

**IMPORTANT:** Investments involve risks, including the loss of principal. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the iShares Core Hang Seng Index ETF. An investment in the iShares Core Hang Seng Index ETF may not be suitable for everyone. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent financial advice.

# PROSPECTUS

**iShares**<sup>®</sup>  
by **BLACKROCK**<sup>®</sup>

**iShares Core Hang Seng Index ETF (HKD Counter Stock Code: 03115)  
(RMB Counter Stock Code: 83115) (USD Counter Stock Code: 09115)**

## **iShares Asia Trust**

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

## **Listing Agent and Manager**

**BlackRock Asset Management North Asia Limited**

貝萊德資產管理北亞有限公司

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

18 November 2016

# IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of Units in the iShares Core Hang Seng Index ETF, a sub-fund of the iShares Asia Trust (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 16 November 2001 between Barclays Global Investors North Asia Limited (now known as BlackRock Asset Management North Asia Limited) (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) as amended from time to time.

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

The iShares Core Hang Seng Index ETF is a fund falling within Chapter 8.6 and Appendix I of the Code. The Trust and the iShares Core Hang Seng Index ETF are authorised by the Securities and Futures Commission (the “SFC”) in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance. The SFC takes no responsibility for the financial soundness of the iShares Core Hang Seng Index ETF or for the correctness of any statements made or opinions expressed in this Prospectus. Authorisation by the SFC is not a recommendation or endorsement of the Trust or the iShares Core Hang Seng Index ETF nor does it guarantee the commercial merits of the iShares Core Hang Seng Index ETF or its performance. It does not mean the iShares Core Hang Seng Index ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Applicants for Units shall undertake to the Manager and the Trustee that, to the best of their knowledge, the monies used to invest in Units in the iShares Core Hang Seng Index ETF are not sourced from mainland China.

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

Application has been made to the Listing Committee of the SEHK for listing of, and permission to deal, in the Units on the SEHK. Subject to compliance with the admission requirements of the Hong Kong Securities Clearing Company Limited (“HKSCC”) and the granting of listing of, and permission to deal in, the Units of the iShares Core Hang Seng Index ETF on SEHK, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”) with effect from the date of commencement of dealings in the Units on the SEHK or such other date as may be determined by HKSCC.

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

Further applications may be made to list units in additional Index Funds constituted under the Trust in future on the SEHK.

No action has been taken to permit an offering of Units of the iShares Core Hang Seng Index ETF or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, the Prospectus does not constitute an offer or

solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Furthermore, distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest annual report and accounts of the iShares Core Hang Seng Index ETF (where existing) and, if later, its most recent interim report, which form a part of this Prospectus.

In particular:

- (a) Units in the iShares Core Hang Seng Index ETF have not been registered under the United States Securities Act of 1933 (as amended) and except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of such Act);
- (b) The iShares Core Hang Seng Index ETF has not been and will not be registered under the United States Investment Company Act of 1940, as amended. Accordingly, Units may not, except pursuant to an exemption from, or in a transaction not subject to, the regulatory requirements of the US Investment Company Act of 1940 be acquired by a person who is deemed to be a US Person under the 1940 Act and regulations;
- (c) Units may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An ERISA Plan is defined as (i) any retirement plan subject to Title I of the United States Employee Retirement Income Securities Act of 1974, as amended; or, (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended.

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

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

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# DIRECTORY

## MANAGER

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

## TRUSTEE, REGISTRAR AND CUSTODIAN

HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED  
1 QUEEN'S ROAD CENTRAL  
HONG KONG

## AUDITORS

PRICEWATERHOUSECOOPERS  
22ND FLOOR  
PRINCE'S BUILDING  
CENTRAL  
HONG KONG

## DIRECTORS OF THE MANAGER

BELINDA BOA  
SUSAN WAI-LAN CHAN  
SAM Y. KIM  
MICHAEL TIMOTHY MARQUARDT  
RYAN DAVID STORK  
GRAHAM DOUGLAS TURL

## SERVICE AGENT

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

## LISTING AGENT

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

## LEGAL ADVISER TO THE MANAGER

SIMMONS & SIMMONS  
13TH FLOOR, ONE PACIFIC PLACE  
88 QUEENSWAY  
HONG KONG

# Product Key Facts

## iShares Core Hang Seng Index ETF

BlackRock Asset Management North Asia Limited

18 November 2016

*This is an exchange traded fund.*

*This statement provides you with key information about this product.*

*This statement is a part of the Prospectus.*

*You should not invest in this product based on this statement alone.*

### Quick facts

<b>Stock code:</b>	09115 USD counter	03115 HKD counter	83115 RMB counter
<b>Trading lot size:</b>	10 units (for USD, HKD and RMB counters)		
<b>Manager:</b>	BlackRock Asset Management North Asia Limited		
<b>Trustee, Registrar and Custodian:</b>	HSBC Institutional Trust Services (Asia) Limited		
<b>Ongoing charges over a year<sup>#</sup>:</b>	Estimated to be 0.09%		
<b>Estimated annual tracking difference<sup>##</sup>:</b>	Estimated to be -0.11%		
<b>Underlying Index:</b>	Hang Seng Index (net total return version)		
<b>Base currency:</b>	Hong Kong dollars (HKD)		
<b>Trading currency:</b>	USD, HKD, RMB		
<b>Financial year end of this fund:</b>	31 December		
<b>Distribution policy:</b>	Semi-annually, at the Manager's discretion (June and December each year) (if any). Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. <b>All units will receive distributions in the Base Currency (HKD) only.</b> Please refer to "Distributions payable out of capital or effectively out of capital risk" on page 5 below.		
<b>ETF website:</b>	<a href="http://www.blackrock.com/hk">www.blackrock.com/hk</a> (Please refer to the section Additional Information on how to access the product webpage)		

<sup>#</sup> As the HSIETF is newly set up, this is a best estimate figure based on the HSI ETF's estimated ongoing expenses expressed as a percentage of the HSI ETF's estimated average net assets. The actual figure may be different upon actual operation of the HSI ETF and may vary from year to year. This does not represent estimated tracking error.

<sup>##</sup> This is an estimated annual tracking difference. Investors should refer to the website of the HSI ETF for information on actual tracking difference.

## What is this product?

This is a fund constituted in the form of a unit trust established under Hong Kong law and is a sub-fund of the iShares Asia Trust. The units of the iShares Core Hang Seng Index ETF (the “**HSI ETF**”) are listed on The Stock Exchange of Hong Kong Limited (“**SEHK**”). These units are traded on SEHK like listed stocks. The HSI ETF is a passively managed index tracking ETF falling under Chapter 8.6 and Appendix I of the Code on Unit Trust and Mutual Funds.

## Objective and Investment Strategy

### Objective

The HSI ETF aims to provide investment results that, before fees and expenses, closely correspond to the performance of the Hang Seng Index (net total return version) (the “**Underlying Index**”).

### Investment Strategy

The HSI ETF is a passively managed fund. It adopts a representative sampling investment strategy to achieve its investment objective by investing in a portfolio of securities featuring high correlation with the Underlying Index, such that as far as possible and practicable the portfolio will consist of the component securities of the Underlying Index.

The HSI ETF will invest primarily in securities included in the Underlying Index. The HSI ETF may from time to time hold securities that are not included in the Underlying Index in circumstances which are independent of the Manager, including where trading in a constituent security has been suspended, such holding results from a corporate action of a constituent security, or the portfolio is being rebalanced in anticipation or response to a rebalance of the Underlying Index. The HSI ETF may also invest in investments including futures contracts, index futures contracts, options on futures contracts and options related to the Underlying Index, local currency and forward currency exchange contracts, and cash and cash equivalents for both non-hedging purposes and hedging purposes, which the Manager believes will help the HSI ETF achieve its investment objective. The HSI ETF’s investments in financial derivative instruments for non-hedging purposes will not exceed 10% of the Net Asset Value (“**NAV**”) of the HSI ETF.

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

The HSI ETF currently does not intend to engage in any securities lending activities or repurchase transactions or reverse repurchase or other similar over the counter transactions. One month’s prior notice will be given to Unitholders in the event the Manager intends to engage in such activities.

For full details of the investment and borrowing details applicable to the HSI ETF, please refer to Schedule 1 of the Prospectus.

## Underlying Index

The Underlying Index is a net total return index, meaning that the performance of the index is calculated on the basis that dividends net of tax are reinvested. It was launched on 25 February 2009. The base date of the Underlying Index is 1 August 2008. The Underlying Index is compiled and managed by Hang Seng Indexes Company Limited, a wholly-owned subsidiary of Hang Seng Bank Limited.

The Underlying Index measures the performance of the largest and most liquid companies listed on the main board of the SEHK. It comprises a representative sample of stocks quoted on the SEHK and is denominated in HKD. It is calculated on a 2-second basis during trading hours of the SEHK and its closing value is based on the official closing prices of stocks announced by the SEHK.

The Underlying Index adopts a freefloat-adjusted market capitalisation weighted methodology with a 10% cap on individual securities. The universe of securities for the Underlying Index includes stocks and real estate investment trusts primarily listed on the main board of the SEHK, excluding securities that are secondary listings, foreign companies, preference shares, debt securities, mutual funds and other derivatives. Securities need to meet eligibility requirements based on market value, turnover and listing history, and H-shares are only included if they meet specific additional requirements. Final selections are based on the market capitalisation and turnover rank of securities, the representation of the relevant sub-sector within the Underlying Index directly reflecting that of the market and the financial performance. The review of the Underlying Index is conducted quarterly.

As at 27 October 2016, the Underlying Index had a total market capitalisation of HKD 14,641,023 million and was comprised of 50 constituent companies. The respective weightings of the top 10 largest constituent stocks of the Underlying Index were as follows:

Rank	Constituent Name	Sector <sup>^</sup>	% of Index
1	HSBC Holdings PLC	Financials	10.39%
2	Tencent Holdings Ltd	Information Technology	10.23%
3	AIA Group Ltd	Financials	8.26%
4	China Mobile Ltd	Telecommunication Services	7.30%
5	China Construction Bank Corp	Financials	7.27%
6	Industrial & Commercial Bank Of China Ltd.	Financials	4.61%
7	Bank of China Ltd	Financials	3.69%
8	CK Hutchison Holdings Ltd	Industrials	3.47%
9	Hong Kong Exchanges and Clearing Ltd	Financials	3.17%
10	Ping An Insurance Group Co of China Ltd	Financials	2.82%

<sup>^</sup> Based on Global Industry Classification Standard (GICS)

The Manager and its connected persons are independent of the index provider of the Underlying Index.

For details (including the latest index level and other important news), please refer to the website of the index compiler, Hang Seng Indexes Company Limited, at [www.hsi.com.hk](http://www.hsi.com.hk). The Underlying Index's Bloomberg ticker is HSI1N and Reuters ticker is .HSIDVN.

## What are the key risks?

Investment involves risks. Please refer to the Prospectus for details including the risk factors.

**1. General investment risk**

The HSI ETF's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the HSI ETF may suffer losses. There is no guarantee of the repayment of principal.

**2. Equity market risk**

The HSI ETF'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.

**3. Concentration risk**

The HSI ETF's investments are concentrated in a specific market, i.e. Hong Kong. The value of the HSI ETF may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the HSI ETF may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Hong Kong market.

**4. Foreign exchange risk & RMB currency and conversion risk**

- The HSI ETF's base currency is in HKD but has units traded in USD and RMB (in addition to HKD). Accordingly secondary market investors may be subject to additional costs or losses associated with foreign currency fluctuations between the base currency and the USD or RMB trading currency when trading units in the secondary market.
- Furthermore, RMB is currently not freely convertible and is subject to exchange controls and restrictions. Investors in the secondary market who buy and sell units traded in RMB are exposed to foreign exchange currency risks arising from the fluctuations between the base currency (i.e. HKD) and RMB.

**5. Passive investment risk**

The HSI ETF is passively managed and the Manager will not have the discretion to adapt to market changes due to the inherent investment nature of the HSI ETF. Falls in the Underlying Index are expected to result in corresponding falls in the value of the HSI ETF.

**6. Tracking error risk**

The HSI ETF may be subject to tracking error risk, which is the risk that its performance may not track that of the Underlying Index exactly. This tracking error may result from the investment strategy used, fees and expenses, liquidity of the index constituents and changes to the Underlying Index. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index.



**What are the key risks? (Cont'd)****7. Trading risks**

- The trading price of the units on the SEHK is driven by market factors such as the demand and supply of the units. Therefore, the units may trade at a substantial premium or discount to the HSI ETF's NAV.
- As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell units on the SEHK, investors may pay more than the NAV per unit when buying units on the SEHK, and may receive less than the NAV per unit when selling units on the SEHK.
- The units in the RMB counter are RMB denominated securities traded on the SEHK and settled in CCASS. Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the RMB traded units. The limited availability of RMB outside the PRC may also affect the liquidity and trading price of the RMB traded units.

**8. Multi-counter risks**

If there is a suspension of the inter-counter transfer of units between the counters and/or any limitation on the level of services by brokers and CCASS participants, Unitholders will only be able to trade their units in one counter only, which may inhibit or delay an investor dealing. The market price of units traded in each counter may deviate significantly. As such, investors may pay more or receive less when buying or selling units traded in one counter on the SEHK than in respect of units traded in another counter.

**9. Reliance on market maker risks**

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

**10. Distributions payable out of capital or effectively out of capital risk**

The Manager may at its discretion pay distributions out of capital, or effectively out of capital, of the HSI ETF. 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 such distributions may result in an immediate reduction of the NAV per unit.

**11. Termination risk**

The HSI ETF may be terminated early under certain circumstances, for example, where the Underlying Index is no longer available for benchmarking or if the size of the HSI ETF falls below a pre-determined NAV threshold as set out in the constitutive documents and offering documents. Investors may not be able to recover their investments and suffer a loss when the HSI ETF is terminated.

**How has the fund performed?**

As the HSI ETF is newly set up, there is insufficient data to provide a useful indication of past performance to investors.

**Is there any guarantee?**

The HSI ETF does not have any guarantees. You may not get back the amount of money you invest.

**What are the fees and charges?****Charges incurred when trading the HSI ETF on SEHK**

Fee	What you pay
Brokerage fee	Market Rate
Transaction levy	0.0027% <sup>1</sup> of the trading price
Trading fee	0.005% <sup>2</sup> of the trading price
Stamp duty	Nil
Inter-counter transfer fee	HKD5 per instruction

**Ongoing fees payable by the HSI ETF**

The following expenses will be paid out of the HSI ETF. They affect you because they reduce the net asset value of the HSI ETF which may affect the trading price.

	Annual rate (as a % of the fund's value)
Management fee	0.09% p.a. of net asset value calculated daily
Trustee fee	Included in the management fee
Administration fee	Included in the management fee

**Other Fees**

You may have to pay other fees when dealing in the units of the HSI ETF. Please refer to the Prospectus for fees and expenses applicable to investing in the HSI ETF.

<sup>1</sup> Transaction levy of 0.0027% of the price of the units payable by the buyer and the seller.

<sup>2</sup> Trading fee of 0.005% of the price of the units, payable by the buyer and the seller.

## Additional information

You can find the following information of the HSI ETF at [www.blackrock.com/hk](http://www.blackrock.com/hk):

- The HSI ETF's Prospectus and this statement (as revised from time to time);
- Latest annual audited accounts and interim half yearly unaudited report;
- Latest closing NAV (in the base currency only i.e. HKD) and latest closing NAV per unit (in each of the trading currencies i.e. USD, HKD and RMB);
- Near real time estimated NAV per unit throughout each dealing day (in each of the trading currencies i.e. USD, HKD and RMB);
- Latest closing level of the Underlying Index;
- The HSI ETF's holdings (updated on a daily basis);
- The past performance of the HSI ETF;
- Public notices and announcements made by the HSI ETF;
- Latest list of participating dealers and link to latest list of market makers;
- The tracking difference and tracking error of the HSI ETF; and
- Composition of any distributions paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) since the launch of the HSI ETF or for the last 12 months (whichever is the shorter period).

Please note that the near real time estimated NAV per unit (in each of the trading currencies i.e. USD, HKD and RMB) and the latest closing NAV per unit in USD and RMB are for reference only. The near real time estimated NAV per unit in USD and RMB does not use a real time exchange rate between the base currency (i.e. HKD) and each of the trading currencies (i.e. USD and RMB). It is calculated using the estimated NAV per unit in HKD multiplied by the WM Reuters 4:00p.m (London time)\* rate for USD and RMB (CNH) respectively for the previous dealing day. The latest closing NAV per unit in USD and RMB is calculated using the latest closing NAV per unit in the base currency (i.e. HKD) multiplied by the WM Reuters 4:00p.m (London time)\* rate for USD and RMB (CNH) respectively for that dealing day.

All of the information outlined above can be found on the product webpage of the HSI ETF. The product webpage of the HSI ETF can be located by using the search function and inserting the ticker number of the HSI ETF (i.e. 03115, 83115 or 09115) at [www.blackrock.com/hk](http://www.blackrock.com/hk). Investors should note that the website has not been reviewed by the SFC. The product webpage also provides a link to the announcements and notices section of the website where public announcements and notices can be found.

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

## Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

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# INTRODUCTION

The information contained in this Prospectus has been prepared to assist potential investors in making an informed decision in relation to investing in the iShares Core Hang Seng Index ETF. It contains important facts about the Trust as a whole and the iShares Core Hang Seng Index ETF offered in accordance with this Prospectus.

## The Trust and the iShares Core Hang Seng Index ETF

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

This Prospectus relates to the iShares Core Hang Seng Index ETF, an Index Fund. The iShares Core Hang Seng Index ETF is an exchange traded fund (or “ETF”) authorised by the SFC.

ETFs are funds that are designed to track an index. The Units of the iShares Core Hang Seng Index ETF are listed on the SEHK and trade like any other equity security listed on the SEHK. Only Participating Dealers may create or redeem Units directly from the iShares Core Hang Seng Index ETF at Net Asset Value. All other investors may only purchase and sell Units in the iShares Core Hang Seng Index ETF on the SEHK.

PRICES FOR THE ISHARES CORE HANG SENG INDEX ETF ON THE SEHK ARE BASED ON SECONDARY MARKET TRADING FACTORS AND MAY DEVIATE SIGNIFICANTLY FROM THE NET ASSET VALUE OF THE ISHARES CORE HANG SENG INDEX ETF.

## Investment Objective

The investment objective of the iShares Core Hang Seng Index ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index.

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

There can be no assurance that the iShares Core Hang Seng Index ETF will achieve its investment objective.

The Underlying Index of the iShares Core Hang Seng Index ETF may be changed by prior approval of the SFC and notice to Unitholders in accordance with the provisions of the Trust Deed.

## Investment Strategy

The Manager uses a passive or indexing approach to try to achieve the iShares Core Hang Seng Index ETF’s investment objective. The investment objective of the iShares Core Hang Seng Index ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index.

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

The iShares Core Hang Seng Index ETF aims to invest at least 90% of its assets in achieving the investment objective. The iShares Core Hang Seng Index ETF will invest, either directly or indirectly, in Securities included in the Underlying Index. The iShares Core Hang Seng Index ETF may also invest in other investments including futures contracts, index futures contracts, options on futures contracts and options related to the Underlying Index, local currency and forward currency exchange contracts, and cash and cash equivalents for both non-hedging purposes and hedging purposes, which the Manager believes

will help the iShares Core Hang Seng Index ETF achieve its investment objective. The iShares Core Hang Seng Index ETF's investment in financial derivative instruments for non-hedging purposes will not exceed 10% of its NAV. The investment strategy of the iShares Core Hang Seng Index ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

In managing the iShares Core Hang Seng Index ETF, the Manager may use either a representative sampling investment strategy or a full replication investment strategy as described below.

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

### **Representative Sampling Investment Strategy**

"Representative sampling" is an indexing strategy that involves investing, directly or indirectly, in a representative sample of the Securities included in the relevant Underlying Index that collectively has an investment profile that reflects the profile of the relevant Underlying Index. An Index Fund adopting a representative sampling investment strategy may or may not hold all of the Securities that are included in the relevant Underlying Index, and may hold Securities which are not included in the Underlying Index, provided that the sample closely reflects the overall characteristics of the Underlying Index. For the iShares Core Hang Seng Index ETF, the Manager intends to adopt a representative sampling investment strategy by investing in a portfolio of Securities featuring high correlation with the Underlying Index, such that as far as possible and practicable the portfolio will consist of the component Securities of the Underlying Index. The iShares Core Hang Seng Index ETF may from time to time hold Securities that are not included in the Underlying Index in circumstances which are independent of the Manager, including where trading in a constituent Security has been suspended, such holding results from a corporate action of a constituent Security, or the portfolio is being rebalanced in anticipation or response to a rebalance of the Underlying Index.

### **Full Replication Investment Strategy**

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

### **Correlation**

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

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

### **Investment and Borrowing Restrictions**

The iShares Core Hang Seng Index ETF must comply with the investment and borrowing restrictions applicable to the iShares Core Hang Seng Index ETF and summarised in Schedule 1 of this Prospectus (which includes a summary of the investment restrictions set out in the Trust Deed).

### **Cross-trades**

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

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

# DESCRIPTION OF THE ISHARES CORE HANG SENG INDEX ETF

## Key Information

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

<b>Underlying Index</b>	Index: Hang Seng Index (net total return version) Launch Date: 25 February 2009 Number of constituents: 50 stocks (as at 27 October 2016) Total Market Capitalisation (Free Float): HKD 14,641,023 million (as at 27 October 2016) Base Currency: HK dollars (HKD)
<b>Type of Underlying Index</b>	The Underlying Index is a net total return index, meaning that the performance of the index is calculated on the basis that dividends net of tax are reinvested. The Underlying Index is denominated in HKD.
<b>Listing Date (SEHK)</b>	23 November 2016
<b>Exchange Listing</b>	SEHK – Main Board
<b>Initial issue price</b>	HKD 80
<b>Initial offer period</b>	9:00a.m. (Hong Kong time) on 18 November 2016 until: (i) for cash creations (in HKD only), 2:00p.m. (Hong Kong time) on 18 November 2016 (or may be postponed to such times and dates as stated in the timetable under the section “Offering Phases”); and (ii) for in-specie creations: (a) 4:00p.m. (Hong Kong time) on 18 November 2016 if it is a full trading day on the SEHK or if the SEHK is open for normal trading in the afternoon of that day (or may be postponed to such times and dates as stated in the timetable under the section “Offering Phases”); or (b) 12:15p.m. (Hong Kong time) on 18 November 2016 if the SEHK is open for normal trading only in the morning of that day (or may be postponed to such times and dates as stated in the timetable under the section “Offering Phases”).
<b>Stock Code</b>	09115 – USD counter 03115 – HKD counter 83115 – RMB counter
<b>Stock Short Names</b>	ISHARESHSI-U – USD counter ISHARESHSI – HKD counter ISHARESHSI-R – RMB counter
<b>ISIN Numbers</b>	HK0000313442 – USD counter HK0000313426 – HKD counter HK0000313434 – RMB counter
<b>Trading Board Lot Size</b>	10 Units (for each counter)
<b>Base Currency</b>	Hong Kong dollars (HKD)
<b>Trading Currencies</b>	US dollars (USD) – USD counter Hong Kong dollars (HKD) – HKD counter Renminbi (RMB) – RMB counter



<b>Distribution Policy</b>	Semi-annually, at the Manager's discretion (June and December each year) (if any). Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. <b>All Units will receive distributions in the Base Currency (HKD) only.*</b>
<b>Application Unit size (only Participating Dealers)</b>	Minimum 50,000 Units (or multiples thereof)
<b>Creation/Redemption Deadline</b>	For cash creations/redemptions (in HKD only), 2:00 p.m. (Hong Kong time). For in-specie creations/redemptions: (i) 4:00 p.m. (Hong Kong time) if it is a full trading day on the SEHK or if the SEHK is opens for normal trading in the afternoon of the relevant Dealing Day; or (ii) 12:15p.m. (Hong Kong time) if the SEHK opens for normal trading only in the morning of the relevant Dealing Day.
<b>Management Fee</b>	0.09% p.a. of Net Asset Value calculated daily
<b>Investment strategy</b>	Representative sampling investment strategy (Refer to the Introduction above and the "Investment Strategy" section below)
<b>Financial year end</b>	31 December
<b>Website</b>	<a href="http://www.blackrock.com/hk">www.blackrock.com/hk</a>
<b>Initial Participating Dealers</b>	ABN AMRO Clearing Hong Kong Limited Citigroup Global Markets Asia Limited Credit Suisse Securities (Hong Kong) Limited Goldman Sachs (Asia) Securities Limited J.P. Morgan Broking (Hong Kong) Limited Merrill Lynch Far East Limited Nomura International (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited  Please refer to <a href="http://www.blackrock.com/hk">www.blackrock.com/hk</a> for a current list.
<b>Initial Market Maker(s) USD Counter^:</b>	CLSA Limited Commerz Securities Hong Kong Limited HSBC Securities Brokers (Asia) Limited
<b>Initial Market Maker(s) HKD Counter^:</b>	CLSA Limited Commerz Securities Hong Kong Limited HSBC Securities Brokers (Asia) Limited
<b>Initial Market Maker(s) RMB Counter^:</b>	Commerz Securities Hong Kong Limited HSBC Securities Brokers (Asia) Limited

^ Please refer to [http://www.hkex.com.hk/eng/etfrc/SMMList/ETF\\_List.htm](http://www.hkex.com.hk/eng/etfrc/SMMList/ETF_List.htm) for a current list.

\* Unitholders of the iShares Core Hang Seng Index ETF should note that all Units will receive distributions in the Base Currency (HKD) only. As such, the Unitholder may have to bear the fees and charges associated with the conversion of such distributions from HKD to USD, RMB or any other currency. Unitholders are advised to check with their brokers for arrangements concerning distributions and consider the risk factor "Other Currencies Distributions Risk".

**Investment Objective**

The investment objective of the iShares Core Hang Seng Index ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index. There can be no assurance that the iShares Core Hang Seng Index ETF will achieve its investment objective.

**Investment Strategy**

The iShares Core Hang Seng Index ETF is a passively managed fund. To achieve its investment objective, the investment strategy of the iShares Core Hang Seng Index ETF is to use a representative sampling investment strategy and invest in a portfolio of Securities featuring high correlation with the Underlying Index, such that as far as possible and practicable the portfolio will consist of the component Securities of the Underlying Index.

The iShares Core Hang Seng Index ETF will invest primarily in Securities included in the Underlying Index. The iShares Core Hang Seng Index ETF may from time to time hold Securities that are not included in the Underlying Index in circumstances which are independent of the Manager, including where trading in a constituent Security has been suspended, such holding results from a corporate action of a constituent Security, or the portfolio is being rebalanced in anticipation or response to a rebalance of the Underlying Index. The iShares Core Hang Seng Index ETF may also invest in other investments including, futures contracts, index futures contracts, options on futures contracts and options related to the Underlying Index, local currency and forward currency exchange contracts, and cash and cash equivalents for both non-hedging purposes and hedging purposes, which the Manager believes will help the iShares Core Hang Seng Index ETF achieve its investment objective. The iShares Core Hang Seng Index ETF's investments in financial derivative instruments for non-hedging purposes will not exceed 10% of its NAV. The investment strategy of the iShares Core Hang Seng Index ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

*Securities lending, repurchase or reverse repurchase, or other similar over the counter transactions*

The iShares Core Hang Seng Index ETF currently does not intend to engage in any securities lending activities or repurchase or reverse repurchase transactions or other similar over the counter transactions. One month's prior notice will be given to Unitholders in the event the Manager intends to engage in such activities.

**Investment and borrowing restrictions**

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

**Underlying Index**

The Underlying Index is a net total return index, meaning that the performance of the index is calculated on the basis that dividends net of tax are reinvested. It was launched on 25 February 2009. The base date is 1 August 2008. The Underlying Index is compiled and managed by Hang Seng Indexes Company Limited ("HSIL"), a wholly-owned subsidiary of Hang Seng Bank Limited. The Manager and its connected persons are independent of the index provider of the Underlying Index.

The Underlying Index measures the performance of the largest and most liquid companies listed on the main board of the SEHK. It comprises a representative sample of stocks quoted on the SEHK. It is calculated on a 2-second basis during trading hours of the SEHK and its closing value is based on the official closing prices of stocks announced by the SEHK.

The Underlying Index adopts a freefloat-adjusted market capitalisation weighted methodology with a 10% cap on individual securities. The universe of securities for the Underlying Index includes stocks and real estate investment trusts primarily listed on the main board of the SEHK, excluding securities that are secondary listings, foreign companies, preference shares, debt securities, mutual funds and other derivatives. Securities need to meet eligibility requirements based on market value, turnover and listing history, and H-shares are only included if they meet specific additional requirements. Final selections are based on the market capitalisation and turnover rank of securities, the representation of the relevant sub-sector within the Underlying Index directly reflecting that of the market and the financial performance. The review of the Underlying Index is conducted quarterly.

As at 27 October 2016, the Underlying Index had a total market capitalisation of HKD 14,641,023 million and was comprised of 50 constituent companies. The respective weightings of the top 10 largest constituent stocks of the Underlying Index were as follows:

	<b>Company name</b>	<b>Sector<sup>^</sup></b>	<b>Weighting %</b>
1	HSBC Holdings PLC	Financials	10.39%
2	Tencent Holdings Ltd	Information Technology	10.23%
3	AIA Group Ltd	Financials	8.26%
4	China Mobile Ltd	Telecommunication Services	7.30%
5	China Construction Bank Corp	Financials	7.27%
6	Industrial & Commercial Bank Of China Ltd.	Financials	4.61%
7	Bank of China Ltd	Financials	3.69%
8	CK Hutchison Holdings Ltd	Industrials	3.47%
9	Hong Kong Exchanges and Clearing Ltd	Financials	3.17%
10	Ping An Insurance Group Co of China Ltd	Financials	2.82%

<sup>^</sup> Based on Global Industry Classification Standard (GICS)

The Underlying Index's Bloomberg ticker is HSI1N and Reuters ticker is .HSIDVN.

### **Index Methodology**

Constituent stocks of the Underlying Index are selected by a rigorous process of detailed analysis, supported by extensive external consultation. Only securities with a primary listing on the Main Board of the SEHK are eligible potential constituents. H-shares of mainland China enterprises listed on the SEHK will not be selected unless the company has no unlisted share capital.

#### Compilation Methodology

The compilation of the Underlying Index is based on a freefloat-adjusted market capitalisation weighted formula with a 10% cap on individual stock weightings. Details are as follows:

- (a) Freefloat adjustment: A Freefloat-Adjusted Factor ("FAF") is assigned to each constituent in index calculation.
- (b) Cap: A 10% cap on individual stock weightings is applied.
- (c) Re-capping frequency: A re-capping exercise will normally be conducted at quarterly intervals to coincide with the regular update of the FAF.

The Underlying Index is reported in the Daily Index Bulletin and the monthly updated Factsheet, both of which are published by HSIL.

#### Constituent Eligibility

The universe of stocks (the "Universe") for the Underlying Index includes stocks and real estate investment trusts ("REITs") primarily listed on the Main Board of the SEHK, excluding stocks that are secondary listings, foreign companies, preference shares, debt securities, mutual funds and other derivatives. If a company has two classes of listed shares, each class of shares will be considered separately.

A security is eligible for constituent selection if it fulfils the following eligibility criteria:

- *Market capitalisation requirement*  
The security must be among those that constitute the top 90th percentile of the total market value (i.e. market capitalisation) of the Universe (market value refers to the average of month-end market values for the past 12 months of any review period);
- *Turnover requirement*  
Each eligible security will also need to meet the turnover requirement where its turnover in the past 24 months is assessed for eight quarterly sub-periods. The turnover requirement adopts a scoring approach and the details are as follows:
  - a) for each quarterly sub-period, a security will be regarded as passing the turnover requirement in that period if it is among the top 90th percentile of the aggregate market turnover of the Universe; and
  - b) two points will be assigned to each “pass” achieved over the latest four sub-periods, and one point will be assigned for each “pass” attained over the previous four sub-periods.

The highest score for turnover requirement is 12 points. Securities should obtain at least 8 points to meet the turnover requirement.

- *Listing history requirement*  
A security should normally be listed for at least 24 months before becoming eligible for inclusion. Securities with a very large market value but with a listing history of less than 24 months may be considered for inclusion if it satisfies more stringent market capitalisation requirements.

For a security with a listing history of less than or equal to 12 months, it will pass the turnover requirement if it is among the top 90th percentile of the aggregate market turnover of the Universe for each quarterly sub-period. For a security with a listing history of over 12 months, it will pass the turnover requirement should its score reach the minimum requirement, i.e. 8 points, above.

- *Special requirement for H-share companies*  
The H-shares of mainland China enterprises listed on the SEHK will not be selected unless the company has no unlisted share capital.

Companies or REITs meeting all the eligibility requirements will be considered for inclusion in the Underlying Index. The final selection will be decided by the Advisory Committee taking into consideration the following principles:

1. market capitalisation and turnover rank of securities;
2. representation of the relevant sub-sector within the Underlying Index directly reflecting that of the market; and
3. financial performance.

#### Index Reviews

HSIL undertakes regular quarterly reviews of the index constituents with data cut-off dates of end of March, June, September and December each year. In each review, there may or may not be constituent additions or deletions.

### Index Rebalancing

Regular rebalancing is usually implemented after market close on the first Friday in March, June, September and December, and comes into effect on the next trading day.

Ad hoc rebalancing will be conducted if a constituent's issued shares and/or FAF is substantially different from the production data. The Underlying Index will also be recapped in the event of constituent changes if the newly added component has a weighting that is higher than the index cap level. A minimum notice period of two trading days will be given to subscribers of data products issued by HSIL for any ad hoc rebalance.

Please refer to the Index Operation Guide (available on the website of HSIL) for further details about corporate actions adjustments and index rebalancing.

### Additional Information

Real-time update of the Underlying Index can be obtained through the SEHK Teletext System, Thomson Reuters, Bloomberg and the website of HSIL at [www.hsi.com.hk](http://www.hsi.com.hk). As for other important news of the Underlying Index, HSIL will make announcement through press release and at website [www.hsi.com.hk](http://www.hsi.com.hk).

### Index Disclaimer

The Hang Seng Index is published and compiled by HSIL pursuant to a licence from Hang Seng Data Services Limited ("HSDS"). The mark and name "Hang Seng Index" is proprietary to HSDS. HSIL and HSDS have agreed to the use of, and reference to, the Hang Seng Index by the Manager and the Trustee and their respective duly appointed agents in connection with iShares Core Hang Seng Index ETF, BUT NEITHER HSIL NOR HSDS WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE ISHARES CORE HANG SENG INDEX ETF OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF THE HANG SENG INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF THE HANG SENG INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF THE HANG SENG INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO THE HANG SENG INDEX IS GIVEN OR MAY BE IMPLIED. The process and basis of computation and compilation of the Hang Seng Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by HSIL without notice. TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HSIL OR HSDS (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO THE HANG SENG INDEX BY THE MANAGER IN CONNECTION WITH ISHARES CORE HANG SENG INDEX ETF; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HSIL IN THE COMPUTATION OF THE HANG SENG INDEX; OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF THE HANG SENG INDEX WHICH IS SUPPLIED BY ANY OTHER PERSON; OR (iv) FOR ANY ECONOMIC OR OTHER LOSS WHICH MAY BE DIRECTLY OR INDIRECTLY SUSTAINED BY ANY BROKER OR HOLDER OF THE ISHARES CORE HANG SENG INDEX ETF OR ANY OTHER PERSON DEALING WITH ISHARES CORE HANG SENG INDEX ETF AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST HSIL AND/OR HSDS in connection with iShares Core Hang Seng Index ETF in any manner whatsoever by any broker, holder or any other person dealing with iShares Core Hang Seng Index ETF. Any broker, holder or other person dealing with iShares Core Hang Seng Index ETF does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on HSIL and HSDS. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and HSIL and/or HSDS and must not be construed to have created such relationship.

### Index Licence

The initial term of the licence of the Underlying Index commenced on 4 November 2016 and will continue until terminated by either party with at least three months' prior written notice to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

**Distribution Policy**

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

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

**Further Information**

Further information in relation to the iShares Core Hang Seng Index ETF (including details of its Net Asset Value) and the Underlying Index is available at the iShares website ([www.blackrock.com/hk](http://www.blackrock.com/hk)). Investors should refer to "Information Available on the Internet" for more details. Unitholders are encouraged to refer to the information available on the iShares website on a regular basis.

# OFFERING PHASES

## Initial Offer Period

During the Initial Offer Period, Participating Dealers (acting for themselves or for brokers that have an account with the Participating Dealers) may apply for Units of the iShares Core Hang Seng Index ETF (to be available for trading on the Listing Date) by means of Creation Applications on each Dealing Day for themselves and/or their clients by transferring cash or Securities or a combination of cash and Securities in accordance with the Operating Guidelines.

The latest date for making a Creation Application for Units is as follows:

- (i) for cash creations (in HKD only), 2:00p.m. (Hong Kong time) on 18 November 2016 (or may be postponed to such times and dates as stated in the timetable below in this section); and
- (ii) for in-specie creations:
  - (a) 4:00p.m. (Hong Kong time) on 18 November 2016 if it is a full trading day on the SEHK or if the SEHK is opens for normal trading in the afternoon of that day (or may be postponed to such times and dates as stated in the timetable below in this section); or
  - (b) 12:15p.m. (Hong Kong time) on 18 November 2016 if the SEHK opens for normal trading only in the morning of that day (or may be postponed to such times and dates as stated in the timetable below in this section).

To be dealt with during the Initial Offer Period, the relevant Participating Dealer must submit the Creation Applications to the Registrar (with a copy to the Manager and the Trustee) before the above deadline. If a Creation Application is received by the Registrar after the above deadline, that Creation Application shall be carried forward and deemed to be received at the opening of business on the next Dealing Day following the Listing Date, which shall be the Dealing Day for the purposes of that Creation Application.

Creation Applications must be made in Application Unit size, which is currently 50,000 Units for the iShares Core Hang Seng Index ETF. During the Initial Offer Period the Participating Dealers (acting for themselves or for brokers that have an account with the Participating Dealers) can apply for Units on each Dealing Day at the Initial 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 iShares Core Hang Seng Index ETF is terminated. Dealings in the Units of the iShares Core Hang Seng Index ETF on the SEHK are expected to commence on 23 November 2016 but may be postponed by the Manager to a date no later than 2 December 2016.

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

- (a) buying and selling Units on the SEHK; or
- (b) applying for creation and redemption of Units in cash through Participating Dealers.

### ***Buying and selling of Units on the SEHK***

After listing, all investors can buy and sell Units in Trading Board Lot Size (as described in “Description of the iShares Core Hang Seng Index ETF”) 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 Unit due to market demand and supply, liquidity and scale of trading spread for the Units in the secondary market. As a result, the market price of the Units in the secondary market may be higher or lower than Net Asset Value per Unit. The trading prices of Units in different counters of the iShares Core Hang Seng Index ETF may also be different as each counter is a distinct and separate market.

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

### ***Creations and redemptions through Participating Dealers***

Units will be created by cash creation or in-specie creation and redeemed by cash redemption or in-specie redemption.

Notwithstanding a Multi-Counter being adopted:

- (a) all cash Creation Applications must be made in the Base Currency of the iShares Core Hang Seng Index ETF; and
- (b) any cash proceeds received by a Participating Dealer in a cash Redemption Application shall be paid only in the Base Currency of the iShares Core Hang Seng Index ETF.

If a currency other than the Base Currency is accepted by the Manager for creation and/or redemption purposes, the Participating Dealer may bear the foreign exchange risks/costs associated with the conversion between the Base Currency of the iShares Core Hang Seng Index ETF and the relevant currency accepted by the Manager. Such risks and/or associated costs may also be passed onto investors that create and/or redeem through a Participating Dealer. After listing, all Units will be registered in the name of HKSCC Nominees Limited on the register of the Trust. The register of the Trust is the evidence of ownership of Units. The beneficial interests in Units of any client of the Participating Dealers shall be established through such client’s account with the relevant Participating Dealer or with any other CCASS participants if the client is buying from the secondary market.

### **Timetable**

The following table summarises all key events and the Manager’s expected timetable:

<p>Initial Offer Period commences</p> <ul style="list-style-type: none"> <li>• Participating Dealers may apply for cash/in-specie creation for themselves or for their clients in such minimum number of Units as specified by the Manager</li> </ul>	<ul style="list-style-type: none"> <li>• 9:00 a.m. (Hong Kong time) on 18 November 2016 but may be postponed by the Manager to no later than 9:00 a.m. (Hong Kong time) 29 November 2016</li> </ul>
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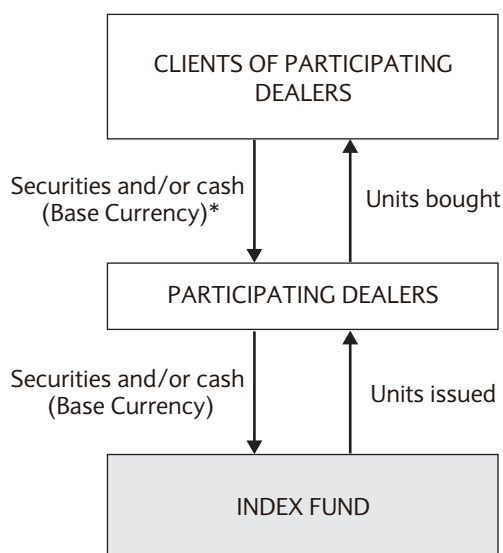


<p>The date that is 3 Business Days prior to the Listing Date</p> <ul style="list-style-type: none"> <li>• Latest time for cash/in-specie Creation Applications by Participating Dealers for Units to be available for trading on the Listing Date</li> </ul>	<ul style="list-style-type: none"> <li>• For cash creations (in HKD only), 2:00p.m. (Hong Kong time) on 18 November 2016 but may be postponed by the Manager to no later than 2:00p.m. (Hong Kong time) on 29 November 2016.</li> <li>• For in-specie creations: <ul style="list-style-type: none"> <li>o 4:00p.m. (Hong Kong time) on 18 November 2016 if it is a full trading day on the SEHK or if the SEHK is opens for normal trading in the afternoon of that day but may be postponed by the Manager to no later than 4:00p.m. (Hong Kong time) on 29 November 2016; or</li> <li>o 12:15p.m. (Hong Kong time) on 18 November 2016 if the SEHK opens for normal trading only in the morning of that day but may be postponed by the Manager to no later than 12:15p.m. (Hong Kong time) on 29 November 2016.</li> </ul> </li> </ul>
<p>After listing (period commences on the Listing Date)</p> <ul style="list-style-type: none"> <li>• All investors may start trading Units on the SEHK through any designated brokers; and</li> <li>• Participating Dealers may apply for creation and redemption (for themselves or for their clients) in such minimum number of Units as specified by the Manager</li> </ul>	<ul style="list-style-type: none"> <li>• Commences at 9:30 a.m. (Hong Kong time) on 23 November 2016, but may be postponed by the Manager to a date no later than 2 December 2016</li> <li>• In accordance to such times as specified in the Operating Guidelines from time to time.</li> </ul>

#### Diagrammatic illustration of investment in the iShares Core Hang Seng Index ETF

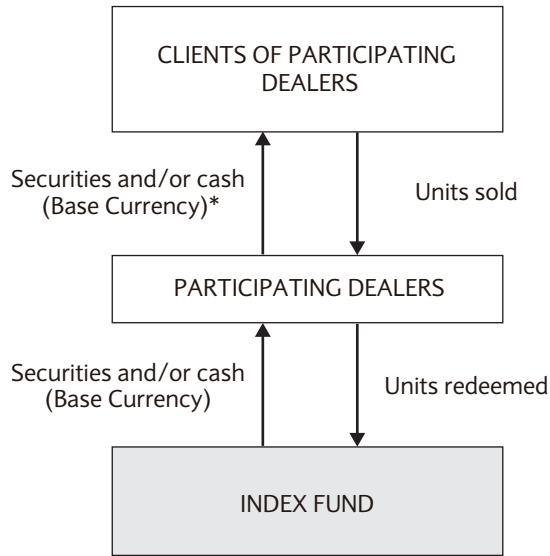
The diagrams below illustrate the issue or redemption and the buying or selling of Units:

(a) Issue and buying of Units in the primary market – Initial Offer Period and After listing



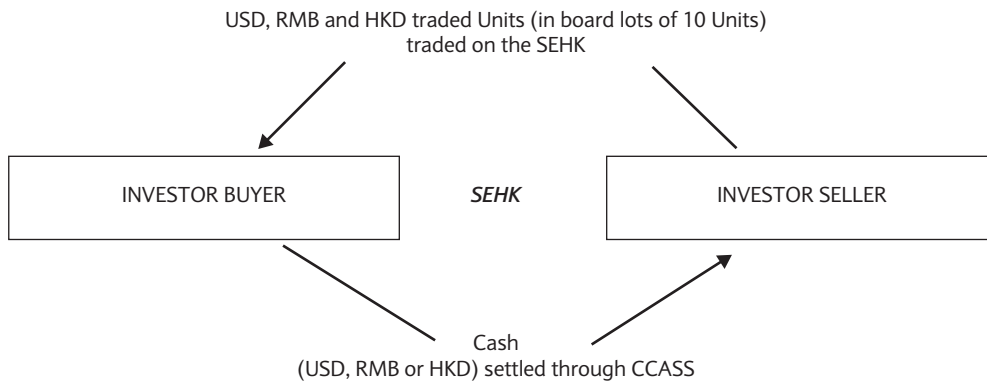
\* Clients of the Participating Dealers may agree with the Participating Dealers settlement in another currency.

(b) Redemption and sale of Units in the primary market – After listing



\* Clients of the Participating Dealers may agree with the Participating Dealers settlement in another currency.

(c) Buying or selling of Units in the secondary market on the SEHK – After listing



## Summary of offering methods and related fees

### *Initial Offer Period*

Method of Offering	Minimum Number of Units (or such other number of Units above the minimum as determined by the Manager)	Channel	Available to	Consideration, Fees and Charges*
Cash creation (Base Currency)	50,000 (Application Unit)	Through Participating Dealers or through brokers that have an account with the Participating Dealers	Any person acceptable to the Participating Dealer as its client	<p>Cash (based on the Initial Issue Price and the number of Units applied)</p> <p>Brokerage fees and/or any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)</p> <p>Transaction Fee (payable in Base Currency)</p> <p>Duties and Charges (payable in Base Currency)</p>
In-specie creation	50,000 (Application Unit)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	<p>Basket(s) of Securities and the difference between the aggregate value of the Securities and the Net Asset Value of the Application Unit size</p> <p>Brokerage fees and/or any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)</p> <p>Transaction Fee (payable in Base Currency)</p> <p>Duties and Charges (payable in Base Currency)</p>

**After Listing**

<b>Method of Acquisition or Disposal of Units</b>	<b>Minimum Number of Units (or such other number of Units above the minimum as determined by the Manager and approved by the Trustee)</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) in USD, HKD or in RMB	Board lot of 10 Units for USD traded Units / HKD traded Units / RMB traded Units	On the SEHK	Any investor	Market price of Units on SEHK (USD for USD traded Units, RMB for RMB traded Units and HKD for HKD traded Units)  Brokerage fees (in such currency as determined by individual brokers), Transaction Levy and Trading Fee (in Base Currency only)
Cash creation and cash redemption (Base Currency)	50,000 (Application Unit)	Through Participating Dealers only	Any person acceptable to the Participating Dealer as its client	Cash (based on the Issue Price and the number of Units applied)  Brokerage fees and/or any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)  Transaction Fee (payable in Base Currency)  Duties and Charges (payable in Base Currency)

Method of Acquisition or Disposal of Units	Minimum Number of Units (or such other number of Units above the minimum as determined by the Manager and approved by the Trustee)	Channel	Available to	Consideration, Fees and Charges*
In-specie creation and redemption	50,000 (Application Unit)	Through Participating Dealers only	Any person acceptable to the Participating Dealer as its client	<p>Basket(s) of Securities and the difference between the aggregate value of the Securities and the Net Asset Value of the Application Unit size</p> <p>Brokerage fees and/or any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)</p> <p>Transaction Fee (payable in Base Currency)</p> <p>Duties and Charges (payable in Base Currency)</p>

\* Please refer to the “Fees and Expenses” and “Creations and Redemptions (Primary Market)” sections of this Prospectus for further details

# CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

## Investment in the iShares Core Hang Seng Index ETF

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

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

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

## Creation by Participating Dealers

Only Participating Dealers may apply for Units directly from the iShares Core Hang Seng Index ETF. Units in the iShares Core Hang Seng Index ETF are continuously offered to Participating Dealers who may apply for them on any Dealing Day on their own account or for the account of their clients, in the minimum Application Unit size in accordance with Operating Guidelines. The Manager expects that Participating Dealers will generally accept and submit creation requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating Dealers may impose fees and charges in handling any creation request which would increase the cost of investment. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

The Application Unit size for the iShares Core Hang Seng Index ETF is set out in the “Description of the iShares Core Hang Seng Index ETF”. Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof will not be accepted. The minimum holding of the iShares Core Hang Seng Index ETF is one Application Unit.

Creation Applications may be made in specie or in cash. The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in Application Unit size in exchange for a transfer of Securities or cash or a combination of Securities and cash in accordance with the Operating Guidelines and the Trust Deed. Whilst it is open to a Participating Dealer to choose the method of creation, in addition to its rights to reject or cancel a Creation Application under the Trust Deed, the Manager reserves the right to reject or cancel a Creation Application if it is unable to invest the cash proceeds of a cash creation or if proposed Securities are not acceptable to the Manager. Notwithstanding a Multi-Counter being adopted, all cash Creation Applications must be made in the Base Currency of the iShares Core Hang Seng Index ETF.

The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in the iShares Core Hang Seng Index ETF in Application Unit size in accordance with any of (a), (b) or (c) below (or a combination of any or all of the same) as determined by the Manager in its discretion (note that any payments in cash must be made in the Base Currency):

- (a) in exchange for a transfer, by the Participating Dealer, to or for the account of the Trustee of Securities constituting an application basket for the relevant Units, a cash amount equivalent to any Duties and Charges payable plus, if the cash component is a positive value, a cash payment equivalent to the amount of the cash component. If the cash component

is a negative value, the Trustee shall be required to make a cash payment equivalent to the amount of the cash component (expressed as a positive figure) to the Participating Dealer. In the event that the iShares Core Hang Seng Index ETF has insufficient cash required to pay any cash component payable by the iShares Core Hang Seng Index ETF, the Manager may effect sales of the deposited property of the iShares Core Hang Seng Index ETF, or may borrow moneys in accordance with the Trust Deed, to provide the cash required;

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

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

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

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

Units of the iShares Core Hang Seng Index ETF are denominated in the Base Currency of the iShares Core Hang Seng Index ETF and no fractions of a Unit shall be created or issued by the Trustee.

The creation and issue of Units pursuant to a Creation Application shall be effected on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on Settlement Day or the Dealing Day immediately following Settlement Day if the settlement period is extended. (An extension fee may be payable in relation to such an extension. See the section on "Fees and Expenses" for further details).

If a Creation Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline (see "Description of the iShares Core Hang Seng Index ETF") on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application.

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

The Manager may charge a Transaction Fee in respect of Creation Applications and may on any day vary the rate of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the same Index Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units for the benefit of the Trustee and/or the Service Agent. See the section on “Fees and Expenses” for further details.

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

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

#### **Subscription during Initial Offer Period**

On receipt of a Creation Application by a Participating Dealer for Units during the Initial Offer Period, the Manager shall procure the creation of Units for settlement on the Initial Issue Date.

#### **Evidence of Unitholding**

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

#### **Restrictions on Unitholders**

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

- a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager’s opinion, might result in the Trust or the iShares Core Hang Seng Index ETF being adversely affected which the Trust or the iShares Core Hang Seng Index ETF might not otherwise have suffered; or
- in the circumstances which, in the Manager’s opinion, may result in the Trust or the iShares Core Hang Seng Index ETF incurring any withholding or any tax liability or suffering any other pecuniary disadvantage which the Trust or the iShares Core Hang Seng Index ETF might not otherwise have incurred or suffered.

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



### **Cancellation of Units**

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

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

- the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee; see the section on “Fees and Expenses” for further details;
- the Manager may at its discretion require the Participating Dealer to pay to the Trustee for the account of the iShares Core Hang Seng Index ETF in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application, plus any charges, expenses and losses incurred by the iShares Core Hang Seng Index ETF as a result of such cancellation;
- the Trustee and/or the Service Agent shall be entitled to the Transaction Fee payable in respect of a Redemption Application; see the section on “Fees and Expenses” for further details; and
- no previous valuations of the iShares Core Hang Sang Index ETF shall be re-opened or invalidated as a result of the cancellation of such Units.

### **Redemption of Units**

Redemption Applications may only be made by a Participating Dealer in respect of an Application Unit size or whole multiple thereof. Participating Dealer may redeem Units on any Dealing Day in accordance with the Operating Guidelines, by submitting a Redemption Application to the Trustee. The Manager may charge a Transaction Fee in respect of Redemption Applications. The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any amount due to the Participating Dealer in respect of such Redemption Application(s)) for the benefit of the Trustee and/or the Service Agent. See the section on “Fees and Expenses” for further details.

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

If a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline (see the “Description of the iShares Core Hang Seng Index ETF”) on a Dealing Day, the Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received.

On a redemption, a Participating Dealer shall have transferred to it Securities or cash or a combination of Securities and cash in accordance with the Operating Guidelines.

The Manager shall, on receipt of an effective Redemption Application for the iShares Core Hang Seng Index ETF from a Participating Dealer, effect the redemption of the relevant Units in Application Unit size in accordance with any of (a), (b) or (c) below (or a combination of any or all of the same) as determined by the Manager in its discretion (note that any payments in cash will be made in the Base Currency):-

- (a) require the Trustee to transfer to the Participating Dealer, in accordance with the Operating Guidelines, Securities constituting an application basket for the relevant Units plus, if the cash component is a positive value, a cash payment equivalent to the amount of the cash component. If the cash component is a negative value, the Participating Dealer shall be required to make a cash payment equivalent to the amount of the cash component (expressed as a positive figure) to the Trustee. The Participating Dealer shall be required to make a cash payment (if any) in respect of any Redemption Application in accordance with the Operating Guidelines;
- (b) require the Trustee to pay to the Participating Dealer, (i) a cash amount equivalent to the relevant application basket value plus (ii) an amount determined by the Manager for the purpose of compensating the Participating Dealer up to the amount by which the prices used when valuing the Securities of the iShares Core Hang Seng Index ETF for the purpose of such Redemption Application are less than the sale prices actually received or to be received in selling the Securities for the iShares Core Hang Seng Index ETF (after the deduction from the relevant sale prices of any Duties and Charges in respect of such disposal of Securities); or
- (c) require the Trustee to pay to the Participating Dealer a cash amount equivalent to the Redemption Value of the relevant Units minus such sum as the Manager in its discretion considers appropriate for the Duties and Charges.

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

To be effective, a Redemption Application must:

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

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

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of the iShares Core Hang Seng Index ETF rounded to the nearest 4 decimal places.

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

Any accepted Redemption Application will be effected by the transfer or payment of Securities or cash or a combination of Securities and cash (at the discretion of the Participating Dealer) in accordance with the Operating Guidelines and the Trust Deed, on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and, where any amount is to be paid by telegraphic transfer to a bank account in Hong Kong or New York State, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received and provided further that the Manager shall have received (unless otherwise provided in the Operating Guidelines) the original (and not a faxed copy) of the certificates (if any) representing the Units to be cancelled (or an indemnity in terms acceptable to the Trustee) and the full amount of any amount payable by the Participating Dealer including any Duties and Charges and the Transaction Fee have been either deducted or otherwise paid in full.

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

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

the Trustee shall transfer Securities and/or cash relevant to the Redemption Application out of the assets of the iShares Core Hang Seng Index ETF to the Participating Dealer in accordance with the Operating Guidelines.

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

- the Redemption Application shall be deemed never to have been made except that the Transaction Fee in respect of such application shall remain due and payable and once paid, shall be retained by the Trustee and/or the Service Agent;
- the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee;
- the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the iShares Core Hang Seng Index ETF, in respect of each Unit Cancellation Compensation, being (a) the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if a Participating Dealer had, on the actual date when the Manager is able to repurchase the replacement Securities, made a Creation Application, plus (b) such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the iShares Core Hang Seng Index ETF as a result of any such cancellation; and
- no previous valuations of the iShares Core Hang Sang Index ETF shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

Notwithstanding a Multi-Counter being adopted, any cash proceeds received by a Participating Dealer in a Redemption Application shall be paid only in the Base Currency of the iShares Core Hang Seng Index ETF. The Manager, with the approval of the Trustee, may at its discretion extend the settlement period such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise) as the Manager may determine but, in any event, not later than one month from the receipt of an effective Redemption Application.

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

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

## **Redemption Gate**

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

## **Directed Cash Dealing**

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

## **Suspension of Creations and Redemptions**

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

The Manager may, at its discretion, at any time after giving notice to the Trustee (and where practicable, after consultation with Participating Dealers) suspend the right of Unitholders to redeem Units of the iShares Core Hang Seng Index ETF and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application during:

- any period when a market on which a Security (being a component of the Underlying Index) has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed; or
- any period when dealings on a market on which a Security (being a component of the Underlying Index) has its primary listing is restricted or suspended; or
- any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depository (if any) of such market is disrupted; or
- the existence of any state of affairs as a result of which delivery or purchase of Securities or disposal of investments for the time being comprised in the iShares Core Hang Seng Index ETF cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the iShares Core Hang Seng Index ETF; or
- any period when the Underlying Index for the iShares Core Hang Seng Index ETF is not compiled or published; or
- any breakdown in the means normally employed in determining the Net Asset Value of the iShares Core Hang Seng Index ETF or when for any other reason the Value of any Securities or other property for the time being comprised in the iShares Core Hang Seng Index ETF cannot in the opinion of the Manager, reasonably, promptly and fairly be ascertained.

The Manager will, after notice to the Trustee, suspend the right to subscribe for or redeem Units or delay the payment of any monies or the transfer of any Securities when dealings in the Units on the SEHK are restricted or suspended.

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

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

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

## **Transfer of Units**

A Unitholder may transfer Units using the standard transfer form issued by SEHK or by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the Unitholders of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Units being transferred. Each instrument of transfer must relate to the iShares Core Hang Seng Index ETF only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding in the iShares Core Hang Seng Index ETF. If and to the extent that Units are deposited in CCASS, HKSCC Nominees Limited will be the sole Unitholder, holding such Units for the persons admitted by HKSCC as a participant of CCASS and to whose account any Units are for the time being allocated in accordance with the General Rules of CCASS.

## **Multi-Counter**

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

## **EXCHANGE LISTING AND TRADING (SECONDARY MARKET)**

Dealings in the Units of the iShares Core Hang Seng Index ETF are expected to commence on 23 November 2016 but may be postponed by the Manager to a date no later than 2 December 2016. Units of the iShares Core Hang Seng Index ETF are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges.

Units trade on the SEHK in board lots of 10 Units.

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

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

It is the Manager's expectation that at least one Market Maker will maintain a market for the Units of the iShares Core Hang Seng Index ETF. The Manager will ensure that at least one Market Maker will maintain a market for the Units traded in each counter and that at least one Market Maker to each counter gives not less than 3 months notice prior to terminating market making arrangement under the relevant market maker agreement. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager will make available to the Market Maker, the portfolio composition information made available to Participating Dealers.

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

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

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

Subject to compliance with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the SEHK or on any other date HKSCC chooses. Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

If trading of the Units of the iShares Core Hang Seng Index ETF on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units.

### **Multi-Counter**

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

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

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

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

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

The Renminbi Equity Trading Support Facility (the “TSF”) was launched on 24 October 2011 by HKEx to provide a facility to enable investors who wish to buy RMB-traded shares (RMB shares) in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. With effect from 6 August 2012, the coverage of TSF was extended and the iShares Core Hang Seng Index ETF is eligible for the TSF. As such the TSF is currently available to investors who wish to invest in the iShares Core Hang Seng Index ETF by purchasing Units trading in RMB on the SEHK. Investors should consult their financial advisers if they have any questions concerning the TSF. More information with regard to the TSF is available on HKEx’s website [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/TSF/TSF.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/TSF/TSF.htm).



## DETERMINATION OF NET ASSET VALUE

The Net Asset Value of the iShares Core Hang Seng Index ETF will be determined by the Trustee as at each Valuation Point applicable to the iShares Core Hang Seng Index ETF by valuing the assets of the iShares Core Hang Seng Index ETF and deducting the liabilities of the iShares Core Hang Seng Index ETF, in accordance with the terms of the Trust Deed.

Set out below is a summary of how various Securities held by the iShares Core Hang Seng Index ETF are valued:

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

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

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



## Suspension of Net Asset Value

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of the iShares Core Hang Seng Index ETF for the whole or any part of any period during which:

- (a) there exists any state of affairs prohibiting the normal disposal of the relevant iShares Core Hang Seng Index ETF's investments; or
- (b) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the iShares Core Hang Seng Index ETF or the Net Asset Value per Unit of the iShares Core Hang Seng Index ETF, or when for any other reason the value of any Security or other asset in the iShares Core Hang Seng Index ETF cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any Securities held or contracted for the account of the iShares Core Hang Seng Index ETF or it is not possible to do so without seriously prejudicing the interest of Unitholders of the iShares Core Hang Seng Index ETF; or
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the Securities of the iShares Core Hang Seng Index ETF or the subscription or realisation of Units of the iShares Core Hang Seng Index ETF is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or
- (e) the right to redeem Units of the relevant class is suspended.

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

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at [www.blackrock.com/hk](http://www.blackrock.com/hk) or in such publications as it decides.

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

## Issue Price and Redemption Value

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

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

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

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

## FEES AND EXPENSES

There are 3 levels of fees and expenses applicable to investing in the iShares Core Hang Seng Index ETF as set out in the following table, current as at the date of the Prospectus.

<b>Fees and expenses payable by Participating Dealers on creation and redemption of Units (primary market)</b>	<b>Amount</b>
Transaction Fee	HK\$15,000 and HK\$1,000 per Application <sup>1</sup>
Application Cancellation Fee	HK\$10,000 <sup>2</sup> per Application
Extension Fee	HK\$10,000 <sup>3</sup> per Application
Partial Delivery Request Fee	HK\$10,000 <sup>4</sup> per Application
Stamp duty	Nil
Transaction levy and trading fee	Nil

<b>Fees and expenses payable by investors on SEHK (secondary market)</b>	<b>Amount</b>
Brokerage	Market rates
Transaction levy	0.0027% <sup>5</sup> of the trading price
Trading fee	0.005% <sup>6</sup> of the trading price
Stamp Duty	Nil
Inter-counter transfer fee	HK\$5 per instruction <sup>7</sup>

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.

<b>Fees and expenses payable by the iShares Core Hang Seng Index ETF (see further disclosure below)</b>	<b>Amount</b>
Management Fee <sup>8</sup>	0.09% p.a. of Net Asset Value calculated daily

<sup>1</sup> HK\$1,000 per book-entry deposit and book-entry withdrawal is payable to the Service Agent.

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

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

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

<sup>5</sup> Transaction levy of 0.0027% of the price of the Units payable by the buyer and the seller.

<sup>6</sup> Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.

<sup>7</sup> HKSCC will charge each CCASS participant a fee of HK\$5 per instruction for effecting an inter-counter transfer of Units from one counter to another counter. Investors should check with their brokers regarding any additional fees.

<sup>8</sup> Accrued daily and payable monthly in arrears.

## **Fees and Expenses Payable by the iShares Core Hang Seng Index ETF**

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

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

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

### **Establishment Costs**

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

### **Increase in fees**

The fees payable to the Manager and the Trustee (which are included in the calculation of the Management Fee) may be increased on 3 months’ notice to Unitholders, subject to the maximum rates set out in the Trust Deed.

# RISK FACTORS

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

## Investment Risk

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

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

**Derivatives Risk.** The iShares Core Hang Seng Index ETF may invest in stock index future contracts and other derivatives. Investing in a derivative is not the same as investing directly in an underlying constituent Security which is part of the Underlying Index.

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

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

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

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

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

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

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

**Concentration Risk.** To the extent that the Underlying Index is concentrated in a particular Security, group of Securities, market, industry, group of industries, sectors, asset class or geographical region, the iShares Core Hang Seng Index ETF may be adversely affected by the performance of those Securities. It may be subject to price volatility and may be more susceptible to adverse economic, market, political or regulatory event affecting that Security, group of Securities, market, industry, group of industries, sector, asset class or geographical region.

**Investments Associated with the PRC Risk.** The iShares Core Hang Seng Index ETF tracks the Underlying Index and its investments include shares of companies which have substantial business exposure to growth opportunities in the PRC and listed on the SEHK (including H-shares and red chips shares). However, investors should be aware that the economy of the PRC differs from the economies of most developed countries in many respects, including with respect to government involvement in its economy, level of development, growth rate and control of foreign exchange. The regulatory and legal framework for capital markets and companies in the PRC is not well developed when compared with those of developed countries. By investing in H-shares and red chips shares, the iShares Core Hang Seng Index ETF is subject to the risks of investing in emerging markets generally and the risks specific to the PRC market in particular, which are not typically associated with investing in those of developed countries. General risks of investing in emerging markets include but are not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and foreign exchange control; less publicly available information about issuers; the imposition of taxes; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties.

**RMB Currency Risk.** Under the Multi-Counter model, Units are traded in RMB (in addition to USD and HKD). RMB is currently not freely convertible and is subject to exchange controls and restrictions. Investors in the secondary market who buy and sell Units traded in RMB are also exposed to foreign exchange currency risk arising from the fluctuations between the iShares Core Hang Seng Index ETF's Base Currency and RMB.

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

**Taxation in the PRC Risk.** The PRC Government has implemented a number of tax reform policies in recent years. There can be no assurance that the current tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies. Under the general taxing provision of the PRC Corporate Income Tax Law ("CIT"), which became effective on 1 January 2008, a PRC non-resident enterprise is subject to 10% withholding tax on passive income (including dividends, interest, capital gains on disposals of PRC equity interests, etc.) derived from the PRC, provided that such non-resident enterprise is not considered to be a tax resident in the PRC by virtue of central management and control or by having a PRC tax establishment. Although it is intended that the iShares Core Hang Seng Index ETF will be managed and operated such that it would not be considered a tax resident in the PRC or to have a PRC tax establishment, the iShares Core Hang Seng Index ETF's investing in PRC securities, e.g., H shares, may give rise to PRC taxes to the iShares Core Hang Seng Index ETF in the form of withholding on dividends, interest, capital gains, and/or other business, stamp, and indirect taxes, the tax extent of which will depend on a number of factors, including but not limited to the specific investment type, legislative clarifications provided to-date by the PRC tax authorities pertaining to the specific investment, and current tax practice in the PRC.

**Asia Regional Economic Risks.** Adverse economic developments in Hong Kong or elsewhere in the Asia region, and in particular, the PRC (given the economic inter-dependence between the PRC and Hong Kong and the inclusion of H-share constituents within the Underlying Index), could have a material adverse effect on the financial conditions and results of operations of the constituent companies of the Underlying Index. From the latter half of 1997 to the first half of 1998, many Asian countries experienced significant adverse changes in economic conditions. Hong Kong also suffered adverse economic developments during this period. The outbreak of the Severe Acute Respiratory Syndrome (SARS) in 2003 also had a marked adverse impact on the economy of Hong Kong. The market turmoil triggered by the U.S. housing crisis in 2007 and 2008 caused a material contraction of the economy of Hong Kong and other countries. The performance of the constituent companies of the Underlying Index may have been and may continue to be adversely affected by these events.

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

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

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

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

**No Trading Market in the Units.** Although the Units are listed on the SEHK and one or more Market Makers have been appointed in respect of each counter, investors should be aware that there may be no liquid trading market for the Units or that such Market Maker(s) may cease to fulfil that role. Further, there can be no assurance that Units will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices other than the Underlying Index.

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



**Counterparty to the Custodian Risk.** The iShares Core Hang Seng Index ETF will be exposed to the credit risk of any custodian or any depository used by the custodian where cash is held by the custodian or other depositories. In the event of the insolvency of the custodian or other depositories, the iShares Core Hang Seng Index ETF will be treated as a general creditor of the custodian or other depositories in relation to cash holdings of the iShares Core Hang Seng Index ETF. The iShares Core Hang Seng Index ETF's Securities are however maintained by the custodian or other depositories in segregated accounts and should be protected in the event of insolvency of the custodian or other depositories.

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

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

## **Market Trading Risks Associated with the iShares Core Hang Seng Index ETF**

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

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

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

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



**Reliance on Market Makers Risk.** Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market Maker for any of the counters. It is the Manager's intention that there will always be at least one Market Maker in respect of the Units traded in each counter and the Manager will seek to ensure that at least one Market Maker for the Units traded in each counter (where there is a Multi-Counter) gives not less than 3 months notice prior to terminating market making under the relevant market making agreement. There may be less interest by potential Market Makers in making a market in Units denominated or traded in currencies other than HKD. Furthermore, any disruption to the availability of RMB may adversely affect the capability of Market Makers in providing liquidity for RMB traded Units. It is possible that there is only one Market Maker to a counter of the iShares Core Hang Seng Index ETF and therefore it may not be practical for the iShares Core Hang Seng Index ETF to remove the only Market Maker to a counter even if the Market Maker fails to discharge its duties as the sole Market Maker.

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

**Units May Trade at Prices Other than Net Asset Value Risk.** Units of the iShares Core Hang Seng Index ETF trade on the SEHK at prices above or below the most recent Net Asset Value. The Net Asset Value per Unit of the iShares Core Hang Seng Index ETF is calculated at the end of each Business Day and fluctuates with changes in the market value of the iShares Core Hang Seng Index ETF's holdings and changes in the exchange rate between the Hong Kong dollar and, where Securities are denominated in another currency, the subject foreign currency. The trading prices of the iShares Core Hang Seng Index ETF's Units fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the iShares Core Hang Seng Index ETF's Units may deviate significantly from Net Asset Value particularly during periods of market volatility. Any of these factors may lead to the Units of the iShares Core Hang Seng Index ETF trading at a premium or discount to the Net Asset Value in the secondary market. On the basis that Units can be created and redeemed in Application Unit sizes 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 iShares Core Hang Seng Index ETF's Units will normally trade at prices close to the iShares Core Hang Seng Index ETF's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the iShares Core Hang Seng Index ETF's Net Asset Value due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from Net Asset Value. In particular, if an investor purchases Units at a time when the market price is at a premium to Net Asset Value or sells when the market price is at a discount to Net Asset Value, then the investor may sustain losses.

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

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

**Cost of Trading Units Risk.** Buying or selling Units on the SEHK involves various types of costs that apply to all Securities transactions. When trading Units through a broker investors will incur a brokerage commission or other charges imposed by the broker. In addition, investors on the secondary market, will also incur the cost of the trading spread, which is the difference between what investors are willing to pay for the Units (bid price) and the price they are willing to sell Units (ask price). Accordingly, investors may pay more than the NAV per Unit when buying Units on the SEHK and may receive less than the NAV per Unit when selling Units on the SEHK. Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments.

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

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

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

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

It is possible that some brokers and CCASS participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in the other, (ii) carry out inter-counter transfers of Units, or (iii) trade Units in different counters at the same time. In such a case another broker or CCASS participant may need to be used. Accordingly investors may only be able to trade their Units in one currency, investors are recommended to check the readiness of their brokers in respect of the Multi-Counter trading and inter-counter transfer and should fully understand the services which the relevant broker is able to provide (as well as any associated fees).

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

## Risks Associated with the Underlying Index

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

**Composition of and Weightings in the Underlying Index May Change Risk.** The companies which comprise the Underlying Index are changed by the Index Provider from time to time. The price of the Units may rise or fall as a result of such changes. The composition of the Underlying Index may also change if one of the constituent companies were to delist its shares or if a new eligible company were to list its shares and be added to the Underlying Index. If this happens, the weighting or composition of the Securities owned by the iShares Core Hang Seng Index ETF would be changed as considered appropriate by the Manager to achieve the Investment Objective. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units. However, there can be no guarantee that the iShares Core Hang Seng Index ETF will, at any given time, accurately reflect the composition of the Underlying Index (refer to “Tracking Error Risk”).

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

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

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

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

## Regulatory Risks

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

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

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

**Changes in Tax Legislation.** Tax legislation, the tax status of the iShares Core Hang Seng Index ETF, the taxation of investors and any tax relief, and the consequences of such tax status and tax relief, may change from time to time. Any change in the taxation legislation in any jurisdiction where the iShares Core Hang Seng Index ETF is registered, cross-listed, marketed or invested could affect the tax status of the iShares Core Hang Seng Index ETF, the value of the iShares Core Hang Seng Index ETF's investments in the affected jurisdiction, and/or the iShares Core Hang Seng Index ETF's ability to achieve its investment objective, and/or alter the post tax returns to Unitholders.

**Foreign Account Tax Compliance Act ("FATCA") Risk.** Although the Manager will attempt to satisfy any obligations imposed on it and to avoid the imposition of any FATCA withholding tax, no assurance can be given that the Trust or the iShares Core Hang Seng Index ETF will be able to achieve this and/or satisfy such FATCA obligations. If the iShares Core Hang Seng Index ETF becomes subject to a 30% FATCA penalty withholding on most types of income from US investments (further described under the sub-section headed "FATCA" in the section headed "Taxes" on page 53) as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material loss. Any withholding will be conducted by the Manager acting in good faith and on reasonable grounds, as permitted by applicable laws and regulations.

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

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

# MANAGEMENT OF THE TRUST

## The Manager

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

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

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

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

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

## The Directors of the Manager

**Belinda Boa**, CFA, Managing Director, is Head of Active Investments for Asia Pacific, where she is responsible for delivering investment excellence and investment success in the region both internally and externally. The role will encompass all areas of the Active Investment business including Fundamental Equity, Fixed Income, Scientific Active Equity and Multi-Asset. In addition, Ms Boa will oversee regionally regulated activities of investors. Ms. Boa is a member of the Asia Pacific Executive Committee. Prior to assuming her current role in 2015, Ms. Boa was head of Risk and Quantitative Analysis for APAC where she was responsible for all areas of risk across the region, including investment risk, credit and counterparty risk and corporate and operational risk. Ms. Boa has worked in quantitative finance for over 15 years in London and South Africa. Prior to moving to Asia, she was a senior risk manager, leading the Risk and Quantitative Research team in London, where she was focused on the equity business. She started her career in equity research working for RMB Asset Management. Ms. Boa is a qualified Chartered Financial Analyst and a member of the London Quant Group. Ms Boa earned her degree with honours in Finance and Statistics from the University of the Witwatersrand, South Africa in 1995.

**Susan Wai-lan Chan**, Managing Director, is the Head of iShares Asia-Pacific and is responsible for the iShares business across Asia, including both distribution and management of iShares products and offices in Japan, Australia, Hong Kong, Singapore, and Taiwan. She is a member of the BlackRock Asia-Pacific Executive Committee, and a member of the BlackRock Global iShares Executive Committee. Ms. Chan joined BlackRock in July 2013 as head of Asia Pacific iShares Capital Markets and Products. Prior to joining BlackRock, she was a Managing Director at Deutsche Bank AG, Hong Kong where she was Head of Equity Structuring, Strategic Equity Transactions and DBx Asia Pacific. Before Deutsche Bank, she was Managing Director at Barclays Capital Asia Limited where she held various positions in equity derivatives with the most recent as Head of Equity and Funds Structured, Asia Pacific. She was also a member of the Global EFS Executive Committee, the Asia Pacific Structuring Executive Committee, Founder and Executive Sponsor for the Women’s Internal Network, Asia Pacific and a Board Member of Barclays Capital Hong Kong Limited. Ms. Chan is a graduate of Boston University, Boston, MA.



**Sam Y. Kim**, Managing Director, is Head of Trading & Liquidity Strategies Group for the Asia Pacific region. He is responsible for overseeing the Trading, Securities Lending, Transition Management, and E-trading and Market Structure functions in the region. He is a member of the Asia Pacific Executive Committee. Prior to his current role, Mr. Kim managed the Scientific Active Equity trading team for the Americas in San Francisco. Before relocating to San Francisco, Mr. Kim was Head of Trading in Tokyo. Prior to joining BlackRock, Mr. Kim was a partner at Colden Capital Management in New York, which he co-founded in 2000. At Colden Capital, Mr. Kim co-managed the firm's event-driven portfolio, including merger arbitrage and special situation equity investments. Prior to Colden, Mr. Kim was a Vice President in Equity Derivatives at Deutsche Bank/Bankers Trust where he specialized in structuring and marketing over-the-counter equity derivative products. Mr. Kim earned an AB degree, Phi Beta Kappa, cum laude in philosophy from Harvard College in 1995.

**Michael Timothy Marquardt**, Managing Director, is the Chief Operating Officer of BlackRock's Asia-Pacific business, based in Hong Kong. Mr. Marquardt's service with the firm dates back to 2000, including his years with Barclays Global Investors (BGI), which merged with BlackRock in 2009. At BGI, he was the Chief Operating Officer for BGI Japan, where he had oversight responsibility for the technology, operations, finance, human resources, legal, compliance and risk functions for BGI Japan. He began his career at BGI in 2000 as a Global Risk Manager and then as a Senior Project Manager on strategic initiatives. Prior to joining BGI, he was a Private Banking Relationship Manager at American Express Bank Limited in London having client relationship and business development responsibilities for clients in Pakistan, Sri Lanka, Bangladesh and the Maldives. Mr. Marquardt earned a BS degree in economics from Clark University and an MBA from Boston University.

**Ryan David Stork**, is BlackRock's Chairman, Asia Pacific. He is responsible for all business activities in the region, which includes Greater China, Japan, Australia, Singapore, India and Korea. He is also a member of BlackRock's Global Executive, Global Operating Committees and Global Talent Sub-Committee. Prior to moving to Hong Kong, Mr. Stork was the global head of the Aladdin Business within BlackRock Solutions in New York. Aladdin is BlackRock's fully integrated investment management technology platform. Within the Aladdin Business, Mr. Stork was responsible for client relationships and business development as well as implementation and delivery of Aladdin services and its third-party investment accounting business. Prior to taking over the Aladdin Business, Mr. Stork was deputy head of BlackRock's Europe, Middle East and Africa institutional business from 2005 to 2008. Based in London, he was responsible for business development and client service across the region. From 1999 to 2005, Mr. Stork worked within the institutional business leading the client service effort for BlackRock's Financial Institutions Group. Before joining BlackRock in 1999, Mr. Stork was a portfolio manager at PennCorp Financial Group, a life insurance holding company, where he had oversight over asset allocation and external asset managers. He began his career in investments at Conning Asset Management. Mr. Stork is a member of the New York Society of Financial Analysts. He earned a BA degree in finance from the University of Massachusetts, Amherst.

**Graham Douglas Turl**, Managing Director, is the General Counsel, Asia-Pacific region. He is a member of BlackRock's Asia Pacific Executive Committee. Prior to joining BlackRock in April 2007, Mr. Turl was head of the Hong Kong investment management group at international law firm Linklaters, where he was responsible for advising clients on the corporate, regulatory and tax aspects of structuring, creating, organising and marketing investment funds of all types, onshore and offshore, domestic and international, public and private, retail and institutional. Mr. Turl is qualified to practice law in England and Hong Kong. Mr. Turl serves on a number of finance industry bodies in the Asia Pacific region, including the Investment Funds Association of Hong Kong, the Hong Kong Financial Services Development Council and the Asset Management Group of the Asia Securities Industry & Financial Markets Association. Mr. Turl earned a BA degree in history from the University of Nottingham and postgraduate legal qualifications from the Guildford College of Law, England.

## **Trustee and Registrar**

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

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

The Trustee will also act as the Registrar of the iShares Core Hang Seng Index ETF. In addition to the amount paid by the Manager out of the Management Fee, the Trustee will be entitled to other fees described in the section headed "Fees and Expenses".

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

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

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

The Manager has sole responsibility for making investment decisions in relation to the Trust and/or the iShares Core Hang Seng Index ETF and provided that the Trustee has taken reasonable care (to the extent as required by the Trust Deed, and any applicable law and regulation, including the Code) to ensure that the investment and borrowing limitations set out in the Trust Deed and the conditions under which the Trust and the iShares Core Hang Seng Index ETF were authorised are complied with, the Trustee (including its delegate) is not responsible or has no liability for any investment decision made by the Manager, or for monitoring the investment performance (with respect to investment decisions) of the Manager or any delegate or agent appointed by the Manager. Except as provided in the Trust Deed or expressly stated in this Prospectus and/or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Trust or the iShares Core Hang Seng Index ETF. Neither the Trustee nor its delegate is responsible for the preparation or issue of this Prospectus and therefore they accept no responsibility for any information contained in this Prospectus other than information relating to themselves and the HSBC Group under this section headed "Trustee and Registrar".



## Indemnities of the Trustee and Manager

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

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

## Service Agent

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

## Auditor

The Manager has appointed PricewaterhouseCoopers to act as the auditor of the Trust and the iShares Core Hang Seng Index ETF ("Auditor"). The Auditor is independent of the Manager and the Trustee.

## Conflicts of Interest

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

In addition:–

- the Manager or any of its Connected Persons may enter into investments for the Trust as agent for the Trustee and may, with the consent of the Trustee, deal with the Trust as principal;
- the Trustee, the Manager or the Registrar or any of their Connected Persons may have banking or other financial relationships with any company or party which is the issuer of Securities, financial instruments or investment products held by the Trust;
- the Trustee, the Manager or the Registrar or any of their Connected Persons may hold and deal in Units or in investments held by the Trust either for their own account or for the account of their customers; and
- the monies of the Trust may be deposited with the Manager, the Trustee or any of their Connected Persons or invested in certificates of deposit or banking instruments issued by any of them.

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

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

**Soft Dollars**

The Manager (as well as any of its Connected Persons) will not receive or enter into any soft dollar commissions or arrangements in respect of the management of the iShares Core Hang Seng Index ETF. The Manager (as well as any of its Connected Persons) will not retain any cash rebates from any broker or dealer.

# STATUTORY AND GENERAL INFORMATION

## Reports and Accounts

The financial year-end of the Trust and the iShares Core Hang Seng Index ETF is 31 December every year. Audited accounts are to be prepared according to International Financial Reporting Standards and half-yearly unaudited reports are also to be prepared up to the last Dealing Day in June of each year. The first audited accounts will be prepared for the period from the launch date of the iShares Core Hang Seng Index ETF up to and including 31 December 2017.

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

Audited accounts in English and Chinese will be available from the Manager's website at [www.blackrock.com/hk](http://www.blackrock.com/hk) within four months of the end of each financial year-end and unaudited reports will be available from the same website within two months of the end of the semi-financial year-end. Hard copies of these financial reports may also be obtained from the Manager free of charge. Unitholders will be notified of the means of getting access to the financial reports as and when the financial reports are issued and available.

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

## Trust Deed

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

## Modification of Trust Deed

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

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

## Provision of Information

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

## Voting Rights

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

## Termination

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

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

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate any Index Fund if: (i) after 3 years from the date of the creation of such Index Fund, the Net Asset Value of such Index Fund is less than HK\$150 million; (ii) at any time the Net Asset Value of such Index Fund is less than the Hong Kong dollar equivalent of US\$10 million; (iii) its Underlying Index is no longer available for benchmarking or if the Units of the relevant Index Fund are no longer listed on the SEHK or any other Recognised Stock Exchange; (iv) at any time, the Index Fund ceases to have any Participating Dealer; or (v) if, the Manager is unable to implement its investment strategy. In such circumstances, unless the Manager and the Trustee agree that another strategy is: (a) possible, feasible as well as practicable; and (b) in the best interests of the Unitholders, the Units then in issue shall be compulsorily redeemed at the Net Asset Value of the Index Fund. The Manager shall, in such event, notify the SFC in advance in such circumstance and agree with the SFC appropriate methods of notification of Unitholders in the Index Fund prior to such redemption and termination. Further, the Unitholders may at any time authorise termination of the Trust or any Index Fund by extraordinary resolution.

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

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

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

## Inspection of Documents

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

## Part XV of the Securities and Futures Ordinance

Part XV of the Securities and Futures Ordinance sets out the Hong Kong disclosure of interests' regime applicable to Hong Kong listed companies. The regime does not apply to unit trusts that are listed on the SEHK like the iShares Core Hang Seng Index ETF. Consequently, Unitholders are not obliged to disclose their interest in the iShares Core Hang Seng Index ETF. Further, pursuant to section 323(1)(c)(i) of the Securities and Futures Ordinance, Unitholders are not considered to hold an interest in the underlying shares of a Hong Kong listed company held by the iShares Core Hang Seng Index ETF.

## Anti-Money Laundering Regulations

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

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

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

## Takeovers Code

Unitholders are advised that any shareholding resulting from redemption of Units will normally be subject to the application of the Takeovers Code. Furthermore, where a Unitholder holds one million Units or more, while one or more of the companies whose shares constitute Index Shares are subject to the governance of the Takeovers Code (such as during an offer period) and the Unitholder is acting in concert with the relevant parties (such as an offeror or offeree company), the Takeovers Code will be applicable. In these circumstances, a Unitholder should consult a solicitor or financial adviser to ensure compliance with the Takeovers Code.

## Change of Underlying Index

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

- (a) the Underlying Index ceasing to exist;
- (b) the licence to use the Underlying Index being terminated;
- (c) a new index becoming available that supersedes the existing Underlying Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Underlying Index;
- (e) investing in the Securities comprised within the Underlying Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Underlying Index having in the opinion of the Manager, deteriorated;

- (h) a significant modification of the formula or calculation method of the Underlying Index rendering that index unacceptable in the opinion of the Manager; and
- (i) the instruments and techniques used for efficient portfolio management not being available.

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

### Information Available on the Internet

The Manager will publish important news and information with respect to the iShares Core Hang Seng Index ETF, both in the English and in the Chinese languages, on the Manager's website at [www.blackrock.com/hk](http://www.blackrock.com/hk) including:

- This Prospectus and the product key facts statement (as revised from time to time);
- Latest annual audited accounts and interim half yearly unaudited report;
- Latest closing Net Asset Value (in the iShares Core Hang Seng Index ETF's Base Currency only) and latest closing NAV per unit (in each of the iShares Core Hang Seng Index ETF's trading currencies i.e. USD, HKD and RMB);
- Near real time estimated Net Asset Value per unit throughout each dealing day (in each of the iShares Core Hang Seng Index ETF's trading currencies i.e. USD, HKD and RMB);
- Latest closing level of the Underlying Index;
- iShares Core Hang Seng Index ETF's holdings (updated on a daily basis);
- The past performance of the iShares Core Hang Seng Index ETF;
- Public notices and announcements made by the iShares Core Hang Seng Index ETF;
- Latest list of Participating Dealers and link to latest list of market makers;
- The tracking difference and tracking error of the iShares Core Hang Seng Index ETF; and
- Composition of any distributions paid by the iShares Core Hang Seng Index ETF (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) since the launch of the iShares Core Hang Seng Index ETF or for the last 12 months (whichever is the shorter period).

The Manager will publish on its website the constituent securities of the iShares Core Hang Seng Index ETF at such frequency as is permitted by the Index Provider.

For the iShares Core Hang Seng Index ETF, please note that the near real time estimated NAV per Unit (in each of the trading currencies i.e. USD, HKD and RMB) and the latest closing NAV per Unit in USD and RMB are for reference only. The near real time estimated NAV per Unit in USD and RMB does not use a real time exchange rate between the Base Currency (i.e. HKD) and each of the trading currencies (i.e. USD and RMB). It is calculated using the estimated NAV per Unit in HKD multiplied by the WM Reuters 4:00p.m (London time)\* rate for USD and RMB (CNH) respectively for the previous Dealing Day. The latest closing NAV per Unit in USD and RMB is calculated using the latest closing NAV per Unit in the Base Currency (i.e. HKD) multiplied by the WM Reuters 4:00p.m (London time)\* rate for USD and RMB (CNH) respectively for that Dealing Day.

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

All of the information outlined above can be found on the product webpage of the iShares Core Hang Seng Index ETF. The product webpage of the iShares Core Hang Seng Index ETF can be located by using the search function and inserting the stock codes of the iShares Core Hang Seng Index ETF (i.e. 03115, 83115 or 09115) at [www.blackrock.com/hk](http://www.blackrock.com/hk). This website has not been reviewed by the SFC. The product webpage also provides a link to the announcements and notices section of the website where public announcements and notices can be found.

## Notices

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

### Manager

BlackRock Asset Management North Asia Limited  
16/F Champion Tower  
3 Garden Road  
Central  
Hong Kong

### Trustee

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

## Queries and Complaints

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

# TAXES

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

## Hong Kong

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

Stamp Duty: Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty on the transfer of Securities to the iShares Core Hang Seng Index ETF by an investor pursuant to an application in specie will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by the iShares Core Hang Seng Index ETF to an investor upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by the iShares Core Hang Seng Index ETF on an issue or redemption of Units.

The sale and purchase of Hong Kong stocks by the iShares Core Hang Seng Index ETF will be subject to stamp duty in Hong Kong at the current rate of 0.2% of the price of the shares being sold and purchased. The iShares Core Hang Seng Index ETF will be liable to one half of such Hong Kong stamp duty.

The Unitholders Profits Tax: Hong Kong profits tax will not be payable by the Unitholder (other than Unitholders carrying on a trade, profession or business of investing in securities in Hong Kong) on any gains or profits made on the sale, redemption or other disposal of the Units and on any distributions made by the iShares Core Hang Seng Index ETF. In accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus) tax should not be payable in Hong Kong in respect of dividends payable to Unitholders.

Stamp Duty: Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty on the transfer of Securities to the iShares Core Hang Seng Index ETF by an investor pursuant to an application in specie will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by the iShares Core Hang Seng Index ETF to an investor upon redemption of Units will also be remitted or refunded.

Pursuant to the Stamp Duty (Amendment) Ordinance 2015, with effect from 13 February 2015, no stamp duty is payable on the transfer (purchase or sale) of units of all exchange traded funds on the SEHK. No stamp duty is therefore payable on the transfer of Units of the iShares Core Hang Seng Index ETF.



## The PRC

**The iShares Core Hang Seng Index ETF** Corporate Income Tax: Under the general taxing provision of the PRC Corporate Income Tax Law (“CIT”), which became effective on 1 January 2008, a PRC non-resident enterprise is subject to 10% withholding tax on passive income (including dividends, interest, capital gains on disposals of PRC equity interests, etc.) derived from the PRC, provided that such non-resident enterprise is not considered to be a tax resident in the PRC by virtue of central management and control or by having a PRC tax establishment. Although it is intended that the iShares Core Hang Seng Index ETF will be managed and operated such that it would not be considered a tax resident in the PRC or to have a PRC tax establishment, the iShares Core Hang Seng Index ETF’s investing in PRC securities, e.g., H shares, may give rise to PRC taxes to the iShares Core Hang Seng Index ETF in the form of withholding on dividends, interest, capital gains, and/or other business, stamp, and indirect taxes, the tax extent of which will depend on a number of factors, including but not limited to the specific investment type, legislative clarifications provided to-date by the PRC tax authorities pertaining to the specific investment, and current tax practice in the PRC.

**H shares:** H shares are PRC securities listed on the Hong Kong Stock Exchange. It is intended that with respect to the iShares Core Hang Seng Index ETF’s direct investment in H shares, dividends to be distributed by the PRC resident enterprise will be subject to withholding tax at 10% according to Circular Guoshuihan [2008] No 897. To-date, there is uncertainty as to whether and how capital gains on H shares will be taxed, and there has been no official clarification from the PRC tax authorities in this regard, nor has the PRC tax authorities actively enforced taxation on capital gains arising from sales of H shares by PRC non-resident enterprises. As such, in accordance with professional tax advice, the Manager does not intend to provision for such tax uncertainties, but will continue to monitor and assess as and when relevant PRC tax developments emerge.

**Business Tax (“BT”):** Caishui [2005] 155 states that gains derived by non-resident enterprises from the trading of PRC listed securities are exempt from BT. The new PRC BT law which came into effect on 1 January 2009 has not changed this exemption treatment at the time of this Prospectus. Capital gains derived from trading of offshore PRC marketable securities (e.g. H shares) are not subject to BT.

**Stamp Tax:** Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in the PRC of certain documents, including contracts for the sale of PRC shares traded on the PRC stock exchanges. From 19 September 2008 onwards, only the seller, not the buyer of PRC listed shares is taxable for stamp duty at the rate of 0.1% on the sale.

## FATCA

**General Information** The Foreign Account Tax Compliance Act (“FATCA”) is a US tax law enacted in March 2010 with the withholding requirements for new accounts scheduled effective 1 July 2014 (1 January 2019 for gross proceeds). FATCA attempts to minimise tax avoidance by US persons investing in foreign assets both through their own accounts and through their investments in foreign entities. Unless an intergovernmental agreement (an “IGA”) is in place, FATCA requires foreign financial institutions (“FFIs”) to provide information to the US tax authority, the Internal Revenue Service (the “IRS”), regarding their US account holders including substantial US owners of certain non-financial foreign entities (“NFFEs”). FFIs who fail to commit to meeting certain due diligence, withholding and reporting requirements and certain NFFEs who fail to provide required information on their substantial US owners will be subject to 30% FATCA withholding on most types of income from US investments (as further described below).

Payments of U.S. source fixed, determinable, annual, or periodic income (“FDAP”), such as dividends and interest, are subject to withholding beginning on 1 July 2014 when paid to nonparticipating FFIs (“NPFIs”), non-compliant NFFEs, recalcitrant account holders at participating FFIs (“PFFIs”), and electing PFFIs. Payments made in the ordinary course of business for nonfinancial services are excluded from withholding. Gross proceeds from the sale of property that would yield U.S. source dividends or interest are subject to withholding on new accounts beginning 1 January 2019. Payments of foreign source FDAP income may ultimately be subject to withholding; however, this would be no earlier than 1 January 2019 and subject to further regulation.

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

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

**FATCA Registration Status** The Trust and/or the iShares Core Hang Seng Index ETF will register as “Sponsored FFIs” within the time prescribed by FATCA. The Manager has been registered as a Sponsoring FFI for the Trust and/or the iShares Core Hang Seng Index ETF and has obtained its global intermediary identification number.

**Impact to the iShares Core Hang Seng Index ETF and the Unitholders** In the event that the iShares Core Hang Seng Index ETF holds US securities and is not FATCA compliant, the iShares Core Hang Seng Index ETF may become subject to a 30% FATCA withholding as a result of the FATCA regime, and the value of the Units held by Unitholders may suffer material losses.

The Manager does not support US tax evasion or any request to help investors avoid detection under FATCA. The Manager is not able to provide tax advice and cannot determine the impact or compliance obligations of FATCA or an applicable IGA for investors’ business activities. The Manager strongly encourages Unitholders and prospective holders to seek the advice of an experienced tax adviser to determine what actions Unitholders may need to take and on FATCA.

## DEFINITIONS

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

“Application Unit” means, in relation to the iShares Core Hang Seng Index ETF, such number of Units of a class or whole multiples thereof as specified in this Prospectus for the iShares Core Hang Seng Index ETF or such other multiple of Units of a class from time to time determined by the Manager, approved by the Trustee and notified to Participating Dealers, either generally or for a particular class or classes of Units.

“Base Currency” means the specified base currency for the iShares Core Hang Seng Index ETF which the Manager may determine from time to time in its discretion.

“Business Day” means a day (other than a Saturday) on which the SEHK is open for normal trading provided that, where as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee otherwise determine.

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

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

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

- (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or
- (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or
- (c) any member of the group of which that company forms part; or
- (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

“Creation Application” means an application by a Participating Dealer for the creation and issue of Units of the iShares Core Hang Seng Index ETF in an Application Unit size (or whole multiples thereof) in accordance with the Operating Guidelines and terms of the Trust Deed.

“Dealing Day” means each Business Day during the continuance of the Trust, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee either generally or for the iShares Core Hang Seng Index ETF.

“Dealing Deadline” in relation to any particular place and any particular Dealing Day, means the time on each Dealing Day specified in the “Description of the iShares Core Hang Seng Index ETF” section of this Prospectus.

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

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

“Index Fund” means one segregated pool of assets and liabilities into which the Trust Fund is divided in accordance with the Trust Deed. The relevant Index Fund relating to this Prospectus is listed in the section headed “Introduction”.

“Index Provider” means the person responsible for compiling the Underlying Index against which the iShares Core Hang Seng Index ETF benchmarks its investments and who holds the right to licence the use of such Underlying Index to the iShares Core Hang Seng Index ETF.

“Initial Issue Date” means the date of the first issue of Units, which shall be 2 Dealing Days following the close of the Initial Offer Period or such other time as may be agreed between the Manager and the Trustee.

“Initial Offer Period” means the period from 9:00a.m. (Hong Kong time) on 18 November 2016 until:

- (i) for cash creations (in HKD only), 2:00p.m. (Hong Kong time) on 18 November 2016 (or may be postponed to such times and dates as stated in the timetable under the section “Offering Phases” of the Prospectus); and
- (ii) for in-specie creations:
  - (a) 4:00p.m. (Hong Kong time) on 18 November 2016 if it is a full trading day on the SEHK or if the SEHK is opens for normal trading in the afternoon of that day (or may be postponed to such times and dates as stated in the timetable under the section “Offering Phases” of the Prospectus); or
  - (b) 12:15p.m. (Hong Kong time) on 18 November 2016 if the SEHK opens for normal trading only in the morning of that day (or may be postponed to such times and dates as stated in the timetable under the section “Offering Phases” of the Prospectus).

“Issue Price” means the price at which Units in the iShares Core Hang Seng Index ETF may be issued, determined in accordance with the Trust Deed.

“Listing Date” means the date specified in the “Description of the iShares Core Hang Seng Index ETF” section of this Prospectus.

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

- (a) in relation to any Security: the SEHK or a Recognised Stock Exchange; and
- (b) in relation to any futures contract: the Hong Kong Futures Exchange or any international futures exchange recognised by the SFC or approved by the Manager and the Trustee.

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

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

“Net Asset Value” or “NAV” means the net asset value of the iShares Core Hang Seng Index ETF or, as the context may require, of a Unit calculated pursuant to the Trust Deed.

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

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

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

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

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

“Redemption Application” means an application by a Participating Dealer for the redemption of Units of the iShares Core Hang Seng Index ETF in Application Unit size (or whole multiples thereof) in accordance with the Operating Guidelines and terms of the Trust Deed.

“Redemption Value” means, in respect of a Unit of the iShares Core Hang Seng Index ETF, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.

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

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

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

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

“Settlement Day” means the number of Business Days after the relevant Dealing Day specified for the iShares Core Hang Seng Index ETF pursuant to the Operating Guidelines or such other number of Business Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree and notify to the relevant Participating Dealers, either generally or for the iShares Core Hang Seng Index ETF.

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

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

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

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

“Underlying Index” means the Hang Seng Index (net total return version).

“Unit” means one undivided share in the iShares Core Hang Seng Index ETF to which it relates.

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

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

# SCHEDULE 1

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

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

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

### 1. Investment Restrictions

The investment restrictions applicable to each Index Fund that are included in the Trust Deed are summarised below. Please note that the investment restrictions set out in paragraph 1.1 below are subject to the relief set out in paragraph 1.2 below.

#### 1.1 Investment restrictions

- (a) All Index Funds of the Trust may not collectively hold more than 10% of any one class of Security issued by any single issuer, unless otherwise agreed by the SFC.
- (b) No more than 10% of the latest available Net Asset Value of an Index Fund may be invested in Securities issued by any single issuer, unless otherwise agreed by the SFC.
- (c) No more than 15% of the latest available Net Asset Value of an Index Fund may be invested in Securities which are not quoted, listed or dealt in on a Market, including swaps.
- (d) No more than 30% of the latest available Net Asset Value of an Index Fund may be invested in government and other public Securities of the same issue. Subject to the foregoing, any Index Fund may invest all of its assets in government and other public Securities in at least six different issues.
- (e) No Index Fund may hold options and warrants valued at more than 15% of its latest available Net Asset Value, except that this 15% limit will not apply to options and warrants acquired for hedging purposes.
- (f) No more than 20% of the latest available Net Asset Value of an Index Fund may be invested in (i) commodities including physical commodities, and other commodity-based investments and excluding, for this purpose, Securities of companies engaged in the production, processing or trading of commodities) and (ii) futures contracts on an unhedged basis (but without prejudice to the Manager's right to take positions in Futures Contracts in order to protect the assets of the Trust against adverse and unusual currency or market fluctuations).
- (g) No more than 10% of the latest available Net Asset Value of an Index Fund may be invested in Units or shares in other collective investment schemes unless otherwise agreed by the SFC and other requirements of the Code are met.

In addition, the Trust is subject to the following additional restrictions. The Manager shall not for the account of an Index Fund:–

- (1) invest in shares or contracts which are not quoted, listed or dealt in on a Market unless the Manager reasonably believes (either generally or in any particular case) that (i) it is possible to make an investment more advantageously in some other manner and (ii) it is not possible to effect such investment on a Market;

- (2) 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 trust (REITs) that are listed on a stock exchange);
- (3) make short sales unless (i) the Index Fund's liability to deliver Securities does not exceed 10% of its latest available Net Asset Value; and (ii) the Security which is to be sold short is actively traded on a market where short selling activity is permitted;
- (4) grant or create in favour of any person any option and for the avoidance of doubt, write uncovered options;
- (5) effect or enter into any underwriting or sub-underwriting contracts in relation to the subscription or purchase of Securities (other than the initial issue of Units);
- (6) invest in any Security or other property which involves the assumption of any liability by the Trustee which is unlimited;
- (7) lend any monies comprising part of the Trust Fund to any person (but which shall not prohibit the holding or investment of uninvested cash in any of the ways or instruments permitted under the Trust Deed);
- (8) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person;
- (9) invest in any Security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued Securities of that class; or
- (10) invest in any Security where a call is to be made, unless the call could be met in full out of cash or near cash from the Index Fund.

#### *1.2 Relief from certain investment restrictions available to Index Funds authorised by the SFC*

The investment restrictions set out above apply to each of the Index Funds, subject to the following:–

- (a) A collective investment scheme authorised by the SFC under the Code is usually restricted from making investments which would result in the value of that collective investment scheme's holdings of the Securities of any single issuer exceeding 10% of the collective investment scheme's total net asset value. Given the investment objective of each of the Index Funds and nature of the Underlying Indices, each of the Index Funds is allowed under the Code to hold investments in Securities of any single issuer exceeding 10% of the Index Fund's latest available Net Asset Value. Further, the Manager may deviate away from the index weighting (in pursuing a representative sampling investment strategy) on condition that the maximum deviation from the index weighting of any constituent will not exceed 3%. Under the ETF Guidelines, the Manager shall report to the SFC on a timely basis if there is any non-compliance with this limit. The annual and semi-annual reports of the Index 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.
- (b) By adopting a representative sampling investment strategy the Manager may invest in Securities outside the Underlying Index. The Manager may do so for reasons including liquidity and cost. The Manager will only invest in Securities which are not included in the Underlying Index provided the sample closely reflects the overall characteristics of the Underlying Index.
- (c) A collective investment scheme is usually restricted from making investments which would result in that collective investment scheme holding units or shares in another scheme in excess of 10% of the first stated collective investment scheme's total net asset value.



## 2. Stock Lending

The iShares Core Hang Seng Index ETF currently does not intend to engage in any securities lending activities or repurchase transactions or other similar over the counter transactions. One month's prior notice will be given to Unitholders in the event the Manager intends to engage in such activities.

## 3. Borrowing Policy

Borrowing against the assets of the iShares Core Hang Seng Index ETF is allowed up to a maximum of 10% of its latest available Net Asset Value. The Trustee may at the request of the Manager borrow for the account of the iShares Core Hang Seng Index ETF any currency, and charge or pledge assets of the iShares Core Hang Seng Index ETF, for the following purposes:–

- facilitating the creation or redemption of Units or defraying operating expenses;
- enabling the Manager to acquire Securities for the account of the iShares Core Hang Seng Index ETF; or
- for any other proper purpose as may be agreed by the Manager and the Trustee.

## **PART B – ADDITIONAL INVESTMENT AND BORROWING RESTRICTIONS APPLICABLE TO THE ISHARES CORE HANG SENG INDEX ETF**

In addition to the restrictions and limitations set out in Part A of this Schedule 1, the following restrictions also apply to the iShares Core Hang Seng Index ETF. For the avoidance of doubt, the relief set out in paragraph 1.2 in Part A of Schedule 1 do not apply to the additional restrictions and limitations in this Part B of Schedule 1. In the event of inconsistency between the restrictions and limitations set out in Part A and Part B, the stricter of the restrictions or limitations shall prevail.

### *Exposure to the same issuer*

The iShares Core Hang Seng Index ETF may not invest in any one issuer in excess of the limits set out below:

1. Not more than 20% of the iShares Core Hang Seng Index ETF's latest available Net Asset Value may be invested in transferable securities issued by the same body.
2. The limit laid down in sub-paragraph 1 above is raised to 35% where that proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with European Union Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the investment limits mentioned in sub-paragraphs 1 to 2 above.

### *Short selling and exposure to unlimited liability*

The iShares Core Hang Seng Index ETF must not engage in physical short selling and/or acquire exposure to unlimited liability.

### *Real estate, commodities and precious metals*

The iShares Core Hang Seng Index ETF shall not directly or indirectly (e.g. through derivatives) invest in real estate, commodities and/or precious metals or hold certificates representing precious metals.

*Borrowing*

The iShares Core Hang Seng Index ETF may only borrow on a temporary basis and must not borrow on a permanent and/or rolling/recurrent basis.

*Loans*

The iShares Core Hang Seng Index ETF must not grant loans to third parties.

*Investments in unlisted securities*

The iShares Core Hang Seng Index ETF may not invest more than 10% of its latest available Net Asset Value in Securities which are not quoted, listed or dealt in on a market, including swaps.

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