus (“**RBICS Focus**”, as further described in the sub-section headed “RBICS Focus” below): Alternative Energy Car Manufacturers, Multi-Type Car Manufacturers, Electric Vehicle Charging Stations, Battery Charging Equipment Manufacturing, Electric Vehicle Batteries Manufacturing, Mixed Heavy-Duty and High-End Batteries Makers, Heavy-Duty Industrial Batteries Manufacturing, Traditional Vehicle Batteries Manufacturing, Electric Motors Manufacturing, Lithium Compounds Manufacturing, Lithium Ore Mining, Consumer Batteries Manufacturing, Other Industrial Electrical Product Manufacturing, Multi-Industry-Specific Factory Machinery Makers, Electronic Materials Manufacturing, Consumer Electronics Accessories Manufacturing, Diversified Specialty/Performance Chemicals Makers, General Factory Automation Makers, Powertrain Manufacturing, Motorcycle Manufacturing, Power Transmission and Distribution Products, Test, Measurement and Metrology Equipment Makers, Other Interconnect Components, Diversified Industrial Manufacturing, Automotive and Marine Electronics Manufacturing, Auto Interior Comfort/Safety/Electronics Products, General and Mixed-Type Software, Heating, Ventilation and Air Conditioning Products, Chassis and Body Manufacturing, Pan-Powertrain and Chassis Manufacturing, Film Passive Capacitor Electronic Components, Other Specialty and Performance Chemicals Makers, Other Organic Chemical Manufacturers, Other Discrete Semiconductors, and Rail Equipment Manufacturers.

### RBICS Focus

RBICS Focus is a proprietary industry classification system offered and maintained by FactSet, covering more than 48,000 publicly listed securities with up to 17 years of point-in-time history. RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company’s primary line of business, by mapping a company to a Level 6 (Sub-industry) sector (as further explained below) from which it derives 50% or more of its revenues for the last financial year of the relevant company. The RBICS Focus system provides for 6 levels, from Level 1 (Economy) to Level 6 (Sub-industry), as follows:

<b>RBICS Level</b>	<b>Name</b>	<b>No. of Groups</b>
1	Economy	12
2	Sector	32

3	Sub-sector	90
4	Industry-group	317
5	Industry	781
6	Sub-industry	1,455

Each company covered by the RBICS Focus system must derive a minimum of 50% of its revenue for the last financial year from a specific RBICS Level 6 sub-industry to be classified as being focused on that sub-industry.

3. Companies with significant exposure to electric vehicles and its related supply chain (including batteries of electric vehicles) will be identified and added to the list of eligible constituents remaining after step 2 above. Identification is based on the company description included in FactSet and keywords (which are subject to regular review by the Oversight Committee (as defined below)) indicating significant exposure to electric vehicles and its related supply chain.
4. As an exclusion policy, companies with insignificant exposure to electric vehicles and its related supply chain will be identified and removed from the list of eligible constituents after step 3 above. Identification is based on the company description included in FactSet and the “exclusion” keywords (which are subject to regular review by the Oversight Committee (as defined below)) indicating limited or no exposure to electric vehicles and its related supply chain.
5. The first trade date of the security should not be within the last six months until and including the Selection Day (as defined below).
6. Securities with an average daily value traded (i.e. sum of daily value traded over the specified period divided by the number of trading days that fall in the specified period) of less than HKD20 million over 6 months prior to and including the Selection Day (as defined below) are excluded.
7. If a company has more than one share classes, then the most liquid share class is eligible.
8. Companies must have a positive operating earnings before interest and taxes (“**EBIT**”) margin at least once in the last three fiscal years.

#### *Constituent selection*

The initial composition of the Index as well as any rebalancing is based on the following rules:

On a Selection Day (as defined below), the Index Provider determines the securities that are eligible for inclusion in the Index Universe. The securities are selected for Index inclusion based on the following rules:

- (a) All eligible securities are ranked based on their free float market capitalisation in a descending order.
- (b) Top 25 eligible securities by free float market capitalisation are selected for Index inclusion.
- (c) Existing constituents with rank from 26 to 40 by free float market capitalisation are selected for Index inclusion until the target constituent count of 35 is reached.

- (d) If there are less than 35 securities after step (c), non-constituents with rank from 26 to 40 by free float market capitalisation are selected until the target constituent count of 35 is reached.

If less than 35 securities pass the selection criteria described above, all such securities will be selected resulting in less than 35 Index constituents.

### ***Weighting***

On each Selection Day (as defined below), the constituents of the Index are weighted according to their free float market capitalisation such that the weight of each constituent in the Index does not exceed 10%. The excess weight will be distributed to the other constituents of the Index pro-rata in an iterative process.

### ***Index rebalancing***

#### *Ordinary rebalancing*

The Index is rebalanced semi-annually effective as of second Friday in January and July (and if that day is not a trading day, the immediately following trading day) ("**Rebalance Day**"). The Index constituents will be determined on as of the relevant "**Selection Day**" which is 10 weekdays (i.e. Monday to Friday) before each Rebalance Day.

#### *Ongoing review*

Under certain circumstances, an adjustment of the Index may be necessary between two regular Rebalance Days. Such adjustment has to be made if a corporate action (as defined in the Index methodology, including, for example, cash distributions, stock distributions, share splits, capital increases etc.) in relation of an Index constituent occurs. Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Solactive Equity Index Methodology, which available on the Index Provider's website <https://www.solactive.com/documents/equity-index-methodology/> (this website has not been reviewed by the SFC) .

The Index Provider will announce any such Index adjustment giving a notice period of at least two trading days (with respect to the affected Index constituent) on its website and such adjustment will be implemented on the effective day as specified in the relevant notice.

### ***Oversight Committee***

The Index Provider has established an oversight committee comprised of staff from the Index Provider and its subsidiaries ("**Oversight Committee**"), which is responsible for decisions regarding any amendments to the rules of the Index. Any such amendment, which may result in an amendment of the guideline, must be submitted to the Oversight Committee for prior approval and will be made in compliance with the Index Provider's Methodology Policy, which is available on the Index Provider's website at <https://www.solactive.com/documents/methodology-policy/> (this website has not been reviewed by the SFC).

### ***Index constituents***

You can obtain the list of the constituents of the Index and their respective weightings from the website of the Index Provider <https://www.solactive.com/> (this website has not been reviewed by the SFC), and additional information of the Index from the website of the Index Provider <https://www.solactive.com/> (this website has not been reviewed by the SFC).

### ***Index codes***

The Index is disseminated under the following identifiers:

ISIN: DE000SLA9KA3

WKN: SLA9KA

Reuters: .SOLCEVIN

Bloomberg: SOLCEVIN Index

### ***Index Provider disclaimer***

The Sub-Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Solactive China Electric Vehicle and Battery Index and/or the use of Solactive trade mark or the index price/prices of the Solactive China Electric Vehicle and Battery Index at any time or in any other respect. The Solactive China Electric Vehicle and Battery Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Solactive China Electric Vehicle and Battery Index is calculated correctly. Irrespective of its obligations towards Mirae Asset Global Investments (Hong Kong) Limited, Solactive AG has no obligation to point out errors in the Solactive China Electric Vehicle and Battery Index to third parties including but not limited to investors and/or financial intermediaries of the the Sub-Fund. Neither publication of the Solactive China Electric Vehicle and Battery Index by Solactive AG nor the licensing of the Solactive China Electric Vehicle and Battery Index or Solactive trade mark for the purpose of use in connection with the Sub-Fund constitutes a recommendation by Solactive AG to invest capital in the Sub-Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Sub-Fund. Remember, the information in this Prospectus does not constitute tax, legal or investment advice and is not intended as a recommendation for buying or selling securities. The information and opinions contained in this Prospectus have been obtained from public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Solactive AG will not be responsible for the consequences of reliance upon any opinion or statement contained herein or for any omission.

### ***Index licence agreement***

The initial term of the licence of the Index commenced on 18 October 2019 and will remain in full force and effect for an indefinite term unless terminated by either party in writing after the initial two years term subject to the terms of the licence agreement.

### **Appendix dated 28 April 2023**

### APPENDIX 3: GLOBAL X CHINA CLEAN ENERGY ETF

#### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	Solactive China Clean Energy Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	16 January 2020 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	17 January 2020
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	02809 (HKD counter) 09809 (USD counter)
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD) United States dollars (USD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the yield from management of the Sub-Fund’s cash and holdings of investment products. Furthermore, distributions may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time)
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March

<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers*</b>	AP Capital Management (Hong Kong) Limited Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Participating Dealers*</b>	China Merchants Securities (HK) Co., Limited Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited Yuanta Securities (Hong Kong) Company Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

\* Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of Sub-Fund.

The Sub-Fund will:

- (i) invest 70% to 100% of its Net Asset Value directly in constituent stocks of the Index; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 30% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterparty(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.



The Sub-Fund may invest in (including but not limited to) the following Mainland China-related securities: A-Shares, H-Shares, N-Shares, P-Chips and Red Chips. The Sub-Fund will invest in A-Shares included in the Index through Stock Connect (as explained in the section “What is Stock Connect?”), which may include stocks on the ChiNext Board of the Shenzhen Stock Exchange and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap Counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

### **Other investments**

Other than Swaps, the Manager may also invest no more than 10% of the Sub-Fund’s Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled “The Custodian” of the section headed “Management of the Company and Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of

the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled "Securities lending transactions risks" below and the sub-section titled "Securities Financing Transactions Risks" of the section headed "Risk Factors" in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Mainland China concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of a single geographical region or country (Mainland China). The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China.

#### *Clean energy sector concentration risk*

Due to the concentration of the Index in the clean energy sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Clean energy sector risk*

Clean energy involves ensuring access to affordable, reliable, sustainable and modern energy. The clean energy sector may comprise companies from different industries including: Alternative Power Generation, Engineering & Construction, Industrial Specialties, Miscellaneous Manufacturing, Semiconductors, Electrical Products, Electronic Production Equipment and Electric Utilities.

Clean energy companies may be dependent on the successful development of new and proprietary technologies. Many clean energy companies are involved in the development and commercialisation of new technologies, which may be subject to delays resulting from budget constraints and technological difficulties. Obsolescence of existing technology, short product

cycles, falling prices and profits, competition from new market entrants and general economic conditions also significantly affect the clean energy sector.

There are also factors external to the companies which may affect the performance of clean energy companies. Clean energy companies may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expire or are discontinued, or contracts are unavailable due to changes in government policies. In addition, seasonal weather conditions, fluctuations in the supply of, and demand for, clean energy products, changes in energy prices, and international political events may cause fluctuations in the performance of clean energy companies and the prices of their securities.

Shares in the companies involved in the clean energy have been significantly more volatile than shares of companies operating in other, more established industries. Currently, certain methods used to value companies involved in the alternative power and power technology sectors, particularly those that have not yet traded profitably, have not been in widespread use for a significant period of time. As a result, the use of these valuation methods may increase the volatility of the share prices of certain alternative power and power technology company.

#### *Risk associated with environmental, social and governance (“ESG”) investing*

The use of ESG criteria in the construction of the Index may affect the Sub-Fund’s investment performance and, as such, the Sub-Fund may perform differently compared to similar funds that do not use such criteria. ESG-based exclusionary criteria used in the selection methodology of the Index may result in the Index excluding certain securities when it might otherwise be advantageous for the Sub-Fund to invest in those securities.

The constituent selection and index calculation process of the Index involves analysis and exclusions based on ESG criteria. Such assessment by the Index Provider may involve qualitative factors and it is thus possible that the relevant investment criteria may not be applied correctly.

There is a lack of standardised taxonomy in relation to ESG investing strategies and funds with investment focus on ESG. The standard of disclosure adopted by these funds in relation to the relevant ESG factors or principles may vary.

The Sub-Fund may invest in FDIs, mainly funded total return Swap transactions, to obtain exposure without investing directly in the constituent stocks of the Index. The Manager has no control over the hedge positions of Swap Counterparty(ies) and thus the relevant portion of the Sub-Fund's assets (e.g. cash being passed on to the Swap Counterparty(ies) for each Swap contract entered into) may be invested in instruments that are not adhered to the Clean Energy Focus pursuant to the investment objectives and strategy of the Sub-Fund.

#### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

Higher fluctuation on stock prices and liquidity risk: Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the “Main Boards”).

Over-valuation risk: Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation: The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

Delisting risk: It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

Concentration risk: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

#### *Trading hours differences risk*

**As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.**

#### *Securities lending transactions risks*

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

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

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

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

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

#### *Risks associated with investing in FDIs*

The Sub-Fund's synthetic replication strategy will involve investing up to 30% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

#### *Synthetic replication strategy risk*

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index, which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled “The Offering Phases” in Part 1 of this Prospectus.

## **Dual Counter**

The Manager has arranged for the Shares of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Shares are denominated in RMB. The Sub-Fund offers two trading counters on the SEHK (i.e. HKD counter and USD counter) to investors for secondary trading purposes. Shares traded in HKD counter will be settled in HKD and Shares traded in USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of Shares in the counters may be different as the different counters are distinct and separate markets.

Shares traded on each counter are of the same class and all Shareholders of all counters are treated equally. The counters will have different stock codes (as set out in the section “Key Information” above), different stock short names and different ISIN numbers.

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

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors’ attention is also drawn to the risk factor in Part 1 of the Prospectus entitled “Multi-Counter Risk”.

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

### *General*

Shares traded in HKD and USD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors’ attention is drawn to the section entitled “Exchange Listing and Trading (Secondary Market)” in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares traded in HKD and USD have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

## **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

## **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager’s discretion. The Manager will make an announcement prior to

any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the yield from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

## **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the “Management Fee”).

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month’s prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, the Custodian’s fee, the Registrar’s fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the Solactive China Clean Energy Index. The Index is a free float market capitalisation weighted index which is designed to represent PRC companies that are active in the field of clean energy, i.e. companies which offer products, services or solutions that contribute to the shift away from fossil fuels, create renewable sources of energy generation or improve energy efficiency and access to sustainable energy consumption (“Clean Energy Focus”). In particular, eligible companies of the Index are headquartered in Mainland China or Hong Kong with significant exposure to “Affordable and Clean Energy” and its supply chain.

“Affordable and Clean Energy” is one of the 17 United Nations Sustainable Development Goals, which is to ensure access to affordable, reliable, sustainable and modern energy. The United Nations Sustainable Development Goals are designed to be the blueprint to achieve a better and more sustainable future for all. For more details, please refer to <https://www.un.org/sustainabledevelopment/sustainable-development-goals/> (this website has not been reviewed by the SFC).

The Index is compiled and published by Solactive AG (the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in RMB.



As at 31 March 2023, it comprised 35 constituent stocks with total market capitalisation of approximately RMB2,832 billion.

The Index was launched on 20 September 2019 and had a base level of 1,000 on 2 June 2019.

### ***Index methodology***

#### *Index universe*

The index universe of the Index ("**Index Universe**") includes shares of companies headquartered in Mainland China or Hong Kong that fulfill all of the following criteria:

1. Listed on one of the following exchanges:
  - a) Hong Kong: SEHK
  - b) Mainland China: SSE and SZSE
  - c) United States of America: the New York Stock Exchange and the NASDAQ Stock Market
  
2. Classified as from the one of the following Level 6 sub-industries according to the FactSet Revere Business Industry Classification System Focus ("**RBICS Focus**", as further described in the sub-section headed "RBICS Focus" below): Wind Energy Equipment Manufacturing, Photovoltaic and Solar Cells and Systems Providers, Fuel Cell Equipment and Technology Providers, Smart Grid Technology and Smart Meter Products, Mixed Renewable Energy Generation Manufacturing, China Mixed Alternative Wholesale Power, China Biomass Wholesale Power, China Decentralized Wholesale Power, China Geothermal Wholesale Power, China Hydroelectric Wholesale Power, China Solar Wholesale Power, China Wind Wholesale Power, Process Plants, Utilities and Energy Construction, Electronic Materials Manufacturing, Other Front End Processing Equipment Makers, Flat Panel Display-Specific Equipment Makers, Hazardous/Industrial Waste Disposal, Wires and Cables Manufacturing, Machine Tools Manufacturing, Lasers and Optical Instrument Manufacturing, Backup, Emergency and Standby Power Products, Architectural Glass Manufacturing, Other Industrial Electrical Product Manufacturing, Transportation Construction, Power Generation/Support Products Manufacturing, Stamping and Forging Shops, Ball and Roller Bearings Products, Electrical Systems and Equipment Manufacturing.

#### RBICS Focus

RBICS Focus is a proprietary industry classification system offered and maintained by FactSet, covering more than 48,000 publicly listed securities with up to 17 years of point-in-time history. RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company's primary line of business, by mapping a company to a Level 6 (Sub-industry) sector (as further explained below) from which it derives 50% or more of its revenues for the last financial year of the relevant company. The RBICS Focus system provides for 6 levels, from Level 1 (Economy) to Level 6 (Sub-industry), as follows:

<b>RBICS Level</b>	<b>Name</b>	<b>No. of Groups</b>
1	Economy	12
2	Sector	32

3	Sub-sector	90
4	Industry-group	317
5	Industry	781
6	Sub-industry	1,455

Each company covered by the RBICS Focus system must derive a minimum of 50% of its revenue for the last financial year from a specific RBICS Level 6 sub-industry to be classified as being focused on that sub-industry.

3. Companies with significant exposure to clean energy will be identified and added to the list of eligible constituents remaining after step 2 above. Identification is based on the company description included in FactSet and keywords (which are subject to regular review by the Oversight Committee (as defined below)) indicating significant exposure to clean energy and its related supply chain.
4. As an exclusion policy, companies (i) with insignificant exposure to clean energy and/or (ii) which engage in business(es) that may have adverse environmental impact will be identified and removed from the list of eligible constituents after step 2 above. Identification is based on the company description included in FactSet and the “exclusion” keywords (which are subject to regular review by the Oversight Committee (as defined below)) indicating limited or no exposure to clean energy and its related supply chain.
5. The first trade date of the security should not be within the last six months until and including the Selection Day (as defined below).
6. Securities with an average daily value traded (i.e. sum of daily value traded over the specified period divided by the number of trading days that fall in the specified period) of less than HKD20 million over the 6 months prior to the Selection Day (as defined below) are excluded.
7. If a company has more than one share classes, then the most liquid share class is eligible.

#### *Constituent selection*

The initial composition of the Index as well as any rebalancing is based on the following rules:

On a Selection Day (as defined below), the Index Provider determines the securities that are eligible for inclusion in the Index Universe. The securities are selected for Index inclusion based on the following rules:

- (a) All eligible securities are ranked based on their free float market capitalisation in a descending order.
- (b) Top 25 eligible securities by free float market capitalisation are selected as Index inclusion.
- (c) Existing constituents with rank from 26 to 40 by free float market capitalisation are selected as Index inclusion until the target constituent count of 35 is reached.
- (d) If there are less than 35 securities after step (c), non-constituents with rank from 26 to 40 by free float market capitalisation are selected until the target constituent count of 35 is reached.

If less than 35 securities pass the selection criteria described above, all such securities will be selected resulting in less than 35 Index constituents.

### ***Weighting***

On each Selection Day (as defined below), the constituents of the Index are weighted according to their free float market capitalisation such that the weight of each constituent in the Index does not exceed 9%.

### ***Index rebalancing***

#### *Ordinary rebalancing*

The Index is rebalanced semi-annually effective as of second Friday in January and July (and if that day is not a trading day, the immediately following trading day) (“**Rebalance Day**”). The Index constituents will be determined on as of the relevant “**Selection Day**” which is 10 weekdays (i.e. Monday to Friday) before each Rebalance Day.

#### *Ongoing review*

Under certain circumstances, an adjustment of the Index may be necessary between two regular Rebalance Days. Such adjustment has to be made if a corporate action (as defined in the Index methodology, including, for example, cash distributions, stock distributions, share splits, capital increases etc.) in relation of an Index constituent occurs. Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Solactive Equity Index Methodology, which available on the Index Provider’s website <https://www.solactive.com/documents/equity-index-methodology/> (this website has not been reviewed by the SFC) .

The Index Provider will announce any such Index adjustment giving a notice period of at least two trading days on its website and such adjustment will be implemented on the effective day as specified in the relevant notice.

### ***Oversight Committee***

The Index Provider has established an oversight committee comprised of staff from the Index Provider and its subsidiaries (“**Oversight Committee**”), which is responsible for decisions regarding any amendments to the rules of the Index. Any such amendment, which may result in an amendment of the guideline, must be submitted to the Oversight Committee for prior approval and will be made in compliance with the Index Provider’s Methodology Policy, which is available on the Index Provider’s website at <https://www.solactive.com/documents/methodology-policy/> (this website has not been reviewed by the SFC).

### ***Index constituents***

You can obtain the list of the constituents of the Index and their respective weightings from the website of the Index Provider <https://www.solactive.com/> (this website has not been reviewed by the SFC), and additional information of the Index, including information regarding the ESG focus of the Index, from the website of the Index Provider <https://www.solactive.com/> (this website has not been reviewed by the SFC).

### ***Index codes***

The Index is disseminated under the following identifiers:

ISIN: DE000SLA9KD7

WKN: SLA9KD

Reuters: .SOLCCEIN

Bloomberg: SOLCCEIN Index

***Index Provider disclaimer***

The Sub-Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Solactive China Clean Energy Index and/or the use of Solactive trade mark or the index price/prices of the Solactive China Clean Energy Index at any time or in any other respect. The Solactive China Clean Energy Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Solactive China Clean Energy Index is calculated correctly. Irrespective of its obligations towards Mirae Asset Global Investments (Hong Kong) Limited, Solactive AG has no obligation to point out errors in the Solactive China Clean Energy Index to third parties including but not limited to investors and/or financial intermediaries of the Sub-Fund. Neither publication of the Solactive China Clean Energy Index by Solactive AG nor the licensing of the Solactive China Clean Energy Index or Solactive trade mark for the purpose of use in connection with the Sub-Fund constitutes a recommendation by Solactive AG to invest capital in the Sub-Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Sub-Fund. Remember, the information in this Prospectus does not constitute tax, legal or investment advice and is not intended as a recommendation for buying or selling securities. The information and opinions contained in this Prospectus have been obtained from public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Solactive AG will not be responsible for the consequences of reliance upon any opinion or statement contained herein or for any omission.

***Index licence agreement***

The initial term of the licence of the Index commenced on 18 October 2019 and will remain in full force and effect for an indefinite term unless terminated by either party in writing after the initial two years term subject to the terms of the licence agreement.

**Appendix dated 28 April 2023**

## APPENDIX 4: GLOBAL X CHINA SEMICONDUCTOR ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	FactSet China Semiconductor Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	6 August 2020 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	7 August 2020
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03191 (HKD counter) 09191 (USD counter)
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD) United States dollars (USD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager's discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager's discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time)
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on "What is the investment strategy?" below
<b>Financial Year End</b>	31 March

<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited Yuanta Securities (Hong Kong) Company Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of the Sub-Fund.

The Sub-Fund will:

- (i) invest 50% to 100% of its Net Asset Value directly in constituent stocks of the Index; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterparty(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Sub-Fund may invest in (including but not limited to) the following Mainland China-related securities: A-Shares, H-Shares, N-Shares, P-Chips and Red Chips. The Sub-Fund will invest in

A-Shares included in the Index through Stock Connect (as explained in the sections “Stock Connect” and “The A-Share Market” in Part 1 of this Prospectus), which may include stocks on the ChiNext Board of the SZSE and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE. The Sub-Fund may also invest in American Depositary Receipts (“ADRs”) which are eligible for inclusion in the Index.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

### **Other investments**

Other than Swaps, the Manager may also invest no more than 10% of the Sub-Fund’s Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions and other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other

eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled "The Custodian" of the section headed "Management of the Company and Sub-Funds" in Part 1 of this Prospectus in regard to the extent of the Custodian's responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled "Securities lending transactions risks" below and the sub-section titled "Securities Financing Transactions Risks" of the section headed "Risk Factors" in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Mainland China and Hong Kong concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of a concentrated geographical region (namely, Mainland China and Hong Kong). The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China and Hong Kong.

#### *Semiconductor sector concentration risk*

Due to the concentration of the Index in the semiconductor sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Semiconductor sector risk*

The Sub-Fund is subject to the risk that companies that are in the semiconductor industry may be particularly affected by certain factors as specified below, which may, in certain circumstances, cause the value of securities of all companies within the semiconductor sector of the market to



deteriorate. Specific factors faced by semiconductor companies which may affect the value of their securities include, but are not limited to, domestic and international competition pressures (including competition from subsidised foreign competitors with lower production costs), rapid obsolescence of products as a result of the fast-developing nature of the semiconductor industry, the economic performance of the customers of semiconductor companies which may in turn affect the growth and market outlook of the semiconductor industry and capital equipment expenditures which could be substantial and suffer from rapid obsolescence. Companies in the semiconductor sector also typically rely on heavy and significant spending on research and development, and there is no guarantee that the products produced by these companies will materialise into commercially successful products.

Furthermore, as the semiconductor sector may be deemed sensitive to national interests, the sector may be subject to government intervention, sanctions and trade protectionism. Companies in the semiconductor sector may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expires or are discontinued, or contracts are unavailable due to changes in government policies.

The success of companies in the semiconductor sector is typically dependent on the companies' ability to maintain relationships with their technology partners. If a company's relationship with a technology partner were impaired or terminated, the company may not be able to enter into a new technology alliance on a timely basis or on commercially favourable terms, which could result in significant additional cost or disruptions to its businesses.

The semiconductors sector is also characterised by cyclical market patterns and periodic overcapacity. Business conditions in this industry may change rapidly from periods of production shortages and strong demand to periods of weak demand. Any future downturn in the industry could harm the business and operating results of semiconductor companies.

#### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

Higher fluctuation on stock prices and liquidity risk: Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the "Main Boards").

Over-valuation risk: Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation: The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

Delisting risk: It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

Concentration risk: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Risks associated with ADRs*

Exposure to ADRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

#### *Risk of reliance on the Index Calculation Agent*

Pursuant to the Custom Index Agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, to ensure sufficient expertise in operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous ongoing support in terms of index expertise to the Index Provider.

If the Index Calculation Agent ceases to provide such ongoing support to the Index Provider or ceases acting as index calculation agent in respect of the Index (whether as a result of the early termination of the Custom Index Agreement or otherwise), the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. There is a risk that the operations of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund.

However, this risk is minimised as the Index Provider maintains a list of candidates who are eligible to act as the index calculation agent for the Index. The Index Provider has, through a thorough review of their capabilities and operational experience, selected these potential replacement index calculation agents, who are then approved by Index Provider's index oversight committee. Moreover, these potential replacement index calculation agents have existing agreements with the Index Provider which will help ensure a smooth transition of the role of the Index Calculation Agent.

#### *Distributions out of or effectively out of capital risk*

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

amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

#### *Trading hours differences risk*

**As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.**

#### *Securities lending transactions risks*

**The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:**

**Counterparty risk: The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.**

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

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

#### *Risks associated with investing in FDIs*

The Sub-Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

#### *Synthetic replication strategy risk*

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the

amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index, which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

### **Dual Counter**

The Manager has arranged for the Shares of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Shares are denominated in RMB. The Sub-Fund offers two trading counters on the SEHK (i.e. HKD counter and USD counter) to investors for secondary trading purposes. Shares traded in HKD counter will be settled in HKD and Shares traded in USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of Shares in the counters may be different as the different counters are distinct and separate markets.

Shares traded on each counter are of the same class and all Shareholders of all counters are treated equally. The counters will have different stock codes (as set out in the section "Key information" above), different stock short names and different ISIN numbers.

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

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor in Part 1 of the Prospectus entitled "Multi-Counter Risk".

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

#### *General*

Shares traded in HKD and USD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares traded in HKD and USD have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

### **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the “Management Fee”).

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month’s prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, the Custodian’s fee, the Registrar’s fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the FactSet China Semiconductor Index. The Index is a free float market capitalisation weighted index and an equity benchmark designed to track the performance of the growing domestic semiconductor industry in Mainland China and Hong Kong. The Index captures companies either headquartered or incorporated in Mainland China and Hong Kong that are focusing on the manufacturing of semiconductors and relevant components.

The Index methodology was developed by FactSet Research Systems Inc. (“FactSet” or the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider. FactSet holds the intellectual property rights of and the right to licence the use of the Index.

Solactive AG (the “Index Calculation Agent”) is responsible for the operation, calculation, maintenance and record keeping in respect of the Index pursuant to the Custom Index Agreement. FactSet is responsible for validating any changes to the Index constituents to ensure that any such changes are compliant with the screening criteria in the Index methodology. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or any issues relating to the Index generally, the Index Calculation Agent will provide its expertise to FactSet to resolve any such issues.

The Manager’s role in respect of the Index was limited to the development of the Index methodology before the launch of the Index. The Manager is not involved in the operation, calculation and maintenance of the Index. The Index Calculation Agent has sole discretion to calculate and maintain the Index.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other

amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in RMB.

As at 31 March 2023, it comprised 25 constituent stocks with total market capitalisation of approximately RMB1,699 billion.

The Index was launched on 30 July 2020 and had a base level of 100 on 22 September 2017.

### ***Index methodology***

#### *Index universe*

The index universe of the Index ("**Index Universe**") includes common stocks or American Depositary Receipts issued by companies which are either headquartered or incorporated in Mainland China or Hong Kong, and which fulfill all of the following criteria:

1. Listed on one of the following exchanges:
  - a) Hong Kong: SEHK
  - b) Mainland China: SSE and SZSE
  - c) United States of America: the New York Stock Exchange and the NASDAQ Stock Market
2. Having a minimum three-month average daily trading value ("ADTV") of HKD20 million on the Selection Day (as defined below). Existing constituents may remain in the Index if they have a minimum three-month ADTV of HKD15 million on the Selection Day.
3. Classified as being focused on one or more of the following FactSet Revere Business Industry Classification System Focus ("**RBICS Focus**", as further described in the sub-section headed "RBICS Focus" below) at its Level 6 sub-industries:
  - i. assembly equipment manufacturing;
  - ii. conventional flat panel display equipment;
  - iii. diversified semiconductor capital equipment makers;
  - iv. diversified semiconductors;
  - v. flash memory semiconductors;
  - vi. light emitting diode discrete semiconductors;
  - vii. other discrete semiconductors;
  - viii. other front-end processing equipment makers\*\*;
  - ix. other processor semiconductors;
  - x. security and identification semiconductors;
  - xi. semiconductor foundry services;
  - xii. semiconductor packaging and testing services;
  - xiii. specialty analog and mixed signal semiconductors;

- xiv. test, measurement and metrology equipment makers;
- xv. image sensor and image capture semiconductors;
- xvi. RF analog and mixed signal semiconductors;
- xvii. general analog and mixed signal semiconductors;
- xviii. other power analog and mixed signal semiconductors;
- xix. other memory semiconductors; and
- xx. turnkey assembly manufacturing services.

\*\* For securities classified to 'Other Front-End Processing Equipment Makers', exclude those that are mapped as focusing on Photovoltaic Wafers in Factset Revere Hierarchy.

### RBICS Focus

RBICS Focus is a proprietary industry classification system offered and maintained by FactSet, covering more than 48,000 publicly listed securities with up to 17 years of point-in-time history. RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company's primary line of business, by mapping a company to a Level 6 (Sub-industry) sector (as further explained below) from which it derives 50% or more of its revenues for the last financial year of the relevant company. The RBICS Focus system provides for 6 levels, from Level 1 (Economy) to Level 6 (Sub-industry), as follows:

<b>RBICS Level</b>	<b>Name</b>	<b>No. of Groups</b>
1	Economy	12
2	Sector	32
3	Sub-sector	90
4	Industry-group	317
5	Industry	781
6	Sub-industry	1,455

Each company covered by the RBICS Focus system must derive a minimum of 50% of its revenue for the last financial year from a specific RBICS Level 6 sub-industry to be classified as being focused on that sub-industry. In cases of any company with a diversified business, where necessary, a diversified RBICS Level 6 sub-industry (which shall be reflective of the semiconductor sector) will be put in place to reflect diversified business, such that the diversified RBICS Level 6 sub-industry will cover 50% or more of the company's revenue for the last financial year.

4. Where a company has multiple share classes, the most liquid issue based on the highest three-month ADTV on the Selection Day are selected.



5. The selected Securities are ranked in descending order by free float adjusted market capitalisation. Up to the top 25 and a minimum of 15 securities (as further explained at step 6 below) will be selected as constituents of the Index.
6. If the number of selected Securities is less than 15 after the aforementioned steps 1 to 5, the list of RBICS Focus Level 6 sub-industries referred to in step 3 shall be expanded upon consultation with the Index Provider's index oversight committee and the offering documents (including this Prospectus) will be updated to reflect the expanded list of sub-industries. The Index methodology will also be updated and published on the Index Provider's website (as identified below) in a timely manner.
7. On each Selection Day, the selected Securities are weighed by free float adjusted market capitalisation by dividing their individual float-adjusted market capitalisation to the sum of float-adjusted market capitalisation of all Securities. The weight of each Index constituent are then capped at 7.0%, and excess weights are redistributed proportionally among remaining uncapped constituents. If such redistribution leads to the weight of a constituent to exceed 7.0%, the aforementioned redistribution process is repeated until no constituent weighs more than 7.0%. Notwithstanding that the weight of certain Index constituents may have exceeded 7.0% during the period between the Selection Day (namely, the second Friday in March and September) and the Rebalancing Day (namely, the fourth Friday in March and September each year), the aforementioned weighing, capping and redistribution of the Index constituents will not be repeated on the Rebalancing Day. Please refer to the section headed "Index adjustments" below for details of the ordinary rebalancing of the Index which will be conducted on each Rebalancing Day.

### **Index calculation**

The Index value is calculated using the official close prices from the primary listing market or exchange for each constituent. If trading in a constituent stock is suspended prior to the market opening, the stock's adjusted closing price from the previous day will be used in the Index calculation until trading recommences. If trading in a stock is suspended while the relevant market is open, the official closing price published by the respective exchange for that stock will be used for all subsequent Index calculations until trading resumes.

The Index value of the net total return index is calculated by the following formula to account for the effect of withholding tax on dividends (by adjusting for dividend taken out due to tax payment):

$$I_{(t)} = \frac{\sum_{i=1}^n S_{i(t)} \times P_{i(t)} \times FX_{i(t)}}{D_{(t)}}$$

Where:

- $I_{(t)}$  = Index value on Index Valuation Day (t)
- $D_{(t)}$  = Divisor on Index Valuation Day (t)
- $n$  = Number of stocks in the Index
- $P_{i(t)}$  = Closing price of stock (i) on Index Valuation Day (t)
- $S_{i(t)}$  = Number of allocated shares of stock (i) on Index Valuation Day (t)
- $FX_{i(t)}$  = WM Reuters FX rate published at 4:00 p.m. London Time on Index Valuation Day (t) required to convert closing price of stock (i) in Index currency, RMB.

## **Index adjustments**

### *Ordinary rebalancing*

The Index is reconstituted and rebalanced semi-annually after the close of trading on the fourth Friday in March and September each year (and if that day is not a trading day, the following trading day) (each a “**Rebalancing Day**”), based on the Index constituents and the number of shares of such Index constituents as determined on the Selection Day.

The Index constituents will be determined on the relevant “**Selection Day**” which is the close of trading on the second Friday in March and September.

### *Ongoing review*

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for Index inclusion. Such adjustment has to be made if a corporate action (as described in the Index methodology, including, for example, delistings, mergers or acquisitions, spin-offs etc.) in relation to an Index constituent occurs. For instance, a constituent is removed immediately after being delisted from its primary market.

Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Index methodology, which is available on the Index Provider’s website <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed by the SFC).

## **Index constituents**

Details of the index methodology of the Index can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (the website has not been reviewed or approved by the SFC). The Index Composition (including list of constituents and their respective weightings) can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (the website has not been reviewed or approved by the SFC).

## **Index codes**

The Index is disseminated under the following identifier:

Bloomberg: FDSSMNTR Index

## **Index Provider disclaimer**

The Sub-Fund is not sponsored, endorsed, sold or promoted by FactSet. FactSet makes no representation or warranty, express or implied, to the owners of the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly or the ability of the FactSet China Semiconductor Index to track general stock market performance. FactSet licenses to the Manager (the “Licensee”) certain trademarks and trade names of FactSet. The FactSet China Semiconductor Index is determined and composed by FactSet without regard to the Licensee, adviser or the Sub-Fund. FactSet has no obligation to take the needs of the Licensee, adviser or the owners of the Sub-Fund into consideration in determining, composing or calculating the Index. FactSet is not responsible for and has not participated in the determination of the prices and amount of the Sub-Fund or the timing of the issuance or sale of the Sub-Fund or in the determination or calculation of the equation by which the Sub-Fund is to be converted into cash. FactSet has no obligation or liability in connection with the administration, marketing or trading of the Sub-Fund.

FACTSET DOES NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS, AND/OR THE COMPLETENESS OF THE FACTSET CHINA SEMICONDUCTOR INDEX OR ANY DATA INCLUDED THEREIN OR RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO AND FACTSET SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, DELAYS, OR INTERRUPTIONS THEREIN. FACTSET MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, ADVISER, OWNERS OF THE SUB-FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE FACTSET CHINA SEMICONDUCTOR INDEX OR ANY DATA INCLUDED THEREIN. FACTSET MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE FACTSET CHINA SEMICONDUCTOR INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL FACTSET HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

***Index licence agreement***

The initial term of the licence of the Index commenced on 10 July 2020 and should continue for a period of 2 years (“Initial Term”). After the conclusion of the Initial Term, the licence should be renewed for successive terms of 1 year unless either party to the licence agreement serves a written notice of termination of at least 90 days prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

**Appendix dated 28 April 2023**

## APPENDIX 5: GLOBAL X CHINA ROBOTICS AND AI ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	FactSet China Robotics and Artificial Intelligence Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	6 August 2020 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	7 August 2020
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	02807 (HKD counter) 09807 (USD counter)
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD) United States dollars (USD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time)
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March

<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited Yuanta Securities (Hong Kong) Company Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of the Sub-Fund.

The Sub-Fund will:

- (i) invest 50% to 100% of its Net Asset Value directly in constituent stocks of the Index; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterparty(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Sub-Fund may invest in (including but not limited to) the following Mainland China-related securities: A-Shares, H-Shares, N-Shares, P-Chips and Red Chips. The Sub-Fund will invest in A-Shares included in the Index through Stock Connect (as explained in the sections "Stock

Connect” and “The A-Share Market” in Part 1 of this Prospectus), which may include stocks on the ChiNext Board of the SZSE and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE. The Sub-Fund may also invest in American Depositary Receipts (“ADRs”) which are eligible for inclusion in the Index.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

### **Other investments**

Other than Swaps, the Manager may also invest no more than 10% of the Sub-Fund’s net asset value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions and other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled “The Custodian” of the section headed “Management of the Company and

Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled “Securities lending transactions risks” below and the sub-section titled “Securities Financing Transactions Risks” of the section headed “Risk Factors” in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Mainland China and Hong Kong concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of a concentrated geographical region (namely, Mainland China and Hong Kong). The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China and Hong Kong.

#### *Robotics and artificial intelligence sector concentration risk*

Due to the concentration of the Index in the robotics and artificial intelligence sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Robotics and artificial intelligence sector risk*

The Sub-Fund invests primarily in the equity securities of companies in the robotics and artificial intelligence sector and, as such, is particularly sensitive to risks to those types of companies. These risks include, but are not limited to, small or limited markets for such securities, changes in business cycles, world economic growth, technological progress, rapid obsolescence, and government regulation. Securities of robotics and artificial intelligence companies, especially companies which have a relatively small market capitalisation and limited operating history, tend

to be more volatile than securities of companies that do not rely heavily on technology. Rapid change to technologies that affect a company's products could have a material adverse effect on such company's operating results. Robotics and artificial intelligence companies may rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies. There can be no assurance that the steps taken by these companies to protect their proprietary rights will be adequate to prevent the misappropriation of their technology or that competitors will not independently develop technologies that are substantially equivalent or superior to such companies' technology. Increasing global regulatory scrutiny in relation to the collection, storage and usage of data may also impede the development of new robotics and artificial intelligence products, hamper the commercial rollout of such products and affect the market demand.

Companies in the robotics and artificial intelligence sector also typically rely on heavy and significant spending on research and development, and there is no guarantee that the products produced by these companies will materialise into commercially successful products.

Furthermore, as the robotics and artificial intelligence sector may be deemed sensitive to national interests, the sector may be subject to government intervention, sanctions and trade protectionism. Companies in the robotics and artificial intelligence sector may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expires or are discontinued, or contracts are unavailable due to changes in government policies.

The success of companies in the robotics and artificial intelligence sector is typically dependent on the companies' ability to maintain relationships with their technology partners. If a company's relationship with a technology partner were impaired or terminated, the company may not be able to enter into a new technology alliance on a timely basis or on commercially favourable terms, which could result in significant additional cost or disruptions to its businesses.

#### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

Higher fluctuation on stock prices and liquidity risk: Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the "Main Boards").

Over-valuation risk: Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation: The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

Delisting risk: It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.



Concentration risk: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Risks associated with ADRs*

Exposure to ADRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

#### *Risk of reliance on the Index Calculation Agent*

Pursuant to the Custom Index Agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, to ensure sufficient expertise in operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous ongoing support in terms of index expertise to the Index Provider.

If the Index Calculation Agent ceases to provide such ongoing support to the Index Provider or ceases acting as index calculation agent in respect of the Index (whether as a result of the early termination of the Custom Index Agreement or otherwise), the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. There is a risk that the operations of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund.

However, this risk is minimised as the Index Provider maintains a list of candidates who are eligible to act as the index calculation agent for the Index. The Index Provider has, through a thorough review of their capabilities and operational experience, selected these potential replacement index calculation agents, who are then approved by Index Provider's index oversight committee. Moreover, these potential replacement index calculation agents have existing agreements with the Index Provider which will help ensure a smooth transition of the role of the Index Calculation Agent.

#### *Distributions out of or effectively out of capital risk*

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

amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

#### *Trading hours differences risk*

As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

#### *Securities lending transactions risks*

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

**Counterparty risk:** The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

#### *Risks associated with investing in FDIs*

The Sub-Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

### *Synthetic replication strategy risk*

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index, which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

### **Dual Counter**

The Manager has arranged for the Shares of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Shares are denominated in RMB. The Sub-Fund offers two trading counters on the SEHK (i.e. HKD counter and USD counter) to investors for secondary trading purposes. Shares traded in HKD counter will be settled in HKD and Shares traded in USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of Shares in the counters may be different as the different counters are distinct and separate markets.

Shares traded on each counter are of the same class and all Shareholders of all counters are treated equally. The counters will have different stock codes (as set out in the section "Key information" above), different stock short names and different ISIN numbers.

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

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor in Part 1 of the Prospectus entitled "Multi-Counter Risk".

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

### *General*

Shares traded in HKD and USD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares traded in HKD and USD have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the

last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

## **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the “Management Fee”).

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month’s prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, the Custodian’s fee, the Registrar’s fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the FactSet China Robotics and Artificial Intelligence Index. The Index is a free float market capitalisation weighted index and an equity benchmark designed to track the performance of companies either headquartered or incorporated in Mainland China and Hong Kong which focus on productising and developing hardware and software products with the ability to perform tasks with a high level of precision and automation. The Index seeks to capture main players throughout the robotics and artificial intelligence value chain, including industrial automation machineries, artificial intelligence software, and robotics makers.

The Index methodology was developed by FactSet Research Systems Inc. (“FactSet” or the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider. FactSet holds the intellectual property rights of and the right to licence the use of the Index.

Solactive AG (the “Index Calculation Agent”) is responsible for the operation, calculation, maintenance and record keeping in respect of the Index pursuant to the Custom Index Agreement. FactSet is responsible for validating any changes to the Index constituents to ensure that any such changes are compliant with the screening criteria in the Index methodology. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or any issues relating to the Index generally, the Index Calculation Agent will provide its expertise to FactSet to resolve any such issues.

The Manager's role in respect of the Index was limited to the development of the Index methodology before the launch of the Index. The Manager is not involved in the operation, calculation and maintenance of the Index. The Index Calculation Agent has sole discretion to calculate and maintain the Index.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in RMB.

As at 31 March 2023, it comprised 25 constituent stocks with total market capitalisation of approximately RMB1,942 billion.

The Index was launched on 30 July 2020 and had a base level of 100 on 22 September 2017.

### ***Index methodology***

#### *Index universe*

The Index universe of the Index ("**Index Universe**") includes common stocks or ADRs issued by companies which are headquartered or incorporated in Mainland China or Hong Kong, and which fulfil all of the following criteria:

1. Listed on one of the following exchanges:
  - a) Hong Kong: SEHK
  - b) Mainland China: SSE and SZSE
  - c) United States of America: the New York Stock Exchange and the NASDAQ Stock Market
2. Having a minimum three-month average daily trading value ("ADTV") of HKD20 million on the Selection Day (as defined below). Existing constituents may remain in the Index if they have a minimum three-month ADTV of HKD15 million on the Selection Day.
3. The Securities' LTM ROE is greater than zero, where "**LTM ROE**" is defined as the last twelve month's net income divided by shareholders' equity.
4. Companies are then categorised into two categories: (i) industrial automation machineries and robotics makers or (ii) artificial intelligence software.

For (i) "industrial automation machineries and robotics makers" category, shortlist securities which are classified as one of the following 13 FactSet Revere Business Industry Classification Systems Focus ("**RBICS Focus**", as further described in the sub-section headed "RBICS Focus" below) Level 6 sub-industries, and they must also mention keywords (as further described in the sub-section headed "Keywords Selection" below) related to automation and robotics in either their FactSet Company Descriptions (which forms part of the FactSet Fundamentals dataset) or their Business Overview section in their annual report filings. These keywords are subject to regular review and revision by FactSet:

- i. 3D modelling/rapid prototyping automation providers;
- ii. closed circuit television (CCTV) systems/products;
- iii. industrial robots and robotic assembly line makers;

- iv. machine vision and quality control manufacturing;
- v. motion control and precision motors manufacturing;
- vi. other automation support product manufacturing;
- vii. other Industrial electrical Product Manufacturing;
- viii. paper and textile automation providers;
- ix. laser and optical instrument manufacturing;
- x. electrical systems and equipment manufacturing;
- xi. mixed industrial machinery parts / equipment makers;
- xii. diversified industrial manufacturing; and
- xiii. general factory automation makers.

For (ii) “artificial intelligence software” category, shortlist companies which are classified as one of the following four RBICS Focus Level 6 sub-industries, and which also include mentions of keywords related to artificial intelligence in either their FactSet Company Descriptions (which forms part of the FactSet Fundamentals dataset) or their Business Overview section in their annual report filings. These keywords are subject to regular review and revision by FactSet:

- i. productivity software;
- ii. general and mixed-type software;
- iii. web search sites and software; and
- iv. operating system software.

### RBICS Focus

RBICS Focus is a proprietary industry classification system offered and maintained by FactSet, covering more than 48,000 publicly listed securities with up to 17 years of point-in-time history. RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company's primary line of business, by mapping a company to a Level 6 (Sub-industry) sector (as further explained below) from which it derives 50% or more of its revenues for the last financial year of the relevant company. The RBICS Focus system provides for 6 levels, from Level 1 (Economy) to Level 6 (Sub-industry), as follows:

<b>RBICS Level</b>	<b>Name</b>	<b>No. of Groups</b>
1	Economy	12
2	Sector	32
3	Sub-sector	90
4	Industry-group	317

5	Industry	781
6	Sub-industry	1,455

Each company covered by the RBICS Focus system must derive a minimum of 50% of its revenue for the last financial year from a specific RBICS Level 6 sub-industry to be classified as being focused on that sub-industry. In cases of any company with a diversified business, where necessary, a diversified RBICS Level 6 sub-industry (which shall be reflective of the robotics and artificial intelligence sector) will be put in place to reflect the diversified business, such that the diversified RBICS Level 6 sub-industry will cover 50% or more of the company's revenue for the last financial year.

### Keywords Selection

The keywords selection process consists of three steps:

- a) The primary descriptive keywords commonly associated with "industrial automation machineries and robotics makers" and "artificial intelligence software" categories are identified along with any common acronyms or shorthand forms.
- b) The primary keywords identified in step (a) are entered into open-source keyword analytics tools where a list of related keywords would be generated and ranked based on their degree of relatedness. The top 3 to 5 ranked related keywords are included together with the primary keywords (collectively, the "**shortlisted keywords**").
- c) The shortlisted keywords are translated automatically to Chinese and other relevant languages (if any) and included into the list of keywords for constituent selection.

To ensure ongoing keyword relevancy, the above steps are repeated 60 days prior to every scheduled rebalancing day to capture new keywords, if any.

5. Securities are further ranked within their RBICS Focus sub-industries by total market capitalisation in descending order and the top 5 Securities of each subindustry are shortlisted.
6. Where a company has multiple share classes, the most liquid issue based on the highest three-month ADTV on the Selection Day are selected.
7. The selected Securities are ranked in descending order by free float adjusted market capitalisation. Up to the top 25 and a minimum of 15 securities (as further explained at step 8 below) will be selected as constituents of the Index.
8. If the number of selected Securities is less than 15 after the aforementioned steps 1 to 7, the list of RBICS Focus Level 6 sub-industries referred to in step 4 shall be expanded upon consultation with the Index Provider's index oversight committee and the offering documents (including this Prospectus) will be updated to reflect the expanded list of sub-industries. The Index methodology will also be updated and published on the Index Provider's website (as identified below) in a timely manner.
9. On each Selection Day, the selected Securities are weighed by free float adjusted market capitalisation by dividing their individual float-adjusted market capitalisation to the sum of float-adjusted market capitalisation of all Securities. The weight of each Index constituent are then capped at 7.0%, and excess weights are redistributed proportionally among remaining uncapped constituents. If such redistribution leads to the weight of a constituent



to exceed 7.0%, the aforementioned redistribution process is repeated until no constituent weighs more than 7.0%. Notwithstanding that the weight of certain Index constituents may have exceeded 7.0% during the period between the Selection Day (namely, the second Friday in March and September) and the Rebalancing Day (namely, the fourth Friday in March and September each year), the aforementioned weighing, capping and redistribution of the Index constituents will not be repeated on the Rebalancing Day. Please refer to the section headed “Index adjustments” below for details of the ordinary rebalancing of the Index which will be conducted on each Rebalancing Day.

### ***Index calculation***

The Index value is calculated using the official close prices from the primary listing market or exchange for each constituent. If trading in a constituent stock is suspended prior to the market opening, the stock’s adjusted closing price from the previous day will be used in the Index calculation until trading recommences. If trading in a stock is suspended while the relevant market is open, the official closing price published by the respective exchange for that stock will be used for all subsequent Index calculations until trading resumes.

The Index value of the net total return index is calculated by the following formula to account for the effect of withholding tax on dividends (by adjusting for dividend taken out due to tax payment):

$$I(t) = \frac{\sum_{i=1}^n S_{i(t)} \times P_{i(t)} \times FX_{i(t)}}{D(t)}$$

Where:

- $I(t)$  = Index value on Index Valuation Day (t)
- $D(t)$  = Divisor on Index Valuation Day (t)
- $n$  = Number of stocks in the Index
- $P_{i(t)}$  = Closing price of stock (i) on Index Valuation Day (t)
- $S_{i(t)}$  = Number of allocated shares of stock (i) on Index Valuation Day (t)
- $FX_{i(t)}$  = WM Reuters FX rate published at 4:00 p.m. London Time on Index Valuation Day (t) required to convert closing price of stock (i) in Index currency, RMB.

### ***Index adjustments***

#### ***Ordinary rebalancing***

The Index is reconstituted and rebalanced semi-annually after the close of trading on the fourth Friday in March and September each year (and if that day is not a trading day, the following trading day) (each a “**Rebalancing Day**”), based on the Index constituents and the number of shares of such Index constituents as determined on the Selection Day.

The Index constituents will be determined on the relevant “**Selection Day**” which is the close of trading on the second Friday in March and September.

#### ***Ongoing review***

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for Index inclusion. Such adjustment has to be made if a corporate action (as

described in the Index methodology, including, for example, delistings, mergers or acquisitions, spin-offs etc.) in relation to an Index constituent occurs. For instance, a constituent is removed immediately after being delisted from its primary market.

Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Index methodology, which is available on the Index Provider's website <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed by the SFC).

### ***Index constituents***

Details of the index methodology of the Index can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (the website has not been reviewed or approved by the SFC). The Index Composition (including list of constituents and their respective weightings) can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (the website has not been reviewed or approved by the SFC).

### ***Index codes***

The Index is disseminated under the following identifier:

Bloomberg: FDSAINTR Index

### ***Index Provider disclaimer***

The Sub-Fund is not sponsored, endorsed, sold or promoted by FactSet. FactSet makes no representation or warranty, express or implied, to the owners of the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly or the ability of the FactSet China Robotics and Artificial Intelligence Index to track general stock market performance. FactSet licenses to the Manager (the "Licensee") certain trademarks and trade names of FactSet. The FactSet China Robotics and Artificial Intelligence Index is determined and composed by FactSet without regard to the Licensee, adviser or the Sub-Fund. FactSet has no obligation to take the needs of the Licensee, adviser or the owners of the Sub-Fund into consideration in determining, composing or calculating the Index. FactSet is not responsible for and has not participated in the determination of the prices and amount of the Sub-Fund or the timing of the issuance or sale of the Sub-Fund or in the determination or calculation of the equation by which the Sub-Fund is to be converted into cash. FactSet has no obligation or liability in connection with the administration, marketing or trading of the Sub-Fund.

FACTSET DOES NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS, AND/OR THE COMPLETENESS OF THE FACTSET CHINA ROBOTICS AND ARTIFICIAL INTELLIGENCE INDEX OR ANY DATA INCLUDED THEREIN OR RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO AND FACTSET SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, DELAYS, OR INTERRUPTIONS THEREIN. FACTSET MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, ADVISER, OWNERS OF THE SUB-FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE FACTSET CHINA ROBOTICS AND ARTIFICIAL INTELLIGENCE INDEX OR ANY DATA INCLUDED THEREIN. FACTSET MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE FACTSET CHINA ROBOTICS AND ARTIFICIAL INTELLIGENCE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL FACTSET HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE,

INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

***Index licence agreement***

The initial term of the licence of the Index commenced on 10 July 2020 and should continue for a period of 2 years (“Initial Term”). After the conclusion of the Initial Term, the licence should be renewed for successive terms of 1 year unless either party to the licence agreement serves a written notice of termination of at least 90 days prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

**Appendix dated** 28 April 2023

## **APPENDIX 6: GLOBAL X CHINA INNOVATOR ACTIVE ETF**

*This is an active exchange traded fund*

### **Key information**

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Initial Issue Date</b>	10 March 2021 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	11 March 2021
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03058
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash only (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time)
<b>Management Fee</b>	Currently 0.75% per annum of the Net Asset Value
<b>Investment Strategy</b>	Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March. The first financial year of the Sub-Fund will end on 31 March 2022. The first half-yearly unaudited financial reports will be prepared up to 30 September 2021 and will be published before 30 November 2021. The first audited annual financial reports will be

	published before 31 July 2022.
<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The Sub-Fund's investment objective is to achieve long term capital growth by primarily investing in companies which are headquartered or incorporated in Mainland China, Hong Kong or Macau and are directly or indirectly involved in the provision of innovative products and/or services ("Innovative Business"). There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

In seeking to achieve the Sub-Fund's investment objective, the Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value) in equities of companies headquartered or incorporated in Mainland China, Hong Kong or Macau, which are directly or indirectly involved in Innovative Business. Innovative Business refers to companies that are leaders in innovation (such as applying novel solutions to growing and potentially significant addressable markets) which are able to take advantage of new technologies (including but not limited to 5G & Internet, Autonomous & Electric Vehicles, and other innovative sectors and industries as mentioned below), have superior management (for instance, companies headed by leaders with the vision to identify market needs that have yet to be fully expressed), and benefit from new industry conditions (such as secular changes in the way people communicate, and rising emerging marketing consumers) in the dynamically changing global economy.

The following is a non-exhaustive illustration of companies that may be directly involved or indirectly involved in Innovative Business in which the Sub-Fund will primarily invest:

- (i) *5G & Internet* – the development of wearable technology, home automation and connected automotive technology.
- (ii) *Autonomous & Electric Vehicles* – the development of electric vehicles and/or autonomous vehicles.
- (iii) *Climate Change* – the mitigation of climate change, including companies that develop technology or equipment that enables the production of energy from renewable or alternative sources.
- (iv) *Cloud Computing* – the offering of computing Software-as-a-Service ("SaaS"), Platform-as-a-Service ("PaaS"), Infrastructure-as-a-Service ("IaaS"), managed server

storage space and data centre real estate investment trusts (“REITs”), and/or cloud and edge computing infrastructure and hardware.

- (v) *Cybersecurity* – the development and management of security protocols preventing intrusion and attacks to systems, networks, applications, computers and mobile devices.
- (vi) *E-commerce* – the operation of e-commerce platforms, providing e-commerce software and services, and/or the sale of goods and services online.
- (vii) *Education* – digital learning, enterprise video and chat communication platforms which embrace the growing trend of digitalisation of educational tools and the improvement of accessibility of classroom learning outside of formal educational environments.
- (viii) *FinTech* – mobile/digital payments and remittances, peer-to-peer (“P2P”) and marketplace lending, online banking, digital and automated investing solutions, insurance technology, financial analytics software and alternative/digital currencies.
- (ix) *Healthcare Innovation* – the furtherance of healthcare through technological advancements (such as telemedicine and digital health analytics) and the development, production and distribution of innovative drugs and treatments.
- (x) *Infrastructure Development* – the innovation and improvement (such as integration of new software and technologies) of construction and engineering of infrastructure, the production of infrastructure raw materials, composites and products, industrial transportation and producers or distributors of heavy construction equipment.
- (xi) *Longevity* – the research, development, innovation and provision of goods or services targeting the demographic trend of longer average life spans and the aging of the global population (for instance, smartphone-controlled hearing aids and fall-detection wristbands).
- (xii) *Rising Emerging Market Consumers* – the offering of goods and services primarily to middle class consumers in developing markets, including those in traditional consumer-oriented sectors as well as business-to-consumer (B2C) companies.
- (xiii) *Robotics & Artificial Intelligence* – the development of robotics and/or artificial intelligence, such as unmanned vehicles and voice recognition.
- (xiv) *Social Media* – web-based media applications that facilitate social connectivity, including photo and video sharing, micro-blogging and others.
- (xv) *Video Games & Esports* – video game development or publishing, video game and esports content distribution and streaming, the operation of esports leagues, and the production of video game hardware.

Companies which are indirectly involved in Innovative Business may provide ancillary services to companies directly related to the Innovative Business. For instance, for Innovative Business relating to 5G & Internet, examples of ancillary services are the development and provision of data centre and cloud services. For Innovative Business relating to Autonomous & Electric Vehicles, examples of ancillary services are the development and provision charging stations and software services.

The equities which the Sub-Fund will invest in may be listed on the SEHK, the SSE and/or the SZSE, and may include Mainland China Securities such as A-Shares. The Sub-Fund will invest in A-Shares through Stock Connect (as explained in the sections “Stock Connect” and “The A-Share Market” in Part 1 of this Prospectus), which may include stocks on the ChiNext Board of the SZSE and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE. The Sub-Fund may also invest in foreign listings such as American Depositary Receipts (“ADRs”) listed on the New York Stock Exchange or NASDAQ.

Currently, the Manager has no intention to invest the Sub-Fund in any FDIs for investment purposes, but may use FDIs for hedging purposes only, and will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month's prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

#### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 25% and expected level of approximately 20% of the Sub-Fund's Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled "Securities Financing Transactions" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled "The Custodian" of the section headed "Management of the Company and Sub-Funds" in Part 1 of this Prospectus in regard to the extent of the Custodian's responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled "Securities lending transactions risks" below and the sub-section titled "Securities Financing Transactions Risks" of the section headed "Risk Factors" in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

## **Risk factors specific to the Sub-Fund**

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

### *Active investment management risk*

The Manager employs an actively managed investment strategy for the Sub-Fund. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of the Sub-Fund will be based on the Manager's view of market conditions and international investment trends and environment. The Sub-Fund may fail to meet its objective as a result of the Manager's selection of investments for the Sub-Fund, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other funds with a similar objective.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing instruments or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

### *Risk associated with small and mid-capitalisation companies*

The Sub-Fund may invest in small and/or mid-sized companies. The stock of small and mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

### *Equity market risk*

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

### *Mainland China, Hong Kong and Macau concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of companies which are headquartered or incorporated in a concentrated geographical region (namely, Mainland China, Hong Kong and Macau) The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Sub-Fund's investments resulting from adverse conditions in Mainland China, Hong Kong and Macau.

### *Sector concentration risk*

Due to the concentration of the Sub-Fund's investments in companies involved in innovation themes, which are characterised by relatively higher volatility in price performance when compared to other economic sectors, the performance of the Sub-Fund may be more volatile when compared to other broad-based funds.

### *Technology theme risks*

The Sub-Fund has high exposure to at least one of these themes: internet, cloud computing, e-commerce and fintech. Many of the companies with a high business exposure to a technology theme have a relatively short operating history. Rapid changes could render obsolete the products and services offered by these companies and cause severe or complete declines in the prices of the securities of those companies. Additionally, companies with one of these technology themes may face dramatic and often unpredictable changes in growth rates and competition for



the services of qualified personnel. There may be substantial government intervention in the technology industry, including restrictions on investment in internet and technology companies if such companies are deemed sensitive to relevant national interests. Some governments in the world have sought, and may in the future seek, to censor content available through internet, restrict access to products and services offered by these companies from their country entirely or impose other restrictions that may affect the accessibility of such products and services for an extended period of time or indefinitely. In the event that access to the internet products and services is restricted, in whole or in part, in one or more countries, the ability of such companies to retain or increase their user base and user engagement may be adversely affected, and their operating results may be harmed.

The technology business is subject to complex laws and regulations including privacy, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or advertisement engagement, or otherwise harm the technology business. They may also delay or impede the development of new products and services. Compliance with these existing and new laws and regulations can be costly and may require significant time and attention of management and technical personnel. These companies are also subject to the risks of loss or impairment of intellectual property rights or licences, cyber security risks resulting in undesirable legal, financial, operational and reputational consequences.

All these may have impact on the business and/or profitability of the technology companies that may be invested by the Sub-Fund and this may in turn affect the Net Asset Value of the Sub-Fund.

#### *Industrial sector risk*

Industrial companies are affected by supply and demand both for their specific product or service and for industrial sector products in general. Government regulation, world events, exchange rates and economic conditions, technological developments and liabilities for environmental damage and other liabilities will likewise affect the performance of these companies. Performance of these companies may be cyclical with occasional sharp price movements which may result from changes in the economy, fuel prices, labour agreements and insurance costs. This may have an impact on the business or profitability of the technology companies invested by the Sub-Fund and this may in turn affect the performance of the Sub-Fund.

#### *Consumer discretionary sector risk*

The performance of companies in the consumer discretionary sector are correlated to the growth rate of the consumer market, individual income levels and their impact on levels of domestic consumer spending, which in turn depend on the worldwide economic conditions, which have seen significant deterioration in the past. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. Any future changes in the economy or shifts in consumer spending in the relevant market may materially affect the business of the companies in the consumer discretionary sector. This may affect the performance of the Sub-Fund.

#### *Healthcare sector risk*

The economic prospects of the health care sector are generally subject to greater influences from governmental policies and regulations than those of many other industries. Certain health care companies may allocate greater than usual financial resources to research and product development and experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, certain health care companies may be adversely affected by lack of commercial acceptance of a new product or

process or by technological change and obsolescence. In addition, the internet healthcare sector is relatively new and evolving. Interpretation and enforcement of laws and regulations involve significant uncertainty. Under certain circumstances, it may be difficult to determine if certain actions may be deemed in violation of applicable laws and regulations. Internet healthcare companies also process and store a large amount of data, and any improper use or disclosure of such data could have a material adverse impact on their business. Internet healthcare companies may be subject to medical liability claims. These factors may affect the performance of the Sub-Fund.

#### *Financial sector risk*

Companies in the financial sector are subject to extensive governmental regulation, which may affect the scope of their activities, the prices they can charge and the amount of capital they must maintain. Governmental regulation may change frequently. The financial services sector is exposed to risks that may impact on the value of investments in the financial services sector more severely than investments outside this sector, including operating with substantial financial leverage. The financial services sector may also be affected by fluctuations in interest rates, availability of money or asset valuations and conditions in other related markets. This may affect the performance of the Sub-Fund.

#### *Information technology sector risk*

Companies in the information technology sector face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. The products of information technology companies may face obsolescence due to rapid technological developments. Information technology companies may be subject to extensive regulatory requirements causing considerable expense and delay. Information technology companies are heavily dependent on patent and intellectual property rights, the loss of which may affect the profitability of these companies. Please also refer to the risk factor titled "Technology Theme Risks" for more details.

#### *Robotics and artificial intelligence sector risk*

The Sub-Fund may invest in the equity securities of companies in the robotics and artificial intelligence sector and, as such, is particularly sensitive to risks to those types of companies. These risks include, but are not limited to, small or limited markets for such securities, changes in business cycles, world economic growth, technological progress, rapid obsolescence, and government regulation. Securities of robotics and artificial intelligence companies, especially companies which have a relatively small market capitalisation and limited operating history, tend to be more volatile than securities of companies that do not rely heavily on technology. Rapid change to technologies that affect a company's products could have a material adverse effect on such company's operating results. Robotics and artificial intelligence companies may rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies. There can be no assurance that the steps taken by these companies to protect their proprietary rights will be adequate to prevent the misappropriation of their technology or that competitors will not independently develop technologies that are substantially equivalent or superior to such companies' technology. Increasing global regulatory scrutiny in relation to the collection, storage and usage of data may also impede the development of new robotics and artificial intelligence products, hamper the commercial rollout of such products and affect the market demand.

Companies in the robotics and artificial intelligence sector also typically rely on heavy and significant spending on research and development, and there is no guarantee that the products produced by these companies will materialise into commercially successful products.

Furthermore, as the robotics and artificial intelligence sector may be deemed sensitive to national interests, the sector may be subject to government intervention, sanctions and trade protectionism. Companies in the robotics and artificial intelligence sector may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax

treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expires or are discontinued, or contracts are unavailable due to changes in government policies.

The success of companies in the robotics and artificial intelligence sector is typically dependent on the companies' ability to maintain relationships with their technology partners. If a company's relationship with a technology partner were impaired or terminated, the company may not be able to enter into a new technology alliance on a timely basis or on commercially favourable terms, which could result in significant additional cost or disruptions to its businesses.

#### *Video games and e-sports sector risk*

Video games and e-sports companies face intense competition, both domestically and internationally, may have limited product lines, markets, financial resources, or personnel, may have products that face rapid obsolescence, and are heavily dependent on the protection of patent and intellectual property rights. Video games and e-sports companies may be dependent on one or a small number of product or product franchises for a significant portion of their revenue and profits. They may also be subject to shifting consumer preferences, including preferences with respect to gaming console platforms, and changes in consumer discretionary spending. Such factors may adversely affect the profitability and value of these companies. Video games and e-sports companies are also subject to increasing regulatory constraints, particularly with respect to cybersecurity and privacy, and may be subject to sophisticated intellectual property infringement schemes and piracy efforts. These companies may be subject to specific government regulations (such as the real-time name registration for anti-fatigue system in online games in Mainland China) which may negatively impact the businesses of these companies and may cause them to incur substantial costs to change business practices in compliance with any such regulations. In addition, video games and e-sports companies depend heavily on their brand name and distinctive logo as well as their reputation in the gamer community and among millennials for their sales and future growth. All of these may affect the companies which are directly related to or involved in the video games and e-sports sector, as well as companies which are indirectly related to the sector (including companies ancillary services to companies in this sector), and may in turn affect the value of the Sub-Fund's investments in these companies.

#### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

Higher fluctuation on stock prices and liquidity risk: Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the "Main Boards").

Over-valuation risk: Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation: The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

Delisting risk: It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter

criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

Concentration risk: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Risks associated with ADRs*

Exposure to ADRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

In addition, there is a risk that the ADRs of Mainland Chinese companies may be delisted as a result of regulatory actions by the local government and/or stock exchange. In such an event, the value of such ADRs may be adversely affected as such ADRs could become difficult to trade and to value, and certain investors may not be allowed to invest in such ADRs. This may in turn have an adverse impact on the Net Asset Value of the Sub-Fund.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

#### *Trading hours differences risk*

As the stock exchanges on which the underlying Securities of the Sub-Fund are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges

may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from this difference and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

### ***Securities lending transactions risks***

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

***Counterparty risk:*** The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

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

#### ***General***

Shares traded in HKD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

### **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the "Management Fee").

The Management Fee is currently 0.75% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any

costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.75% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month's prior notice will be provided to Shareholders for any increase in the Management Fee to the permitted maximum amount.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, the Custodian's fee, the Registrar's fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

#### **Disclosure of full portfolio holdings**

The Manager will publish the full portfolio information of the Sub-Fund on a daily basis (in English only) on the following website <https://www.globalxetfs.com.hk/> (which has not been reviewed nor approved by the SFC).

#### **Appendix dated 10 February 2023**

## APPENDIX 7: GLOBAL X CHINA GLOBAL LEADERS ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	FactSet China Global Leaders Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	10 March 2021 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	11 March 2021
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03050
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash only (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	<p>During the Initial Offer Period: 5:00 p.m. (Hong Kong time)</p> <p>After Listing: 11:00 a.m. (Hong Kong time)</p>
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March



<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of the Sub-Fund.

The Sub-Fund will:

- (i) invest 50% to 100% of its Net Asset Value directly in constituent stocks of the Index; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterpart(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Sub-Fund may invest in Securities included in the Index that are issued by companies which are either headquartered or incorporated in Mainland China, Hong Kong or Macau, and are listed on one of the following stock exchanges: the SEHK, SSE, SZSE, NYSE and NASDAQ. The

Sub-Fund will invest in A-Shares included in the Index through Stock Connect (as explained in the sections “Stock Connect” and “The A-Share Market” in Part 1 of this Prospectus), which may include stocks on the ChiNext Board of the SZSE and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE. The Sub-Fund may also invest in foreign listings such as American Depositary Receipts (“ADRs”) which are eligible for inclusion in the Index.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap Counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

### **Other investments**

Other than Swaps, the Manager may also invest no more than 10% of the Sub-Fund’s Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the

sub-section titled “The Custodian” of the section headed “Management of the Company and Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled “Securities lending transactions risks” below and the sub-section titled “Securities Financing Transactions Risks” of the section headed “Risk Factors” in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Equity market risk*

The Sub-Fund’s investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

#### *Risk associated with small-capitalisation and mid-capitalisation companies*

The Sub-Fund may invest in small and/or mid-sized companies. The stock of small-capitalisation and mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

#### *Mainland China, Hong Kong and Macau concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of Securities that are issued by companies which are either headquartered or incorporated in Mainland China, Hong Kong or Macau. The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China, Hong Kong and Macau.

#### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

Higher fluctuation on stock prices and liquidity risk: Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the "Main Boards").

Over-valuation risk: Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation: The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

Delisting risk: It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

Concentration risk: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Risks associated with ADRs*

Exposure to ADRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

In addition, there is a risk that the ADRs of Mainland Chinese companies may be delisted as a result of regulatory actions by the local government and/or stock exchange. In such an event, the value of such ADRs may be adversely affected as such ADRs could become difficult to trade and to value, and certain investors may not be allowed to invest in such ADRs. This may in turn have an adverse impact on the Net Asset Value of the Sub-Fund.

### *Risk of reliance on the Index Calculation Agent*

Pursuant to the Custom Index Agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, to ensure sufficient expertise in operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous ongoing support in terms of index expertise to the Index Provider.

If the Index Calculation Agent ceases to provide such ongoing support to the Index Provider or ceases acting as index calculation agent in respect of the Index (whether as a result of the early termination of the Custom Index Agreement or otherwise), the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. There is a risk that the operations of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund.

However, this risk is minimised as the Index Provider maintains a list of candidates who are eligible to act as the index calculation agent for the Index. The Index Provider has, through a thorough review of their capabilities and operational experience, selected these potential replacement index calculation agents, who are then approved by the Index Provider's index oversight committee. Moreover, these potential replacement index calculation agents have existing agreements with the Index Provider which will help ensure a smooth transition of the role of the Index Calculation Agent.

### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

### *Trading hours differences risk*

**As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.**

### *Securities lending transactions risks*

**The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:**

**Counterparty risk:** The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

#### ***Risks associated with investing in FDIs***

The Sub-Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

#### ***Synthetic replication strategy risk***

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index, which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

#### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled “The Offering Phases” in Part 1 of this Prospectus.

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

### *General*

Shares traded in HKD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors’ attention is drawn to the section entitled “Exchange Listing and Trading (Secondary Market)” in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager’s discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager’s discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC’s prior approval (if required) and by giving not less than one month’s prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund’s capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

## **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the “Management Fee”).

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month’s prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, the Custodian’s fee, the Registrar’s fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the FactSet China Global Leaders Index. The Index is a free float market capitalisation weighted index and an equity benchmark designed to track the performance of Securities that are issued by “Chinese companies” identified as “Global Leaders”.

“Chinese companies” refer to companies either headquartered or incorporated in Mainland China, Hong Kong or Macau. “Global Leaders” refer to companies which have shown that they are able to maintain a global presence and a demonstrable track record as globally competitive players within their respective industry sectors.

Such companies must (i) derive a sizable proportion (being more than 25%) of the company’s total sales from revenue generated outside of Mainland China, Hong Kong and Macau, and (ii) maintain a notable global customer relationship network determined with reference to an overseas customer relationship ratio as further explained below. For the avoidance of doubt, the Index does not have any specific business or industry focus, and “Global Leaders” shall only include companies having a total market capitalisation of USD100 billion or below.

The Index methodology was developed by FactSet Research Systems Inc. (“FactSet” or the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider. FactSet holds the intellectual property rights of and the right to licence the use of the Index.



Solactive AG (the “Index Calculation Agent”) is responsible for the operation, calculation, maintenance and record keeping in respect of the Index pursuant to the Custom Index Agreement. FactSet is responsible for validating any changes to the Index constituents to ensure that any such changes are compliant with the screening criteria in the Index methodology. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or any issues relating to the Index generally, the Index Calculation Agent will provide its expertise to FactSet to resolve any such issues.

The Manager’s role in respect of the Index was limited to the development of the Index methodology before the launch of the Index. The Manager is not involved in the operation, calculation and maintenance of the Index. The Index Calculation Agent has sole discretion to calculate and maintain the Index.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in RMB.

As at 31 March 2023, the Index comprised 30 constituent stocks with total market capitalisation of approximately RMB4,231 billion.

The Index was launched on 4 March 2021 and had a base level of 100 on 22 January 2016.

## ***Index methodology***

### *Index universe*

The Index universe of the Index (“**Index Universe**”) includes Securities issued by companies which are (i) either headquartered or incorporated in Mainland China, Hong Kong or Macau and (ii) listed on one of the following stock exchanges: the SEHK, SSE, SZSE, NYSE and NASDAQ, and fulfilling all of the following criteria:

1. The Securities are common stocks or ADRs.
2. Having a total market capitalisation of USD100 billion or below.
3. Having a minimum three-month average daily trading value (“ADTV”) of HKD20 million on the Selection Day (as defined below).
4. The Securities are then categorised by FactSet Revere Business Industry Classification Systems with Revenue (“RBICS with Revenue”, as further described in the sub-section headed “RBICS with Revenue” below) at Level 4 Industry Group level into one of the 317 Level 4 Industry Group categories (each a “Category”). Within each Category, the securities are ranked in descending order based on revenue derived from that specific Category. The Securities having the highest and second highest revenue derived from each Category are longlisted. For each eligible security, the revenue percent from that specific Category must be greater than 25%.

### RBICS with Revenue

RBICS with Revenue normalises non-standardised business segment reports by mapping companies’ segment revenues to the granular sectors of FactSet Revere Business Industry Classification System (“RBICS”). This results in a quantified multi-sector participation tree for each company, enabling easy comparison, screening, and grouping across a universe of roughly 47,000 companies. The RBICS matrix structure consists of 12 anchor sectors, 6 levels of depth and over 1,500 individual sector groups.

5. Securities issued by companies which generate more than 25% of their revenue from operations based outside of Mainland China, Hong Kong and Macau are selected.
6. Securities with an overseas customer relationship ratio greater than 50% are further shortlisted. The overseas customer relationship ratio will be calculated based on the following formula:

$$\text{overseas customer relationship ratio} = \frac{\text{number of "Overseas Customer Relationships" } ^{\wedge}}{\text{total number of customer relationships maintained by the issuer}}$$

<sup>^</sup> *"Overseas Customer Relationship" is defined as corporate or non-corporate entity which is headquartered outside of Mainland China, Hong Kong and Macau.*

7. The Securities which remain after step 6 are ranked by their total market capitalisation in descending order, and 30 of the top-ranking Securities are selected. If the number of securities is less than 30 after the aforementioned step 6, the eligibility requirements under steps 1 to 4 will be revised following consultation with the Index Provider's index oversight committee, in order to expand the pool of eligible Securities. Where necessary, the index methodology and this Prospectus will be updated to reflect the revised methodology, and prior notice will be given to Shareholders where required by the applicable regulations.
8. Where a company has multiple share classes, the most liquid issue based on the highest three-month ADTV on the Selection Day are selected.
9. On each Selection Day, the selected Securities which remain after step 7 are weighed by free float adjusted market capitalisation by dividing their individual float-adjusted market capitalisation to the sum of float-adjusted market capitalisation of all Securities which remain after step 7. The aggregated weight of Securities categorised within each RBICS Level 1 economy is capped at 50%. Level 1 economy is the highest level of RBICS's taxonomy structure and currently includes the following 12 "economies": Finance, Non-Energy Materials, Industrials, Technology, Consumer Non-Cyclicals, Healthcare, Consumer Cyclicals, Energy, Consumer Services, Business Services, Utilities and Telecommunications. The weight of each Index constituent is then further capped at 7.0%, and excess weights are redistributed proportionally among remaining uncapped constituents. If such redistribution leads to the weight of a constituent to exceed 7.0%, the aforementioned redistribution process is repeated until no constituent weighs more than 7.0% as of each Selection Day. Notwithstanding that the weight of certain Index constituents may have exceeded 7.0% during the period between the Selection Day (namely, the second Friday in January and July) and the Rebalancing Day (namely, the fourth Friday in January and July each year), the aforementioned weighing, capping and redistribution of the Index constituents will not be repeated on the Rebalancing Day. Please refer to the section headed "Index adjustments" below for details of the ordinary rebalancing of the Index which will be conducted on each Rebalancing Day.

### **Index calculation**

The Index value is calculated using the official close prices from the primary listing market or exchange for each constituent. If trading in a constituent stock is suspended prior to the market opening, the stock's adjusted closing price from the previous day will be used in the Index calculation until trading recommences. If trading in a stock is suspended while the relevant market is open, the official closing price published by the respective exchange for that stock will be used for all subsequent Index calculations until trading resumes.

The Index value of the net total return index is calculated by the following formula to account for the effect of withholding tax on dividends (by adjusting for dividend taken out due to tax payment):

$$I_{(t)} = \frac{\sum_{i=1}^n S_{i(t)} \times P_{i(t)} \times FX_{i(t)}}{D_{(t)}}$$

Where:

- $I_{(t)}$  = Index value on Index Valuation Day (t)
- $D_{(t)}$  = Divisor on Index Valuation Day (t)
- $n$  = Number of stocks in the Index
- $P_{i(t)}$  = Closing price of stock (i) on Index Valuation Day (t)
- $S_{i(t)}$  = Number of allocated shares of stock (i) on Index Valuation Day (t)
- $FX_{i(t)}$  = WM Reuters FX rate published at 4:00 p.m. London time on Index Valuation Day (t) required to convert closing price of stock (i) in index currency, offshore RMB (CNH).

## **Index adjustments**

### *Ordinary Rebalancing*

The Index is reconstituted and rebalanced semi-annually after the close of trading on the fourth Friday in January and July each year (and if that day is not a trading day, the following trading day) (each a “**Rebalancing Day**”), based on the Index constituents and the number of shares of such Index constituents as determined on the Selection Day.

The Index constituents will be determined on the relevant “**Selection Day**” which is the close of trading on the second Friday in January and July.

### *Ongoing review*

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for Index inclusion. Such adjustment has to be made if a corporate action (as described in the Index methodology, including, for example, delistings, mergers or acquisitions, spin-offs etc.) in relation to an Index constituent occurs. For instance, a constituent is removed immediately after being delisted from its primary market.

Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Index methodology, which is available on the Index Provider’s website <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed by the SFC).

## **Index constituents**

Details of the index methodology of the Index can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed or approved by the SFC). The Index composition (including the list of constituents of the Index and their respective weightings) can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed or approved by the SFC).

### ***Index codes***

The Index is disseminated under the following identifier:

Bloomberg: FDSCGLN

### ***Index Provider disclaimer***

The Sub-Fund is not sponsored, endorsed, sold or promoted by FactSet. FactSet makes no representation or warranty, express or implied, to the owners of the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly or the ability of the FactSet China Global Leaders Index to track general stock market performance. FactSet licenses to the Manager (the "Licensee") certain trademarks and trade names of FactSet. The FactSet China Global Leaders Index is determined and composed by FactSet without regard to the Licensee, adviser or the Sub-Fund. FactSet has no obligation to take the needs of the Licensee, adviser or the owners of the Sub-Fund into consideration in determining, composing or calculating the Index. FactSet is not responsible for and has not participated in the determination of the prices and amount of the Sub-Fund or the timing of the issuance or sale of the Sub-Fund or in the determination or calculation of the equation by which the Sub-Fund is to be converted into cash. FactSet has no obligation or liability in connection with the administration, marketing or trading of the Sub-Fund.

FACTSET DOES NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS, AND/OR THE COMPLETENESS OF THE FACTSET CHINA GLOBAL LEADERS INDEX OR ANY DATA INCLUDED THEREIN OR RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO AND FACTSET SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, DELAYS, OR INTERRUPTIONS THEREIN. FACTSET MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, ADVISER, OWNERS OF THE SUB-FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE FACTSET CHINA GLOBAL LEADERS INDEX OR ANY DATA INCLUDED THEREIN. FACTSET MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE FACTSET CHINA GLOBAL LEADERS INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL FACTSET HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

### ***Index licence agreement***

The initial term of the licence of the Index commenced on 3 March 2021 and should continue for a period of 2 years ("Initial Term"). After the conclusion of the Initial Term, the licence should be renewed for successive terms of 1 year unless either party to the licence agreement serves a written notice of termination of at least 90 days prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

### **Appendix dated 28 April 2023**

## APPENDIX 8: GLOBAL X CHINA GAMES AND ENTERTAINMENT ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	FactSet China Games and Entertainment Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	22 July 2021 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	23 July 2021
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03117
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash only (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	<p>During the Initial Offer Period: 5:00 p.m. (Hong Kong time)</p> <p>After Listing: 11:00 a.m. (Hong Kong time)</p>
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March

<b>Listing Agent</b>	Altus Capital Limited
<b>Initial Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Initial Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of the Sub-Fund.

The Sub-Fund will:

- (i) invest 50% to 100% of its Net Asset Value directly in constituent stocks of the Index; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterparty(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Sub-Fund may invest in Securities included in the Index that are issued by companies which are either headquartered or incorporated in Mainland China or Hong Kong, and are listed on one of the following stock exchanges: the SEHK, SSE, SZSE, NYSE and NASDAQ. The Sub-Fund will invest in A-Shares included in the Index through Stock Connect (as explained in the sections

“Stock Connect” and “The A-Share Market” in Part 1 of this Prospectus), which may include stocks on the ChiNext Board of the SZSE and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE. The Sub-Fund may also invest in foreign listings such as American Depositary Receipts (“ADRs”) which are eligible for inclusion in the Index.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap Counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

#### **Other investments**

Other than Swaps, the Manager may also invest no more than 10% of the Sub-Fund’s Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

#### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the

sub-section titled “The Custodian” of the section headed “Management of the Company and Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled “Securities lending transactions risks” below and the sub-section titled “Securities Financing Transactions Risks” of the section headed “Risk Factors” in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Equity market risk*

The Sub-Fund’s investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

#### *Mainland China and Hong Kong concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of Securities that are issued by companies which are either headquartered or incorporated in Mainland China or Hong Kong. The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China and Hong Kong.

#### *Games and entertainment sector concentration risk*

Due to the concentration of the Index in the games and entertainment sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.



### *Games and entertainment sector risk*

Companies in the games and entertainment sector are subject to risks including obsolescence of products, cyclicalities of revenues and earnings, a decrease in the discretionary income of targeted individuals, changing consumer tastes and interests, fierce competition in the industry and the potential for increased government regulation. Products produced by games and entertainment companies may become obsolete quickly.

Games and entertainment companies may have limited product lines, markets and financial resources, and may be dependent on one or a small number of product or product franchises for a significant portion of their revenue and profits. These companies are also heavily dependent on the protection of patent and intellectual property rights, and may be subject to intellectual property infringement schemes and piracy efforts. Additionally, competitive pressures and government regulation can significantly affect companies in the games and entertainment industry. Advertising (e.g. live-streaming, digital and event advertising) income can be an important revenue source for some games and entertainment companies. During economic downturns advertising spending typically decreases and, as a result, games and entertainment companies tend to generate less revenue.

A decrease in consumer spending can adversely affect the performance of companies in the games and entertainment sector. There are many factors affecting the level of consumer spending, including but not limited to disposable income and wealth, interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. Any future slowdowns or declines in the general economy or consumer spending may materially and adversely affect the business of the companies in the games and entertainment sector.

All of these may affect the profitability and value of companies in the games and entertainment sector and as a result the performance of the Sub-Fund.

### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

*Higher fluctuation on stock prices and liquidity risk:* Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the "Main Boards").

*Over-valuation risk:* Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

*Differences in regulation:* The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

*Delisting risk:* It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

*Concentration risk:* STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Risks associated with ADRs*

Exposure to ADRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

In addition, there is a risk that the ADRs of Mainland Chinese companies may be delisted as a result of regulatory actions by the local government and/or stock exchange. In such an event, the value of such ADRs may be adversely affected as such ADRs could become difficult to trade and to value, and certain investors may not be allowed to invest in such ADRs. This may in turn have an adverse impact on the Net Asset Value of the Sub-Fund.

#### *New index risk*

The Index is new and has minimal operating history by which investors can evaluate its previous performance. There can be no assurance as to the performance of the Index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.

#### *Risk of reliance on the Index Calculation Agent*

Pursuant to the Custom Index Agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, to ensure sufficient expertise in operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous ongoing support in terms of index expertise to the Index Provider.

If the Index Calculation Agent ceases to provide such ongoing support to the Index Provider or ceases acting as index calculation agent in respect of the Index (whether as a result of the early termination of the Custom Index Agreement or otherwise), the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. There is a risk that the operations of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund.

However, this risk is minimised as the Index Provider maintains a list of candidates who are eligible to act as the index calculation agent for the Index. The Index Provider has, through a thorough review of their capabilities and operational experience, selected these potential replacement index calculation agents, who are then approved by the Index Provider's index oversight committee. Moreover, these potential replacement index calculation agents have

existing agreements with the Index Provider which will help ensure a smooth transition of the role of the Index Calculation Agent.

*Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

*Trading hours differences risk*

As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

*Securities lending transactions risks*

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

**Counterparty risk:** The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

*Risks associated with investing in FDIs*

The Sub-Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

#### ***Synthetic replication strategy risk***

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index, which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

#### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

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

##### ***General***

Shares traded in HKD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

## **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

## **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

## **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the "Management Fee").

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund.

One month's prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, the Custodian's fee, the Registrar's fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the FactSet China Games and Entertainment Index. The Index is a free float market capitalisation weighted index and an equity benchmark designed to track the performance of the domestic games and entertainment industry in China. The Index captures Chinese companies that are focusing on either games or entertainment related industries. Games related industries includes online games, smartphone games and console games software. Entertainment related industries includes recreation providers, video entertainment, sports and performing arts entertainment and travelling. "Chinese companies" refer to companies either headquartered or incorporated in Mainland China or Hong Kong.

The Index methodology was developed by FactSet Research Systems Inc. ("FactSet" or the "Index Provider"). The Manager (and each of its Connected Persons) is independent of the Index Provider. FactSet holds the intellectual property rights of and the right to licence the use of the Index.

Solactive AG (the "Index Calculation Agent") is responsible for the operation, calculation, maintenance and record keeping in respect of the Index pursuant to the Custom Index Agreement. FactSet is responsible for validating any changes to the Index constituents to ensure that any such changes are compliant with the screening criteria in the Index methodology. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or any issues relating to the Index generally, the Index Calculation Agent will provide its expertise to FactSet to resolve any such issues.

The Manager's role in respect of the Index was limited to the development of the Index methodology before the launch of the Index. The Manager is not involved in the operation, calculation and maintenance of the Index. The Index Calculation Agent has sole discretion to calculate and maintain the Index.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in offshore RMB.

As at 31 March 2023, the Index comprised 30 constituent stocks with total market capitalisation of approximately RMB5,491 billion.

The Index was launched on 29 June 2021 and had a base level of 100 on 24 March 2017.

## ***Index methodology***

### *Index universe*

The Index universe of the Index (“**Index Universe**”) includes Securities which fulfill all of the following criteria:

1. The Securities are issued by companies which are (i) either headquartered or incorporated in Mainland China or Hong Kong and (ii) listed on one of the following stock exchanges: the SEHK, SSE, SZSE, NYSE and NASDAQ. Securities listed on SSE and SZSE (including the ChiNext Board and STAR Board) must be available for trading under Stock Connect.
2. The Securities are common stocks or ADRs.
3. Securities that are not existing Index constituents must each have a minimum three-month average daily trading value (“ADTV”) of HKD20 million on the Selection Day (as defined below). Existing Index constituent may remain in the Index if its three-month ADTV is greater than HKD15 million on the Selection Day.
4. Where a company has multiple share classes, only the most liquid issue based on the highest three-month ADTV on the Selection Day is selected.
5. The Securities must be categorised as one of the following 23 FactSet Revere Business Industry Classification Systems Focus (“**RBICS Focus**”, as further described below) Level 5 industries:
  - Amusement and Recreation Centers
  - Console Games Software
  - Consumer Content Providers
  - Cruise Lines
  - Handheld/Smart Phone Games Software
  - Home and Office Multimedia Software
  - Hotels, Motels and Resorts
  - Media Industry Electronics Manufacturing \*
  - Multi-Type Accommodation Providers
  - Multi-Type Home and Office Software
  - Online Game Websites and Software
  - Other Arts, Entertainment and Recreation Providers
  - Other Entertainment and Programming Providers
  - Other Games Software
  - Publishing
  - Radio and Television Broadcasting
  - Specialized Design and Engineering Software
  - Spectator Sports and Performing Arts
  - Television Cable and Broadcast Networks
  - Tour Operators
  - Toy, Game, Hobby and Musical Instrument Products
  - Travel Agencies
  - Video Entertainment and Programming Providers

\* Exclude companies classified to RBICS Level 6 sub-industry “Electronic Display and Billboard Manufacturing”

### RBICS Focus

RBICS Focus is a proprietary industry classification system offered and maintained by FactSet, covering more than 48,000 publicly listed securities with up to 17 years of point-in-time history. RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company’s primary line of business, by mapping a company to a Level 6 (Sub-industry) sector (as further explained below) from which it derives 50% or more of its revenues for the last financial year of the relevant company. The RBICS Focus system provides for 6 levels, from Level 1 (Economy) to Level 6 (Sub-industry), as follows:

<b>RBICS Level</b>	<b>Name</b>	<b>No. of Groups</b>
1	Economy	12
2	Sector	32
3	Sub-sector	90
4	Industry-group	317
5	Industry	781
6	Sub-industry	1,455

Each company covered by the RBICS Focus system must derive a minimum of 50% of its revenue for the last financial year from a specific RBICS Level 5 industry to be classified as being focused on that industry. In cases of any company with a diversified business, where necessary, a diversified RBICS Level 5 industry (which shall be reflective of the games and entertainment sector) will be put in place to reflect the diversified business, such that the diversified RBICS Level 5 industry will cover 50% or more of the company’s revenue for the last financial year.

6. The Securities which remain after steps 1 to 5 are ranked by their total market capitalisation in descending order, and the Securities ranked within the top 30 are selected. If the number of securities is less than 30 after steps 1 to 5, the list of RBICS Focus Level 5 Industries in Step 5 shall be expanded based on consultation with the Index Provider’s index committee. Where necessary, the index methodology and this Prospectus will be updated to reflect the revised methodology, and prior notice will be given to Shareholders where required by the applicable regulations.
7. On each Selection Day, the selected Securities which remain after steps 1 to 6 are weighed by free float adjusted market capitalisation by dividing their individual free float adjusted market capitalisation to the sum of free float adjusted market capitalisation of all Securities which remain after steps 1 to 6. Individual constituent weight is capped at 9.0% and the aggregated weight of Securities categorised under the RBICS Focus Level 5 industries of "Hotels, Motels and Resorts", "Multi-Type Accommodation Providers" and "Travel Agencies" is capped at 10%. Excess weights are redistributed proportionally among remaining uncapped securities. If such redistribution leads to additional security weights exceeding 9.0%, the aforementioned redistribution process is repeated until no



constituent weighs more than 9.0% as of each Selection Day. Notwithstanding that the weight of certain Index constituents may have exceeded 9.0% during the period between the Selection Day (namely, the second Friday in March and September each year) and the Rebalancing Day (namely, the fourth Friday in March and September each year), the aforementioned weighing, capping and redistribution of the Index constituents will not be repeated on the Rebalancing Day. Please refer to the section headed “Index adjustments” below for details of the ordinary rebalancing of the Index which will be conducted on each Rebalancing Day.

### ***Index calculation***

The Index value is calculated using the official close prices from the primary listing market or exchange for each constituent. If trading in a constituent stock is suspended prior to the market opening, the stock’s adjusted closing price from the previous day will be used in the Index calculation until trading recommences. If trading in a stock is suspended while the relevant market is open, the official closing price published by the respective exchange for that stock will be used for all subsequent Index calculations until trading resumes.

The Index value of the net total return index is calculated by the following formula to account for the effect of withholding tax on dividends (by adjusting for dividend taken out due to tax payment):

$$I(t) = \frac{\sum_{i=1}^n S_{i(t)} \times P_{i(t)} \times FX_{i(t)}}{D(t)}$$

Where:

- $I(t)$  = Index value on Index Valuation Day (t)
- $D(t)$  = Divisor on Index Valuation Day (t)
- $n$  = Number of stocks in the Index
- $P_{i(t)}$  = Closing price of stock (i) on Index Valuation Day (t)
- $S_{i(t)}$  = Number of allocated shares of stock (i) on Index Valuation Day (t)
- $FX_{i(t)}$  = WM Reuters FX rate published at 4:00 p.m. London time on Index Valuation Day (t) required to convert closing price of stock (i) in index currency, offshore RMB (CNH).

### ***Index adjustments***

#### ***Ordinary Rebalancing***

The Index is reconstituted and rebalanced semi-annually after the close of trading on the fourth Friday in March and September each year (and if that day is not a trading day, the following trading day) (each a “**Rebalancing Day**”), based on the Index constituents and the number of shares of such Index constituents as determined on the Selection Day.

The Index constituents will be determined on the relevant “**Selection Day**” which is the close of trading on the second Friday in March and September.

#### ***Ongoing review***

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for Index inclusion. Such adjustment has to be made if a corporate action (as

described in the Index methodology, including, for example, delistings, mergers or acquisitions, spin-offs etc.) in relation to an Index constituent occurs. For instance, a constituent is removed immediately after being delisted from its primary market and will not be replaced until the next ordinary rebalancing.

Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Index methodology, which is available on the Index Provider's website <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed by the SFC).

### ***Index constituents***

Details of the index methodology of the Index can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed or approved by the SFC). The Index composition (including the list of constituents of the Index and their respective weightings) can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed or approved by the SFC).

### ***Index codes***

The Index is disseminated under the following identifier:

Bloomberg: FDSCGEN Index

### ***Index Provider disclaimer***

The Sub-Fund is not sponsored, endorsed, sold or promoted by FactSet. FactSet makes no representation or warranty, express or implied, to the owners of the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly or the ability of the FactSet China Games and Entertainment Index to track general stock market performance. FactSet licenses to the Manager (the "Licensee") certain trademarks and trade names of FactSet. The FactSet China Games and Entertainment Index is determined and composed by FactSet without regard to the Licensee, adviser or the Sub-Fund. FactSet has no obligation to take the needs of the Licensee, adviser or the owners of the Sub-Fund into consideration in determining, composing or calculating the Index. FactSet is not responsible for and has not participated in the determination of the prices and amount of the Sub-Fund or the timing of the issuance or sale of the Sub-Fund or in the determination or calculation of the equation by which the Sub-Fund is to be converted into cash. FactSet has no obligation or liability in connection with the administration, marketing or trading of the Sub-Fund.

FACTSET DOES NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS, AND/OR THE COMPLETENESS OF THE FACTSET CHINA GAMES AND ENTERTAINMENT INDEX OR ANY DATA INCLUDED THEREIN OR RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO AND FACTSET SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, DELAYS, OR INTERRUPTIONS THEREIN. FACTSET MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, ADVISER, OWNERS OF THE SUB-FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE FACTSET CHINA GAMES AND ENTERTAINMENT INDEX OR ANY DATA INCLUDED THEREIN. FACTSET MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE FACTSET CHINA GAMES AND ENTERTAINMENT INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL FACTSET HAVE ANY LIABILITY FOR ANY

SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

***Index licence agreement***

The initial term of the licence of the Index commenced on 28 June 2021 and should continue for a period of 2 years (“Initial Term”). After the conclusion of the Initial Term, the licence should be renewed for successive terms of 1 year unless either party to the licence agreement serves a written notice of termination of at least 90 days prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

**Appendix dated 28 April 2023**

## APPENDIX 9: GLOBAL X CHINA E-COMMERCE AND LOGISTICS ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	FactSet China E-commerce and Logistics Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	22 July 2021 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	23 July 2021
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03124
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash only (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	<p>During the Initial Offer Period: 5:00 p.m. (Hong Kong time)</p> <p>After Listing: 11:00 a.m. (Hong Kong time)</p>
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March

<b>Listing Agent</b>	Altus Capital Limited
<b>Initial Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Initial Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of the Sub-Fund.

The Sub-Fund will:

- (i) invest 50% to 100% of its Net Asset Value directly in constituent stocks of the Index; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterparty(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Sub-Fund may invest in Securities included in the Index that are issued by companies which are either headquartered or incorporated in Mainland China or Hong Kong, and are listed on one of the following stock exchanges: the SEHK, SSE, SZSE, NYSE and NASDAQ. The Sub-Fund will invest in A-Shares included in the Index through Stock Connect (as explained in the sections

“Stock Connect” and “The A-Share Market” in Part 1 of this Prospectus), which may include stocks on the ChiNext Board of the SZSE and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE. The Sub-Fund may also invest in foreign listings such as American Depositary Receipts (“ADRs”) which are eligible for inclusion in the Index.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap Contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap Counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

### **Other investments**

Other than Swaps, the Manager may also invest no more than 10% of the Sub-Fund’s Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled “The Custodian” of the section headed “Management of the Company and Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for

the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled "Securities lending transactions risks" below and the sub-section titled "Securities Financing Transactions Risks" of the section headed "Risk Factors" in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

### **Risk factors specific to the Sub-Fund**

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

#### *Equity market risk*

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

#### *Mainland China and Hong Kong concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of Securities that are issued by companies which are either headquartered or incorporated in Mainland China or Hong Kong. The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China and Hong Kong.

#### *E-commerce and logistics sector concentration risk*

Due to the concentration of the Index in the *E-commerce and logistics* sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

### *E-commerce and logistics sector risk*

E-commerce companies typically face intense competition and are subject to fluctuating consumer demand. Many of these companies compete aggressively on price, potentially affecting their long run profitability. E-commerce companies are dependent on internal infrastructure and on the availability, reliability and security of the internet and related systems. Critical systems and operations may be vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, cyber-attacks, acts of war, break-ins, earthquake and similar events. Any system interruption that results in the unavailability or reduced performance of its transaction platform and systems could interrupt or substantially reduce a company's ability to conduct its business. Due to the online nature of E-commerce companies and their involvement in processing, storing and transmitting large amounts of data, these companies are particularly vulnerable to cyber security risk. This includes threats to operational software and hardware, as well as theft of personal and transaction records and other customer data. In the event of a cyberattack, E-commerce companies could suffer serious adverse reputational and operational consequences, including liability and litigation. E-commerce companies may participate in monopolistic practices that could make them subject to higher levels of regulatory scrutiny and/or potential break ups in the future, which could severely impact the viability of these companies.

Companies that provide logistics services are sensitive to changes in business cycles, general economic climate, increases in fuel and operating costs, labour relations, technology developments, exchange rates, insurance costs, industry competition and government regulation. Global or regional events and conditions may materially disrupt or indefinitely impair the operations, financial condition and liquidity of companies in the logistics sector.

A decrease in consumer spending can adversely affect the performance of companies in the E-commerce and logistics sector. There are many factors affecting the level of consumer spending, including but not limited to disposable income and wealth, interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. Any future slowdowns or declines in the general economy or consumer spending may materially and adversely affect the business of the companies in the E-commerce and logistics sector.

All of these may affect the profitability and value of companies in the E-commerce and logistics sector and as a result the performance of the Sub-Fund.

### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

*Higher fluctuation on stock prices and liquidity risk:* Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the "Main Boards").

*Over-valuation risk:* Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.



*Differences in regulation:* The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

*Delisting risk:* It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

*Concentration risk:* STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Risks associated with ADRs*

Exposure to ADRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

In addition, there is a risk that the ADRs of Mainland Chinese companies may be delisted as a result of regulatory actions by the local government and/or stock exchange. In such an event, the value of such ADRs may be adversely affected as such ADRs could become difficult to trade and to value, and certain investors may not be allowed to invest in such ADRs. This may in turn have an adverse impact on the Net Asset Value of the Sub-Fund.

#### *New index risk*

The Index is new and has minimal operating history by which investors can evaluate its previous performance. There can be no assurance as to the performance of the Index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.

#### *Risk of reliance on the Index Calculation Agent*

Pursuant to the Custom Index Agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, to ensure sufficient expertise in operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous ongoing support in terms of index expertise to the Index Provider.

If the Index Calculation Agent ceases to provide such ongoing support to the Index Provider or ceases acting as index calculation agent in respect of the Index (whether as a result of the early termination of the Custom Index Agreement or otherwise), the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and

any new appointment may not be on equivalent terms or of similar quality. There is a risk that the operations of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund.

However, this risk is minimised as the Index Provider maintains a list of candidates who are eligible to act as the index calculation agent for the Index. The Index Provider has, through a thorough review of their capabilities and operational experience, selected these potential replacement index calculation agents, who are then approved by the Index Provider's index oversight committee. Moreover, these potential replacement index calculation agents have existing agreements with the Index Provider which will help ensure a smooth transition of the role of the Index Calculation Agent.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

#### *Trading hours differences risk*

As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

#### *Securities lending transactions risks*

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

**Counterparty risk:** The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

#### ***Risks associated with investing in FDIs***

The Sub-Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

#### ***Synthetic replication strategy risk***

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index, which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

#### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

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

##### ***General***

Shares traded in HKD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made

in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

### **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the “Management Fee”).

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month’s prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, the Custodian’s fee, the Registrar’s fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the FactSet China E-commerce and Logistics Index. The Index is a free float market capitalisation weighted index and an equity benchmark designed to track the performance of the domestic E-commerce and logistics industry in China. The index captures Chinese companies that are focusing on providing products and services of E-commerce platform, express delivery, warehouses, logistics properties, commercial transportation etc.

“Chinese companies” refer to companies either headquartered or incorporated in Mainland China or Hong Kong.

The Index methodology was developed by FactSet Research Systems Inc. (“FactSet” or the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider. FactSet holds the intellectual property rights of and the right to licence the use of the Index.

Solactive AG (the “Index Calculation Agent”) is responsible for the operation, calculation, maintenance and record keeping in respect of the Index pursuant to the Custom Index Agreement. FactSet is responsible for validating any changes to the Index constituents to ensure that any such changes are compliant with the screening criteria in the Index methodology. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or any issues relating to the Index generally, the Index Calculation Agent will provide its expertise to FactSet to resolve any such issues.

The Manager’s role in respect of the Index was limited to the development of the Index methodology before the launch of the Index. The Manager is not involved in the operation, calculation and maintenance of the Index. The Index Calculation Agent has sole discretion to calculate and maintain the Index.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in offshore RMB.

As at 31 March 2023, the Index comprised 30 constituent stocks with total market capitalisation of approximately RMB5,182 billion.

The Index was launched on 29 June 2021 and had a base level of 100 on 24 March 2017.

### ***Index methodology***

#### *Index universe*

The Index universe of the Index ("**Index Universe**") includes Securities which fulfill all of the following criteria:

1. The Securities are issued by companies which are (i) either headquartered or incorporated in Mainland China or Hong Kong and (ii) listed on one of the following stock exchanges: the SEHK, SSE, SZSE, NYSE and NASDAQ. Securities listed on SSE and SZSE (including the ChiNext Board and STAR Board) must be available for trading under Stock Connect.
2. The Securities are common stocks or ADRs.
3. Securities that are not existing Index constituents must each have a minimum three-month average daily trading value ("ADTV") of HKD20 million on the Selection Day (as defined below). Existing Index constituent may remain in the Index if its three-month ADTV is greater than HKD15 million on the Selection Day.
4. Where a company has multiple share classes, only the most liquid issue based on the highest three-month ADTV on the Selection Day is selected.
5. The Securities must be categorised as one of the following 26 FactSet Revere Business Industry Classification Systems Focus ("RBICS Focus", as further described below) Level 6 sub-industries:
  - Airport/Flight Support Infrastructure Operators
  - Asia/Pacific Rail Transportation
  - Autonomous Drone Manufactures
  - Commercial Transportation Equipment Distributors
  - Container Deep Sea and Offshore Shipping
  - Diversified Industrial Distribution
  - Diversified Real Estate Investment and Services\*
  - Dry Bulk Deep Sea and Offshore Shipping
  - Execution and Quote Platforms Services
  - Express Couriers
  - Food Delivery Services
  - Freight Truckload Road Transportation
  - General Transportation and Related Services
  - Internet Accessories Retail
  - Internet Apparel Retail
  - Internet Department Stores\*\*
  - Internet Electronics Retail
  - Internet Pet and Pet Supply Retail
  - Internet Warehouse / Superstore Retail
  - Logistics and Supply Chain Service Providers
  - Multi-Size Trucking Road Transportation
  - Multi-Type Deep Sea and Offshore Shipping

- Other Chemical and Allied Product Distributors
- Passenger Rail Transportation
- Toll Road Operators
- Transportation Industry Software

\* For companies that are classified as belonging to “Diversified Real Estate Investment and Services”, keywords related to logistic properties must also be mentioned in their FactSet Company Descriptions (which forms part of the FactSet Fundamentals dataset). These keywords are subject to regular review and revision by FactSet.

\*\* For companies that are classified as “Internet Department Stores”, the Index will only select the top 2 companies with the highest total market capitalisation.

### RBICS Focus

RBICS Focus is a proprietary industry classification system offered and maintained by FactSet, covering more than 48,000 publicly listed securities with up to 17 years of point-in-time history. RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company’s primary line of business, by mapping a company to a Level 6 (Sub-industry) sector (as further explained below) from which it derives 50% or more of its revenues for the last financial year of the relevant company. The RBICS Focus system provides for 6 levels, from Level 1 (Economy) to Level 6 (Sub-industry), as follows:

<b>RBICS Level</b>	<b>Name</b>	<b>No. of Groups</b>
1	Economy	12
2	Sector	32
3	Sub-sector	90
4	Industry-group	317
5	Industry	781
6	Sub-industry	1,455

Each company covered by the RBICS Focus system must derive a minimum of 50% of its revenue for the last financial year from a specific RBICS Level 6 sub-industry to be classified as being focused on that sub-industry. In cases of any company with a diversified business, where necessary, a diversified RBICS Level 6 sub-industry (which shall be reflective of the E-commerce and logistics sector) will be put in place to reflect the diversified business, such that the diversified RBICS Level 6 sub-industry will cover 50% or more of the company’s revenue for the last financial year.

### Keywords Selection

The keywords selection process consists of two steps:

- a) The primary descriptive keywords commonly associated with the theme “logistics” (one of the primary keywords shall be “logistics properties”) are identified along with any common acronyms or shorthand forms for each primary keyword.

- b) The primary keywords identified in step (a) are entered into open-source keyword analytics tools where a list of related keywords would be generated and ranked based on their degree of relatedness. The top 3 to 5 ranked related keywords are included together with the primary keywords (collectively, the “**shortlisted keywords**”).

To ensure ongoing keyword relevancy, the above steps are repeated 60 days prior to every scheduled rebalancing day to capture new keywords, if any.

6. The Securities which remain after steps 1 to 5 are further ranked within their RBICS Focus Level 6 sub-industries by total market capitalisation in descending order and up to the top 5 Securities of each sub-industry are selected.
7. The Securities which remain after steps 1 to 6 are ranked by their total market capitalisation in descending order, and the Securities ranked up to the top 30 are selected. The Index has a maximum of 30 constituents and a minimum of 20 constituents. If the number of securities is less than 20 after steps 1 to 5, the list of RBICS Focus Level 6 sub-industries in Step 5 shall be expanded based on consultation with the Index Provider’s index committee. Where necessary, the index methodology and this Prospectus will be updated to reflect the revised methodology, and prior notice will be given to Shareholders where required by the applicable regulations.
8. On each Selection Day, the selected Securities which remain after steps 1 to 7 are weighed by free float adjusted market capitalisation by dividing their individual free float adjusted market capitalisation to the sum of free float adjusted market capitalisation of all Securities which remain after steps 1 to 7. Individual constituent weight is capped at 6.0%. Excess weights are redistributed proportionally among remaining uncapped securities. If such redistribution leads to additional security weights exceeding 6.0%, the aforementioned redistribution process is repeated until no constituent weighs more than 6.0% as of each Selection Day. Notwithstanding that the weight of certain Index constituents may have exceeded 6.0% during the period between the Selection Day (namely, the second Friday in March and September) and the Rebalancing Day (namely, the fourth Friday in March and September each year), the aforementioned weighing, capping and redistribution of the Index constituents will not be repeated on the Rebalancing Day. Please refer to the section headed “Index adjustments” below for details of the ordinary rebalancing of the Index which will be conducted on each Rebalancing Day.

### ***Index calculation***

The Index value is calculated using the official close prices from the primary listing market or exchange for each constituent. If trading in a constituent stock is suspended prior to the market opening, the stock’s adjusted closing price from the previous day will be used in the Index calculation until trading recommences. If trading in a stock is suspended while the relevant market is open, the official closing price published by the respective exchange for that stock will be used for all subsequent Index calculations until trading resumes.

The Index value of the net total return index is calculated by the following formula to account for the effect of withholding tax on dividends (by adjusting for dividend taken out due to tax payment):

$$I(t) = \frac{\sum_{i=1}^n S_{i(t)} \times P_{i(t)} \times FX_{i(t)}}{D(t)}$$



Where:

$I_{(t)}$	= Index value on Index Valuation Day (t)
$D_{(t)}$	= Divisor on Index Valuation Day (t)
$n$	= Number of stocks in the Index
$P_{i(t)}$	= Closing price of stock (i) on Index Valuation Day (t)
$S_{i(t)}$	= Number of allocated shares of stock (i) on Index Valuation Day (t)
$FX_{i(t)}$	= WM Reuters FX rate published at 4:00 p.m. London time on Index Valuation Day (t) required to convert closing price of stock (i) in index currency, offshore RMB (CNH).

## **Index adjustments**

### *Ordinary Rebalancing*

The Index is reconstituted and rebalanced semi-annually after the close of trading on the fourth Friday in March and September each year (and if that day is not a trading day, the following trading day) (each a “**Rebalancing Day**”), based on the Index constituents and the number of shares of such Index constituents as determined on the Selection Day.

The Index constituents will be determined on the relevant “**Selection Day**” which is the close of trading on the second Friday in March and September.

### *Ongoing review*

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for Index inclusion. Such adjustment has to be made if a corporate action (as described in the Index methodology, including, for example, delistings, mergers or acquisitions, spin-offs etc.) in relation to an Index constituent occurs. For instance, a constituent is removed immediately after being delisted from its primary market and will not be replaced until the next ordinary rebalancing.

Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Index methodology, which is available on the Index Provider’s website <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed by the SFC).

## **Index constituents**

Details of the index methodology of the Index can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed or approved by the SFC). The Index composition (including the list of constituents of the Index and their respective weightings) can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed or approved by the SFC).

## **Index codes**

The Index is disseminated under the following identifier:

Bloomberg: FDSCELN Index

## **Index Provider disclaimer**

The Sub-Fund is not sponsored, endorsed, sold or promoted by FactSet. FactSet makes no representation or warranty, express or implied, to the owners of the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly or the ability of the FactSet China E-commerce and Logistics Index to track general stock market performance. FactSet licenses to the Manager (the "Licensee") certain trademarks and trade names of FactSet. The FactSet China E-commerce and Logistics Index is determined and composed by FactSet without regard to the Licensee, adviser or the Sub-Fund. FactSet has no obligation to take the needs of the Licensee, adviser or the owners of the Sub-Fund into consideration in determining, composing or calculating the Index. FactSet is not responsible for and has not participated in the determination of the prices and amount of the Sub-Fund or the timing of the issuance or sale of the Sub-Fund or in the determination or calculation of the equation by which the Sub-Fund is to be converted into cash. FactSet has no obligation or liability in connection with the administration, marketing or trading of the Sub-Fund.

FACTSET DOES NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS, AND/OR THE COMPLETENESS OF THE FACTSET CHINA E-COMMERCE AND LOGISTICS INDEX OR ANY DATA INCLUDED THEREIN OR RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO AND FACTSET SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, DELAYS, OR INTERRUPTIONS THEREIN. FACTSET MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, ADVISER, OWNERS OF THE SUB-FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE FACTSET CHINA E-COMMERCE AND LOGISTICS INDEX OR ANY DATA INCLUDED THEREIN. FACTSET MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE FACTSET CHINA E-COMMERCE AND LOGISTICS INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL FACTSET HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

### ***Index licence agreement***

The initial term of the licence of the Index commenced on 28 June 2021 and should continue for a period of 2 years ("Initial Term"). After the conclusion of the Initial Term, the licence should be renewed for successive terms of 1 year unless either party to the licence agreement serves a written notice of termination of at least 90 days prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

### **Appendix dated 28 April 2023**

## APPENDIX 10: GLOBAL X ASIA SEMICONDUCTOR ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	FactSet Asia Semiconductor Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	22 July 2021 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	23 July 2021
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03119
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager’s discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash only (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	<p>During the Initial Offer Period: 5:00 p.m. (Hong Kong time)</p> <p>After Listing: 11:00 a.m. (Hong Kong time)</p>
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 March

<b>Listing Agent</b>	Altus Capital Limited
<b>Initial Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Initial Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

The Manager intends to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of the Sub-Fund.

The Sub-Fund will:

- (i) invest 50% to 100% of its Net Asset Value directly in constituent stocks of the Index; and
- (ii) use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Sub-Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) with one or more Swap Counterparty(ies).

The Sub-Fund intends to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index. Where the adoption of the strategy to obtain exposure to the constituent stocks of the Index (through direct investment and/or through FDIs) in substantially the same weightings in which they are included in the Index is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to representative sample of the constituent Securities of the Index selected by the Manager (through direct investment and/or through FDIs) using rule-based quantitative analytical models to derive a portfolio sample. The Manager may cause the Sub-Fund to deviate from the Index weighting on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting. Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Sub-Fund may invest in (including but not limited to) (i) securities listed in stock exchanges in Asian regions and (ii) common stocks and ADRs listed on the NYSE or NASDAQ. The Sub-Fund will invest in A-Shares included in the Index through Stock Connect (as explained in the

sections “Stock Connect” and “The A-Share Market” in Part 1 of this Prospectus), which may include stocks on the ChiNext Board of the SZSE and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE.

When adopting a synthetic replication strategy, the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) for each Swap Contract entered into and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant constituent stocks of the Index (net of indirect costs). The Sub-Fund will bear the Swap fees, which is a one-off variable fee consisting of commission and transaction costs payable to the Swap Counterparty each time the Sub-Fund enters into a Swap transaction. The Swap fees are charged based on the notional value of the Swap transaction and may vary between different Swap transactions. No fees are payable for the unwinding or early termination of Swaps. The Swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the Net Asset Value and the performance of the Sub-Fund, and may result in higher tracking difference. The Swap fees, if any, will be disclosed in the interim and annual financial reports of the Sub-Fund.

### **Other investments**

Other than Swaps, the Manager may also invest no more than 10% of the Sub-Fund’s Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures which exhibit high correlation with the Index in order to manage the Sub-Fund’s exposure to the Index constituents.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled “The Custodian” of the section headed “Management of the Company and Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for

the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled "Securities lending transactions risks" below and the sub-section titled "Securities Financing Transactions Risks" of the section headed "Risk Factors" in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

### **Risk factors specific to the Sub-Fund**

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

#### *Equity market risk*

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

Some Asian securities exchanges (including Mainland China) may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. Some Asian markets may have higher entry barrier for investments as identification number or certificate may have to be obtained for securities trading. All these may have a negative impact on the Sub-Fund.

#### *Asia concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of Securities listed in Asian markets or issued by companies which are either headquartered or incorporated in Asia. The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Asia.

#### *Emerging markets risk*

The Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks,

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

#### *Semiconductor sector concentration risk*

Due to the concentration of the Index in the semiconductor sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Semiconductor sector risk*

The Sub-Fund is subject to the risk that companies that are in the semiconductor industry may be particularly affected by certain factors as specified below, which may, in certain circumstances, cause the value of securities of all companies within the semiconductor sector of the market to deteriorate. Specific factors faced by semiconductor companies which may affect the value of their securities include, but are not limited to, domestic and international competition pressures (including competition from subsidised foreign competitors with lower production costs), rapid obsolescence of products as a result of the fast-developing nature of the semiconductor industry, the economic performance of the customers of semiconductor companies which may in turn affect the growth and market outlook of the semiconductor industry, capital equipment expenditures which could be substantial and suffer from rapid obsolescence and potential shortages of raw materials or equipment which could result in an increase in prices of raw materials or equipment, longer delivery time of products or even production stoppage. Companies in the semiconductor sector also typically rely on heavy and significant spending on research and development, and there is no guarantee that the products produced by these companies will materialise into commercially successful products.

Furthermore, as the semiconductor sector may be deemed sensitive to national interests, the sector may be subject to government intervention, sanctions and trade protectionism. Companies in the semiconductor sector may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expires or are discontinued, or contracts are unavailable due to changes in government policies.

The success of companies in the semiconductor sector is typically dependent on the companies' ability to maintain relationships with their technology partners. If a company's relationship with a technology partner were impaired or terminated, the company may not be able to enter into a new technology alliance on a timely basis or on commercially favourable terms, which could result in significant additional cost or disruptions to its businesses.

The semiconductors sector is also characterised by cyclical market patterns and periodic overcapacity. Business conditions in this industry may change rapidly from periods of production shortages and strong demand to periods of weak demand. Any future downturn in the industry could harm the business and operating results of semiconductor companies.

#### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

Higher fluctuation on stock prices and liquidity risk: Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock

prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the “Main Boards”).

**Over-valuation risk:** Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

**Differences in regulation:** The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

**Delisting risk:** It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

**Concentration risk:** STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Risks associated with ADRs*

Exposure to ADRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

In addition, there is a risk that the ADRs of Mainland Chinese companies may be delisted as a result of regulatory actions by the local government and/or stock exchange. In such an event, the value of such ADRs may be adversely affected as such ADRs could become difficult to trade and to value, and certain investors may not be allowed to invest in such ADRs. This may in turn have an adverse impact on the Net Asset Value of the Sub-Fund.

#### *New index risk*

The Index is new and has minimal operating history by which investors can evaluate its previous performance. There can be no assurance as to the performance of the Index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.

#### *Risk of reliance on the Index Calculation Agent*

Pursuant to the Custom Index Agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, to ensure sufficient expertise in



operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous ongoing support in terms of index expertise to the Index Provider.

If the Index Calculation Agent ceases to provide such ongoing support to the Index Provider or ceases acting as index calculation agent in respect of the Index (whether as a result of the early termination of the Custom Index Agreement or otherwise), the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. There is a risk that the operations of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund.

However, this risk is minimised as the Index Provider maintains a list of candidates who are eligible to act as the index calculation agent for the Index. The Index Provider has, through a thorough review of their capabilities and operational experience, selected these potential replacement index calculation agents, who are then approved by the Index Provider's index oversight committee. Moreover, these potential replacement index calculation agents have existing agreements with the Index Provider which will help ensure a smooth transition of the role of the Index Calculation Agent.

#### *Distributions out of or effectively out of capital risk*

**The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.**

#### *Trading hours differences risk*

As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

#### *Securities lending transactions risks*

**The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:**

***Counterparty risk:* The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.**

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

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

#### ***Risks associated with investing in FDIs***

The Sub-Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return Swap transaction(s) through one or more Swap Counterparty(ies). Other than Swaps, the Sub-Fund may also invest in other FDIs for investment and hedging purposes. As such, the Sub-Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

#### ***Synthetic replication strategy risk***

The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective to track the Index.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded Swap. The value of the collateral assets (in the case of funded Swaps) may be affected by market events and may diverge substantially from the performance of the Index, which may cause the Sub-Fund's exposure to the Swap Counterparty to be under-collateralised (in the case of funded Swaps) and therefore result in significant losses.

#### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

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

### *General*

Shares traded in HKD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the

last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

## **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the “Management Fee”).

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month’s prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, the Custodian’s fee, the Registrar’s fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the FactSet Asia Semiconductor Index. The Index is a free float market capitalisation weighted index and an equity benchmark designed to track the performance of companies in selected Asian regions (as set out below) that derive majority of their revenues (revenue exposure >50%) from a semiconductor related industry or companies in selected Asian regions that demonstrated “market leadership” (as further described below) in a semiconductor related industry.

The Index methodology was developed by FactSet Research Systems Inc. (“FactSet” or the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider. FactSet holds the intellectual property rights of and the right to licence the use of the Index.

Solactive AG (the “Index Calculation Agent”) is responsible for the operation, calculation, maintenance and record keeping in respect of the Index pursuant to the Custom Index Agreement. FactSet is responsible for validating any changes to the Index constituents to ensure that any such changes are compliant with the screening criteria in the Index methodology. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or any issues relating to the Index generally, the Index Calculation Agent will provide its expertise to FactSet to resolve any such issues.

The Manager’s role in respect of the Index was limited to the development of the Index methodology before the launch of the Index. The Manager is not involved in the operation,

calculation and maintenance of the Index. The Index Calculation Agent has sole discretion to calculate and maintain the Index.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in offshore RMB.

As at 31 March 2023, the Index comprised 40 constituent stocks with total market capitalisation of approximately RMB10,827billion.

The Index was launched on 29 June 2021 and had a base level of 100 on 24 March 2017.

## ***Index methodology***

### *Index universe*

The Index universe of the Index ("**Index Universe**") includes Securities which fulfill all of the following criteria:

1. The Securities are issued by companies which are headquartered or incorporated in one of the following selected Asian regions: Mainland China, Hong Kong, Indonesia, India, Malaysia, Philippines, Singapore, Japan, South Korea, Taiwan, or Thailand, and must be either:
  - a. primarily listed\* on one of the following 12 exchanges: Bursa Malaysia, SEHK, Indonesia Stock Exchange, JASDAQ, Korea Stock Exchange, Philippine Stock Exchange, SSE, SZSE, Singapore Exchange, Stock Exchange of Thailand, Taiwan Stock Exchange, Tokyo Stock Exchange. Securities listed on SSE and SZSE (including the ChiNext Board and STAR Board) must be available for trading under Stock Connect; or
  - b. common stocks or ADRs listed on NYSE or NASDAQ.

*\* Primary listing of companies is determined by FactSet mainly based on a) market accessibility and b) volume of individual securities. Regarding market accessibility, for companies that have both A- and H- share listings, FactSet would assign H-share as "primary listing" since the Mainland China onshore equity market is regarded as a "restricted market".*
2. Securities must each have a minimum total market capitalisation of USD1 billion. Securities that are not existing Index constituents must each have a minimum three-month average daily trading value ("ADTV") of HKD20 million on the Selection Day (as defined below). Existing Index constituent may remain in the Index if its three-month ADTV is greater than HKD15 million on the Selection Day.
3. The Securities must either:
  - a) be classified to one of the following FactSet Revere Business Industry Classification Systems Focus ("RBICS Focus", as further described in the sub-section headed "RBICS Focus" below) Level 6 sub-industries ("semiconductor-related sub-industries"); or
  - b) achieve "market leadership" in one of the semiconductor-related sub-industries (but are not classified as RBICS Focus). "Market leadership" is defined as either (i) being global top 5 in terms of revenue in USD generated from one of the semiconductor-related sub-industries in the latest fiscal year, or (ii) generating USD10 billion or more (such threshold will be subject to annual review by the Index Provider)

revenue from one of the semiconductor-related sub-industries in the latest fiscal year. “Market leadership” assessments are conducted by FactSet.

The semiconductor-related sub-industries are as follows:

- Assembly Equipment Manufacturing
- Conventional Flat Panel Display Equipment
- Diversified Semiconductor Capital Equipment Makers
- Diversified Semiconductors
- Flash Memory Semiconductors
- General Analog and Mixed Signal Semiconductors
- Image Sensor and Image Capture Semiconductors
- Light Emitting Diode Discrete Semiconductors
- Multimedia Semiconductors
- Other Discrete Semiconductors
- Other Front-End Processing Equipment Makers\*\*
- Other Interconnect Fabrication Services
- Other Memory Semiconductors
- Other Power Analog and Mixed Signal Semiconductors
- Other Processor Semiconductors
- RF Analog and Mixed Signal Semiconductors
- Security and Identification Semiconductors
- Semiconductor Foundry Services
- Semiconductor packaging and Testing Services
- Specialty Analog and Mixed Signal Semiconductors
- Test, Measurement and Metrology Equipment Makers
- Turnkey Assembly Manufacturing Services
- Volatile Memory Semiconductors
- Wafer Blank Makers and Equipment Manufacturing\*\*
- Photolithography Equipment Manufacturing

*\*\* For securities that i) are classified to RBICS Focus Level 6 sub-industries “Other Front-End Processing Equipment Makers” or “Wafer Blank Makers and Equipment Manufacturing” or ii) achieve “market leadership” in RBICS Focus Level 6 sub-industries “Other Front-End Processing Equipment Makers” or “Wafer Blank Makers and Equipment Manufacturing”, the Index shall exclude those that are mapped as focusing on “Photovoltaic Wafers” under FactSet Revere Hierarchy (“Revere Hierarchy”, as further described in the sub-section headed “Revere Hierarchy” below).*

### RBICS Focus

RBICS Focus is a proprietary industry classification system offered and maintained by FactSet, covering more than 48,000 publicly listed securities with up to 17 years of point-in-time history. RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company's primary line of business, by mapping a company to a Level 6 (Sub-industry) sector (as further explained below) from which it derives 50% or more of its revenues for the last financial year of the relevant company. The RBICS Focus system provides for 6 levels, from Level 1 (Economy) to Level 6 (Sub-industry), as follows:

RBICS Level	Name	No. of Groups
1	Economy	12

2	Sector	32
3	Sub-sector	90
4	Industry-group	317
5	Industry	781
6	Sub-industry	1,455

Each company covered by the RBICS Focus system must derive a minimum of 50% of its revenue for the last financial year from a specific RBICS Level 6 sub-industry to be classified as being focused on that sub-industry. In cases of any company with a diversified business, where necessary, a diversified RBICS Level 6 sub-industry (which shall be reflective of the semiconductor sector) will be put in place to reflect the diversified business, such that the diversified RBICS Level 6 sub-industry will cover 50% or more of the company's revenue for the last financial year.

#### Revere Hierarchy

Revere Hierarchy provides a 360-degree view of a company's diverse businesses. This unique multi-sector, variable-depth classification system groups companies based on their detailed product and service offerings, which results in a consistent, accurate, and flexible dataset. Revere Hierarchy includes mappings for companies' focus (primary) and ancillary lines of business and groups companies with up to three times the depth found in conventional industry classification systems.

4. The Securities which remain after the above steps are further ranked by total market capitalisation in descending order and the top 40 Securities are selected.
5. If the number of Securities selected is less than 40 after the above steps, the list of RBICS Focus Level 6 sub-industries in Step 3 shall be expanded based on consultation with the Index Provider's index committee. Where necessary, the index methodology and this Prospectus will be updated to reflect the revised methodology, and prior notice will be given to Shareholders where required by the applicable regulations.
6. On each Selection Day, the selected Securities which remain after the above are weighed by total free float adjusted market capitalisation by dividing their individual total free float adjusted market capitalisation to the sum of free float adjusted market capitalisation of all Securities which remain after the above steps. Individual constituent weight is capped at 10.0%. Excess weights are redistributed proportionally among remaining uncapped securities. If such redistribution leads to additional security weights exceeding 10.0%, the aforementioned redistribution process is repeated until no constituent weighs more than 10.0% as of each Selection Day. The aggregate weight of constituents representing exposure to a single primary listing location is capped at 30% and excess weights are redistributed proportionally among remaining uncapped primary listing locations. Notwithstanding that the weight of certain Index constituents may have exceeded 10.0% during the period between the Selection Day (namely, the second Friday in March and September) and the Rebalancing Day (namely, the fourth Friday in March and September each year), the aforementioned weighing, capping and redistribution of the Index constituents will not be repeated on the Rebalancing Day. Please refer to the section headed "Index adjustments" below for details of the ordinary rebalancing of the Index which will be conducted on each Rebalancing Day.

## **Index calculation**

The Index value is calculated using the official close prices from the primary listing market or exchange for each constituent. If trading in a constituent stock is suspended prior to the market opening, the stock's adjusted closing price from the previous day will be used in the Index calculation until trading recommences. If trading in a stock is suspended while the relevant market is open, the official closing price published by the respective exchange for that stock will be used for all subsequent Index calculations until trading resumes.

The Index value of the net total return index is calculated by the following formula to account for the effect of withholding tax on dividends (by adjusting for dividend taken out due to tax payment):

$$I(t) = \frac{\sum_{i=1}^n S_{i(t)} \times P_{i(t)} \times FX_{i(t)}}{D(t)}$$

Where:

- $I(t)$  = Index value on Index Valuation Day (t)
- $D(t)$  = Divisor on Index Valuation Day (t)
- $n$  = Number of stocks in the Index
- $P_{i(t)}$  = Closing price of stock (i) on Index Valuation Day (t)
- $S_{i(t)}$  = Number of allocated shares of stock (i) on Index Valuation Day (t)
- $FX_{i(t)}$  = WM Reuters FX rate published at 4:00 p.m. London time on Index Valuation Day (t) required to convert closing price of stock (i) in index currency, offshore RMB (CNH).

## **Index adjustments**

### *Ordinary Rebalancing*

The Index is reconstituted and rebalanced semi-annually after the close of trading on the fourth Friday in March and September each year (and if that day is not a trading day, the following trading day) (each a "**Rebalancing Day**"), based on the Index constituents and the number of shares of such Index constituents as determined on the Selection Day.

The Index constituents will be determined on the relevant "**Selection Day**" which is the close of trading on the second Friday in March and September.

### *Ongoing review*

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for Index inclusion. Such adjustment has to be made if a corporate action (as described in the Index methodology, including, for example, delistings, mergers or acquisitions, spin-offs etc.) in relation to an Index constituent occurs. For instance, a constituent is removed immediately after being delisted from its primary market and will not be replaced until the next ordinary rebalancing.

Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Index methodology, which is available on the Index Provider's



website <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed by the SFC).

### ***Index constituents***

Details of the index methodology of the Index can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed or approved by the SFC). The Index composition (including the list of constituents of the Index and their respective weightings) can be found on <https://www.factset.com/company/resource-library?topic=Index%2BSolutions> (this website has not been reviewed or approved by the SFC).

### ***Index codes***

The Index is disseminated under the following identifier:

Bloomberg: FDSASN Index

### ***Index Provider disclaimer***

The Sub-Fund is not sponsored, endorsed, sold or promoted by FactSet. FactSet makes no representation or warranty, express or implied, to the owners of the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly or the ability of the FactSet Asia Semiconductor Index to track general stock market performance. FactSet licenses to the Manager (the "Licensee") certain trademarks and trade names of FactSet. The FactSet Asia Semiconductor Index is determined and composed by FactSet without regard to the Licensee, adviser or the Sub-Fund. FactSet has no obligation to take the needs of the Licensee, adviser or the owners of the Sub-Fund into consideration in determining, composing or calculating the Index. FactSet is not responsible for and has not participated in the determination of the prices and amount of the Sub-Fund or the timing of the issuance or sale of the Sub-Fund or in the determination or calculation of the equation by which the Sub-Fund is to be converted into cash. FactSet has no obligation or liability in connection with the administration, marketing or trading of the Sub-Fund.

FACTSET DOES NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS, AND/OR THE COMPLETENESS OF THE FACTSET ASIA SEMICONDUCTOR INDEX OR ANY DATA INCLUDED THEREIN OR RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO AND FACTSET SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, DELAYS, OR INTERRUPTIONS THEREIN. FACTSET MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, ADVISER, OWNERS OF THE SUB-FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE FACTSET ASIA SEMICONDUCTOR INDEX OR ANY DATA INCLUDED THEREIN. FACTSET MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE FACTSET ASIA SEMICONDUCTOR INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL FACTSET HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES

### ***Index licence agreement***

The initial term of the licence of the Index commenced on 28 June 2021 and should continue for a period of 2 years ("Initial Term"). After the conclusion of the Initial Term, the licence should be renewed for successive terms of 1 year unless either party to the licence agreement serves a

written notice of termination of at least 90 days prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

**Appendix dated 28 April 2023**

## APPENDIX 11: GLOBAL X AUTONOMOUS AND ELECTRIC VEHICLES ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	Solactive Autonomous & Electric Vehicles Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	9 December 2021 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	10 December 2021
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	02849
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	US dollar (USD)
<b>Trading Currency</b>	Hong Kong dollar (HKD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in USD subject to the Manager’s discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (USD) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash only (in USD only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	<p>During the Initial Offer Period: 5:00 p.m. (Hong Kong time)</p> <p>After Listing: 11:00 a.m. (Hong Kong time)</p>
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below

<b>Financial Year End</b>	31 March. The first financial year of the Sub-Fund will end on 31 March 2023. The first audited annual financial reports will be published before 31 July 2023.
<b>Listing Agent</b>	Altus Capital Limited
<b>Initial Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Initial Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without USD accounts may have to bear the fees and charges associated with the conversion of such dividend from USD into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

In seeking to achieve the Sub-Fund's investment objective, the Manager will primarily use a replication strategy through investing directly in constituent stocks of the Index in substantially the same weightings in which they are included in the Index. The Sub-Fund may invest in securities (including common stocks, American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRs")) that are listed in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom, or United States.

Where the adoption of a replication strategy is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may pursue a representative sampling strategy and hold a representative sample of the constituent securities of the Index selected by the Manager using rule-based quantitative analytical models to derive a portfolio sample. As disclosed in the section entitled "Investment Prohibitions" in Part 1 of this Prospectus, the Manager may cause the Sub-Fund to deviate from the Index weighting (in pursuing a representative sampling strategy) on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting.

Investors should note that the Manager may switch between the replication strategy and the representative sampling strategy without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Manager may invest no more than 10% of the Sub-Fund's Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the

Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures to manage the Sub-Fund's exposure to the Index constituents, such as NASDAQ 100 futures. Exposure of the Sub-Fund to the Index constituents will be substantially in the same weightings (i.e. proportions) as such constituents have in the Index.

The Sub-Fund may also invest no more than 5% of its Net Asset Value in cash and money market funds which are authorised under Chapter 8.2 of the UT Code or eligible schemes under Chapter 7.11A of the UT Code for cash management purpose.

Currently, the Manager will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month's prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

#### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund's Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled "Securities Financing Transactions" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled "The Custodian" of the section headed "Management of the Company and Sub-Funds" in Part 1 of this Prospectus in regard to the extent of the Custodian's responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled “Securities lending transactions risks” below and the sub-section titled “Securities Financing Transactions Risks” of the section headed “Risk Factors” in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Equity market risk*

The Sub-Fund’s investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

Some securities exchanges may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. Some markets may have higher entry barrier for investments as identification number or certificate may have to be obtained for securities trading. All these may have a negative impact on the Sub-Fund.

#### *Electric vehicle and autonomous driving sectors concentration risk*

Due to the concentration of the Index in the electric vehicle and autonomous driving sectors, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Electric vehicle and autonomous driving sectors risk*

The electric vehicle and autonomous driving fields are in the early stages of development. Participants in these fields may include electric vehicle manufacturers, electric vehicle component producers, companies that mine or produce chemical and raw materials that are relevant to the electric vehicle and autonomous vehicle technology sector, companies that build autonomous vehicles, and suppliers of autonomous vehicle technologies. Therefore, until the fields expand, it is likely to include participants (e.g. traditional car producers) which have only dedicated a proportion of their operations towards the production of electric vehicles, electric vehicle components, electric vehicle materials and the development of autonomous vehicle technology.

Many of the companies in the electric vehicle and autonomous driving sectors have a relatively short operating history. Companies in the electric vehicle and autonomous driving sectors typically face intense competition which may have an adverse effect on profit margins and the prices of the securities of these companies. Their profitability is particularly vulnerable and susceptible to rapid changes in technology, rapid obsolescence of products and services, the loss or breach of intellectual property rights, government regulation (including but not limited to tax incentives offered), domestic and international competition (including competition from foreign competitors which may have lower production costs), evolving industry standards, introduction of new product and service, fluctuations in supply and demand for their products and services and the company’s ability to manufacture electric vehicles, produce electric vehicle components and materials and develop autonomous vehicle technology on schedule to meet consumer demand.

Companies in the electric vehicle and autonomous driving sectors typically have heavy and significant spending on research and development, and there is no guarantee that the products or services produced by these companies will be successful. Moreover, the businesses of companies with exposure to or investments in autonomous vehicle technology may be exposed to the risk of cybersecurity breaches, traffic accidents related to autonomous vehicles, and other issues that could result in increased regulation. Any errors or vulnerabilities that may be discovered in the products after release may adversely affect the business and operating results of such companies in the electric vehicle and autonomous driving sectors.

#### *Industrial sector risk*

Companies in the electric vehicle and autonomous driving sectors are often involved in the manufacturing of electric vehicles, electric vehicle components and materials, and therefore are also subject to the risks affecting the industrial sector. The profitability of companies in the industrial sector may be affected by supply and demand both for the specific product or service and for the industrial sector in general. Government regulations, labour relations, world events, economic conditions and taxes may affect the performance of companies in the industrial sector. Companies in the industrial sector may be adversely affected by product liability claims, liability for environmental damage and changes in exchange rates. The industrial sector may also be adversely affected by changes or movements in commodity prices, which may be influenced by unpredictable factors. Manufacturing companies need to keep up with technological advancements or may face the risk of their products becoming uncompetitive or obsolete.

#### *Technology sector risk*

Companies in the electric vehicle and autonomous driving sectors are often involved in development of new technology and will therefore be affected by the risks affecting the technology sector. The products of these companies may become less competitive or obsolete due to technological developments and frequent new product innovation in the industry, unpredictable changes in growth rates and competition for qualified and skilled personnel. Certain technology companies may be reliant on limited product lines, markets, financial resources and/or certain key personnel. Other risk factors may include substantial capital investment requirements, increased government regulations and imposition of taxes. Price movements of company stocks within the technology sector may be more volatile than other sectors.

#### *Risks associated with depositary receipts*

Exposure to depositary receipts including ADRs and GDRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of depositary receipts, although segregation is an integral part of the depositary agreement regulating the issuance of the depositary receipts. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the depositary receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the depositary receipts may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to depositary receipts, for example fees charged by banks for the custody of underlying assets of depositary receipts, which may impact the performance of the depositary receipts. Also, holders of depositary receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as depositary receipts are often less liquid than the corresponding underlying stocks.

### *USD distributions risk*

Investors should note that Shareholders will only receive distributions in USD and not HKD. In the event the relevant Shareholder has no USD account, the Shareholder may have to bear the fees and charges associated with the conversion of such distribution from USD into HKD or any other currency. Shareholders are advised to check with their brokers concerning arrangements for distributions.

### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

### *Trading hours differences risk*

As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

### *Securities lending transactions risks*

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

**Counterparty risk:** The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

**Operational risk:** By undertaking securities lending transactions, the Sub-Fund is exposed to operational risks such as delay or failure of settlement. Such delays and failure may



**restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.**

### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in USD only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in USD only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

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

#### *General*

Shares traded in HKD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in USD. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in USD. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from USD into HKD or any other

currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

### **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the "Management Fee").

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month's prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, the Custodian's fee, the Registrar's fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in USD.

### **The Index**

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

#### **General information on the Index**

The Index of the Sub-Fund is the Solactive Autonomous & Electric Vehicles Index. The Index is a free float market capitalisation weighted index and an equity benchmark designed to track the performance of companies which are involved in the electric and autonomous driving segments.

The Index is compiled and published by Solactive AG (“Solactive” or the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in USD.

As at 31 March 2023, the Index comprised 75 constituent stocks with total market capitalisation of approximately USD8,394 billion.

The Index was launched on 14 March 2018 and had a base level of 1,000 on 14 March 2018.

## **Index methodology**

### *Index universe*

The Index universe of the Index (“**Index Universe**”) includes Securities (including common stocks, ADRs and GDRs) which fulfill all of the following criteria:

1. The Securities are listed in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom, or United States.
2. The Securities must each have a minimum market capitalisation of USD500 million (or USD400 million for Securities that are existing constituents of the Index) on the Selection Day (as defined below).
3. The Securities must each have a minimum six-month average daily trading value (“**ADTV**”) of USD2 million (or USD1.4 million for Securities that are existing constituents of the Index) on the Selection Day.
4. The Securities must each have a free float percentage of total shares outstanding of at least 10% or a minimum free float market capitalisation of USD1 billion.
5. The Securities must be under one of the following segments:

<b>Segments</b>	<b>Description</b>	<b>FactSet Revere Business Industry Classification Systems Focus (“RBICS Focus”) sub-sectors (Level 3) or industries (Level 5)</b>
Electric Vehicles (“ <b>EV</b> ”)	Companies that produce electric/hybrid vehicles, including cars, trucks, motorcycles/scooters, buses, and electric rail	<ul style="list-style-type: none"> <li>• Car Manufacturers</li> <li>• Motorcycle Manufacturing</li> </ul> (all the above are Level 5 Industries)
Electric Vehicle Components (“ <b>EVC</b> ”)	Companies that produce EVC - electric/hybrid vehicle components, including electric drivetrains, lithium-ion and other types of electric batteries, and fuel cells	<ul style="list-style-type: none"> <li>• Consumer Vehicles and Parts, excluding industries that are eligible for “EV” segment</li> <li>• Electrical Equipment and Power Systems</li> <li>• Machinery Manufacturing</li> <li>• Transportation Equipment Manufacturing</li> </ul>

		(all the above are Level 3 Sub-Sectors)
Electric Vehicle Materials (“EVM”)	Companies that produce EVM - chemicals and raw materials (including but not limited to lithium and cobalt) that comprise these electric/hybrid vehicle components	<ul style="list-style-type: none"> <li>• Commodity Chemicals</li> <li>• Metal Ore Mining</li> <li>• Metal Products</li> <li>• Other Mining</li> <li>• Specialty and Performance Chemicals</li> </ul> (all the above are Level 3 Sub-Sectors)
Autonomous Vehicle Technology (“AVT”)	Companies that build autonomous vehicles and/or develop hardware and software that facilitates the development of autonomous vehicles, including sensors, mapping technology, artificial intelligence, Advanced Driver Assistance Systems, ride-share platforms, and network-connected services for transportation	<ul style="list-style-type: none"> <li>• Communications Equipment</li> <li>• Computer Hardware and Storage</li> <li>• Electronic Components</li> <li>• Internet and Data Services</li> <li>• Semiconductor Manufacturing</li> <li>• Software</li> <li>• Consumer Vehicles and Parts, excluding industries that are eligible for EV segment. Moreover, top 15 companies from EVC segment are not eligible too</li> </ul> (all the above are Level 3 Sub-Sectors)

For a Security to be eligible under the EV, EVC, EVM or AVT segment, it has to (i) belong to one of the relevant RBICS industries or sub-sectors in the table above and (ii) be identified by Algorithmic Theme Identification System (“ARTIS”) (as defined below) as having exposure to the relevant segment.

### ARTIS

ARTIS is a natural language processing algorithm that is used to identify companies that have exposure to any given segment. Given a set of keywords that represent the segment, the algorithm conducts searches through publicly available information such as regulatory filings, company publications, business descriptions, and online financial news.

Using keywords that describe the Index theme, ARTIS identifies companies and groups them into the EV, EVC, EVM or AVT segments described above.

ARTIS then assigns “Segment Score” to the companies in each segment according to (i) the frequency with which the company is referenced in relation to each segment’s specific keywords and (ii) the keywords’ relative importance. ARTIS only considers documents that have been published in the last 12 months.

The companies are then reviewed to ensure relevance to the segment based on business operations. Companies that do not have relevant business exposure to the segment are removed at this stage. The remaining companies are ranked by their Segment Score, and the final Index constituents are determined based on their respective Segment Score as follows:

- EV – the top 15 companies according to their Segment Score are selected;
- EVC – the top 15 companies according to their Segment Score are selected;
- EVM – the top 15 companies according to their Segment Score are selected; and

- AVT – the top 30 companies according to their Segment Score are selected.

If there are two or more companies that share the last rank in one of the segments, then preference is given to the company with the highest ADTV over the last six months.

If the number of Securities selected is less than 75 after the above steps, the index committee of Solactive may consider to adjust the index methodology. Where necessary, the index methodology and this Prospectus will be updated to reflect the revised methodology, and prior notice will be given to Shareholders where required by the applicable regulations.

### RBICS Focus

RBICS Focus is a proprietary industry classification system offered and maintained by FactSet. RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company's primary line of business, by mapping a company to a Level 3 (Sub-sector) or Level 5 (Industry) group (as further explained below) from which it derives 50% or more of its revenues for the last financial year of the relevant company. The RBICS Focus system provides for 6 levels, from Level 1 (Economy) to Level 6 (Sub-industry), as follows:

<b>RBICS Level</b>	<b>Name</b>	<b>No. of Groups</b>
1	Economy	14
2	Sector	37
3	Sub-sector	109
4	Industry-group	366
5	Industry	901
6	Sub-industry	1,629

Each company covered by the RBICS Focus system must derive a minimum of 50% of its revenue for the last financial year from a specific RBICS Level 3 Sub-sector (Level 5 Industry) to be classified as being focused on that sub-sector (industry). In cases of any company with a diversified business, where necessary, a diversified RBICS Level 3 Sub-sector (Level 5 Industry) will be put in place to reflect the diversified business, such that the diversified RBICS Level 3 sub-sector (Level 5 Industry) will cover 50% or more of the company's revenue for the last financial year.

6. On each Selection Day (12 business days before the Rebalance Day (as defined below)), the selected Securities which remain after the above are weighed by free float adjusted market capitalisation by dividing their individual free float adjusted market capitalisation to the sum of free float adjusted market capitalisation of all Securities which remain after the above steps. The maximum free-float adjusted weight of a Security is 3%. The maximum free-float adjusted weight of a Security that ranks in the bottom quintile (bottom 20%) of its respective segment in terms of Segment Score is 2%.
7. Excess weights are redistributed proportionally among remaining uncapped Securities. If such redistribution leads to additional security weights exceeding 3% (or 2% for Securities in the bottom quintile of its respective segment in terms of Segment Score), the

aforementioned redistribution process is repeated until no constituent weighs more than 3% (or 2% for Securities in the bottom quintile of its respective segment in terms of Segment Score) as of each Selection Day.

8. Notwithstanding that the weight of certain Index constituents may have exceeded their cap during the period between the Selection Day and the Rebalance Day (the last business day of January and the last business day of July each year), the aforementioned weighing, capping and redistribution of the Index constituents will not be repeated on the Rebalance Day.

### ***Index weighting***

On each Selection Day, the constituents of the Index are assigned weights according to free float-adjusted market capitalisation of the Index. The weight of each constituent is capped at 3% (or 2% for Securities in the bottom quintile of its respective segment in terms of Segment Score) such that no single constituent security weighs more than 3% (or 2%, as the case may be) of the Index as of each Selection Day. However, the weight of a constituent may exceed 3% (or 2%, as the case may be) after each Selection Day.

### ***Index adjustments***

#### *Ordinary Rebalancing*

The Index is reconstituted and rebalanced semi-annually on the last business day of January and the last business day of July each year (each a “**Rebalance Day**”).

The Index constituents are determined on the relevant “**Selection Day**” which is 12 business days (being any day on which the New York Stock Exchange and/or NASDAQ are open for trading) before the Rebalance Day.

#### *Ongoing review*

Under certain circumstances, an adjustment of the Index may be necessary between two regular Rebalance Days. Such adjustment has to be made if a corporate action (as defined in the Index methodology, including, for example, cash distributions, stock distributions, share splits, capital increases etc.) in relation of an Index constituent occurs. Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the Solactive Equity Index Methodology, which available on the Index Provider’s website <https://www.solactive.com/documents/equity-index-methodology/> (this website has not been reviewed by the SFC).

The Index Provider will announce any such Index adjustment giving a notice period of at least two trading days on its website and such adjustment will be implemented on the effective day as specified in the relevant notice.

### ***Index constituents***

Details of the index methodology of the Index can be found on <https://www.solactive.com/> (this website has not been reviewed or approved by the SFC). The Index composition (including the list of constituents of the Index and their respective weightings) can be found on <https://www.solactive.com/> (this website has not been reviewed or approved by the SFC).

### ***Index codes***

The Index is disseminated under the following identifier:

Bloomberg: SOLDRIV Index

Reuters: .SOLDRIV

***Index Provider disclaimer***

The Sub-Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Solactive Autonomous & Electric Vehicles Index and/or the use of Solactive trade mark or the index price/prices of the Solactive Autonomous & Electric Vehicles Index at any time or in any other respect. The Solactive Autonomous & Electric Vehicles Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Solactive Autonomous & Electric Vehicles Index is calculated correctly. Irrespective of its obligations towards Mirae Asset Global Investments (Hong Kong) Limited, Solactive AG has no obligation to point out errors in the Solactive Autonomous & Electric Vehicles Index to third parties including but not limited to investors and/or financial intermediaries of the the Sub-Fund. Neither publication of the Solactive Autonomous & Electric Vehicles Index by Solactive AG nor the licensing of the Solactive Autonomous & Electric Vehicles Index or Solactive trade mark for the purpose of use in connection with the Sub-Fund constitutes a recommendation by Solactive AG to invest capital in the Sub-Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Sub-Fund. Remember, the information in this Prospectus does not constitute tax, legal or investment advice and is not intended as a recommendation for buying or selling securities. The information and opinions contained in this Prospectus have been obtained from public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Solactive AG will not be responsible for the consequences of reliance upon any opinion or statement contained herein or for any omission.

***Index licence agreement***

The initial term of the licence of the Index have commenced on 8 December 2021 and will remain in full force and effect for an indefinite term unless terminated by either party in writing after the initial two years term subject to the terms of the licence agreement.

**Appendix dated 28 April 2023**

## APPENDIX 12: GLOBAL X FINTECH ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	Indxx Global Fintech Thematic Index
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	9 December 2021 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	10 December 2021
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03185
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	US dollar (USD)
<b>Trading Currency</b>	Hong Kong dollar (HKD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in USD subject to the Manager’s discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager’s discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the return from management of the Sub-Fund’s cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (USD) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash only (in USD only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	<p>During the Initial Offer Period: 5:00 p.m. (Hong Kong time)</p> <p>After Listing: 11:00 a.m. (Hong Kong time)</p>
<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Replication. Please refer to the section on “What is the investment strategy?” below



<b>Financial Year End</b>	31 March. The first financial year of the Sub-Fund will end on 31 March 2023. The first audited annual financial reports will be published before 31 July 2023.
<b>Listing Agent</b>	Altus Capital Limited
<b>Initial Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Initial Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

# *Shareholders without USD accounts may have to bear the fees and charges associated with the conversion of such dividend from USD into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

In seeking to achieve the Sub-Fund's investment objective, the Manager will primarily use a replication strategy through investing directly in constituent stocks of the Index in substantially the same weightings in which they are included in the Index. The Sub-Fund may invest in securities (including common stocks, American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRs")) listed in developed markets including United States, Canada, Australia, Hong Kong, Japan, New Zealand, Singapore, South Korea, Taiwan, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.

Where the adoption of a replication strategy is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may pursue a representative sampling strategy and hold a representative sample of the constituent securities of the Index selected by the Manager using rule-based quantitative analytical models to derive a portfolio sample. As disclosed in the section entitled "Investment Prohibitions" in Part 1 of this Prospectus, the Manager may cause the Sub-Fund to deviate from the Index weighting (in pursuing a representative sampling strategy) on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting.

Investors should note that the Manager may switch between the replication strategy and the representative sampling strategy without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

The Manager may invest no more than 10% of the Sub-Fund's Net Asset Value in futures for investment and hedging purposes, where the Manager believes such investments will help the

Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The futures in which the Sub-Fund may invest will be index futures to manage the Sub-Fund's exposure to the Index constituents, such as NASDAQ 100 futures. Exposure of the Sub-Fund to the Index constituents will be substantially in the same weightings (i.e. proportions) as such constituents have in the Index.

The Sub-Fund may also invest no more than 5% of its Net Asset Value in cash and money market funds which are authorised under Chapter 8.2 of the UT Code or eligible schemes under Chapter 7.11A of the UT Code for cash management purpose.

Currently, the Manager will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month's prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

#### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund's Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled "Securities Financing Transactions" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled "The Custodian" of the section headed "Management of the Company and Sub-Funds" in Part 1 of this Prospectus in regard to the extent of the Custodian's responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled "Collateral" of the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled “Securities lending transactions risks” below and the sub-section titled “Securities Financing Transactions Risks” of the section headed “Risk Factors” in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Equity market risk*

The Sub-Fund’s investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

Some securities exchanges may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. Some markets may have higher entry barrier for investments as identification number or certificate may have to be obtained for securities trading. All these may have a negative impact on the Sub-Fund.

#### *FinTech sector concentration risk*

Due to the concentration of the Index in the FinTech sector, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Risks related to investing in FinTech companies*

Companies that are offering technology-driven financial services (“FinTech companies”) may be adversely impacted by government regulations, economic conditions and deterioration in credit markets. These companies may have significant exposure to consumers and businesses (especially small businesses) in the form of loans and other financial products or services. FinTech companies typically face intense competition and potentially rapid product obsolescence. In addition, many FinTech companies store sensitive consumer information and could be the target of cybersecurity attacks and other types of theft, which could have a negative impact on these companies. FinTech companies are heavily dependent on the protection of patent and intellectual property rights, and may be subject to intellectual property infringement schemes and piracy efforts. The loss or impairment of intellectual property rights or licences could result in undesirable legal, financial, operational and reputational consequences. Many FinTech companies currently operate under less regulatory scrutiny than traditional financial services companies and banks, but there is significant risk that regulatory oversight could increase in the future. Higher levels of regulation could increase costs and adversely impact the current business models of some FinTech companies. These companies could be negatively impacted by disruptions in service caused by hardware or software failure, or by interruptions or delays in service by third-party data center hosting facilities and maintenance providers. FinTech companies involved in alternative currencies, such as crypto coins and crypto tokens, may face slow adoption rates and be subject to higher levels of regulatory scrutiny in the future, which could severely impact the viability of these companies. FinTech companies, especially smaller companies, tend to be more volatile than companies that do not rely heavily on technology. The customers and/or suppliers of FinTech companies may be concentrated in a particular country, region or industry.

### *Information technology sector risk*

Companies in the information technology sector are subject to rapid changes in technology product cycles, rapid product obsolescence, government regulation, and increased competition, both domestically and internationally, including competition from foreign competitors with lower production costs. Information technology companies and companies that rely heavily on technology tend to be more volatile than the overall market and also are heavily dependent on patent and intellectual property rights. In addition, information technology companies may have limited product lines, markets, financial resources or personnel.

### *IT services industry risk*

The IT services industry can be significantly affected by competitive pressures, such as technological developments, fixed-rate pricing, and the ability to attract and retain skilled employees, and the success of companies in the industry is subject to continued demand for IT services.

### *Software industry risk*

The software industry can be significantly affected by intense competition, aggressive pricing, technological innovations, and product obsolescence. Companies in the application software industry, in particular, may also be negatively affected by the decline or fluctuation of subscription renewal rates for their products and services, which may have an adverse effect on profit margins. Companies in the systems software industry may be adversely affected by, among other things, actual or perceived security vulnerabilities in their products and services, which may result in individual or class action lawsuits, state or federal enforcement actions and other remediation costs.

### *Risks associated with depositary receipts*

Exposure to depositary receipts including ADRs and GDRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of depositary receipts, although segregation is an integral part of the depositary agreement regulating the issuance of the depositary receipts. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the depositary receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the depositary receipts may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to depositary receipts, for example fees charged by banks for the custody of underlying assets of depositary receipts, which may impact the performance of the depositary receipts. Also, holders of depositary receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as depositary receipts are often less liquid than the corresponding underlying stocks.

### *USD distributions risk*

Investors should note that Shareholders will only receive distributions in USD and not HKD. In the event the relevant Shareholder has no USD account, the Shareholder may have to bear the fees and charges associated with the conversion of such distribution from USD into HKD or any other currency. Shareholders are advised to check with their brokers concerning arrangements for distributions.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

#### *Trading hours differences risk*

As the stock exchanges on which the Index constituents are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

#### *Securities lending transactions risks*

The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:

**Counterparty risk:** The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

## **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in USD only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled “The Offering Phases” in Part 1 of this Prospectus.

## **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in USD only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

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

### *General*

Shares traded in HKD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors’ attention is drawn to the section entitled “Exchange Listing and Trading (Secondary Market)” in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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

## **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager’s discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in USD. Distributions may be made out of capital as well as income at the Manager’s discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC’s prior approval (if required) and by giving not less than one month’s prior notice to investors.

Each Shareholder will receive distributions in USD. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from USD into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.globalxetfs.com.hk/>.

### **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the "Management Fee").

The Management Fee is currently 0.68% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.68% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month's prior notice will be provided to Shareholders for any increase in the Management Fee up to the permitted maximum level.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, the Custodian's fee, the Registrar's fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in USD.

### **The Index**

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

#### **General information on the Index**

The Index of the Sub-Fund is the Indxx Global Fintech Thematic Index. The Index is a market capitalisation weighted index and an equity benchmark designed to track the performance of FinTech companies, which are increasingly competing on cost and convenience in the financial services and banking sectors.

The Index is compiled and published by Indxx, LLC (“Indxx” or the “Index Provider”). The Manager (and each of its Connected Persons) is independent of the Index Provider.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is denominated and quoted in USD.

As at 31 March 2023, the Index comprised 63 constituent stocks with total market capitalisation of approximately USD 608.7 billion.

The Index was launched on 29 August 2016 and had a base level of 1,000 on 30 June 2015.

### ***Index methodology***

#### *Index universe*

The Index universe of the Index (“**Index Universe**”) includes Securities which fulfill all of the following criteria (subject to the buffer rules set out under “Constituent selection” below):

1. The Securities are listed in one of the following developed markets: United States, Canada, Australia, Hong Kong, Japan, New Zealand, Singapore, South Korea, Taiwan, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.
2. The Securities must each have a minimum total market capitalisation of USD300 million (or US\$240 million for Securities that are existing constituents of the Index).
3. The Securities must have traded on 90% of the eligible trading days in the last six months. In the case of Securities that do not have a trading history of six months, to be considered for inclusion, the Securities must either:
  - a) have been listed for at least three calendar months prior to the Selection Day (as defined below) and traded on 90% of the eligible trading days for the three months preceding the Selection Day; or
  - b) have been listed for at least ten calendar days prior to the Selection Day if the total market capitalization of the Securities is greater than total market capitalisation of at least 50% of the Index constituents as of previous Selection Day.
4. The Securities must each have a minimum six-month average daily trading value (“**ADTV**”) (or since the listing day if the Security does not have a trading history of six months) of USD2 million. For existing constituents, each of them must have a minimum ADTV of US\$1.4 million.
5. The Securities must each have a free float percentage of total shares outstanding of at least 10%.
6. Securities trading at a price of USD10,000 or above are ineligible for inclusion in the Index except for existing constituents.
7. The Securities must fall under one of the following types: common stock, American Depositary Receipts (“**ADRs**”) and Global Depositary Receipts (“**GDRs**”).
8. Where there are multiple share classes/listings of the same company:
  - a) If an ADR of the company exists, it is given preference over all other share classes, otherwise, the most liquid share class/listing is considered for inclusion.



- b) Notwithstanding a), an existing share class/listing included as a constituent is retained if it satisfies all the other eligibility criteria of the Index.

9. The Securities must be under one of the following sub-themes:

<b>Sub-theme</b>	<b>Description</b>
P2P and Marketplace Lending	Companies that provide online platforms for peer-to-peer and marketplace lending that is disrupting the traditional lending sector
Mobile Payments	Companies that provide platforms and services that focus on peer-to-peer mobile payments and POS (Point-of-sale) service
Crowd-Funding	Companies that provide online platforms for sourcing funds from individual members
Blockchain and Alternative Currencies	Companies that are involved in the development of blockchain technology, or that utilize blockchain technology to provide financial services, or involved in the development of other alternative currencies are also eligible for inclusion
Personal Finance Software, Automated Wealth Management and Trading	Companies that are involved in developing personal finance software, robo-advisor solutions that leverage automation/ algorithms, and/or are technology-enabled investment solution providers (excluding traditional fund administrators that provide technology services)
Enterprise Solutions	Companies that provide scalable technology solutions focused on disrupting traditional areas of financial services such as lending, credit scoring and banking

Securities of the following companies are eligible for inclusion in the Index:

- a) companies that derive a significant portion (greater than 50%) of their revenue (from the latest available annual report) from the above sub-themes; or
- b) companies with primary business to be in products and services focusing on the above sub-themes (this is determined based on the disclosure in annual report and company website regarding the companies' primary business and product offerings, since some FinTech companies may not necessarily provide the breakdown of their revenues by segment).

#### *Constituent selection*

Eligible Securities within the Index Universe will be ranked by total market capitalisation and those with the largest total market capitalisation will be the constituents of the Index. The minimum number of constituents is 20 and the maximum number of constituents is 100. If fewer than 20 companies qualify to be eligible for inclusion, the index committee of the Index Provider will consider Securities of companies with diversified revenue streams that (i) have a distinct business unit focusing on FinTech, and (ii) have a core competency that is expected to benefit from the increased adoption of FinTech (based on the disclosure in annual report and company website regarding the companies' primary business and product offerings) for inclusion in the Index, until the number of constituents reaches 20. An existing Index constituent shall continue to remain in the Index if it is one of the top 120 companies by total market capitalisation, notwithstanding that it may not be one of the top 100 constituents.

On each Selection Day (the nearest Friday falling at least one month before the Rebalance Day (as defined below)), Securities are selected based on the steps above.

## ***Index weighting***

On each “**Weighting Day**” (which is 6 trading days prior to the Rebalance Day), the selected Securities are weighed by total market capitalisation by dividing their individual total market capitalisation to the sum of total market capitalisation of all the Securities selected on the Selection Day. The maximum weight of a Security is 6% and the minimum weight of a Security is 0.3%. In addition, the aggregate weight of all Securities with a weight greater than 5% is capped at 40% and all remaining Securities are capped at 4.5% if such condition is triggered.

## ***Index adjustments***

### ***Ordinary Rebalancing***

The Index is reconstituted and rebalanced annually after the close of trading on the second Friday of March each year (and if that day is not a trading day, the previous trading day) (the “**Rebalance Day**”).

The security selection and portfolio creation process start on the close of the nearest Friday falling at least one month before the Rebalance Day (the “**Selection Day**”). The number of shares of each constituent in the Index are calculated on the close of the seventh trading day prior (six trading days prior) to the Rebalance Day.

### ***Ongoing review***

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for Index inclusion. Such adjustment has to be made if a corporate action (as described in the Index methodology, including, for example, delistings, mergers or acquisitions, spin-offs etc.) in relation to an Index constituent occurs. For instance, a constituent is removed immediately after being delisted from its primary market and will not be replaced until the next ordinary rebalancing.

Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituent and/or the weighting of certain Index constituents and will be made in compliance with the *Indxx Calculation Guideline*, which is available on the Index Provider’s website <https://www.indxx.com/announcements/> (this website has not been reviewed by the SFC).

## ***Index constituents***

Details of the index methodology of the Index can be found on <https://www.indxx.com/> (this website has not been reviewed or approved by the SFC). The Index composition (including the list of constituents of the Index and their respective weightings) can be found on <https://www.indxx.com/> (this website has not been reviewed or approved by the SFC).

## ***Index codes***

The Index is disseminated under the following identifier:

Bloomberg: IFINXNT Index

## ***Index Provider disclaimer***

“Indxx” is a service mark of Indxx and has been licensed for use for certain purposes by the Manager. The Sub-Fund is not sponsored, endorsed, sold or promoted by Indxx. Indxx makes no representation or warranty, express or implied, to the Shareholders of the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly. Indxx has no obligation to take the needs of the Manager or the Shareholders of the Sub-Fund into consideration in determining, composing or calculating the Index. Indxx is not responsible for and has not participated in the

determination of the timing, amount or pricing of the Sub-Fund shares to be issued or in the determination or calculation of the equation by which the Sub-Fund shares are to be converted into cash. Indxx has no obligation or liability in connection with the administration, marketing or trading of the Sub-Fund.

***Index licence agreement***

The initial term of the licence of the Index have commenced on 8 December 2021 and should continue for a period of three years (“Initial Term”). After the conclusion of the Initial Term, the licence should be renewed for successive terms of two years unless either party to the licence agreement serves a written notice of termination of at least 90 days prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

**Appendix dated 28 April 2023**

## **APPENDIX 13: GLOBAL X ASIA INNOVATOR ACTIVE ETF**

*This is an active exchange traded fund*

### **Key information**

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Initial Issue Date</b>	9 December 2021 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	10 December 2021
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03051
<b>Trading Board Lot Size</b>	50 Shares
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollar (HKD)
<b>Distribution Policy</b>	<p>Annually (usually in May of each year) (if any) in RMB subject to the Manager's discretion. Distributions (if any) may be paid out of capital or out of gross income while all or part of fees and expenses may be charged to capital at the Manager's discretion resulting in an increase in distributable income for the payment of distributions and therefore distributions may be paid effectively out of capital. However, distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holdings of investment products.</p> <p><b>Distributions will be paid in the base currency (RMB) only.#</b></p>
<b>Creation/Redemption Policy</b>	Cash only (in RMB only)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 50,000 Shares (or multiples thereof)
<b>Dealing Deadline</b>	During the Initial Offer Period: 5:00 p.m. (Hong Kong time) After Listing: 11:00 a.m. (Hong Kong time)
<b>Management Fee</b>	Currently 0.75% per annum of the Net Asset Value
<b>Investment Strategy</b>	Please refer to the section on "What is the investment strategy?" below
<b>Financial Year End</b>	31 March. The first financial year of the Sub-Fund will end on 31 March 2023. The first audited annual

	financial reports will be published before 31 July 2023.
<b>Listing Agent</b>	Altus Capital Limited
<b>Initial Market Makers*</b>	Flow Traders Hong Kong Limited Mirae Asset Securities (HK) Limited
<b>Initial Participating Dealers*</b>	Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="http://www.globalxetfs.com.hk/">http://www.globalxetfs.com.hk/</a>

# *Shareholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.*

\* *Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.*

### **What is the investment objective?**

The Sub-Fund's investment objective is to achieve long term capital growth by primarily investing in companies which are (i) headquartered or incorporated in selected Asian regions (Mainland China, Hong Kong, Indonesia, India, Malaysia, Philippines, Singapore, Japan, South Korea, Taiwan and Thailand) and (ii) directly or indirectly involved in the provision of innovative products and/or services ("Innovative Business"). There is no assurance that the Sub-Fund will achieve its investment objective.

### **What is the investment strategy?**

In seeking to achieve the Sub-Fund's investment objective, the Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value) in equities of companies which are (i) headquartered or incorporated in selected Asian regions (Mainland China, Hong Kong, Indonesia, India, Malaysia, Philippines, Singapore, Japan, South Korea, Taiwan and Thailand) and(ii) directly or indirectly involved in Innovative Business. Innovative Business refers to companies that are leaders in innovation which are able to take advantage of new technologies (including but not limited to 5G & Internet, Autonomous & Electric Vehicles, Clean Energy and other innovative sectors and industries as mentioned below), led by a management team with the vision to identify market needs that have yet to be fully expressed, and benefit from new industry conditions (such as secular changes in the way people communicate, and rising emerging marketing consumers) in the dynamically changing global economy.

The following is a non-exhaustive illustration of companies that may be directly or indirectly involved in Innovative Business in which the Sub-Fund will primarily invest:

- (i) *5G & Internet* – the development of wearable technology, home automation and connected automotive technology.
- (ii) *Autonomous & Electric Vehicles* – the development of electric vehicles and/or autonomous vehicles.
- (iii) *Biotech* – novel drug or therapy development aimed at treating diseases and medical conditions that were considered incurable in the past.

- (iv) *Clean Energy* – the mitigation of climate change, including companies that develop technology or equipment that enables the production of energy from renewable or alternative sources.
- (v) *Cloud Computing* – the offering of computing Software-as-a-Service (“SaaS”), Platform-as-a-Service (“PaaS”), Infrastructure-as-a-Service (“IaaS”), managed server storage space and data centre real estate investment trusts (“REITs”), and/or cloud and edge computing infrastructure and hardware.
- (vi) *Cybersecurity* – the development and management of security protocols preventing intrusion and attacks to systems, networks, applications, computers and mobile devices.
- (vii) *E-commerce* – the operation of e-commerce platforms, providing e-commerce software and services, and/or the sale of goods and services online.
- (viii) *Education* – digital learning, enterprise video and chat communication platforms which embrace the growing trend of digitalisation of educational tools and the improvement of accessibility of classroom learning outside of formal educational environments.
- (ix) *FinTech* – mobile/digital payments and remittances, peer-to-peer (“P2P”) and marketplace lending, online banking, digital and automated investing solutions, insurance technology, financial analytics software and alternative/digital currencies.
- (x) *Healthcare Innovation* – the furtherance of healthcare through technological advancements (such as telemedicine and digital health analytics) and the development, production and distribution of innovative drugs and treatments.
- (xi) *Infrastructure Development* – the innovation and improvement (such as integration of new software and technologies) of construction and engineering of infrastructure, the production of infrastructure raw materials, composites and products, industrial transportation and producers or distributors of heavy construction equipment.
- (xii) *Longevity* – the research, development, innovation and provision of goods or services targeting the demographic trend of longer average life spans and the aging of the global population (for instance, smartphone-controlled hearing aids and fall-detection wristbands).
- (xiii) *Rising Emerging Market Consumers* – the offering of goods and services primarily to middle class consumers in developing markets, including those in traditional consumer-oriented sectors as well as business-to-consumer (“B2C”) companies.
- (xiv) *Robotics & Artificial Intelligence* – the development of robotics and/or artificial intelligence, such as unmanned vehicles and voice recognition.
- (xv) *Semiconductor* – the design, distribution, manufacture and sale of semiconductors.
- (xvi) *Social Media* – web-based media applications that facilitate social connectivity, including photo and video sharing, micro-blogging and others.
- (xvii) *Video Games & Esports* – video game development or publishing, video game and esports content distribution and streaming, the operation of esports leagues, and the production of video game hardware.

Companies which are indirectly involved in Innovative Business may provide ancillary services to companies directly related to the Innovative Business. For instance, for Innovative Business relating to 5G & Internet, examples of ancillary services are the development and provision of data centre and cloud services. For Innovative Business relating to Autonomous & Electric Vehicles, examples of ancillary services are the development and provision charging stations and software services.

The securities which the Sub-Fund will invest in are either (i) equities listed on one of the 12 exchanges located in Asia: Bursa Malaysia, Hong Kong Stock Exchange, Indonesia Stock Exchange, JASDAQ, Korea Stock Exchange, Philippine Stock Exchange, Shanghai Stock Exchange (the “SSE”), Shenzhen Stock Exchange (the “SZSE”), Singapore Exchange, Stock Exchange of Thailand, Taiwan Stock Exchange, or Tokyo Stock Exchange or (ii) common stocks or American Depositary Receipts (“ADRs”) listed on the New York Stock Exchange (the “NYSE”) or NASDAQ. The Sub-Fund will invest not more than 40% of its Net Asset Value in A-Shares through Stock Connect (as explained in the sections “Stock Connect” and “The A-Share Market” in Part 1 of this Prospectus), which may include stocks on ChiNext Board of the SZSE and/or the Science and Technology Innovation Board (the “STAR Board”) of the SSE.

The Sub-Fund will invest no more than 30% of its Net Asset Value in cash or other investment products, such as short term (i.e. maturity less than 3 years) investment-grade bond funds and money market funds (which are authorised under Chapter 8.2 of the UT Code or eligible schemes under Chapter 7.11A of the UT Code) in accordance with the requirements of the UT Code. Any investments in ETFs will be considered and treated as collective investment schemes for the purposes of and subject to the requirements in 7.11, 7.11A and 7.11B of the UT Code.

Currently, the Manager has no intention to invest the Sub-Fund in any FDIs for investment purposes, but may use FDIs for hedging purposes only, and will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required), and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

#### *Securities lending transactions*

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions to a maximum level of up to 50% and expected level of approximately 20% of the Sub-Fund’s Net Asset Value.

The Manager will be able to recall the Securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section titled “Securities Financing Transactions” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus in regard to the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral (fulfilling the requirements under sub-section titled “Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus) of 100% of the value of the Securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Custodian or an agent appointed by the Custodian. Please refer to the sub-section titled “The Custodian” of the section headed “Management of the Company and Sub-Funds” in Part 1 of this Prospectus in regard to the extent of the Custodian’s responsibility for the safekeeping of the assets of the Company and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4:00 p.m. on trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section titled

“Collateral” of the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus.

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

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to the risk factor titled “Securities lending transactions risks” below and the sub-section titled “Securities Financing Transactions Risks” of the section headed “Risk Factors” in Part 1 of this Prospectus for further details.

#### *Use of derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

#### **Risk factors specific to the Sub-Fund**

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

#### *Active investment management risk*

The Manager employs an actively managed investment strategy for the Sub-Fund. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of the Sub-Fund will be based on the Manager’s view of market conditions and international investment trends and environment. The Sub-Fund may fail to meet its objective as a result of the Manager’s selection of investments for the Sub-Fund, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other funds with a similar objective.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing instruments or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

#### *Risk associated with small and mid-capitalisation companies*

The Sub-Fund may invest in small and/or mid-sized companies. The stock of small and mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

#### *Equity market risk*

The Sub-Fund’s investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

#### *Asian regions concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of companies which are headquartered or incorporated in concentrated Asian regions (namely,



Mainland China, Hong Kong, Indonesia, India, Malaysia, Philippines, Singapore, Japan, South Korea, Taiwan and Thailand). The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Sub-Fund's investments resulting from adverse conditions in the Asian regions.

#### *Sector concentration risk*

Due to the concentration of the Sub-Fund's investments in companies involved in innovation themes, which are characterised by relatively higher volatility in price performance when compared to other economic sectors, the performance of the Sub-Fund may be more volatile when compared to other broad-based funds.

#### *Technology theme risks*

The Sub-Fund has high exposure to at least one of these themes: internet, cloud computing, e-commerce and fintech. Many of the companies with a high business exposure to a technology theme have a relatively short operating history. Rapid changes could render obsolete the products and services offered by these companies and cause severe or complete declines in the prices of the securities of those companies. Additionally, companies with one of these technology themes may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. There may be substantial government intervention in the technology industry, including restrictions on investment in internet and technology companies if such companies are deemed sensitive to relevant national interests. Some governments in the world have sought, and may in the future seek, to censor content available through internet, restrict access to products and services offered by these companies from their country entirely or impose other restrictions that may affect the accessibility of such products and services for an extended period of time or indefinitely. In the event that access to the internet products and services is restricted, in whole or in part, in one or more countries, the ability of such companies to retain or increase their user base and user engagement may be adversely affected, and their operating results may be harmed.

The technology business is subject to complex laws and regulations including privacy, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or advertisement engagement, or otherwise harm the technology business. They may also delay or impede the development of new products and services. Compliance with these existing and new laws and regulations can be costly and may require significant time and attention of management and technical personnel. These companies are also subject to the risks of loss or impairment of intellectual property rights or licences, cyber security risks resulting in undesirable legal, financial, operational and reputational consequences.

All these may have impact on the business and/or profitability of the technology companies that may be invested by the Sub-Fund and this may in turn affect the Net Asset Value of the Sub-Fund.

#### *Industrial sector risk*

Industrial companies are affected by supply and demand both for their specific product or service and for industrial sector products in general. Government regulation, world events, exchange rates and economic conditions, technological developments and liabilities for environmental damage and other liabilities will likewise affect the performance of these companies. Performance of these companies may be cyclical with occasional sharp price movements which may result from changes in the economy, fuel prices, labour agreements and insurance costs. This may have an impact on the business or profitability of the technology companies invested by the Sub-Fund and this may in turn affect the performance of the Sub-Fund.

### *Consumer discretionary sector risk*

The performance of companies in the consumer discretionary sector are correlated to the growth rate of the consumer market, individual income levels and their impact on levels of domestic consumer spending, which in turn depend on the worldwide economic conditions, which have seen significant deterioration in the past. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. Any future changes in the economy or shifts in consumer spending in the relevant market may materially affect the business of the companies in the consumer discretionary sector. This may affect the performance of the Sub-Fund.

### *Healthcare sector risk*

The economic prospects of the health care sector are generally subject to greater influences from governmental policies and regulations than those of many other industries. Certain health care companies may allocate greater than usual financial resources to research and product development and experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, certain health care companies may be adversely affected by lack of commercial acceptance of a new product or process or by technological change and obsolescence. In addition, the internet healthcare sector is relatively new and evolving. Interpretation and enforcement of laws and regulations involve significant uncertainty. Under certain circumstances, it may be difficult to determine if certain actions may be deemed in violation of applicable laws and regulations. Internet healthcare companies also process and store a large amount of data, and any improper use or disclosure of such data could have a material adverse impact on their business. Internet healthcare companies may be subject to medical liability claims. These factors may affect the performance of the Sub-Fund.

### *Biotech sector risk*

Biotech companies invest heavily in research and development which may not necessarily lead to commercially successful products. The costs associated with developing new products can be significant, and the results are unpredictable. Biotech companies can be significantly affected by technological change and newly developed products may be susceptible to product obsolescence due to intense competition from new products and less costly generic products. Moreover, the process for obtaining regulatory approval (for example, product approval) is long and costly and there can be no assurance that the necessary approvals will be obtained or maintained. These companies are also subject to increased governmental regulation which may delay or inhibit the release of new products. A biotech company's valuation can also be greatly affected if one of its products is proven or alleged to be unsafe, ineffective or unprofitable. Many biotech companies are dependent upon their ability to use and enforce intellectual property rights and patents. Any impairment of such rights may have adverse financial consequences. The stock prices of a biotech company especially those of smaller, less-seasoned companies, tend to be more volatile than the overall market. All these may have impact on the business and/or profitability of the biotech companies in which the Sub-Fund invests and therefore may adversely affect the Net Asset Value of the Sub-Fund.

### *Financial sector risk*

Companies in the financial sector are subject to extensive governmental regulation, which may affect the scope of their activities, the prices they can charge and the amount of capital they must maintain. Governmental regulation may change frequently. The financial services sector is exposed to risks that may impact on the value of investments in the financial services sector more severely than investments outside this sector, including operating with substantial financial leverage. The financial services sector may also be affected by fluctuations in interest rates, availability of money or asset valuations and conditions in other related markets. This may affect the performance of the Sub-Fund.

### *Information technology sector risk*

Companies in the information technology sector face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. The products of information technology companies may face obsolescence due to rapid technological developments. Information technology companies may be subject to extensive regulatory requirements causing considerable expense and delay. Information technology companies are heavily dependent on patent and intellectual property rights, the loss of which may affect the profitability of these companies. Please also refer to the risk factor titled “Technology Theme Risks” for more details.

### *Robotics and artificial intelligence sector risk*

The Sub-Fund may invest in the equity securities of companies in the robotics and artificial intelligence sector and, as such, is particularly sensitive to risks to those types of companies. These risks include, but are not limited to, small or limited markets for such securities, changes in business cycles, world economic growth, technological progress, rapid obsolescence, and government regulation. Securities of robotics and artificial intelligence companies, especially companies which have a relatively small market capitalisation and limited operating history, tend to be more volatile than securities of companies that do not rely heavily on technology. Rapid change to technologies that affect a company’s products could have a material adverse effect on such company’s operating results. Robotics and artificial intelligence companies may rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies. There can be no assurance that the steps taken by these companies to protect their proprietary rights will be adequate to prevent the misappropriation of their technology or that competitors will not independently develop technologies that are substantially equivalent or superior to such companies’ technology. Increasing global regulatory scrutiny in relation to the collection, storage and usage of data may also impede the development of new robotics and artificial intelligence products, hamper the commercial rollout of such products and affect the market demand.

Companies in the robotics and artificial intelligence sector also typically rely on heavy and significant spending on research and development, and there is no guarantee that the products produced by these companies will materialise into commercially successful products.

Furthermore, as the robotics and artificial intelligence sector may be deemed sensitive to national interests, the sector may be subject to government intervention, sanctions and trade protectionism. Companies in the robotics and artificial intelligence sector may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expires or are discontinued, or contracts are unavailable due to changes in government policies.

The success of companies in the robotics and artificial intelligence sector is typically dependent on the companies’ ability to maintain relationships with their technology partners. If a company’s relationship with a technology partner were impaired or terminated, the company may not be able to enter into a new technology alliance on a timely basis or on commercially favourable terms, which could result in significant additional cost or disruptions to its businesses.

### *Semiconductor sector risk*

The Sub-Fund is subject to the risk that companies that are in the semiconductor industry may be particularly affected by certain factors as specified below, which may, in certain circumstances, cause the value of securities of all companies within the semiconductor sector of the market to deteriorate. Specific factors faced by semiconductor companies which may affect the value of their securities include, but are not limited to, domestic and international competition pressures (including competition from subsidised foreign competitors with lower production costs), rapid obsolescence of products as a result of the fast-developing nature of the semiconductor industry,

the economic performance of the customers of semiconductor companies which may in turn affect the growth and market outlook of the semiconductor industry, capital equipment expenditures which could be substantial and suffer from rapid obsolescence and potential shortages of raw materials or equipment which could result in an increase in prices of raw materials or equipment, longer delivery time of products or even production stoppage. Companies in the semiconductor sector also typically rely on heavy and significant spending on research and development, and there is no guarantee that the products produced by these companies will materialise into commercially successful products.

Furthermore, as the semiconductor sector may be deemed sensitive to national interests, the sector may be subject to government intervention, sanctions and trade protectionism. Companies in the semiconductor sector may be highly dependent upon government subsidies and incentives (including but not limited to preferential tax treatments) and contracts with government entities, and may be negatively affected if such subsidies are reduced, such preferential tax treatments expires or are discontinued, or contracts are unavailable due to changes in government policies.

The success of companies in the semiconductor sector is typically dependent on the companies' ability to maintain relationships with their technology partners. If a company's relationship with a technology partner were impaired or terminated, the company may not be able to enter into a new technology alliance on a timely basis or on commercially favourable terms, which could result in significant additional cost or disruptions to its businesses.

The semiconductors sector is also characterised by cyclical market patterns and periodic overcapacity. Business conditions in this industry may change rapidly from periods of production shortages and strong demand to periods of weak demand. Any future downturn in the industry could harm the business and operating results of semiconductor companies.

#### *Video games and e-sports sector risk*

Video games and e-sports companies face intense competition, both domestically and internationally, may have limited product lines, markets, financial resources, or personnel, may have products that face rapid obsolescence, and are heavily dependent on the protection of patent and intellectual property rights. Video games and e-sports companies may be dependent on one or a small number of product or product franchises for a significant portion of their revenue and profits. They may also be subject to shifting consumer preferences, including preferences with respect to gaming console platforms, and changes in consumer discretionary spending. Such factors may adversely affect the profitability and value of these companies. Video games and e-sports companies are also subject to increasing regulatory constraints, particularly with respect to cybersecurity and privacy, and may be subject to sophisticated intellectual property infringement schemes and piracy efforts. These companies may be subject to specific government regulations (such as the real-time name registration for anti-fatigue system in online games in Mainland China) which may negatively impact the businesses of these companies and may cause them to incur substantial costs to change business practices in compliance with any such regulations. In addition, video games and e-sports companies depend heavily on their brand name and distinctive logo as well as their reputation in the gamer community and among millennials for their sales and future growth. All of these may affect the companies which are directly related to or involved in the video games and e-sports sector, as well as companies which are indirectly related to the sector (including companies ancillary services to companies in this sector), and may in turn affect the value of the Sub-Fund's investments in these companies.

#### *ChiNext market and/or STAR Board risks*

The Sub-Fund's investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors.

*Higher fluctuation on stock prices and liquidity risk:* Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE and the SSE (collectively, the “Main Boards”).

*Over-valuation risk:* Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

*Differences in regulation:* The rules and regulations regarding companies listed on ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those on the Main Boards.

*Delisting risk:* It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

*Concentration risk:* STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investor.

#### *Risks associated with ADRs*

Exposure to ADRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs, for example fees charged by banks for the custody of underlying assets of ADRs, which may impact the performance of the ADRs. Also, holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs are often less liquid than the corresponding underlying stocks.

In addition, there is a risk that the ADRs of Mainland Chinese companies may be delisted as a result of regulatory actions by the local government and/or stock exchange. In such an event, the value of such ADRs may be adversely affected as such ADRs could become difficult to trade and to value, and certain investors may not be allowed to invest in such ADRs. This may in turn have an adverse impact on the Net Asset Value of the Sub-Fund.

#### *Risk of investing in bond funds*

The Sub-Fund may invest in investment-grade bond funds, which may in turn invest in debt instruments. Debt instruments, and hence such bond funds, are subject to the following risks:

Interest rate risk: Debt instruments are subject to interest rate risk. Generally, the value of debt instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of debt instruments tends to decrease. Long-term debt instruments in general are subject to higher sensitivity to interest rate changes than short-term debt instruments. Any increase in interest rates may adversely impact the value of the debt instruments in which the bond funds would invest, and accordingly the Sub-Fund's portfolio. As the Sub-Fund may invest in bond funds which may in turn invest in emerging market debt, the Sub-Fund is additionally indirectly subject to policy risk as changes in macro-economic policies in an emerging market country/region (including monetary policy and fiscal policy) may have an influence over such country/region's capital markets and affect the pricing of such bonds, which may in turn adversely affect the performance of the bond funds in which the Sub-Fund will invest and hence the return of the Sub-Fund.

*Credit risk:* Debt instruments are subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest, and the value of the bond funds in which the Sub-Fund may invest is affected by the credit worthiness of their underlying investments. In the event of a default or credit rating downgrading of the debt instruments (or the issuers thereof) held by such bond funds, valuation of the bond fund's (and hence the Sub-Fund's) portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The bond funds may also encounter difficulties or delays in enforcing its rights against the issuers who may be incorporated in countries/regions other than Hong Kong and therefore not subject to the laws of Hong Kong.

Debt instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt instruments only after all secured claims have been satisfied in full. The bond funds, and therefore indirectly the Sub-Fund, is fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also subject the bond funds (and hence the Sub-Fund) to increased liquidity risk as it may become more difficult for the bond funds to dispose of their holdings of bonds at a reasonable price or at all.

*Volatility and liquidity risk:* The debt securities in emerging markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the bond funds may incur significant trading costs, which may in turn affect the return of the Sub-Fund.

*Valuation risk:* Valuation of the bond funds' investments may involve uncertainties and judgemental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the value of the bond funds (and hence the Net Asset Value of the Sub-Fund) may need to be adjusted and may be adversely affected. The value of debt securities may be affected by changing market conditions or other significant events affecting valuation. For example, in the event of the credit rating downgrade of an issuer, the value of the relevant debt instrument may decline rapidly, and the value of the bond funds (and hence the Sub-Fund) may be adversely affected.

*Credit rating risk:* Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

*Risks of credit rating downgrades:* Credit rating of debt securities or that of their issuers may be downgraded or withdrawn, thus adversely affecting the value and performance of a bond fund

holding such investments. This may in turn affect the Net Asset Value and the performance of the Sub-Fund.

*Risk associated with investing in other collective investment schemes/funds*

*Additional fees associated with investing in underlying funds:* The value of the shares or units of the underlying funds will take into account their fees and expenses, including fees (in some cases including performance fees) charged by their management companies or investment managers. Some underlying funds may also impose fees or levies which may be payable by the Sub-Fund when it subscribes to or redeems out of such underlying funds. Whilst the Manager will take the level of any such fees into account when deciding whether or not to invest, investors should nevertheless be aware that investing into underlying funds may involve another layer of fees, in addition to the fees charged by the Sub-Fund.

*Investment objective risk:* Although the Manager will use due diligence procedures to select and monitor underlying funds, there can be no assurance that an underlying fund's investment strategy will be successful or that its investment objective will be achieved.

*Delays in meeting redemption requests risk:* Where the underlying funds are not able to meet redemption requests of the Sub-Fund, the Sub-Fund will be subject to liquidity risks, and may suffer losses as a result of delays in receiving redemption proceeds.

*Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share. The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

*Trading hours differences risk*

As the stock exchanges on which the underlying Securities of the Sub-Fund are listed may be open when Shares in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. Shares listed on certain stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from this difference and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

***Securities lending transactions risks***

**The Sub-Fund may be exposed to the following risks as a result of entering into securities lending transactions:**

**Counterparty risk:** The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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

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

### **The offering phases**

Dealings in the Shares on the SEHK have commenced.

The current Dealing Deadline After Listing is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE and/or the SZSE are reduced.

Applications for creation of Shares may be made by way of a cash Creation Application (in RMB only). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

### **Redemptions**

Shares can be redeemed directly (through a Participating Dealer). Redemption proceeds may be paid in cash (in RMB only). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Instrument.

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

#### *General*

Shares traded in HKD are listed on the SEHK.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares have commenced. Shares will trade on the SEHK in board lots of 50 Shares.

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



## **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually (in May each year) subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Each Shareholder will receive distributions in RMB. Shareholders may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Shareholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the return from management of the Sub-Fund's cash and holding of investment products. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Share.

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <http://www.globalxetfs.com.hk/>.

## **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the "Management Fee").

The Management Fee is currently 0.75% per annum of the Net Asset Value of the Sub-Fund, and may be increased to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund. Any costs, fees and expenses associated with the Sub-Fund exceeding the current Management Fee of 0.75% per annum shall be borne by the Manager and shall not be charged to the Sub-Fund. One month's prior notice will be provided to Shareholders for any increase in the Management Fee to the permitted maximum amount.

Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, the Custodian's fee, the Registrar's fees, fees of the Sub-Custodian and the Service Agent, fees and expenses of the auditors and ordinary out-of-pocket expenses incurred by the Manager or the Custodian. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The ongoing charges of the Sub-Fund is equal to the amount of the Management Fee and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

**Disclosure of full portfolio holdings**

The Manager will publish the full portfolio information of the Sub-Fund on a daily basis (in English only) on the following website <https://www.globalxetfs.com.hk/> (which has not been reviewed nor approved by the SFC).

**Appendix dated 10 February 2023**

