

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

The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission take no responsibility for the contents of this 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. Each of the Lyxor ETFs has been authorised as a collective investment scheme by the Hong Kong Securities and Futures Commission. Authorisation does not imply official approval nor a recommendation.



LYXOR ETFs

(Collective investment schemes established in France and authorised under section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)

PROSPECTUS

LYXOR ETF JAPAN (TOPIX®) (Stock code: 2814)

LYXOR ETF MSCI TAIWAN (Stock code: 2837)

LYXOR ETF MSCI EMERGING MARKETS (Stock code: 2820)

LYXOR ETF FTSE RAFI US 1000 (Stock code: 2803)

LYXOR ETF FTSE RAFI EUROPE (Stock code: 2806)

LISTING AGENT

SOCIÉTÉ GÉNÉRALE, HONG KONG BRANCH

PRELIMINARY

Investors should note that an investment in any of the Lyxor ETFs is not the same as an investment in the constituent shares or constituent futures of the relevant Underlying Index of such Lyxor ETF. The Lyxor ETFs adopt a “synthetic replication” investment strategy, which is different from traditional strategies adopted to track indices, such as replication strategy or representative sampling strategy commonly used by ETFs currently listed on The Stock Exchange of Hong Kong Limited. Investors’ attention is drawn to the description of synthetic replication in the Sub-Section of this Prospectus entitled “Synthetic Replication” on page 4 and the particular risk factors in the Section of this Prospectus entitled “Risks” on page 9.

This Prospectus has been prepared in connection with the offer in Hong Kong of those US Dollar classes of units to be listed and traded on The Stock Exchange of Hong Kong Limited (the “Units”) in the Lyxor ETFs managed by the Manager, Lyxor International Asset Management.

The directors of the Manager accept full responsibility for the information contained in this Prospectus and for the accuracy and fairness of the opinions expressed, 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 and the Code on Unit Trusts and Mutual Funds (the “Code”) for the purposes of giving information with regard to the Units of the Lyxor ETFs and that, having made all reasonable enquiries, the directors confirm that, to the best of their knowledge and belief, 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 this 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 Lyxor ETFs have been 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 Lyxor ETFs or for the correctness of any statements made or opinions expressed in this Prospectus.

Applicants for Units should consult their financial 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 and as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable.

Application has been made to The Stock Exchange of Hong Kong Limited (the “SEHK”) for listing of, and permission to deal in, the Units in the Lyxor ETFs on the SEHK. Subject to compliance with the admission requirements of Hong Kong Securities Clearing Company Limited (“HKSCC”) and the granting of listing of, and permission to deal in, the Units on the SEHK, the Units will be accepted as eligible securities by HKSCC for deposit, clearing 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. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units of the Lyxor ETFs or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, this Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. 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 Lyxor ETFs (where existing) and, if later, their most recent semi-annual reports, which form a part of this Prospectus.

DIRECTORY

Manager

Lyxor International Asset Management

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Directors of the Manager

Alain Dubois
Laurent Seyer

Custodian and Registrar

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Hong Kong Representative and Market Maker

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Service Agent

HK Conversion Agency Services Limited

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Administrative Agent

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This Prospectus provides the information you need to make an informed decision about investing in any of the Lyxor ETFs. Part 1 of this Prospectus includes general information concerning the common features of each of the Lyxor ETFs, whereas Part 2 includes specific information relevant to each Lyxor ETF.

PART 1 – GENERAL INFORMATION RELATING TO ALL LYXOR ETFS

Overview

This Prospectus relates to the Lyxor ETFs, each of which is an ETF managed by the Manager and authorised by the SFC. Although each Lyxor ETF may issue separate classes of units, this Prospectus only relates to the US Dollar classes of units which are listed and traded on the SEHK. References in this Prospectus to “Units” are therefore only to those units denominated in US Dollars which are listed and traded on the SEHK, but not to the other class of units denominated in Euro (or, if relevant, any other currency(ies)), nor to the same US Dollar classes of units which are listed on exchange(s) other than the SEHK. Investors should note that although the base currency of each Lyxor ETF is Euro and the Units are denominated in US Dollars, the Units are quoted and traded on the SEHK in HK Dollars. The Units are admitted to trading on the SEHK only and not on the Euronext or any other exchange.

Each of the Lyxor ETFs is constituted as a *fonds commun de placement* (“FCP”) under French law and is approved by the AMF. FCPs are a form of contractual mutual fund. Investors should note that because the Lyxor ETFs are FCPs, the Units do not include voting rights as decisions are taken by the Manager. In other words, Holders have no voting rights and there is no provision in the By Laws for meetings of Holders. Please refer to the Section of this Prospectus entitled “Waivers granted by the SFC” on page 8 for further details.

Manager

The manager of the Lyxor ETFs is Lyxor International Asset Management, a wholly-owned subsidiary of Société Générale.

The Manager is a French management company registered (since 12 June 1998) and regulated by the AMF in France. The Manager has been managing funds for 8 years. Investors in funds managed by the Manager are primarily located in France, but also in Germany, in Italy, in Austria and in the Scandinavian countries. As of 31 December 2007, the Manager had approximately US\$106.8 billion of assets under management.

The Manager will remain as the manager of the Lyxor ETFs for so long as the Manager continues to be duly licensed to carry out its activities under the applicable law. The AMF may, nonetheless, at any time require a change of manager in respect of any Lyxor ETF if it deems appropriate.

Investors should note that the By Laws do not provide for the circumstances under which the Manager can be removed and the By Laws do not confer power on the Holders to remove the Manager by Holders’ meeting. However (i) any removal of the Manager (if the new manager does not belong to the same group of companies of the Manager) will require the AMF’s prior approval; and (ii) Holders are allowed to redeem their Units with redemption fee (if any) waived within 3 months of the notice of removal of the Manager being given. Any change in the manager which belongs to the same group of companies of the Manager would still require the AMF’s approval. In this situation, the AMF would just exempt the relevant Lyxor ETF(s) from (a) informing each Holder individually of the change and (b) the requirement regarding waiver of the redemption fees. The directors of the Manager will also immediately inform the SFC upon any removal of the Manager. A new manager will be appointed as soon as possible following any such removal, subject to the approval of the AMF and the SFC.

In the event the Manager ceases to be licensed by the AMF, or if the Manager is merged with another entity, the AMF will approve the change of the Lyxor ETFs' manager to ensure that Holders' interests are not prejudiced.

The Manager, its directors and their associates are not entitled to receive any part of any brokerage charged to the Lyxor ETFs or any part of any fees, allowances, benefits received on purchases charged to the Lyxor ETFs, other than as disclosed in this Prospectus.

Directors of the Manager

The directors of the Manager are:

- **Alain DUBOIS – Chairman of the Managing board**

Alain Dubois joined Lyxor International Asset Management in 2000 as member of the Managing Board and Head of Business Development before being appointed as Chairman of the Managing Board in October 2003. He was previously a director of Structured Finance at Lazard Frères et Cie between 1992 and 1996 and then Senior Structurer at Commerzbank from 1997 to 2000. Alain is a graduate from École Polytechnique, ENSAE and Ecole Nationale d'Administration (ENA) and holds a Master in Business Law from University of Paris.

Alain Dubois currently holds no other directorships.

- **Laurent SEYER – Chief Executive Officer**

Laurent Seyer is a graduate of the Institut d'Etudes Politiques in Paris. He joined Société Générale in 1988 as an inspector. Laurent then joined the M&A team, first as coordinator for several of Société Générale's acquisition projects and then as Corporate Finance Director for Financial Institution clients, in London. In 1999, he was asked to join the equity derivatives department at Société Générale Corporate & Investment Banking in order to develop the structured products (for life insurance) business, setting up Inora Life Limited, a Dublin-incorporated pan-European insurance company focusing on unit-linked policies. In 2003, he assumed responsibility for the equity derivatives sales and marketing team for Switzerland, in charge of marketing hedge fund, investment fund and equity and index-linked structured products to institutional clients.

Laurent Seyer currently holds no other directorships.

Other Parties

Listing Agent, Transfer Agent and Custodian

Société Générale, Hong Kong Branch has been appointed by the Manager as the listing agent and the Transfer Agent for the Lyxor ETFs in Hong Kong in accordance with The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Société Générale also acts as the Lyxor ETFs' custodian. As at 31 December 2007, Société Générale has a share capital of Euro 583,270,841.25.

The Transfer Agent will perform unit creation and redemption confirmation and daily reconciliation for each Lyxor ETF pursuant to the relevant Service Agreement.

Following the listing of the Units on the SEHK, all Units will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the date of commencement of dealings in the Units on the SEHK or such other date as may be determined by HKSCC, and will thereafter be registered in the name of HKSCC Nominees Limited by the Transfer Agent. Any beneficial interest in the Units of the Lyxor ETFs will be shown on the relevant account with a Participating Dealer or by or through any participant in CCASS.

Société Générale's appointment as the custodian of the Lyxor ETFs will continue until such time when the Manager (subject to approval of the AMF and the SFC) removes the Custodian as the custodian of the Lyxor ETFs. The Custodian may not retire except upon the appointment of a new custodian and subject to the prior approval of the AMF (if the new custodian does not belong to the same group of companies of the Custodian) and the SFC. The retirement of the Custodian will take effect at the same time as the new custodian takes up office.

Prior notice shall be given to Holders and, if the new custodian does not belong to the same group of companies of the Custodian, Holders shall be given opportunities to redeem their Units in the Lyxor ETFs with the redemption fee (if any) waived within 3 months of the notice of removal of the Custodian being given. Any change in the custodian which belongs to the same group of companies of the Custodian would still require the AMF's approval. In this situation, the AMF would just exempt the relevant Lyxor ETF(s) from (a) informing each Holder individually of the change and (b) the requirement regarding waiver of the redemption fees.

Although there is currently no deposit of cash made by any Lyxor ETF, cash forming part of the assets of any Lyxor ETF may from time to time be deposited with the Custodian, which is a Connected Person of the Manager. If any such deposit of cash occurs in respect of any Lyxor ETF, interest must be received by the Custodian, which will receive and hold such interest for and on behalf of, and may eventually, if the Manager so decides as described to in the Sub-section of this Prospectus entitled "Distributions" under the Section of this Prospectus entitled "Other Material Information" on page 23, pay such interest to, Holders of the relevant Lyxor ETF, on the deposit at a rate not lower than the prevailing commercial rate for a deposit of that size and term.

Hong Kong Representative

SG Securities (HK) Limited has been appointed by the Manager as the Hong Kong Representative for the Lyxor ETFs in Hong Kong in accordance with the Code.

Participating Dealer

The role of the Participating Dealer is to create and redeem Units in the Lyxor ETFs from time to time. In its absolute discretion, the Participating Dealer may also create Units on behalf of its clients from time to time.

SG Securities (HK) Limited is the Lyxor ETFs' first Participating Dealer. Other Participating Dealer(s) may be appointed.

The criteria for the eligibility and selection of any such additional Participating Dealer(s) by the Manager is as follows: (i) the Participating Dealer must be licensed for at least Type 1 regulated activity pursuant to the SFO with a business presence in Hong Kong; (ii) the Participating Dealer must be a CCASS participant; and (iii) the Participating Dealer must be acceptable to the Custodian.

In the event that additional Participating Dealer(s) is/are appointed, the Manager will notify Holders on its website and this Prospectus will be revised as appropriate.

Service Agent

HK Conversion Agency Services Limited is the Service Agent of the Lyxor ETFs under the terms of the Service Agreements for the Lyxor ETFs each entered into among the Manager, the Custodian, the Registrar, the Transfer Agent, HKSCC, the Service Agent and the Participating Dealer. The Service Agent will perform, in respect of each Lyxor ETF, certain services in connection with the creation and redemption of Units by Participating Dealer(s).

Auditors

The auditors of the Lyxor ETFs are PricewaterhouseCoopers, France.

Administrative Agent

EURO NET ASSET VALUE (“EURO-NAV”) has been appointed as administrative agent to assist in the accounting management, including the calculation of the NAV, of the Lyxor ETFs. EURO-NAV is an institution established in France on 1 October 2002. As at December 2006, EURO-NAV has a share capital of €40,000. EURO-NAV provides specialized back-office services for investment funds and institutional portfolios. EURO-NAV is able to provide back-office services outside France. EURO-NAV is a wholly owned subsidiary of the Société Générale group. EURO-NAV will remain as administrative agent of the Lyxor ETFs until such time when the Manager removes EURO-NAV as administrative agent of the Lyxor ETFs.

Market Maker

A Market Maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK. A Market Maker’s obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for Units on the SEHK. Market Makers accordingly facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK. Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one Market Maker for each Lyxor ETF to facilitate efficient trading. Currently, SG Securities (HK) Limited acts as the Market Maker to the Lyxor ETFs.

The list of Market Maker(s) in respect of each Lyxor ETF from time to time will be displayed on www.hkex.com.hk.

Term

Each Lyxor ETF is an open-ended collective investment scheme with a term of 99 years.

Investment Objectives

Each Lyxor ETF’s investment objective is to provide investment results that closely correspond to the performance of the relevant Underlying Index while insofar as possible minimizing the tracking error between the relevant Lyxor ETF’s performance and that of the relevant Underlying Index.

Each Lyxor ETF generally aims to achieve a tracking error, calculated over a period of 52 weeks, of less than 1%. Should the tracking error be higher than 1%, however, the relevant Lyxor ETF still aims to achieve a rate of tracking error that is less than 5% of the volatility of relevant Underlying Index.

There can be no assurance that each Lyxor ETF will achieve its investment objective.

Investment Strategy

Synthetic Replication

In order to provide the greatest possible correlation between a Lyxor ETF’s performance with the performance of the relevant Underlying Index, each Lyxor ETF will adopt a “synthetic replication” investment strategy, pursuant to which a Lyxor ETF may purchase Investments comprising:

- a basket of international shares from all economic sectors and listed on one or more exchange(s). The shares held by a Lyxor ETF may or may not comprise the Index Securities that make up the relevant Underlying Index, and will generally comprise Non-Index Securities, but will not, in any event and notwithstanding the foregoing, comprise any Hong Kong Stock; and

- subject to a limit of 10% of the relevant Lyxor ETF's assets (as further described in the Section of this Prospectus entitled "Investment restrictions"), financial derivative instruments negotiated over-the-counter. In particular, each Lyxor ETF has entered into an equity-linked swap agreement selected by the Manager at the launch of the relevant Lyxor ETF. The swap agreement essentially exchanges the performance of the relevant Underlying Index with that of the Investments (other than the swap agreement held by the relevant Lyxor ETF) such that the counterparty or the relevant Lyxor ETF will be required to provide the other with the difference (if any) between (a) the performance of the relevant Underlying Index (with cumulated net dividend) and (b) the performance of the Investments held by the relevant Lyxor ETF (other than the relevant swap agreement).

Investors should note that, unlike traditional ETFs (which either invest in substantially all the shares or futures constituting an underlying index of the ETF in substantially the same weightings (i.e. proportions) as these stocks or futures have in the underlying index, or hold a representative sample of the securities or futures constituting its underlying index), the Lyxor ETFs will generally hold Non-Index Securities. To the extent Index Securities are held by any Lyxor ETF, these are unlikely to be of the same weightings as in the relevant Underlying Index. Accordingly, when pursuing a synthetic replication strategy, the Investments held by a Lyxor ETF (other than the relevant swap agreement) may not have any correlation to the relevant Index Securities or the relevant Index Futures (as the case may be). In order to achieve its investment objective, each Lyxor ETF therefore relies on the relevant swap agreement to replicate the performance of the relevant Underlying Index. Accordingly, Holders will still receive a return which corresponds to the performance of the relevant Underlying Index, regardless of the composition of the Investments held by the relevant Lyxor ETF.

Criteria for selection of Investments

The shares selected to be held as assets of a Lyxor ETF are chosen to optimise costs.

The shares are agreed by the Manager with the swap counterparty prior to the launch of the relevant Lyxor ETF. The shares are mainly listed shares of blue chip companies, but will not be Hong Kong Stocks. The primary criteria used by the Manager to select shares is high liquidity and absence of extra cost including, but not limited to, stamp duties, clearing costs and costs of foreign exchange hedging. The high liquidity of the selected shares will have the effect and benefit of minimising the repurchase costs of the selected shares for the swap counterparty in connection with the borrowing of such selected shares.

No person may be allowed to enter on behalf of any Lyxor ETF into underwriting or sub-underwriting contracts.

Advantages of synthetic replication

The Manager believes that synthetic replication offers advantages over traditional ETF investment strategies, such as full replication or representative sampling. The main advantages of synthetic replication may be summarised as follows:

- transaction costs are minimised since changes in the composition of the Investments held by the Lyxor ETFs do not occur often;
- tracking error is reduced because tracking of performance of the relevant Underlying Index of a Lyxor ETF is achieved by the use of an equity linked swap agreement; and
- the risk of mis-replication is transferred from the Lyxor ETFs to the swap counterparty.

Nonetheless, investment in the Lyxor ETFs also encompasses risks. Investors' attention is drawn to the particular risk factors in the Sub-Section of this Prospectus entitled "Specific" under the Section of this Prospectus entitled "Risks" on page 9.

Swap Agreements

Each of the swap agreements will exchange the performance of the relevant Underlying Index including dividends net of tax with that of the Investments (other than the swap agreement held by the relevant Lyxor ETF).

The composition of the basket of international shares which will be held as assets by a Lyxor ETF is agreed by the Manager with the swap counterparty prior to the launch of the relevant Lyxor ETF. The criteria of selection of such shares are summarised in the Sub-Section of this Prospectus entitled "Criteria for selection of Investments".

Each of the swap agreements also sets out the limited circumstances under which a Lyxor ETF's portfolio can be changed. The duration of the swap agreements will generally be shorter than the life of each ETF (which each has an initial duration of 99 years). Where the swap agreement for an ETF expires, a new swap agreement will be entered between the Manager and the then or another swap counterparty.

Investment Restrictions

Each Lyxor ETF is required to comply with the investment rules under the European directive n° 85/611/EEC dated 20 December 1985 (modified by directives 2001/107/EC and 2001/108/EC). Save and except as provided otherwise in the relevant Section(s) of Part 2 of this Prospectus, the Lyxor ETFs have the benefit of the exceptions accorded to index-based UCITS under the applicable laws in that an index-based UCITS is entitled to use up to 20% of its assets to acquire shares of a single issuing entity, and this 20% limit can be increased to 35% for one of such single issuing entities which the index-based UCITS invests in. Each Lyxor ETF, nonetheless, currently intends only to invest in accordance with the standard investment restrictions of 10% in a single issuing entity. None of the Lyxor ETFs currently intends to invest in options, warrants, commodities, futures contracts, unlisted securities and precious metals.

Each Lyxor ETF may invest up to 10% of its net assets in an equity-linked swap negotiated over-the-counter. In connection therewith, the Manager will take the necessary measures to ensure that the mark-to-market value of the relevant swap agreement does not exceed 10% of the relevant Lyxor ETF's NAV.

The Manager is also entitled to use other instruments such as forward financial instruments other than equity-linked swaps, within the limits of the applicable laws and regulations, in order to meet the investment objective of the Lyxor ETFs.

Up to a maximum of 20% of the deposited property of a Lyxor ETF may be placed as deposits with lending institutions in order to optimize its cash management, and the Manager may exercise the power of a Lyxor ETF to borrow in order to optimize the management of its available funds provided that aggregate borrowings should not exceed 10% of the assets of the relevant Lyxor ETF. However, the Manager currently does not intend to engage in any borrowings, although the relevant Lyxor ETF's borrowing powers may (if so require) be exercised to meet redemptions or for payment of dividends.

Notwithstanding the foregoing, it is the intention of the Manager to operate the Lyxor ETFs in accordance with the investment principles of Chapter 7 of the Code. Accordingly, for so long as any Lyxor ETF is authorised by the SFC, the Manager will ensure that the relevant Lyxor ETF complies with the following investment restrictions:

- a Lyxor ETF may not hold more than 10% of any one class of security issued by any single issuer, unless otherwise agreed by the SFC;
- no more than 10% of the latest available NAV of a Lyxor ETF may be invested in securities issued by any single issuer;

- no more than 15% of the latest available NAV of a Lyxor ETF may be invested in securities which are not quoted, listed or dealt in on a market;
- no more than 30% of the latest available NAV of a Lyxor ETF may be invested in government and other public securities of the same issue (save that any Lyxor ETF may invest all of its assets in government and other public securities in at least six different issues);
- no Lyxor ETF may hold options and warrants valued at more than 15% of its latest available NAV, except that this 15% limit will not apply to options and warrants acquired for hedging purposes;
- no more than 20% of the latest available NAV of a Lyxor ETF may be invested in (i) commodities including physical commodities, forward and futures contracts in respect of commodities, options on commodities, options on futures contracts in respect of 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 (but without prejudice to the Manager's right to take positions in futures contracts in order to protect the assets of the Lyxor ETF against adverse and unusual currency or market fluctuations);
- no more than 10% of the latest available NAV of a Lyxor ETF may be invested in units of shares in other collective investment schemes;
- the writing of call options on portfolio investments may not exceed 25% of a Lyxor ETF's total NAV in terms of exercise price.

In addition, each Lyxor ETF is subject to the following additional restrictions. The Manager shall not for the account of a Lyxor ETF:-

- invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs) that are listed on a stock exchange);
- make short sales unless (i) the Lyxor ETF's liability to deliver securities does not exceed 10% of its latest available NAV; and (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted;
- grant or create in favour of any person any option and for the avoidance of doubt, write uncovered options;
- 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);
- invest in any investment or other property which involves the assumption of any liability which is unlimited;
- lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Custodian;
- 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% of the total nominal amount of all the issued securities of that class, or, collectively the directors and officers of the Manager own more than 5% of those securities; and
- invest in security where a call is to be made for any sum unpaid on that security unless that call could be met in full out of cash or near cash by the Lyxor ETF's portfolio, the amount of which has not already been taken into account for the purposes of the eighth bullet point of the fifth paragraph of this Section.

In addition, no Lyxor ETF will hold any Hong Kong Stock.

Borrowing Policy

Borrowing against the assets of any Lyxor ETF is allowed up to a maximum of 10% of its latest available NAV except that back-to-back loans will not be taken into account when determining whether or not such limit has been breached by any Lyxor ETF. The Custodian/the Manager may borrow for the account of any Lyxor ETF any currency 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 any Lyxor ETF;
- for any other proper purpose as may be agreed by the Manager and the Custodian.

The assets of a Lyxor ETF may be charged or pledged to secure such borrowing for the account of that Lyxor ETF.

The Manager may, subject to the Code, from time to time formulate such other investment and borrowing limitations and prohibitions as it may, in its sole discretion, think fit, to apply to a Lyxor ETF. Such limitations and prohibitions may be set out in the Section relating to the relevant Lyxor ETF in Part 2 of this Prospectus.

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

The Manager will give Holders prior written notification and update this Prospectus if it intends to change the relevant investment objective, policy and/or restrictions applicable to the relevant Lyxor ETF. Any change of investment objective of the relevant Lyxor ETF would need the AMF's approval where:-

- (a) it involves a change in the management methodology; or
- (b) it involves a change in the risk / return profile; or
- (c) it involves a change in the guarantee given to the relevant Lyxor ETF, if any, and, in such case, only a change favourable to the Holders will be acceptable to the AMF, in which case no waiver of redemption fees will apply.

In any case of a change in the investment objective of the relevant Lyxor ETF, it is necessary to inform the Holders of such change, and the AMF may require that a waiver of the redemption fees be allowed to the Holders. Any change of the Underlying Index of the relevant Lyxor ETF will require the AMF's approval if such change would result in a new risk factor or a change in the management methodology, the necessity of such approval *vis-a-vis* such change will be determined by the AMF at its absolute discretion.

Waivers granted by the SFC

Due to the special nature of FCPs, the following waivers from the Code have been granted by the SFC with respect to each Lyxor ETF:

- A collective investment scheme authorised by the SFC under the Code (a "CIS") is usually required to hold (and its constitutive documents should provide for) general meeting of holders. Furthermore, the constitutive documents of a CIS may only be altered by the manager and the custodian without consulting holders under limited circumstances. Each of the Lyxor ETFs is in the form of a FCP established in France. Given the legal nature of a FCP under French law, no Holders' meeting of any Lyxor ETF will be convened and there is no provision in the By Laws for meetings of Holders. Therefore the Manager has applied for, and has been granted, on behalf of each Lyxor ETF, a waiver from Rule 6.7 (which requires any change to a CIS documentation be approved by a special or extraordinary resolution of holders unless such change falls within any of the exceptions set out in Rule 6.7), Rule

6.15 (which requires holders' meetings be held and be conducted in accordance with the provisions set out in Rule 6.15) and Appendix D11 of the Code (which requires the constitutive document of a CIS to provide for the manner in which meetings are conducted in accordance with Rule 6.15). Investors' attention is drawn to "Risks relating to the governing laws and regulations in respect of the Lyxor ETFs" in the Section in this Prospectus entitled "Risks".

- Rule 5.11 of the Code requires that the manager of a CIS must be subject to removal by notice in writing from the directors of a fund if (a) the manager goes into liquidation, becomes bankrupt or has a receiver appointed over its assets; or (b) for good and sufficient reason, the directors of fund state in writing that a change in manager is desirable in the interests of the holders. Appendix D6(b) of the Code requires this requirement be included in the constitutive document of a CIS. As explained above, each of the Lyxor ETFs is a contractual entity, which does not have any legal personality. FCPs do not enter into management agreements and therefore no management agreement exists. Each Lyxor ETF's By Laws are silent on the retirement or removal of the Manager because a FCP cannot be "self managed". In other words, the By Laws of the Lyxor ETFs cannot provide for the circumstances under which the Manager can be removed, and therefore the Manager has applied for, and has been granted, on behalf of each Lyxor ETF, a waiver from Rule 5.11 and Appendix D6(b). Investors should refer to the Section of this Prospectus entitled "Manager" for the AMF regime regarding removal of the manager.

Fees and Charges

Please refer to the relevant Section of Part 2 of this Prospectus with regard to the fees and charges payable by an investor or payable by a particular Lyxor ETF.

The following fees and charges will be borne by the relevant Lyxor ETF, if any item(s) of such fees and charges is/are, at any time, payable:-

- (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses in respect of transactions undertaken by the Manager for and on behalf of the relevant Lyxor ETF; and
- (b) the expenses of or incidental to the preparation of amendments to the By Laws of the relevant Lyxor ETF.

No advertising or promotional expenses will be charged to any Lyxor ETF.

No increase in fee may be imposed on, and no additional fees may be charged to, Holders without the AMF's approval, if such increase in fee or charging of additional fees has an impact on existing Holders. A one month's notice must be given to all Holders of the relevant Lyxor ETF of any such increase in fee or charging of additional fees, and the AMF would generally require that Holders shall be given opportunities to redeem their Units with redemption fee (if any) waived within 3 months of the notice of any such increase in fee or charging of additional fees being given.

Risks

General

The **general risks** of investing in a Lyxor ETF are as follows:

- while the Manager believes that each Lyxor ETF offers income revenue and potential for capital appreciation, no assurance can be given that these objectives will be achieved. Prospective investors should read this Prospectus and discuss all risks with their financial and legal advisers before making an investment decision;

- prospective investors should be aware that the prices of Units can go down as well as up. Investors may not receive back their original investments. Investments in a Lyxor ETF are not suitable for short term speculation;
- prospective investors should be aware that the prices of Units may go down as well as up in response to changes in interest rates, foreign exchange, economic and political conditions and the financial condition of issuers of Index Securities and Index Futures; and
- dealings in the Units and the calculation of the NAV thereof may be suspended or deferred in certain circumstances. Please refer to the Section of this Prospectus entitled “Suspension of Dealings and Valuation” for further details in this regard.

Specific

The **specific risks** of investing in a Lyxor ETF are as follows:

Market risk: Each Lyxor ETF’s NAV and trading prices will react to securities or futures markets movements. Investors may lose money over short periods due to fluctuations in the relevant Lyxor ETF’s NAV and trading price in response to market movements, and over longer periods during market downturns.

Counterparty risk and settlement risk: Counterparty risk is the risk that the party trading with a Lyxor ETF will be unable to meet its obligation to make payments or to settle a trade by the counterparty. Each Lyxor ETF will be exposed to counterparty risk resulting from the equity linked swap agreement or use of forward financial instruments obtained through a lending institution in that the counterparty may be unable to honour its commitments albeit such risk is limited by the counterparty to 10% of a Lyxor ETF’s net assets at all times. However, the ability of a Lyxor ETF to track the relevant Underlying Index effectively depends on the swap agreement. A Lyxor ETF also bears the risk that the settlement fails for whatever reason.

Foreign exchange risk: Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. A Lyxor ETF will have exposure to fluctuations in currency exchange rates, e.g. between US Dollar and the currency upon which the relevant Underlying Index (and the Index Securities or the Index Futures (as the case may be) of the relevant Underlying Index) is denominated (if not denominated in US Dollar) as the performance of the relevant Underlying Index is denominated in a currency which is different from the denomination of the Units, which is US Dollars. Accordingly such fluctuations may affect the value of Units which are redeemed. As each Lyxor ETF primarily intends to provide investment results that track that of the relevant Underlying Index, each Lyxor ETF does not have a hedging policy and does not intend to enter into any foreign exchange contract in this respect.

Tracking error risk: Changes in the NAV of a Lyxor ETF are unlikely to replicate exactly changes in the relevant Underlying Index. Factors such as fees and expenses of a Lyxor ETF, liquidity of the market, imperfect correlation of returns between a Lyxor ETF’s securities and the securities or futures (as the case may be) in the relevant Underlying Index, changes to the relevant Underlying Index and regulatory policies may affect the Manager’s ability to achieve close correlation with the relevant Underlying Index. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index. Imperfect correlation between the returns of portfolio securities or futures and the relevant Underlying Index may occur where a swap agreement is terminated early to the extent that the Lyxor ETF invests in securities that are Non-Index Securities or invests in those Index Securities with different weightings from that of the relevant Underlying Index. Should the counterparty of the swap agreement of a Lyxor ETF default, the NAV of the relevant Lyxor ETF will not correspond to the relevant Underlying Index, as a Lyxor ETF’s Investments may not consist of the Index Securities or the Index Futures (as the case may be) of the relevant Underlying Index. In such circumstances, a Lyxor ETF’s returns may therefore deviate from those of the relevant Underlying Index. In addition, a fall in the relevant Underlying Index may result in a corresponding fall in the NAV of a Lyxor ETF.

Risk linked to the Underlying Index: Each Lyxor ETF is exposed to the fluctuation of performance of the Index Securities or Index Futures (as the case may be) comprised within the relevant Underlying Index through the relevant equity linked swap agreement. In the event a swap agreement is terminated, the relevant Lyxor ETF may not be able to fully track the performance of the relevant Underlying Index due to circumstances such as temporary unavailability of certain Index Securities or Index Futures or occurrence of exceptional circumstances that result in distortions in the weightings of the Underlying Index. Any re-weighting of the relevant Underlying Index can also result in miscellaneous transaction or friction costs.

Risk of absence of active market: There can be no assurance that an active trading market in respect of the Units will be developed or be maintained. There is no certain basis for predicting the actual price levels at, or sizes in, which Units may trade. Further, there can be no assurance that investors in the Units of a Lyxor ETF will experience trading or pricing patterns similar to those of market-traded shares which are issued by investment companies in other jurisdictions or which are based upon indices other than the relevant Underlying Index.

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

Units may be delisted from the SEHK: The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that the Lyxor ETFs will continue to meet the requirements necessary to maintain the listing of Units on the SEHK or that the SEHK will not change the listing requirements. If the Units of a Lyxor ETF are delisted from the SEHK, Holders of such Units will have the option to redeem such Units as may then be held by them by reference to the then NAV of the relevant Lyxor ETF. Where the Lyxor ETF remains authorised by the SFC, such procedures required by the Code will be observed by the Manager.

Units may trade at prices other than NAV: The NAV of a Lyxor ETF represents the fair price for buying or selling Units. As with any listed fund, the market price of Units may sometimes trade above or below this NAV. There is a risk, therefore, that Holders may not be able to buy or sell at a price close to this NAV. The deviation from NAV is dependent on a number of factors, but will be accentuated when there is a large imbalance between market supply and demand for Index Securities or the Index Futures (as the case may be). The "bid/ask" spread (being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers) is another source of deviation from NAV. The bid/ask spread can widen during periods of market volatility or market uncertainty, thereby increasing the deviation from NAV.

Lack of discretion of the Manager to adapt to market changes: Unlike many conventional funds but like most traditional ETFs, the Lyxor ETFs are not "actively managed". Accordingly, the Manager will not adjust the composition of a Lyxor ETF's portfolio except in order to seek to closely correspond to the duration and total return of the relevant Underlying Index. The Lyxor ETFs do not try to "beat" the market it tracks and do not seek temporary defensive positions when markets decline or is judged to be overvalued. Accordingly, a fall in the relevant Underlying Index may result in a corresponding fall in the NAV of the relevant Lyxor ETF.

Suspension of subscriptions and redemptions: Dealings of Units on the SEHK may not necessarily be suspended in the event that the issuance and redemption of Units is temporarily suspended by the Manager. If the issuance and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of the Lyxor ETF's underlying assets.

Risk of swap agreements: The risk of loss with respect to the relevant equity swap agreement generally is limited to the net amount of payments a Lyxor ETF is contractually obligated to make. Swap agreements are also subject to the risk that the swap counterparty will default on its obligations. If such a default were to occur, the Lyxor ETFs will have contractual remedies pursuant to the agreements related to the transaction.

However, such remedies may be subject to bankruptcy and insolvency laws which could affect a Lyxor ETF's rights as a creditor. For example, a Lyxor ETF may not receive the net amount of payments that it contractually is entitled to receive. Nevertheless this risk is limited as each Lyxor ETF is subject to counterparty ratio of 10% of its NAV on a single counterparty.

Concentration of Underlying Index in certain issuers: The relevant Underlying Index and the Investments of a Lyxor ETF (subject to the investment restrictions set out in the Section of this Prospectus entitled "Investment Restrictions") may be concentrated in securities or futures of a single or several issuers. Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular issuer, and changes in general economic or political conditions can affect the value of an issuer's securities or futures. Such issuer-specific changes may have an impact on the securities held by a Lyxor ETF.

Asset class risk: The returns generated from the securities in which a Lyxor ETF invests may not provide returns equivalent to that of other classes of securities or different asset classes. The securities in which a Lyxor ETF invests may be subject to cycles of underperformance relative to that of other classes of securities.

Licence to use the Underlying Index may be terminated: The Manager has been granted a licence by each of the Index Provider to use the relevant Underlying Index in order to create a Lyxor ETF based on the relevant Underlying Index and to use certain trade marks and any copyright in the relevant Underlying Index. A Lyxor ETF may not be able to fulfil its objective and may be terminated if the licence agreement between the Manager and the relevant Index Provider is terminated. A Lyxor ETF may also be terminated if the relevant 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 relevant Underlying Index.

Compilation of Underlying Index: The Index Securities or the Index Futures (as the case may be) are determined and composed by the Index Providers without regard to the performance of the Lyxor ETFs. Each Lyxor ETF is not sponsored, endorsed, sold or promoted by the relevant Index Provider. Each Index Provider makes no representation or warranty, express or implied, to investors in the relevant Lyxor ETF or other persons regarding the advisability of investing in securities or futures generally or in the relevant Lyxor ETF particularly. Each Index Provider has no obligation to take the needs of the Manager or investors in the relevant Lyxor ETF into consideration in determining, composing or calculating the relevant Underlying Index. There is no assurance that the Index Provider will compile the relevant Underlying Index accurately, or that the relevant Underlying Index will be determined, composed or calculated accurately, and consequently there can be no guarantees that its actions will not prejudice the interests of the relevant Lyxor ETF, the Manager or investors.

Composition of the Underlying Index may change: The composition of the Index Securities or the Index Futures (as the case may be) constituting the relevant Underlying Index will change as the Index Securities or the Index Futures may be delisted, or as the Index Securities or the Index Futures mature or are redeemed or as new securities or futures are included in the relevant Underlying Index. When this happens the weightings or composition of the securities or the futures owned by a Lyxor ETF would be changed as considered appropriate by the Manager in order to achieve the investment objective in the event a swap agreement is terminated early. Thus, an investment in Units will generally reflect the relevant Underlying Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units.

Liquidity risk: The price at which Investments may be purchased or sold by a Lyxor ETF upon any rebalancing activities or otherwise and the value of the Units will be adversely affected if trading markets for the Lyxor ETF's portfolio securities are limited or absent or if bid-offer spreads are wide.

Minimum subscription and redemption size: For subscriptions and redemptions in-kind, Units will only be issued and redeemed in In-Kind Unit and Redemption Unit aggregations respectively. Similarly, subscriptions and redemptions in cash may also subject to a minimum amount of Units subscribed or redeemed. Investors who do not hold Redemption Unit aggregations or minimum amount (if any) may only be able to realise the value of their Units by selling their Units on the SEHK at the prevailing trading price of the Units.

Reliance on Market Makers: Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market Maker for a Lyxor ETF. It is the Manager's intention that there will always be at least one Market Maker in respect of the Units. It is possible that there is only one SEHK Market Maker (SG Securities (HK) Limited) to the Lyxor ETFs and therefore it may not be practical for a Lyxor ETF to remove the only market maker to the Lyxor ETFs even if SG Securities (HK) Limited fails to discharge its duties as the sole market maker. However, the Manager believes that the risk that SG Securities (HK) Limited may fail to perform its duty as a market maker to the Lyxor ETF is low given that SG Securities (HK) Limited and the Manager, both subsidiaries of Société Générale, are affiliated companies and given that the reputation risk which both companies may suffer arising from such failure on the part of SG Securities (HK) Limited is significant.

Reliance on Participating Dealer(s): The issuance and redemption of Units may only be effected through Participating Dealer(s). A Participating Dealer may charge a fee for providing this service. Participating Dealer(s) will not be able to issue 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(ices) is/are not compiled or published. In addition, Participating Dealer(s) will not be able to issue or redeem Units if some other event occurs which impedes the calculation of the NAV of a Lyxor ETF or disposal of a Lyxor ETF's portfolio securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

Risks relating to the governing laws and regulations in respect of the Lyxor ETFs: Each Lyxor ETF is a collective investment scheme constituted as a *fonds commun de placement* in France and registered as UCITS Part III scheme. As such, each Lyxor ETF is subject to the applicable laws and regulations in France and the relevant UCITS Directives, and a set of By Laws established by the Manager and approved by the AMF. Such laws, regulations and rules may differ from the corresponding laws and regulations in Hong Kong. For instance, any change in the Manager and/or the Custodian (if the new manager does not belong to the same group of companies of the Manager and/or if the new custodian does not belong to the same group of companies of the Custodian) under the applicable French laws require only the approval of the AMF and prior notification to the Holders and/or the Custodian, and Holders are allowed to redeem their Units with redemption fee (if any) waived within 3 months of the notice of such change being given. Any change in the manager / custodian which belong(s) to the same group of companies of the Manager / Custodian respectively would still require the AMF's approval. In this situation, the AMF would just exempt the relevant Lyxor ETF(s) from (a) informing each Holder individually of the change and (b) the requirement regarding waiver of the redemption fees. Any change of investment objective of the relevant Lyxor ETF would need the AMF's approval where:-

- (a) it involves a change in the management methodology; or
- (b) it involves a change in the risk / return profile; or
- (c) it involves a change in the guarantee given to the relevant Lyxor ETF, if any, and, in such case, only a change favourable to the Holders will be acceptable to the AMF, in which case no waiver of redemption fees will apply.

In any case of a change in the investment objective of the relevant Lyxor ETF, it is necessary to inform the Holders of such change, and the AMF may require that a waiver of the redemption fees be allowed to the Holders. Any change of the Underlying Index of the relevant Lyxor ETF will require the AMF's approval if such change would result in a new risk factor or a change in the management methodology, the necessity of such

approval *vis-a-vis* such change will be determined by the AMF at its absolute discretion. Any change which requires prior information of the Holders would generally require a minimum of 3 days' notice, save and except for any increase of management fees, increase of transaction fee, increase of performance fees and removal of registrar where 1 month's notice would be required. There is currently no specific requirement under the governing laws, regulations or rules of any Lyxor ETF for the approval of the Holders in respect of the aforesaid changes. Accordingly, Holders have to rely on the AMF's judgement and discretion in approving such changes on the basis that the AMF will act in the best interests of Holders in making such judgement and discretion.

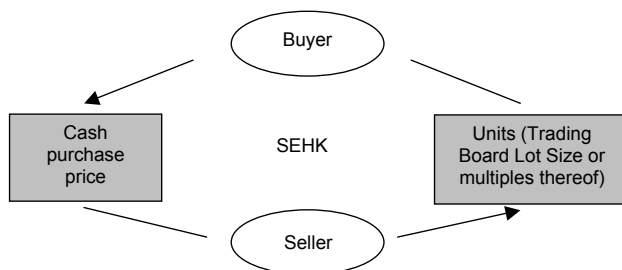
Right of the SFC to withdraw authorisation of a Lyxor ETF: Each Lyxor ETF seeks to provide investment results that closely correspond with the performance of the relevant Underlying Index. Each Lyxor ETF has been authorised as a collective investment scheme under the Code by the SFC pursuant to section 104 of the SFO. Any authorisation by the SFC of a Lyxor ETF does not imply official approval or endorsement of the relevant Underlying Index. The SFC reserves the right to withdraw the authorisation of any Lyxor ETF if the relevant Underlying Index is no longer considered acceptable to the SFC.

Subscription for Units

Subscription in cash or purchase of Units

Investors may acquire Units for cash in two ways:

- *Through a Participating Dealer:* Investors may subscribe for new Units using cash on any Valuation Day by completing a prescribed application form and sending it to the Participating Dealer. The payment of subscription monies must be made by an investor within 5 Business Days following the relevant Valuation Day on which his subscription application for Units was made. Applications for subscription of Units for cash must be made in whole numbers of Units with no decimals, and may subject to a minimum as stated in the relevant Section of Part 2 of this Prospectus, and must reach the Participating Dealer before the dealing deadline for the Valuation Day, which is 4 pm (Hong Kong time) on the relevant Valuation Day. If the request for subscription of Units using cash is received by the Participating Dealer after the dealing deadline, it shall be deemed to be received by the Participating Dealer before the dealing deadline for the next Valuation Day.
- *On the SEHK:* Investors may also purchase issued Units on the SEHK in the same way as any shares or units listed on the SEHK during normal trading hours on any Market Day through participating brokers at market prices. Such purchases will be transacted on a willing-buyer-willing-seller basis and will be subject to such applicable market fees or charges and conditions, including but not limited to any broker fees. The following diagram illustrates the process:



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

There is no minimum initial and subsequent subscription amount imposed by the Lyxor ETFs for Units purchased on the SEHK save that Units are quoted and traded on the SEHK in Trading Board Lot Size. Payment for Units may be made in such manner as stipulated by the Participating Dealer(s) or brokers (as applicable).

The Manager and the Participating Dealer have absolute discretion as to whether to accept or reject any application for Units. In the event that an application for Units is rejected by the Manager, the application monies shall be refunded (without interest) to the investor within a reasonable time in such manner as the Manager shall determine. No certificates in respect of Units will be issued by the Manager.

As all the Lyxor ETFs are existing funds, there is no initial offer period or initial issue price in respect of the Units. Units available for subscription through a Participating Dealer are issued at an issue price denominated in US Dollars and based on the NAV per Unit at the Valuation Point of the Valuation Day on which the relevant subscription request is received before the dealing deadline for such Valuation Day, which is 4 pm (Hong Kong time) on such Valuation Day. However, the calculation of the NAV per Unit will be carried out on the next Valuation Day, as the NAV per Unit at the Valuation Point of such Valuation Day will only be available near or after the close of business on such Valuation Day. The NAV is converted from Euro to US Dollars at the prevailing exchange rate disseminated by WM Reuters. In the case of Units bought or sold on the SEHK, the price per Unit is denominated in HK Dollars and is based on the market price throughout the trading day quoted on the SEHK.

The following is an illustration on the amount that an investor will have to pay based on an investment in 500,000 Units through a Participating Dealer and a notional issue price of US\$1.00 (the actual issue price of the Units will fluctuate according to the value of the Lyxor ETF's NAV):

| | | | | | | | | |
|---|--|---|--|--------------|--|---|--|-------------|
| 500,000 Units | | X | | US\$1.00 | | = | | US\$500,000 |
| Number of Units proposed to be subscribed | | | | Issue Price* | | | | Investment |

* *This illustration is based on the assumption that the Holder is not subject to subscription fees. Unless otherwise agreed by the Manager, a subscription through a Participating Dealer is subject to subscription fees as set out in the Section of this Prospectus entitled "Fees and Charges".*

Applications for subscription of Units through a Participating Dealer for cash will only be accepted and processed if the application monies in respect of that application have been received in full in cleared funds by or to the order of the Participating Dealer no later than the 5 Business Days from the date of submission of the relevant application (the "Settlement Date"). In the case of a subscription for Units on the SEHK, it is expected that the Units will be credited into the Stock Segregated Accounts of applicants for the Units within 2 Market Days after the closing date for applications for the Units.

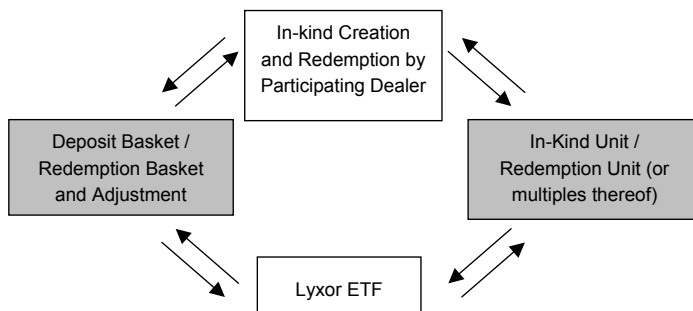
Subscriptions in-kind

Unless otherwise stated in the relevant Section of Part 2 of this Prospectus with regard to a particular Lyxor ETF, investors may make subscriptions in-kind for blocks of a specific number of Units (i.e. an "In-Kind Unit") or multiples thereof on any Valuation Day by application to a Participating Dealer at the issue price for that In-Kind Unit by contributing Index Securities comprising within the relevant Underlying Index in accordance with the procedures set out below.

Requests for subscription of Units in-kind must reach the Participating Dealer before the dealing deadline for the Valuation Day, which is 4 pm (Hong Kong time) on the relevant Valuation Day. If the request for subscription of Units in-kind is received by the Participating Dealer after the dealing deadline, it shall be deemed to be received by the Participating Dealer before the dealing deadline for the next Valuation Day. Please see below for further details.

For avoidance of doubt, application for in-kind subscription may only be made through a Participating Dealer and is not applicable for Units traded on the SEHK.

The following diagram illustrates the process:



The issue price for an In-kind Unit is ascertained as follow:

- using the NAV per Unit of the Units at the Valuation Point of the Valuation Day on which the applications to subscribe the In-Kind Unit is deemed to be received and accepted by the Manager; and
- by multiplying such NAV by the number of Units comprising an In-Kind Unit aggregation.

The Manager may add to such issue price such sum (if any) as the Manager may consider represents the appropriate provision for transaction fees (if any), which shall be for the account of the relevant Lyxor ETF. The issue price for the In-Kind Unit shall be calculated in US Dollars. The issue price for the In-Kind Unit shall be based on forward pricing which means that the issue price of the Units shall not be ascertainable at the time of request to issue the In-Kind Unit.

Investors who wish to create Units by subscribing for Units in-kind must request a Participating Dealer to do so on their behalf. Such investor will be required to complete a form as required by the Participating Dealer. In addition, the Participating Dealer may request the investor to make certain representations or enter into agreements with respect to the order, for example, to provide for payments of cash, when required. Investors should be aware that their particular broker or dealer may not have executed a Participation Agreement and that, therefore, orders to create Units would have to be placed by the investor's broker or dealer through a Participating Dealer that has entered into a Participation Agreement. In such cases there may be additional charges to such investor. At any given time, there may be only one Participating Dealer or a limited number of Participating Dealers.

Any subscription request received by a Participating Dealer before the dealing deadline of 4 pm (Hong Kong time) and accepted by the Manager pursuant to a written confirmation on each Valuation Day will be issued at that Valuation Day's issue price. Any subscription request received by a Participating Dealer after the dealing deadline or on a day which is not Valuation Day shall be deemed to be received by the relevant Participating Dealer before the dealing deadline for the next Valuation Day. The Participating Dealer shall forward any subscription request to the Manager on the date of receipt of such subscription request.

An investor who wish to create Units by subscribing for Units in-kind must deliver such number of Index Securities comprising the relevant Underlying Index (a "Deposit Basket") which the investor must deliver (rounded to the next lower Unit) and, where appropriate, an amount in cash paid or received by the relevant Lyxor ETF (the "Adjustments") for a subscription request for a whole multiple of In-Kind Unit of the relevant Lyxor ETF. The Adjustments will be calculated by the Manager in accordance with the market practice.

When submitting the subscription application, the Participating Dealer must tender to the Custodian of the relevant Lyxor ETF the Index Securities comprising a Deposit Basket for each In-Kind Unit no later than the Settlement Date in accordance with the terms of the Participation Agreement. The Manager may then exchange the Deposit Basket with the swap counterparty in consideration for an increase of the swap nominal value. In any event, in accordance with the condition of “no Hong Kong Stock” as set forth in the Sections entitled “Investment Strategy” and “Investment Restrictions” in this Prospectus, neither the Manager nor the Custodian of a Lyxor ETF will hold or own any Deposit Basket as part of the assets of any Lyxor ETF.

The delivery of Units properly applied for will occur in accordance with the terms of the Participation Agreement which is normally no later than the Settlement Date in accordance with the terms of the Participation Agreement.

The application for creation and issuance of In-Kind Units will only be successful:

- where the Index Securities delivered to the Custodian in respect of that issue of In-Kind Units have been approved by the Manager as comprising a Deposit Basket with respect to the relevant Valuation Day;
- where the aggregate of (i) the value of the Index Securities on the relevant Valuation Day delivered to the Custodian and (ii) the amount of cash paid to or to the order of the Custodian in respect of the Adjustment for the In-Kind Unit aggregation, is equal to the issue price for that In-Kind Unit aggregation;
- if the Index Securities have been transferred to the Custodian to the Custodian’s satisfaction or satisfactory evidence of title and instruments of transfer shall have been produced to or to the order of the Custodian by such time and date as determined therefor by the Manager in its discretion, provided that such date shall occur no later than the relevant Settlement Date; and
- if the full amount of the Adjustments, the duties and charges and/or transaction fee (if any) in respect of that In-Kind Unit size shall have been received in full in cleared funds by or to the order of the Custodian by such time and date as determined therefor by the Manager in its discretion, provided that such date shall occur no later than the relevant Settlement Date.

In the event any of the above is not satisfied, the subscription application will be cancelled. The relevant Participating Dealer will be liable for all direct and indirect losses incurred by the relevant Lyxor ETF resulting from the relevant subscription order(s) submitted by it, including, the transaction fee (if any), interest costs incurred by the relevant Lyxor ETF and any losses arising in respect of the relevant Lyxor ETF’s purchase and sale of Investments in connection with such cancellation (including the difference between the NAV of the relevant Lyxor ETF on the Settlement Date compared to the relevant Valuation Day).

Acceptance of subscriptions

The Manager and the Participating Dealer reserve the absolute right (without giving any reason) to reject a subscription application transmitted to the Participating Dealer. The Manager may reject a subscription application in particular if:

- the application is not in the proper form; or
- under applicable law or regulation, the applicant (on whose behalf the Participating Dealer is acting) is not eligible to subscribe for, purchase or hold Units, or in the discretion of the Manager the purchase or holding of Units by the applicant might result in a Lyxor ETF and/or the Manager incurring any liability to tax or suffering any other financial disadvantage or becoming subject to any law or regulation which they might not otherwise have incurred or suffered or become subject to.

The Manager will notify the Participating Dealer of any rejection of an order placed by that Participating Dealer within 7 days. The Manager and the Custodian are under no duty to provide reasons for rejecting a subscription in respect of any Lyxor ETF.

Even if a subscription application is accepted, the Manager reserves the absolute right to postpone the date of creation and issuance of the relevant In-Kind Unit(s) by not more than 7 days after the original scheduled date of creation and issuance without giving any reason for such postponement. Furthermore, no Units will be issued and no subscription requests will be accepted during any period when the issuance and redemption of Units is suspended (see the Section of this Prospectus entitled "Suspension of Dealings and Valuation" below).

Confirmation note

For every successful subscription application for Units, the relevant applicant will be sent a confirmation detailing the number of Units allotted no later than the end of the second Business Day after the receipt of the application by the Participating Dealer. All Units issued through subscription of Units through a Participating Dealer will be entered on the records of CCASS in the name of the Participating Dealer.

Minimum Lyxor ETF Size

If the NAV of a Lyxor ETF falls below € 300,000, the Manager is required to notify the AMF whereupon such Lyxor ETF may be dissolved within 30 days unless during this 30 day period the NAV of such Lyxor ETF increases to € 300,000 or above. Where a Lyxor ETF is dissolved in accordance with the foregoing, the Manager shall provide all relevant persons with such notification as may be required under the applicable laws and regulations. In Hong Kong, Holders of Units will be notified by or through the Hong Kong Representative.

Redemption of Units

Cash Redemption and Sale of Units

Holders may redeem Units for cash on a Valuation Day by submitting a redemption request through a Participating Dealer. Applications to redeem Units for cash must be made in whole number of Units with no decimals and may subject to a minimum as stated in the relevant Section of Part 2 of this Prospectus, and must reach the Participating Dealer before the dealing deadline of 4 pm (Hong Kong time) on the Valuation Day. If the request to redeem Units for cash is received by the Participating Dealer after the dealing deadline, it shall be deemed to be received by the Participating Dealer before the dealing deadline for the next Valuation Day. This means that, if an application is received by the Participating Dealer before 4 pm (Hong Kong time) on the Valuation Day, the redemption price that a Holder will get will be based on the value of the assets of the Lyxor ETF as at the Valuation Point of such Valuation Day. Please see below for further details.

In addition to the above, Holders who acquire Units on the SEHK may also sell their Units on the SEHK at market prices through brokers during normal trading hours on any Market Day. Holders who sell their Units *via* the SEHK are not subject to any redemption charges as set out in the Section of this Prospectus entitled "Fees and Charges".

There is no minimum holding amount for Units save that Units are quoted and traded on the SEHK in Trading Board Lot Size.

The net redemption proceeds are, in the case of a redemption of Units through a Participating Dealer, calculated by multiplying the number of Units to be redeemed by the redemption price per Unit on the Valuation Day which shall be ascertained as follows:

- using the NAV per Unit at the Valuation Point of the Valuation Day on which the applications to redeem the Redemption Unit is deemed to be received and accepted by the Manager; and
- by multiplying such NAV by the number of Units comprising a Redemption Unit aggregation.

The Manager may deduct from the redemption proceeds such sum (if any) as the Manager may consider represents the appropriate provision for duties and charges and/or the transaction fee (if any), which shall be for the account of the relevant Lyxor ETF. The redemption price shall be calculated in US Dollars and be based on forward pricing which means that the redemption price of the Units shall not be ascertainable at the time of redemption request to redeem the relevant Units.

The following is an illustration on the realisation proceeds (before deduction of duties and charges) that an investor will receive based on a redemption of 500,000 Units through a Participating Dealer and a notional redemption price of US\$1.00 (the actual redemption price of the Units will fluctuate according to the value of the Lyxor ETF's NAV).

| | | | | |
|--------------------------|---|-------------------|---|---------------------|
| 500,000 | X | US\$1.00 | = | US\$500,000 |
| Number of Units Redeemed | | Redemption Price* | | Redemption Proceeds |

* *This illustration is based on the assumption that the Holder is not subject on redemption charges. Unless otherwise agreed by the Manager, a redemption through a Participating Dealer is subject to redemption charges as set out in the Section of this Prospectus entitled "Fees and Charges". The price of Units traded on the SEHK shall be based on their market prices throughout the trading day for SEHK.*

In the case of a redemption through a Participating Dealer, payment will be made within 5 Business Days after the Valuation Day. The net redemption proceeds shall then be paid to the investor. In the case of a sale of Units on the SEHK, it is expected that the Units will be debited from the Stock Segregated Accounts of the Holder within 2 Market Days.

Redemption in-kind

Unless otherwise stated in the relevant Section of Part 2 of this Prospectus with regard to a particular Lyxor ETF, Holders may apply for redemption in-kind for blocks of specific number of Units or multiples thereof (as set out with regard to each Lyxor ETF in Part 2 of this Prospectus or such other multiples of Units from time to time determined by the Manager and notified to the Participating Dealer(s)) (hereinafter referred to as a "Redemption Unit") on any Valuation Day at the realisation price for that Redemption Unit. Redemption in-kind is generally only possible where Units are aggregated in Redemption Unit sizes.

Any Holder who wishes to redeem Units in-kind must do so through a Participating Dealer who will request the redemption of Units in-kind on his behalf. Such investor will be required to complete a form as required by the relevant Participating Dealer. Investors should be aware that their particular broker or dealer may not have executed a Participation Agreement and that, therefore, orders to redeem Units have to be placed by the investor's broker or dealer through a Participating Dealer that has entered into a Participation Agreement. In such cases there may be additional charges to such investor. At any given time, there may be only one Participating Dealer or a limited number of Participating Dealers.

Any redemption request received and accepted by a Participating Dealer before the dealing deadline of 4 pm (Hong Kong time) and accepted by the Manager pursuant to a written confirmation on each Valuation Day will be redeemed at that Valuation Day's redemption price as calculated below. Any redemption request received by a Participating Dealer after the dealing deadline or on a day which is not a Valuation Day shall be deemed to be received by the relevant Participating Dealer before the dealing deadline for the next Valuation Day. The Participating Dealer shall forward any redemption request to the Manager on the date of receipt of such redemption request.

For avoidance of doubt, in-kind redemption may only be effected through a Participating Dealer.

The Manager shall in its absolute discretion determine and designate the Index Securities comprising the redemption basket (the "Redemption Basket") applicable to requests to redeem Units in Redemption Unit aggregations submitted with respect to that Valuation Day. On receipt of a redemption request from a

Participating Dealer, the Manager shall effect the redemption of the Units, in Redemption Unit aggregations, specified in the redemption request for proceeds equivalent to the redemption price of each Redemption Unit aggregation to be redeemed, such proceeds to be by way of a transfer by or on behalf of the Custodian in-kind of the Redemption Basket and payment by or on behalf of the Custodian in cash of the Adjustments (if positive) determined as at the Valuation Day.

The redemption price for a Redemption Unit shall be ascertained as follows:

- using the NAV per Unit at the Valuation Point of the Valuation Day on which the applications to redeem the Redemption Unit is deemed to be received by the Manager; and
- by multiplying such NAV by the number of Units comprising a Redemption Unit aggregation.

The Manager may set off against any Adjustments payable to a Participating Dealer such sum (if any) as the Manager may consider represents the appropriate provision for the transaction fees (if applicable), which deduction shall be for the account of the Lyxor ETF. The redemption price for the Redemption Unit shall be based on forward pricing which means that the redemption price of the Units shall not be ascertainable at the time of request to redeem the Redemption Unit.

The Index Securities comprising the Redemption Basket distributable and Adjustments (less any transaction fees) in respect of the redemption of Units may be transferred or paid sooner but shall be distributable and payable no later than the Settlement Date provided that the Units, which are the subject of the redemption request, have been delivered to the Participating Dealer by the Settlement Date and the full amount of the Adjustments (if negative) and any additional sums payable and/or the transaction fees payable have been deducted and set-off or otherwise paid in full by the Settlement Date. For the purposes of this paragraph, the Holder on whose behalf a redemption request is made by a Participating Dealer shall be deemed to authorise (i) the transfer of the relevant Index Securities by book entry to the designated stock account and (ii) the payment of the Adjustments by book entry payment to the designated cash account or by telegraphic transfer to a bank account in the name or to the order, in each case, of that Participating Dealer by or through whom that redemption request was made. The Adjustments shall be paid in US Dollars and, if paid by telegraphic transfer, shall be paid to a US Dollar account of a designated bank, unless otherwise agreed by the Manager.

Where Units are to be redeemed, the Manager may effect any sales of Investments necessary to provide the cash required to pay the Adjustments. In such event a Lyxor ETF shall be reduced by the cancellation of those Units on that Settlement Date and for settlement on that Settlement Date (or such later date as may from time to time be determined by the Manager) the Custodian shall transfer the applicable Index Securities to or to the order of the Participating Dealer through which the redeeming Holder made his redemption request and shall pay the Adjustments to the relevant Holder. Notwithstanding the foregoing, no Index Securities shall be delivered and no Adjustments shall be paid unless Units, the subject of the redemption request, have been delivered to the Custodian for redemption by such time on the Settlement Date as the Manager shall for the time being prescribe for such redemption request. The Manager, may at its discretion extend the settlement period, such extension to be on such terms and conditions (including as to the payment of any fees it may determine to represent the administrative costs involved in extending the Settlement Date) as the Manager may determine. In any event, the interval between the receipt of a properly documented request for redemption of Units and payment of redemption proceeds to the relevant Holder may not exceed one calendar month provided that there is no delay in submitting all duly completed redemption documentation and the determination of the NAV or dealing in Units is not suspended.

In the event that Units are not delivered to the Custodian for redemption in accordance with the foregoing: (i) the redemption request shall be deemed never to have been made (except that the transaction fee (if any) therefor shall remain due and payable) and (ii) the Manager may, but shall not be bound to, charge the applicant (for the account of the relevant Lyxor ETF) a cancellation fee of such amount as it may from time to time determine to represent the administrative costs involved in processing the redemption request, and any losses arising in respect of the relevant Lyxor ETF's sale and purchase of Investments and any interest costs

incurred by the relevant Lyxor ETF in connection with such failed redemption. In addition, the Manager may, but shall not be bound to require the Participating Dealer to pay it for the account of the relevant Lyxor ETF in respect of each Unit, the subject of the redemption request, 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 as if the Manager had received on the relevant Settlement Date in relation to such Units to be redeemed an application from such applicant for the subscription of such Units in accordance with the Section of this Prospectus entitled "Subscription for Units".

The Adjustments as mentioned above will be calculated by the Manager in accordance with the market practice.

Acceptance of redemption requests

To be effective, a redemption request:

- must be given to the Participating Dealer in accordance with a Participation Agreement;
- must specify (for in-kind redemption) the (round) number of Redemption Unit aggregations the subject of the redemption request or (for in-cash redemption) the (round) number of Units to be redeemed; and
- may not be in respect of Units (for in-kind redemption) other than as comprising a Redemption Unit aggregation or (for in-cash redemption) the amount of which is less than the minimum amount prescribed for in-cash redemption (if any) as stated in the relevant Section of Part 2 of this Prospectus.

If the NAV of a Lyxor ETF falls below €300,000, such Lyxor ETF may be dissolved and no redemption in cash or in-kind will be permitted. A redemption request once given and accepted by the Manager pursuant to a written confirmation cannot be revoked or withdrawn without the consent of the Manager. The Manager and the Participating Dealer reserve the right to reject a redemption application transmitted to the Participating Dealer. Nonetheless, the Manager and the Participating Dealer will only exercise such right in exceptional circumstances only and must act reasonably and in good faith under all circumstances, and will take into account of the interest of the relevant Holder(s) to ensure, to the extent possible, that the interest(s) of such Holder(s) will not be adversely affected.

Obtaining Prices of Units

The issue price and redemption price for the Units (or the latest NAV of the Units) will be available on the website of the Manager at www.lyxoretf.com.hk or published in such publications as the Manager may decide from time to time.

Suspension of Dealings and Valuation

The Manager may temporarily suspend the issuance, redemption and valuation of Units of a Lyxor ETF during inter alia the following periods:

- any period when the SEHK is closed;
- any period when dealings of the Units on the SEHK are restricted or suspended;
- any period when settlement or clearing of securities in CCASS is disrupted;
- the existence of any state of affairs as a result of which delivery of Index Securities comprised in a Deposit Basket or a Redemption Basket or disposal of Investments for the time being comprised in the assets of the relevant Lyxor ETF cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Holders;

- any period when, in the opinion of the Manager, funds cannot be normally remitted from assets of the relevant Lyxor ETF without prejudicing the interests of Holders;
- any period when the Underlying Index is not compiled or published;
- any breakdown in the means normally employed in determining the value of the assets of the relevant Lyxor ETF or liability of the relevant Lyxor ETF or when for any other reason the value of any Investment or other property for the time being comprised in the assets of the relevant Lyxor ETF or the liabilities of the relevant Lyxor ETF cannot be promptly and accurately ascertained;
- any period when the business operations of the Manager in relation to the operations of the relevant Lyxor ETF are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- any period during which the Euronext or any other market where any of the Index Securities or the Index Futures (as the case may be) or the stocks comprising the Basket of Stocks are listed and quoted are closed.

Such suspension (which expression shall include the aforesaid right to delay payment) shall take effect forthwith upon the declaration thereof by the Manager and thereafter there shall be no issuance, redemption of Units and/or transfer of such Index Securities and payment of the Adjustments or cash redemption value in respect of any such redemption until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the Business Day following the first Business Day on which (a) the condition giving rise to the suspension shall have ceased to exist and (b) no other condition under which suspension is authorised shall then exist. Each suspension by the Manager shall be consistent with such applicable official rules and regulations, if any, as shall have been promulgated by any authority having jurisdiction over the relevant Lyxor ETF and as shall be in effect at the time. To the extent not inconsistent with such official rules and regulations, and subject to the foregoing provisions hereof, any such suspension by the Manager shall be conclusive. During any such suspension, the calculation of the NAV of the relevant Lyxor ETF and each Unit (including the relevant issue price and redemption price) may also be suspended and the Manager shall be under no obligation to rebalance or adjust the assets of the relevant Lyxor ETF, in either case at the discretion of the Manager. The Manager shall notify the SFC and publish the fact that the dealings and/or valuation of Units is suspended immediately following such suspension, and at least once a month during the period of such suspension in at least one English language and one Chinese language newspaper in Hong Kong, as the Manager may from time to time think fit.

Any Participating Dealer may at any time after such a suspension has been declared and before termination of such suspension withdraw any redemption request or any subscription application by notice in writing to the Manager. If no such notification of the withdrawal of any such request or application has been received by the Manager before termination of such suspension, the Manager shall consider the redemption request for Units in respect of which Manager have received a valid request for redemption of Units and the Manager shall consider subscription applications for Units as at the Valuation Day next following the termination of such suspension. In addition, the period for distributing any proceeds the distribution of which has been delayed pursuant to the suspension shall be extended by a period equal to the length of the period of the suspension.

Soft Dollar Commissions/Arrangements

The Manager will not receive or enter into soft dollar commissions or arrangements in respect of its management of any of the Lyxor ETFs.

Conflicts of interest

Investors should note that the Manager is a subsidiary of Société Générale (which acts as the Custodian, the Registrar and, through its Hong Kong Branch, the Transfer Agent and the Listing Agent). In addition, each of the first Market Maker, the first Participating Dealer and the Hong Kong Representative, SG Securities (HK) Limited, and the administrative agent, EURO-NAV, is a subsidiary of Société Générale.

In acquiring the Investments of each Lyxor ETF, each Lyxor ETF only buys and sells stocks from and to Société Générale group, rather than *via* the relevant secondary markets through other brokers. The Manager believes that this is advantageous to the relevant Lyxor ETFs because no trading fees are levied by Société Générale and therefore transaction costs will be reduced.

Whilst compliance procedures require effective segregation of duties and responsibilities between the relevant divisions within the Société Générale, the possibility of conflicts of interest arising cannot be wholly eliminated. If such conflicts arise, the Manager in conjunction with Société Générale, will seek to ensure that Holders are treated fairly, and any such conflicts will be resolved between them on arm's length basis to the extent possible in the interests of the Holders.

Reports

Fiscal Year End

Each Lyxor ETF's fiscal year end is set out in the relevant Section of Part 2 of this Prospectus.

Yearly and Semi-Annual Reports

Yearly audited reports and semi-annual reports for each Lyxor ETF will be prepared by the Manager.

Yearly audited reports of each Lyxor ETF will contain the annual financial statements of each of the Lyxor ETFs prepared in accordance with French accounting principles, the auditors' certified opinion, a breakdown of the NAV for that Lyxor ETF between the various types of securities held, the Manager's report, a list of Connected Party transactions (if any) and other miscellaneous information. The auditors will be independent of the Manager and its directors and the Custodian, and the audited reports will contain the information as may from time to time be required by the Code.

Semi-annual reports for each Lyxor ETF will contain information on the investment policy pursued during the period under review, changes in NAV, number of units, NAV per unit and revenues, and a simplified breakdown of the NAV for that Lyxor ETF. The statutory auditor will validate the information contained in the semi-annual reports.

Both yearly audited reports and semi-annual reports will also provide a comparison of each Lyxor ETF's performance and the actual performance of the relevant Underlying Index over the relevant period.

Yearly audited reports and semi-annual reports will be available for inspection by investors, free of charge, at the office of the Hong Kong Representative during normal Hong Kong business hours.

The yearly audited reports will be sent to Holders within 4 months of the period covered by the relevant report, while the semi-annual reports will be sent to Holders within 2 months of the period covered by the relevant report.

Questions and Complaints

Investors may raise any questions on or make any complaints about any Lyxor ETF by contacting the Hong Kong Representative at its address on page (ii) of this Prospectus.

Other Material Information

Trading on the SEHK

Units of the Lyxor ETFs are listed for trading on the SEHK. Accordingly Units can be bought and sold throughout the trading day like other publicly traded shares. There is no minimum investment save that Units

are quoted and traded on the SEHK in Trading Board Lot Size. When buying or selling Units through a broker, investors will incur customary brokerage commissions and charges and, if applicable, stamp duty. Investors may also pay some or all of the spread between the bid and the offer price on a purchase and sale transaction. Although the Units are denominated in US Dollars, Unit prices are quoted and traded on the SEHK in Hong Kong Dollars and Hong Kong cents per Unit.

CCASS

Units will be deposited, cleared and settled by the 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 the CCASS and is therefore recognised as the legal owner of such 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).

Trading Prices of Units and Market Makers

The trading prices of Units on the SEHK may differ in varying degrees from their daily NAVs and can be affected by market forces such as supply and demand, economic conditions and other factors.

It is the intention of the Manager to assist in the creation of liquidity for investors by appointing at least one Market Maker before the listing of each Lyxor ETF to maintain a market for the Units. 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. A list of appointed Market Maker(s) in addition to SG Securities (HK) Limited may be obtained from the Manager. In maintaining a market for Units, the Market Maker(s) may realise profits or sustain losses in the amount of any differences between the prices at which it/they buy(s) Units and the prices at which it/they sell(s) Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying stocks or futures comprised within the relevant Underlying Index given that a Market Maker can hedge its position. Any profit made by the Market Maker(s) may be retained by it/them for its/their absolute benefit and it/they shall not be liable to account to any of the Lyxor ETFs in respect of such profits.

Additional Listings

The Manager may seek a listing of other units of the same class as the Units on any other internationally recognised regulated stock or investment exchange or marketplace having regard to such factors as commercial viability of the proposed listing, legal and regulatory readiness of the market concerned, prevailing market environment, operational requirements and market development. Any costs associated with any such listing will not be funded out of the assets of any of the Lyxor ETFs.

Distributions

The Manager reserves the right to distribute and/or capitalize all or part of the income of the Lyxor ETFs.

The Manager may, at its discretion, pay out income dividends (net of any withholding taxes, if applicable) and net realised capital gains of the Lyxor ETFs to Holders annually. On each such distribution, in relation to each fiscal year period as determined by the Manager, the Manager will allocate for distribution among the Holders of the relevant Lyxor ETF as at the Record Date such amount that the Manager determines may be distributed in its absolute discretion. Amounts to be distributed in respect of each Unit will be determined and declared in US Dollars. Holders can choose the currency of the amounts to be distributed: either in US Dollars (to the nearest US Dollar and US cent per Unit) or in Hong Kong Dollars (to the nearest Hong Kong Dollar and Hong Kong cent per Unit, using the relevant exchange rate disseminated by WM Reuters). The Market Maker and/or the Participating Dealer may be required to receive the dividend in US Dollars rather than in Hong Kong Dollars at the discretion of the Manager. The Record Dates, which will be notified to the Holders via the Manager's website and the SEHK's website, may be changed, or added to, as determined by the Manager.

Notwithstanding the above, dividends will only be paid to the extent that they are covered by income received from underlying investments which are received by the relevant Lyxor ETF and are available for distribution.

Taxation - Hong Kong

The following provisions are not intended to be definitive, comprehensive or exhaustive and must not be viewed as tax advice. Investors should consult their own tax advisers with regard to the tax consequences arising from the acquisition, holding or disposal of Units and of the tax treatment which they may be subject to. The Manager does not accept responsibility for any tax effects or liabilities resulting from the acquisition, holding or disposal of Units.

The Lyxor ETFs

Profits Tax: Each of the Lyxor ETFs whose details are set out in Part 2 of this Prospectus has been authorised by the SFC pursuant to section 104 of the SFO. Accordingly profits of such Lyxor ETFs arising from the sale or disposal of securities, net investment income received by or accruing to the Lyxor ETFs and other profits of the Lyxor ETFs are exempted 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 shares to the Lyxor ETFs by an investor pursuant to an application *in specie* will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of shares by the Lyxor ETFs to an investor upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by the Lyxor ETFs on an issue or redemption of Units pursuant to an application in cash.

The sale and purchase of any Hong Kong Stock by the Lyxor ETFs 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 Lyxor ETFs will be liable to one half of such Hong Kong stamp duty. Notwithstanding the foregoing, no Lyxor ETF will hold any Hong Kong Stock.

The Holders

Profits Tax: Hong Kong profits tax will not be payable by the Holders (other than Holders 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 Lyxor ETFs.

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

Change of Underlying Index

The Manager reserves the right, with the prior approval of the AMF (if required) and the SFC and provided that in their opinion, the interests of the Holders would not be adversely affected, to replace the Underlying Index with another Underlying Index. The circumstances under which such replacement will occur include but not limited to the following events:

- the Underlying Index ceases to exist;
- the licence agreement is terminated;

- a significant modification of the formula or calculation method of the Underlying Index (other than a modification in accordance with the Underlying Index operating rules, notably in case of a change of the Index Securities or the Index Futures), based on the opinion of at least one independent expert;
- a new Underlying Index replacing the Underlying Index should appear, based on an opinion from at least one independent expert;
- in the opinion of the Manager and based on an opinion from at least one independent expert, a new Underlying Index providing a better valuation of the investment of the Holders should appear. In connection with the foregoing, objective financial criteria such as greater liquidity, considerable reduced expenses and a more efficient market, would serve as an appropriate basis;
- it becomes difficult to invest in the Index Securities or in the Index Futures (as the case may be), or should a part of the Index Securities or the Index Futures offer limited liquidity, based on the opinion of an independent expert;
- the Index Provider increases its licence fees to a level considered too high by the Manager, based on the opinion of an independent expert;
- in the opinion of the Manager, the quality (including the precision and availability of the data) of the Underlying Index should deteriorate, based on the opinion of an independent expert; or
- the instruments and techniques used to ensure good management of the portfolio or to hedge against the exchange risks as necessary for the implementation of the relevant Lyxor ETF's investment policy are not available, after the opinion of an independent expert.

Any change of the Underlying Index of the relevant Lyxor ETF will require the AMF's approval if such change would result in a new risk factor or a change in the management methodology, the necessity of such approval *vis-a-vis* such change will be determined by the AMF at its absolute discretion, and the AMF requires that not less than 3 days' prior notice will be given to the Holders provided that the SFC may require that such notice shall be extended to such longer period as may be agreed with the SFC. In any case, the AMF may require that Holders shall be given opportunities to redeem their Units with redemption fee (if any) waived within 3 months of the notice of change being given. In the event of a change of Underlying Index, the Manager may be entitled to change the name of the relevant Lyxor ETF. All changes in the Underlying Index, the name of any Lyxor ETF or modification to this Prospectus must, however, be subject to the prior approval of the SFC and (where necessary) the Euronext.

Extension of term of the Lyxor ETF

The Manager may, with the agreement of the Custodian, extend the term of any Lyxor ETF. The term of each Lyxor ETF is currently 99 years from the date of its establishment. This decision must be taken at least 3 months before the expiry of the relevant Lyxor ETF's term or duration and must be notified to the Holders and the AMF.

Termination of the Lyxor ETF

A Lyxor ETF may be terminated if for 30 days, such Lyxor ETF's assets were to remain below € 300 000, the Manager will inform the AMF of the fact and will, unless during this 30 day period the NAV of such Lyxor ETF increases to € 300,000 or above, dissolve such Lyxor ETF.

In addition, the Manager may terminate a Lyxor ETF before the end of its term of 99 years:

- upon the approvals of the AMF and the Custodian, provided that prior notice has been or will be given to the Holders and all subscription or redemption requests have ceased to be accepted from the date of notice;
- in the event that redemption requests have been received in respect of all Units of such Lyxor ETF;

- upon the termination of the Custodian's functions, when no other custodian has been designated for such Lyxor ETF;
- in the event the relevant Underlying Index ceases to be compiled or published or the relevant licence agreement is terminated, and there is no replacement Underlying Index using the same or substantially similar formula for the method of calculation as used in calculating the relevant Underlying Index upon not less than one month's prior notice (or such shorter period as the AMF and the SFC may agree) being given to the Holders; or
- upon the expiry of the term of such Lyxor ETF, provided that it has not been extended.

Costs and expenses in establishing the Lyxor ETF

The preliminary costs and expenses of establishing each Lyxor ETF were paid by the Manager and not paid out of the assets of any of the Lyxor ETFs.

Valuation of the Lyxor ETF

Each Lyxor ETF's assets are assessed in compliance with applicable French laws and regulations.

Financial instruments negotiated on a regulated market are assessed at the closing price of the day before the calculation of the relevant Lyxor ETF's NAV. When these financial instruments are negotiated on several regulated markets at the same time, the adopted closing price is the one identified on the regulated market in which they are primarily negotiated.

However, in the absence of significant transactions on a regulated market, the following financial instruments are assessed according to the following special methods:

- Negotiable debt securities having a residual life upon acquisition that is less than or equal to 3 months are assessed with a straight-line extension over the residual lifespan of the difference between the acquisition value and the redemption value. The Manager nevertheless reserves the possibility of assessing these securities at the actual value in case of particular sensitivity to market risks (rates, etc.). The chosen rate is that of the equivalent security issues allocated to the risk margin related to the issuer.
- Negotiable debt securities of which the residual lifespan acquisition is greater than 3 months but of which the residual lifespan on the relevant Lyxor ETF's NAV closing date is equal to or less than 3 months, are assessed by distributing, over the residual lifespan, the difference between the last adopted current value and the reimbursement value. The Manager nevertheless reserves the possibility of assessing these securities at the actual value in case of particular sensitivity to market risks (rates, etc.). The chosen rate is that of the equivalent security issues allocated to the risk margin related to the issuer.
- Negotiable debt securities of which the residual lifespan on the closing date of the relevant Lyxor ETF's NAV is greater than 3 months are assessed at their current value.

Firm forward financial instruments negotiated on organised markets are valued at the clearing price on the eve of the calculation day of the relevant Lyxor ETF's NAV. Conditional forward financial instruments negotiated on organised markets are valued at their market value as determined on the eve of the calculation day of the relevant Lyxor ETF's NAV. Over-the-counter firm or conditional forward financial instruments are valued at the price given by the financial instrument's counterparty. The Manager carries out an independent verification of these valuations.

Deposits are valued at their normal value, plus the attached accrued interest.

The warrants, the short-term loans, the promissory notes and the mortgage notes are valued at their probable negotiation value by the Manager.

Temporary acquisitions and disposals of securities are valued at the market price.

Units and shares of undertakings for collective investment in transferable securities operating under French laws are valued at the last net asset value of such units and shares known on the calculation date of the relevant Lyxor ETF's NAV.

Units and shares of investment funds operating under foreign law are valued at the last net asset value of such units and shares known on the calculation date of the relevant Lyxor ETF's NAV.

Financial instruments negotiated on a regulated market for which the price could not be identified or for which the price has been corrected will be evaluated at their probable market value by the Manager.

The value of the equity-linked swap agreement referred to in the Sub-Section of this Prospectus entitled "Synthetic Replication" under the Section of this Prospectus entitled "Investment Strategy" on page 4, which is not listed or quoted on a recognised market, will be determined on a regular basis by the counterparty to the swap agreement, Société Générale, which, in doing so, will be acting as the calculating agent of the relevant swap agreement. The Manager carries out an independent verification of this valuation.

The exchange rates used for the assessment of financial instruments denominated in a currency other than the Euro are the exchange rates disseminated by WM Reuters on the eve of the closing date of the determination of the relevant Lyxor ETF's NAV.

As the Euro class units of all the Lyxor ETFs are currently listed on the Euronext, the Euronext will calculate and publish the approximate NAV of the Euro units during listing hours on each market day in Paris. For the calculation of the approximate NAV of the Euro units, the Euronext will use the level of the relevant Underlying Index, which is available on Reuters, solely for information purposes. The market prices of the equities and futures comprising the relevant Underlying Index used for the calculation of the relevant Underlying Index level and therefore for the assessment of a Lyxor ETF are provided directly by the relevant Index Provider. Where the approximate NAV are not ascertainable, suspension of dealings and valuation of Euro units may occur.

The Manager will provide the Euronext with all financial and accounting data needed for the calculation by the Euronext of the approximate NAV of the Euro units and notably as the reference NAV, the NAV of the Euro units on the previous Business Day associated with a reference level of the Underlying Index equal to the closing value on the previous Business Day. This reference NAV and these reference levels for the relevant Underlying Index and exchange rate will serve as a basis for the calculations carried out by the Euronext to establish the approximate NAV of the Euro units for the next market day in Paris and which is updated in real time. The approximate NAV of the Euro units would then be converted at the prevailing exchange rate to obtain the approximate NAV for the Units (i.e. the difference between the Units and the Euro units would be the difference in prevailing exchange rate between the Euro and the US Dollar currencies).

Use of Financial Derivative Instruments

As the Lyxor ETFs will be making use of financial derivative instruments, including but not limited to the swap agreements and equity-linked swaps, for efficient portfolio management and/or hedging purposes, there are counterparty risks associated with the use of such instruments such as the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing a Lyxor ETF to suffer a loss.

Up to 10% of the NAV of a Lyxor ETF will be invested in financial derivative instruments for investment purposes.

The Manager shall supply to a Holder upon request, supplementary information in relation to (i) the quantitative risk management limits applied by it; (ii) the risk management methods used by it; and the recent evolution of risks and yields for the main instrument categories with which the relevant Lyxor ETF is involved.

Information on the Internet

The Manager will publish information with respect to the Lyxor ETFs, both in the English and in the Chinese languages, on the Manager's website at www.lyxoretf.com.hk including:

- this Prospectus (as revised from time to time);
- the latest annual and semi-annual financial reports (English language only);
- any notices for material alterations or additions to the offering document or constitutive document; and
- any public announcements made by any Lyxor ETF, including information with regard to the relevant Underlying Index, notices of the suspension of the calculation of the NAV, changes in fees and the suspension and resumption of trading.

The approximate NAV and last closing NAV for the Units during the listing hours on each Market Day may be made available on Reuters and/or the Manager's website on a best effort basis.

Investors should note that the Manager shall not be responsible for any non publication or unavailability of such approximate NAV unless such non publication or unavailability is due to fraud, negligence or wilful default on the part of the Manager and that the approximate NAV of the Units may differ from the actual NAV of the Units.

By Laws

Each Lyxor ETF was established under French law by their respective By Laws. All Holders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the By Laws. The By Laws contain provisions regarding the co-ownership nature of Units, subscription and redemption of Units, appointment and role of the Manager, the Custodian and the auditors, allocation of profits and liquidation of the Lyxor ETF. Investors are advised to consult the terms of the By Laws.

Documents Available for Inspection

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

- the transfer agent agreement to be entered between the Manager and the Transfer Agent;
- the form of the Participation Agreement to be entered between the Manager and each Participating Dealer;
- the agreement entered into between the Manager and the Hong Kong Representative;
- the Service Agreements for the Lyxor ETFs each entered into among the Manager, the Custodian, the Registrar, the Transfer Agent, HKSCC, the Service Agent and the Participating Dealer;
- the risk management procedures adopted by the Manager;
- the most recent yearly audited reports and semi-annual reports for each Lyxor ETF; and
- the By Laws.

Definitions

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

"Adjustments" has the meaning on page 16 of this Prospectus;

"AMF" means *Autorité des Marchés Financiers* or the French Financial Markets Authority;

"Basket of Stocks" means a basket of international shares held as assets by a Lyxor ETF;

"Business Day" means a day (other than a Saturday) on which the SEHK is open for normal trading and on which the relevant Underlying Index is compiled and published, and on which banks in Hong Kong are open for general business provided that, where as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Custodian otherwise determine;

"By Laws" means in respect of each Lyxor ETF, the constitution of the ETF in such case as approved by the AMF;

"CCASS" means the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors;

"CCASS Operational Procedures" means the CCASS Operational Procedures as amended from time to time;

"CCASS Rules" means the General Rules of CCASS as amended from time to time;

"Code" means the Code on Unit Trusts and Mutual Funds dated April 2003 issued by the SFC (as amended from time to time);

"Connected Person" in relation to a company means:

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

"Custodian" means *Société Générale* or the person or persons for the time being appointed by the Manager as the custodian of a Lyxor ETF to hold all the assets and property of such Lyxor ETF;

"Deposit Basket" has the meaning on page 16 of this Prospectus;

"ETF" means an exchange traded fund;

"Euro" or "€" means a unit of the single European currency;

"Euroclear" means the Euroclear System, operated by Euroclear Bank S.A./N.V.;

"Euronext" means the Euronext Paris SA;

"France" means *République Française* or the French Republic;

"HKSCC" means the Hong Kong Securities Clearing Company Limited or its successors;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Hong Kong Dollar" or "HK\$" mean the lawful currency for the time being and from time to time of Hong Kong;

"Hong Kong Representative" means, in respect of each Lyxor ETF, SG Securities (HK) Limited or such other person as may from time to time be appointed by the Manager as the representative in Hong Kong to represent the Manager and each Lyxor ETF in accordance with the provisions of Chapter 9 of the Code;

"Hong Kong Stock" means a stock the transfer of which is required to be registered in Hong Kong;

"Holder" means the person for the time being entered in the register as the holder of a Unit and (where the context so permits) persons jointly so entered or, where the context permits, the beneficial owner of Units which are registered in the name of HKSCC Nominees Limited and held in CCASS;

"Index Futures" means the constituent futures for the time being of the relevant Underlying Index;

"Index Provider" means, in respect of each Lyxor ETF, the person responsible for compiling the relevant Underlying Index tracked by the relevant Lyxor ETF who holds the right to licence the use of such Underlying Index to the Manager;

"Index Securities" means the constituent securities for the time being of the relevant Underlying Index;

"In-Kind Unit" means, in relation to each Lyxor ETF, such number of Units or multiples thereof as specified in Part 2 of this Prospectus for the relevant Lyxor ETF or such other multiples of Units from time to time determined by the Manager and notified to the Participating Dealer(s);

"Investments" means such investments held by the relevant Lyxor ETF as may from time to time be permitted under the applicable laws and regulations;

"Lyxor ETF" means any ETF managed by the Manager to which this Prospectus relates;

"Market Day" means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Hong Kong and the SEHK are open for business;

"Market Maker" means any person who has entered into an agreement with the Manager to make a market in the Units on the SEHK, the first of which is SG Securities (HK) Limited;

"NAV" means the net asset value of the relevant Lyxor ETF;

"Non-Index Securities" means, in respect of the relevant Underlying Index, securities other than Index Securities;

"Participation Agreement" means an agreement entered into between the Manager and a Participating Dealer setting out, inter alia, the arrangements in respect of the creation and redemption of Units as described in this Prospectus;

"Participating Dealer" means a licensed dealer appointed by the Manager to deal with, inter alia, the creation and redemption of Units as described in this Prospectus, the first of which is SG Securities (HK) Limited;

"Record Date" means the date or dates as may from time to time be determined by the Manager as the date or dates for the purpose of determining the Holders of record entitled to receive any distributions of income;

"Redemption Basket" has the meaning on page 19 of this Prospectus;

"Redemption Unit" has the meaning on page 19 of this Prospectus;

"Stock Segregated Accounts" means a stock segregated account or sub-account maintained by a CCASS participant with CCASS;

"SEHK" means The Stock Exchange of Hong Kong Limited or its successor;

"Service Agent" means HK Conversion Agency Services Limited or its successor;

"Service Agreement" means, in respect of each Lyxor ETF, an agreement entered into between the Manager, the Custodian, the Registrar, HKSCC, the Service Agent and a Participating Dealer setting out, inter alia, the arrangements in respect of the deposit of Units of such Lyxor ETF into and withdraw of Units of such Lyxor ETF from CCASS;

"Settlement Date" has the meaning ascribed to it on page 15 of this Prospectus or such other time/date as may from time to time be determined by the Manager;

"SFC" means the Securities and Futures Commission of Hong Kong or its successors;

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

"Trading Board Lot Size" means in respect of each Lyxor ETF, the board lot size of Units of a particular Lyxor ETF which are quoted and traded on the SEHK as set out in Part 2 of this Prospectus;

"Transfer Agent" means, in respect of each Lyxor ETF, Société Générale, Hong Kong Branch or such other person as may from time to time be appointed by the Manager to perform unit creation and redemption confirmation and daily reconciliation pursuant to the relevant Service Agreement of such Lyxor ETF;

"UCITS" means Undertakings for Collective Investment in Transferable Securities, being a collective investment scheme established and regulated in a member state of the European Union and authorised as such;

"Underlying Index" means, in respect of a Lyxor ETF, the index which the relevant Lyxor ETF tracks;

"Units" means US Dollar denominated units in a Lyxor ETF which are listed and traded on the SEHK;

"US Dollar" or "US\$" means the lawful currency of the United States of America;

"Valuation Day" in respect of a Lyxor ETF, means any day on which a calculation of the NAV of the relevant Lyxor ETF and/or the NAV per Unit of the relevant Lyxor ETF will be carried out, which will be a day on which (a) the relevant Underlying Index is compiled and published by the relevant Index Provider, and (b) the SEHK and the Euronext are open for normal trading (other than a day on which trading on the SEHK or the Euronext is scheduled to close prior to its regular weekday closing time) and/or such other day or days as the Manager may from time to time determine; and

"Valuation Point" in respect of a Valuation Day for a Lyxor ETF, means the time when the closing level of the relevant Underlying Index is compiled and published by the relevant Index Provider on the relevant Valuation Day (or such other time or times as may from time to time be determined by the Manager provided that there shall always be a Valuation Point on each Valuation Day).

PART 2 – SPECIFIC INFORMATION RELATING TO EACH LYXOR ETF

This Part 2 of this Prospectus includes specific information relevant to each Lyxor ETF listed on the SEHK and is updated from time to time by the Manager subject to the SFC's approval.

The information presented in this Part is also subject to revision caused by the Index Provider(s). Investors should note that the information relating to each Underlying Index in this Part was obtained from publicly available documents that have not been prepared or independently verified by the Manager or any of their respective affiliates or advisers in connection with the offering and listing of Units and none of them makes any representation as to or takes any responsibility for the accuracy or completeness of such information.

The Manager will consult the SFC on (i) any significant events relating to any Underlying Index that might affect the authorisation or listing status of the relevant Lyxor ETF in France and (ii) any other events in relation to any Underlying Index that France would require notification to investors. Such events will be notified to Holders as soon as practicable. These may include a change in the methodology/rules for compiling or calculating any Underlying Index, or a change in the objective or characteristics of any Underlying Index.

LYXOR ETF JAPAN (TOPIX®)

Key Information

The following table is a summary of key information in respect of the LYXOR ETF JAPAN (TOPIX®), and should be read in conjunction with the full text of this Prospectus.

| | |
|--|--|
| Underlying Index | TOPIX® index |
| Date of establishment | 10 November 2005 |
| Listing Date (SEHK) | 3 June 2008 (but no later than 3 July 2008) |
| Exchange Listing | SEHK – Main Board |
| Stock Code | 2814 |
| Trading Board Lot Size | 500 Units |
| Trading Currency | Hong Kong Dollars (HK\$) |
| In-Kind Unit / Redemption Unit (only Participating Dealer(s)) | Minimum 10,000,000 Units |
| In-cash subscription / redemption (only Participating Dealer(s)) | No minimum amount for in-cash subscription / redemption |
| Total Expense Ratio (the “TER”) | 0.50% of the NAV |
| Investment Strategy | Synthetic Replication (please see Part 1 of this Prospectus) |
| Counterparty to the Swap Agreement | Société Générale |
| Fiscal year end | The last day in October of each year on which the Euronext is open for trading |

Exchange Listing and Trading

Application has been made to the Listing Committee of the SEHK for the listing of and permission to deal in the Units of the LYXOR ETF JAPAN (TOPIX®). The Euro units of the LYXOR ETF JAPAN (TOPIX®) are currently listed on, amongst other exchanges, the Euronext but will not be listed on the SEHK. The Japanese Yen units of the LYXOR ETF JAPAN (TOPIX®) are currently listed on the SWX Swiss Exchange but will not be listed on the SEHK.

Certain units of the same class as the Units are admitted to the official list of the Singapore Exchange Securities Trading Limited. Application may be made in the future for a listing of other units of the same class as the Units on any other stock exchanges.

Investment Objective

The LYXOR ETF JAPAN (TOPIX®) seeks to track the performance of the TOPIX® index while insofar as possible minimising the tracking error between the LYXOR ETF JAPAN (TOPIX®)'s performance and that of the TOPIX® index.

There can be no assurance that the LYXOR ETF JAPAN (TOPIX®) will achieve its investment objective.

Typical Investor Profile

An investor subscribing to the LYXOR ETF JAPAN (TOPIX®) would generally want to obtain an exposure to the Japanese equity market and more specifically to the performance of the most important Japanese companies of the Tokyo Stock Exchange.

The recommended minimum investment period is more than 5 years.

Fees and Charges

The following fees and charges are payable by an investor investing in the LYXOR ETF JAPAN (TOPIX®):

| | |
|---|--|
| Subscription fee or preliminary charge ¹ | The higher of (i) €20,000 (converted ² to US\$) per subscription request and (ii) 2% of the NAV per Unit multiplied by the number of Units subscribed |
| Redemption charge ¹ | The higher of (i) €20,000 (converted ² to US\$) per redemption request and (ii) 2% of the NAV per Unit multiplied by the number of Units redeemed |
| Brokerage | Market rate |
| Transaction levy | 0.004% ³ |
| Trading fee | 0.005% ⁴ |
| Stamp duty | Nil |

The following fees and charges are payable out of the assets of the LYXOR ETF JAPAN (TOPIX®):

| | |
|-----------------------------|--|
| Management fee ⁵ | Currently 0.50% per annum Maximum 0.50% per annum |
| Performance fee | Nil |
| Transaction costs | Currently nil ⁶ |

¹ Unless otherwise agreed by the Manager, subscriptions and redemptions in cash or in kind through a Participating Dealer are subject to subscription fees and redemption charges. No subscription fees or redemption charges will apply in the case of Units bought or sold on the SEHK.

² Investors should note that the exchange costs and risks, if any, will be borne by the investors.

³ Transaction levy of 0.004% of the price of the Units, payable by the buyer and the seller.

⁴ Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.

⁵ The fees payable to the Custodian, the Hong Kong Representative, the Transfer Agent and the Listing Agent will be paid by the Manager out of the management fee. The management fee is payable semi-annually in arrears.

⁶ Transaction costs may be charged to the LYXOR ETF JAPAN (TOPIX®) although there is currently no transaction cost. Transaction costs (if any) may include, amongst others, costs in connection with the LYXOR ETF JAPAN (TOPIX®)'s purchase of the Investments including equity swap agreement, any brokerage and stock market taxes, and any transfer fees payable to the Custodian and/or the Manager.

The following fees are payable by Participating Dealer(s) in respect of the LYXOR ETF JAPAN (TOPIX®):

Creation of Units:

| | |
|--|---|
| Transaction fee | See Note ⁷ |
| Daylight settlement fee | Up to HK\$10,000 ⁸ per application |
| Cancellation fee | Up to HK\$10,000 ⁸ per application |
| Extension fee | Up to HK\$10,000 ⁸ per application |
| Partial delivery request fee | Up to HK\$10,000 ⁸ per application |
| Stamp duty | Nil |
| Transaction levy and trading fee | Nil |

Redemption of Units:

| | |
|-----------------------------|---|
| Transaction fee | See Note ⁷ |
| Cancellation fee | Up to HK\$10,000 ⁸ per application |
| Extension fee | Up to HK\$10,000 ⁸ per application |
| Ad valorem stamp duty | Nil |

The Underlying Index

The Underlying Index in respect of the LYXOR ETF JAPAN (TOPIX®) is the TOPIX® index, which is a price return, increased by the potential dividends as may be distributed by the constituents stocks of the Underlying Index, and calculated net of any applicable tax. The TOPIX® index is denominated in Japanese Yen.

The TOPIX® index is a share index calculated and published by the Tokyo Stock Exchange.

The Tokyo Stock Exchange, which is the main Japanese domestic stock market, is divided into three sections: The First Section is the market place for stocks of larger companies by market capitalization. The Second Section is for those of smaller market capitalization and newly listed companies. The Third Section, namely the “market of the high-growth and emerging stocks” or “Mothers” section, is for high-growth startup companies.

The Manager selected the TOPIX® index for the LYXOR ETF JAPAN (TOPIX®) because it believes that the TOPIX® index has clearly defined rules and is a tradable index with high liquidity.

⁷ A transaction fee is payable by the Participating Dealer to the Manager for the benefit of the Transfer Agent and the Service Agent. The Transfer Agent and the Service Agent will charge a fee for each subscription or redemption application which will be met out of the transaction fee. The Transfer Agent and the Service Agent’s fees will be a fee of up to HK\$15,000 per application and a fixed fee of HK\$1,000 per application, respectively.

⁸ Such fee is payable by the Participating Dealer on each occasion that the Manager grants the Participating Dealer’s request for daylight real time settlement, partial delivery, cancellation or extended settlement in respect of such application. The daylight settlement fee is payable when the Participating Dealer fails to complete a creation by the Settlement Date and so opts to use daylight settlement available at Euroclear to settle trades on the same day.

Constituent securities of the Underlying Index

The Tokyo Stock Exchange computes and publishes the TOPIX® indices and is in charge of calculating disseminating the TOPIX® index value. On each trading day of the Tokyo Stock Exchange, the TOPIX® index is published from 9 a.m. to 3 p.m. (local time in Japan). The TOPIX® index value is computed and disseminated by the Tokyo Stock Exchange every 60 seconds.

The TOPIX® index is available in real time through Reuters (.TOPX) and Bloomberg (TPX), and the closing price of the TOPIX® index is also available on the Tokyo Stock Exchange's website: <http://www.tse.or.jp/english>.

The TOPIX® index is composed by the collection of First Section stocks listed on the Tokyo Stock Exchange. Each stock weight in the TOPIX® index is determined using its market capitalization. The TOPIX® index is highly representative of the Japanese economy as it is composed of an important number of companies (more than 1600 as of August 2005) which are the principal companies in the market, in terms of market capitalisation.

As at 15 April 2008, the 10 largest constituent stocks of the TOPIX® index, representing in excess of 20.26 % of the total market capitalisation, based on total shares in issue, of the TOPIX® index, are as follows:-

| Rank | ISIN Code | Name | Weight (%) |
|------|--------------|------------------|------------|
| 1 | JP3633400001 | TOYOTA MOTOR CO | 4.04% |
| 2 | JP3902900004 | MITSUB UFJ FG | 3.33% |
| 3 | JP3756600007 | NINTENDO | 1.89% |
| 4 | JP3890350006 | SMFG | 1.81% |
| 5 | JP3242800005 | CANON INC | 1.76% |
| 6 | JP3898400001 | MITSUBISHI CORP | 1.63% |
| 7 | JP3885780001 | MIZUHO FINANCIAL | 1.58% |
| 8 | JP3854600008 | HONDA MOTOR | 1.49% |
| 9 | JP3435000009 | SONY CORP | 1.40% |
| 10 | JP3866800000 | MATSUSHITA E IND | 1.34% |

Description of the Underlying Index methodology

The TOPIX® index calculation formula on D day provided by the Tokyo Stock Exchange is the following:

$$\text{Index Market Capitalisation as at D} / \text{Index Base Market Capitalisation} \times 100$$

The Index Market Capitalisation as at D is equal to the sum of the closing price of each stock constituting the TOPIX® index on D day multiplied by the number of issued shares and reweighted using its floating factor. The Index Base Market Capitalisation can be considered as the index divisor. The Index Base Market Capitalisation and floating factors are provided by the Tokyo Stock Exchange.

The monitored performance is that of the closing prices of the TOPIX® index.

The complete methodology of the TOPIX® index is available for consultation on the Tokyo Stock Exchange website: <http://www.tse.or.jp/english>.

Real Time Information

The estimated NAV of the Euro class units of the LYXOR ETF JAPAN (TOPIX®) and its trading information on Euronext Paris SA are available on the website of Euronext Paris SA: www.euronext.com.

Index Provider Disclaimer

The TOPIX® Index Value and the TOPIX® Trademarks are subject to the intellectual property rights owned by the Tokyo Stock Exchange, Inc. and the Tokyo Stock Exchange, Inc. owns all rights relating to the TOPIX® Index such as calculation, publication and use of the TOPIX® Index Value and relating to the TOPIX® Trademarks. The Tokyo Stock Exchange, Inc. shall reserve the rights to change the methods of calculation or publication, to cease the calculation or publication of the TOPIX® Index Value or to change the TOPIX® Trademarks or cease the use thereof. The Tokyo Stock Exchange, Inc. makes no warranty or representation whatsoever, either as to the results stemmed from the use of the TOPIX® Index Value and the TOPIX® Trademarks or as to the figure at which the TOPIX® Index Value stands on any particular day. The Tokyo Stock Exchange, Inc. gives no assurance regarding accuracy or completeness of the TOPIX® Index Value and data contained therein. Further, the Tokyo Stock Exchange, Inc. shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX® Index Value. The LYXOR ETF JAPAN (TOPIX®) is not in any way sponsored, endorsed or promoted by the Tokyo Stock Exchange, Inc. The Tokyo Stock Exchange, Inc. shall not bear any obligation to give an explanation of the LYXOR ETF JAPAN (TOPIX®) or an advice on investments to any purchaser of the LYXOR ETF JAPAN (TOPIX®) or to the public. The Tokyo Stock Exchange, Inc. neither selects specific stocks or groups thereof nor takes into account any needs of the issuing company or any purchaser of the LYXOR ETF JAPAN (TOPIX®), for calculation of the TOPIX® Value Index. Including but not limited to the foregoing, the Tokyo Stock Exchange, Inc. shall not be responsible for any damage resulting from the issue and sale of the LYXOR ETF JAPAN (TOPIX®).

LYXOR ETF MSCI TAIWAN

Key Information

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

| | |
|--|---|
| Underlying Index | MSCI TAIWAN™ index |
| Date of establishment | 13 February 2007 |
| Listing Date (SEHK) | 3 June 2008 (but no later than 3 July 2008) |
| Exchange Listing | SEHK – Main Board |
| Stock Code | 2837 |
| Trading Board Lot Size | 500 Units |
| Trading Currency | Hong Kong Dollars (HK\$) |
| In-Kind Unit / Redemption Unit (only Participating Dealer(s)) | Minimum 100,000 Units |
| In-cash subscription / redemption (only Participating Dealer(s)) | No minimum amount for in-cash subscription / redemption |
| Total Expense Ratio (the “TER”) | 0.65% of the NAV |
| Investment Strategy | Synthetic Replication (please see Part 1 of this Prospectus) |
| Counterparty to the Swap Agreement | Société Générale |
| Fiscal year end | The last day in February of each year on which the Euronext is open for trading |

Exchange Listing and Trading

Application has been made to the Listing Committee of the SEHK for the listing of and permission to deal in the Units of the LYXOR ETF MSCI TAIWAN.

Certain units of the same class as the Units are admitted to the official list of the Singapore Exchange Securities Trading Limited. Application may be made in the future for a listing of other units of the same class as the Units on any other stock exchanges.

Investment Objective

The LYXOR ETF MSCI TAIWAN's investment objective is to gain exposure to the Taiwanese equities market by replicating movements in the MSCI TAIWAN™ index, while minimising as far as possible the tracking error between the LYXOR ETF MSCI TAIWAN's performance and that of the MSCI TAIWAN™ index.

There can be no assurance that the LYXOR ETF MSCI TAIWAN will achieve its investment objective.

Additional risk factors relating to the LYXOR ETF MSCI TAIWAN

Investors in the LYXOR ETF MSCI TAIWAN should be aware of the following currency risk associated with investment in the Taiwanese market, namely, the currencies in which Index Securities are denominated may be unstable and/or subject to significant depreciation and/or may not be freely convertible.

Investors in the LYXOR ETF MSCI TAIWAN should further note that investment of the LYXOR ETF MSCI TAIWAN on the Taiwanese market or its exposure to this market can involve a more important risk of potential capital loss than investments or exposure to developed market, notably because of a higher volatility of the market, a lower traded volume of the securities concerned, a possible economic and/or political instability, risks of market closing or government restrictions to foreign investments and more generally of organization and monitoring conditions of the markets which can deviate from standards prevailing over the big international market places.

Typical Investor Profile

An investor subscribing to the LYXOR ETF MSCI TAIWAN would generally want to obtain an exposure to the Taiwanese equity market.

The recommended minimum investment period is more than 5 years.

Fees and Charges

The following fees and charges are payable by an investor investing in the LYXOR ETF MSCI TAIWAN:

| | |
|---|--|
| Subscription fee or preliminary charge ⁹ | The higher of (i) US\$40,000 per subscription request and (ii) 2% of the NAV per Unit multiplied by the number of Units subscribed |
| Redemption charge ⁹ | The higher of (i) US\$40,000 per redemption request and (ii) 2% of the NAV per Unit multiplied by the number of Units redeemed |
| Brokerage | Market rate |
| Transaction levy | 0.004% ¹⁰ |
| Trading fee | 0.005% ¹¹ |
| Stamp duty | Nil |

⁹ Unless otherwise agreed by the Manager, subscriptions and redemptions in cash or in kind through a Participating Dealer are subject to subscription fees and redemption charges. No subscription fees or redemption charges will apply in the case of Units bought or sold on the SEHK.

¹⁰ Transaction levy of 0.004% of the price of the Units, payable by the buyer and the seller.

¹¹ Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.

The following fees and charges are payable out of the assets of the LYXOR ETF MSCI TAIWAN:

| | |
|------------------------------|--|
| Management fee ¹² | Currently 0.65% per annum Maximum 0.65% per annum |
| Performance fee | Nil |
| Transaction costs | Currently nil ¹³ |

The following fees are payable by Participating Dealer(s) in respect of the LYXOR ETF MSCI TAIWAN:

| | |
|--|--|
| Creation of Units: | |
| Transaction fee | See Note ¹⁴ |
| Daylight settlement fee | Up to HK\$10,000 ¹⁵ per application |
| Cancellation fee | Up to HK\$10,000 ¹⁵ per application |
| Extension fee | Up to HK\$10,000 ¹⁵ per application |
| Partial delivery request fee | Up to HK\$10,000 ¹⁵ per application |
| Stamp duty | Nil |
| Transaction levy and trading fee | Nil |

| | |
|------------------------------------|--|
| Redemption of Units: | |
| Transaction fee | See Note ¹⁴ |
| Cancellation fee | Up to HK\$10,000 ¹⁵ per application |
| Extension fee | Up to HK\$10,000 ¹⁵ per application |
| <i>Ad valorem</i> stamp duty | Nil |

The Underlying Index

The Underlying Index in respect of the LYXOR ETF MSCI TAIWAN is the MSCI TAIWANTM index, which is a price return index, increased by the potential dividends as may be distributed by the constituents stocks of the Underlying Index, and calculated net of any applicable tax. The MSCI TAIWANTM index is denominated in New Taiwan Dollars.

¹² The fees payable to the Custodian, the Hong Kong Representative, the Transfer Agent and the Listing Agent will be paid by the Manager out of the management fee. The management fee is payable semi-annually in arrears.

¹³ Transaction costs may be charged to the LYXOR ETF MSCI TAIWAN although there is currently no transaction cost. Transaction costs (if any) may include, amongst others, costs in connection with the LYXOR ETF MSCI TAIWAN's purchase of the Investments including equity swap agreement, any brokerage and stock market taxes, and any transfer fees payable to the Custodian and/or the Manager.

¹⁴ A transaction fee is payable by the Participating Dealer to the Manager for the benefit of the Transfer Agent and the Service Agent. The Transfer Agent and the Service Agent will charge a fee for each subscription or redemption application which will be met out of the transaction fee. The Transfer Agent and the Service Agent's fees will be a fee of up to HK\$15,000 per application and a fixed fee of HK\$1,000 per application, respectively.

¹⁵ Such fee is payable by the Participating Dealer on each occasion that the Manager grants the Participating Dealer's request for daylight real time settlement, partial delivery, cancellation or extended settlement in respect of such application. The daylight settlement fee is payable when the Participating Dealer fails to complete a creation by the Settlement Date and so opts to use daylight settlement available at Euroclear to settle trades on the same day.

The MSCI TAIWAN™ index is an equity index calculated and published by Morgan Stanley Capital International Inc ("MSCI"), the Index Provider. The Manager (or its Connected Persons) is independent of the Index Provider.

The MSCI TAIWAN™ index comprises solely Taiwanese stocks and boasts the fundamental characteristics of MSCI indices, namely: adjustment of the market capitalisation of stocks in the MSCI TAIWAN™ index based on their free float and classification by sector using the GICS (Global Industry Classification Standard) classification.

The objective of the MSCI TAIWAN™ index is to represent 85% of the free float-adjusted market capitalisation of each group of industries in the Taiwanese market. By targeting 85% representation for each industry group, the MSCI TAIWAN™ index reflects 85% of the entire market capitalisation of the Taiwanese market, while also mirroring the Taiwanese markets' economic diversity.

The Manager selected the MSCI TAIWAN™ index for the LYXOR ETF MSCI TAIWAN because it believes that the MSCI TAIWAN™ index has clearly defined rules and is a tradable index with high liquidity.

Constituent securities of the Underlying Index

The official MSCI indices are calculated daily on the closing value by using the official closing price of each stock exchange on which the constituent stocks are listed.

The MSCI TAIWAN™ index is available in real time through Reuters (.TAMSCI) and Bloomberg (TAMSCI), and the closing price of the MSCI TAIWAN™ index is available on the MSCI's website: www.msclub.com.

The index components or Index Securities are reviewed quarterly by the MSCI in order to update changes on a stock capitalisation (number of shares and free-float) or its sector classification. All main changes (e.g. merger, acquisition, sight issues and initial public offering) in respect of a company capital structure would already be implemented in real time. Any changes to the composition of the MSCI TAIWAN™ index or rules for inclusion in the MSCI TAIWAN™ index are available on www.msclub.com.

As at 15 April 2008, the 10 largest constituent stocks of the MSCI TAIWAN™ index, represented in excess of 43.63% of the total market capitalisation, based on total shares in issue, of the MSCI TAIWAN™ index, are as follows:-

| Rank | ISIN | Constituent name | % of Index |
|------|--------------|------------------|------------|
| 1 | TW0002330008 | TAIWAN SEMICONT | 10.98% |
| 2 | TW0002317005 | HON HAI | 7.62% |
| 3 | TW0002882008 | CATHAY FIN HLDG | 3.71% |
| 4 | TW0002002003 | CHINA STEEL | 3.47% |
| 5 | TW0001303006 | NAN YA PLASTICS | 3.11% |
| 6 | TW0002498003 | HIGH TECH COMP | 3.01% |
| 7 | TW0001301000 | FORMOSA PLASTICS | 2.99% |
| 8 | TW0002412004 | CHUNGHWA TELECOM | 2.98% |
| 9 | TW0002454006 | MEDIATEK | 2.98% |
| 10 | TW0002409000 | AU OPTRONICS | 2.79% |

Description of the Underlying Index methodology

The MSCI methodology and its calculation method entail a variable number of companies comprising the Underlying Index.

The monitored performance is that of the index closing prices.

The complete construction methodology for the MSCI TAIWAN™ index and any circumstances that may affect the accuracy and completeness in the calculation of its index level are available on the MSCI Internet site: www.msclub.com.

Index Provider Disclaimer

The LYXOR ETF MSCI TAIWAN is in no way sponsored, endorsed, sold or promoted by Morgan Stanley Capital International Inc. ("MSCI"), nor by any MSCI subsidiary, nor by any of the entities involved in the preparation of the MSCI indices. The MSCI indices are the exclusive property of MSCI and the MSCI indices are brands belonging to MSCI or its subsidiaries and have been the subject of a licence granted, for certain requirements, to the Manager. Neither MSCI, nor any MSCI subsidiary, nor any of the entities involved in the preparation and calculation of the MSCI indices makes any declaration or issues any express or implicit guarantee relative to holders of the LYXOR ETF MSCI TAIWAN's units or more generally to the public, with regard to the timeliness of a transaction involving mutual fund units in general or the LYXOR ETF MSCI TAIWAN's units in particular, or regarding the ability of any MSCI index to replicate the performance of the overall equity market. MSCI or its subsidiaries are the owners of certain names, registered trademarks and of the MSCI that are determined, composed and calculated by MSCI without discussion with the Manager or the LYXOR ETF MSCI TAIWAN. Neither MSCI, nor any MSCI subsidiary, nor any of the entities involved in the preparation of the MSCI indices, is required to take into account the requirements of the Manager or of the Holders of the LYXOR ETF MSCI TAIWAN's Units when determining, composing or calculating the MSCI indices. Neither MSCI, nor any MSCI subsidiary, nor any of the entities involved in the preparation of the MSCI indices makes any decision regarding the launch date, the price, the quantity of the LYXOR ETF MSCI TAIWAN's Units, or even the determination and calculation of the formula used to establish the LYXOR ETF MSCI TAIWAN's NAV. Neither MSCI, nor any MSCI subsidiary, nor any of the entities involved in the preparation of the MSCI indices, assumes any liability or obligation regarding the administration, management or marketing of the LYXOR ETF MSCI TAIWAN.

Though MSCI obtains information for integration or use in the calculation of the indices from sources that MSCI considers to be reliable, neither MSCI nor any other party involved in the creation or calculation of the MSCI indices guarantees the exactness and/or exhaustive nature of the indices or of any included data. Neither MSCI nor any other party involved in the creation of a calculation for the MSCI indices gives any express or implicit guarantee regarding the results that may be obtained by the holder of a MSCI licence, the customers of the said licensee as well as the counterparts, holders in the LYXOR ETF MSCI TAIWAN or any other person or entity, based on the usage of the indices or of any data included with regard to the rights granted by licence or for any other usage. Neither MSCI nor any other party gives express or implicit guarantees and MSCI rejects all guarantees regarding the commercial value or adequacy for specific usage of the indices or included data. Notwithstanding the above, no circumstances can the liability of MSCI or of any other party be sought with regard to any damages, whether direct, indirect or other (including the loss of earnings), even in case of knowledge of the possibility of such damages.

LYXOR ETF MSCI EMERGING MARKETS

Key Information

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

| | |
|--|---|
| Underlying Index | MSCI EMERGING MARKETS™ index |
| Date of establishment | 18 April 2007 |
| Listing Date (SEHK) | 3 June 2008 (but no later than 3 July 2008) |
| Exchange Listing | SEHK – Main Board |
| Stock Code | 2820 |
| Trading Board Lot Size | 100 Units |
| Trading Currency | Hong Kong Dollars (HK\$) |
| In-Kind Unit / Redemption Unit (only Participating Dealer(s)) | In-kind creation and in-kind redemption are not available |
| In-cash subscription / redemption (only Participating Dealer(s)) | Minimum 2,500,000 Euros (converted ¹⁰ to US\$) |
| Total Expense Ratio (the “TER”) | 0.65% of the NAV |
| Investment Strategy | Synthetic Replication (please see Part 1 of this Prospectus) |
| Counterparty to the Swap Agreement | Société Générale |
| Fiscal year end | The last day in July of each year on which the Euronext is open for trading |

Exchange Listing and Trading

Application has been made to the Listing Committee of the SEHK for the listing of and permission to deal in the Units of the LYXOR ETF MSCI EMERGING MARKETS. The Euro units of the LYXOR ETF MSCI EMERGING MARKETS are currently listed on, amongst other exchanges, the Euronext but will not be listed on the SEHK.

Certain units of the same class as the Units are admitted to the official list of the SWX Swiss Exchange. Application may be made in the future for a listing of other units of the same class as the Units on any other stock exchanges.

Investment Objective

The LYXOR ETF MSCI EMERGING MARKETS's investment objective is to gain exposure to the equities market of emerging markets (Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Malaysia, Mexico, Morocco, Pakistan, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey and Venezuela) by replicating movements in the MSCI EMERGING MARKETS™ index, while minimising as far as possible the tracking error between the LYXOR ETF MSCI EMERGING MARKETS's performance and that of the MSCI EMERGING MARKETS™ index.

There can be no assurance that the LYXOR ETF MSCI EMERGING MARKETS will achieve its investment objective.

Additional risk factor relating to the Lyxor ETF MSCI Emerging Markets

Investors in the LYXOR ETF MSCI EMERGING MARKETS should be aware of the following risks associated with investment in the aforesaid emerging markets:

- (a) *Currency Risk*: the currencies in which Index Securities are denominated may be unstable and/or subject to significant depreciation and/or may not be freely convertible.
- (b) *Country Risk*: the value of the Index Securities may be affected by political, legal, economic and fiscal uncertainties, and existing laws and regulations may not be consistently applied.
- (c) *Market Characteristics*: emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and are not highly regulated, and settlement of transactions may be subject to delay and administrative uncertainties.
- (d) *Disclosure*: less complete and reliable fiscal and other information may be available to investors.

Typical Investor Profile

An investor subscribing to the LYXOR ETF MSCI EMERGING MARKETS would generally want to obtain an exposure to the equity markets of the aforesaid emerging countries.

The recommended minimum investment period is more than 5 years.

Fees and Charges

The following fees and charges are payable by an investor investing in the LYXOR ETF MSCI EMERGING MARKETS:

| | |
|--|--|
| Subscription fee or preliminary charge ¹⁶ | The higher of (i) € 40,000 (converted ¹⁷ to US\$) per subscription request and (ii) 2% of the NAV per Unit multiplied by the number of Units subscribed |
| Redemption charge ¹⁶ | The higher of (i) € 40,000 (converted ¹⁷ to US\$) per redemption request and (ii) 2% of the NAV per Unit multiplied by the number of Units redeemed |
| Brokerage | Market rate |
| Transaction levy | 0.004% ¹⁸ |
| Trading fee | 0.005% ¹⁹ |
| Stamp duty | Nil |

¹⁶ Unless otherwise agreed by the Manager, subscriptions and redemptions in cash or in kind through a Participating Dealer are subject to subscription fees and redemption charges. No subscription fees or redemption charges will apply in the case of Units bought or sold on the SEHK.

¹⁷ Investors should note that the exchange costs and risks, if any, will be borne by the investors

¹⁸ Transaction levy of 0.004% of the price of the Units, payable by the buyer and the seller.

¹⁹ Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.

The following fees and charges are payable out of the assets of the LYXOR ETF MSCI EMERGING MARKETS:

| | |
|------------------------------|--|
| Management fee ²⁰ | Currently 0.65% per annum Maximum 0.65% per annum |
| Performance fee | Nil |
| Transaction costs | Currently nil ²¹ |

The following fees are payable by Participating Dealer(s) in respect of the LYXOR ETF MSCI EMERGING MARKETS:

| | |
|--|--|
| Creation of Units: | |
| Transaction fee | See Note ²² |
| Daylight settlement fee | Up to HK\$10,000 ²³ per application |
| Cancellation fee | Up to HK\$10,000 ²³ per application |
| Extension fee | Up to HK\$10,000 ²³ per application |
| Partial delivery request fee | Up to HK\$10,000 ²³ per application |
| Stamp duty | Nil |
| Transaction levy and trading fee | Nil |

| | |
|------------------------------------|--|
| Redemption of Units: | |
| Transaction fee | See Note ²² |
| Cancellation fee | Up to HK\$10,000 ²³ per application |
| Extension fee | Up to HK\$10,000 ²³ per application |
| <i>Ad valorem</i> stamp duty | Nil |

²⁰ The fees payable to the Custodian, the Hong Kong Representative, the Transfer Agent and the Listing Agent will be paid by the Manager out of the management fee. The management fee is payable semi-annually in arrears.

²¹ Such fee is payable by the Participating Dealer on each occasion that the Manager grants the Participating Dealer's request for daylight real time settlement, partial delivery, cancellation or extended settlement in respect of such application. The daylight settlement fee is payable when the Participating Dealer fails to complete a creation by the Settlement Date and so opts to use daylight settlement available at Euroclear to settle trades on the same day.

²² A transaction fee is payable by the Participating Dealer to the Manager for the benefit of the Transfer Agent and the Service Agent. The Transfer Agent and the Service Agent will charge a fee for each subscription or redemption application which will be met out of the transaction fee. The Transfer Agent and the Service Agent's fees will be a fee of up to HK\$15,000 per application and a fixed fee of HK\$1,000 per application, respectively.

²³ Such fee is payable by the Participating Dealer on each occasion that the Manager grants the Participating Dealer's request for daylight real time settlement, partial delivery, cancellation or extended settlement in respect of such application. The daylight settlement fee is payable when the Participating Dealer fails to complete a creation by the Settlement Date and so opts to use daylight settlement available at Euroclear to settle trades on the same day.

Absence of in-kind creation and in-kind redemption

Investors should note that in-kind creation and in-kind redemption are not available for the LYXOR ETF MSCI EMERGING MARKETS. As such, any creation or redemption must be conducted in cash.

The Underlying Index

The Underlying Index in respect of the LYXOR ETF MSCI EMERGING MARKETS is the MSCI EMERGING MARKETS™ index, which is a price return index, increased by the potential dividends as may be distributed by the constituents stocks of the Underlying Index, and calculated net of any applicable tax. The MSCI EMERGING MARKETS™ index is denominated in US Dollars.

The MSCI EMERGING MARKETS™ index is an equity index calculated and published by Morgan Stanley Capital International Inc ("MSCI"), the Index Provider. The Manager (or its Connected Persons) is independent of the Index Provider.

The MSCI EMERGING MARKETS™ index comprises solely emerging markets stocks and boasts the fundamental characteristics of MSCI indices, namely: adjustment of the market capitalisation of stocks in the MSCI EMERGING MARKETS™ index based on their free float and classification by sector using the GICS (Global Industry Classification Standard) classification.

The objective of the MSCI EMERGING MARKETS™ index is to represent 85% of the free float-adjusted market capitalisation of each group of industries in the emerging markets. By targeting 85% representation for each industry group, the MSCI EMERGING MARKETS™ index reflects 85% of the entire market capitalisation of the emerging markets, while also mirroring the emerging markets' economic diversity.

The Manager selected the MSCI EMERGING MARKETS™ index for the LYXOR ETF MSCI EMERGING MARKETS because it believes that the MSCI EMERGING MARKETS™ index has clearly defined rules and is a tradable index with high liquidity.

Constituent securities of the Underlying Index

The official MSCI indices are calculated daily on the closing value by using the official closing price of each stock exchange on which the constituent stocks are listed.

The MSCI EMERGING MARKETS™ index is available in real time through Reuters (.MSCIEF) and Bloomberg (MXEF), and the closing price of the MSCI EMERGING MARKETS™ index is available on the MSCI's website: www.msclub.com.

The index components or Index Securities are reviewed quarterly by the MSCI in order to update changes on a stock capitalisation (number of shares and free-float) or its sector classification. All main changes (e.g. merger, acquisition, sight issues and initial public offering) in respect of a company capital structure would already be implemented in real time. Any changes to the composition of the MSCI EMERGING MARKETS™ index or rules for inclusion in the MSCI EMERGING MARKETS™ index are available on www.msclub.com.

As at 15 April 2008, the 10 largest constituent stocks of the MSCI EMERGING MARKETS™ index, represented in excess of 20.41% of the total market capitalisation, based on total shares in issue, of the MSCI EMERGING MARKETS™ index, are as follows:-

| Rank | ISIN | Constituent name | % of index |
|------|--------------|------------------|------------|
| 1 | RU0007661625 | Gazprom | 3.67% |
| 2 | HK0941009539 | CHINA MOBILE | 2.87% |
| 3 | BRPETRACNPR6 | PETROBRAS PN | 2.30% |
| 4 | KR7005930003 | SAMSUNG ELECTR | 2.16% |
| 5 | BRPETRACNOR9 | PETROBRAS ON | 2.05% |
| 6 | MXP001691213 | AMX L | 1.70% |
| 7 | BRVALEACNPA3 | VALE R DOCE PNA | 1.69% |
| 8 | BRVALEACNOR0 | VALE R DOCE ON | 1.43% |
| 9 | TW0002330008 | TAIWAN SEMICONT | 1.29% |
| 10 | INE002A01018 | RELIANCE | 1.25% |

Description of the Underlying Index methodology

The MSCI methodology and its calculation method entail a variable number of companies comprising the Underlying Index.

The monitored performance is that of the index closing prices.

The complete construction methodology for the MSCI EMERGING MARKETS™ index and any circumstances that may affect the accuracy and completeness in the calculation of its index level are available on the MSCI Internet site: www.msclub.com.

Real Time Information

The estimated NAV of the Euro class units of the LYXOR ETF MSCI EMERGING MARKETS and its trading information on Euronext Paris SA are available on the website of Euronext Paris SA: www.euronext.com.

Index Provider Disclaimer

The LYXOR ETF MSCI EMERGING MARKETS is in no way sponsored, endorsed, sold or promoted by Morgan Stanley Capital International Inc. ("MSCI"), nor by any MSCI subsidiary, nor by any of the entities involved in the preparation of the MSCI indices. The MSCI indices are the exclusive property of MSCI and the MSCI indices are brands belonging to MSCI or its subsidiaries and have been the subject of a licence granted, for certain requirements, to the Manager. Neither MSCI, nor any MSCI subsidiary, nor any of the entities involved in the preparation and calculation of the MSCI indices makes any declaration or issues any express or implicit guarantee relative to holders of the LYXOR ETF MSCI EMERGING MARKETS's units or more generally to the public, with regard to the timeliness of a transaction involving mutual fund units in general or the LYXOR ETF MSCI EMERGING MARKETS's units in particular, or regarding the ability of any MSCI index to replicate the performance of the overall equity market. MSCI or its subsidiaries are the owners of certain names, registered trademarks and of the MSCI that are determined, composed and calculated by MSCI without discussion with the Manager or the LYXOR ETF MSCI EMERGING MARKETS. Neither MSCI, nor any MSCI subsidiary, nor any of the entities involved in the preparation of the MSCI indices, is required to take into account the requirements of the Manager or of the Holders of the LYXOR ETF MSCI EMERGING MARKETS's Units when determining, composing or calculating the MSCI indices. Neither MSCI,

nor any MSCI subsidiary, nor any of the entities involved in the preparation of the MSCI indices makes any decision regarding the launch date, the price, the quantity of the LYXOR ETF MSCI EMERGING MARKETS's Units, or even the determination and calculation of the formula used to establish the LYXOR ETF MSCI EMERGING MARKETS's NAV. Neither MSCI, nor any MSCI subsidiary, nor any of the entities involved in the preparation of the MSCI indices, assumes any liability or obligation regarding the administration, management or marketing of the LYXOR ETF MSCI EMERGING MARKETS.

Though MSCI obtains information for integration or use in the calculation of the indices from sources that MSCI considers to be reliable, neither MSCI nor any other party involved in the creation or calculation of the MSCI indices guarantees the exactness and/or exhaustive nature of the indices or of any included data. Neither MSCI nor any other party involved in the creation of a calculation for the MSCI indices gives any express or implicit guarantee regarding the results that may be obtained by the holder of a MSCI licence, the customers of the said licensee as well as the counterparts, holders in the LYXOR ETF MSCI EMERGING MARKETS or any other person or entity, based on the usage of the indices or of any data included with regard to the rights granted by licence or for any other usage. Neither MSCI nor any other party gives express or implicit guarantees and MSCI rejects all guarantees regarding the commercial value or adequacy for specific usage of the indices or included data. Notwithstanding the above, no circumstances can the liability of MSCI or of any other party be sought with regard to any damages, whether direct, indirect or other (including the loss of earnings), even in case of knowledge of the possibility of such damages.

LYXOR ETF FTSE RAFI US 1000

Key Information

The following table is a summary of key information in respect of the LYXOR ETF FTSE RAFI US 1000, and should be read in conjunction with the full text of this Prospectus.

| | |
|--|---|
| Underlying Index | FTSE RAFI US 1000™ strategy index |
| Date of establishment | 24 January 2007 |
| Listing Date (SEHK) | 3 June 2008 (but no later than 3 July 2008) |
| Exchange Listing | SEHK – Main Board |
| Stock Code | 2803 |
| Trading Board Lot Size | 100 Units |
| Trading Currency | Hong Kong Dollars (HK\$) |
| In-Kind Unit / Redemption Unit (only Participating Dealer(s)) | Minimum 500,000 Units |
| In-cash subscription / redemption (only Participating Dealer(s)) | No minimum amount for in-cash subscription / redemption |
| Total Expense Ratio (the “TER”) | 0.75% of the NAV |
| Investment Strategy | Synthetic Replication (please see Part 1 of this Prospectus) |
| Counterparty to the Swap Agreement | Société Générale |
| Fiscal year end | The last day in August of each year on which the Euronext is open for trading |

Exchange Listing and Trading

Application has been made to the Listing Committee of the SEHK for the listing of and permission to deal in the Units of the LYXOR ETF FTSE RAFI US 1000. The Euro units of the LYXOR ETF FTSE RAFI US 1000 are currently listed on, amongst other exchanges, the Euronext but will not be listed on the SEHK.

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

Investment Objective

The LYXOR ETF FTSE RAFI US 1000 seeks to track the performance of the FTSE RAFI US 1000™ strategy index while insofar as possible minimising the tracking error between the LYXOR ETF FTSE RAFI US 1000's performance and that of the FTSE RAFI US 1000™ strategy index.

Although the AMF has confirmed the eligibility of strategy indices as exchange-traded funds, they do not have the benefit of the exceptions accorded to index-based UCITS under the applicable laws in that an index-based UCITS is entitled to use up to 20% of its assets to acquire shares of a single issuing entity, and this 20% limit can be increased to 35% for one of such single issuing entities which the index-based UCITS invests in. The LYXOR ETF FTSE RAFI US 1000 has been approved under this regime.

The LYXOR ETF FTSE RAFI US 1000, nonetheless, currently intends only to invest in accordance with the standard investment restrictions of 10% in a single issuing entity.

There can be no assurance that the LYXOR ETF FTSE RAFI US 1000 will achieve its investment objective.

Typical Investor Profile

An investor subscribing to the LYXOR ETF FTSE RAFI US 1000 would generally want to obtain an exposure to the United States equity market.

The recommended minimum investment period is more than 5 years.

Fees and Charges

The following fees and charges are payable by an investor investing in the LYXOR ETF FTSE RAFI US 1000:

| | |
|--|--|
| Subscription fee or preliminary charge ²⁴ | The higher of (i) € 40,000 (converted ²⁵ to US\$) per subscription request and (ii) 2% of the NAV per Unit multiplied by the number of Units subscribed |
| Redemption charge ²⁴ | The higher of (i) € 40,000 (converted ²⁵ to US\$) per redemption request and (ii) 2% of the NAV per Unit multiplied by the number of Units redeemed |
| Brokerage | Market rate |
| Transaction levy | 0.004% ²⁶ |
| Trading fee | 0.005% ²⁷ |
| Stamp duty | Nil |

The following fees and charges are payable out of the assets of the LYXOR ETF FTSE RAFI US 1000:

| | |
|------------------------------|--|
| Management fee ²⁸ | Currently 0.75% per annum Maximum 0.75% per annum |
| Performance fee | Nil |
| Transaction costs | Currently nil ²⁹ |

²⁴ Unless otherwise agreed by the Manager, subscriptions and redemptions in cash or in kind through a Participating Dealer are subject to subscription fees and redemption charges. No subscription fees or redemption charges will apply in the case of Units bought or sold on the SEHK.

²⁵ Investors should note that the exchange costs and risks, if any, will be borne by the investors.

²⁶ Transaction levy of 0.004% of the price of the Units, payable by the buyer and the seller.

²⁷ Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.

²⁸ The fees payable to the Custodian, the Hong Kong Representative, the Transfer Agent and the Listing Agent will be paid by the Manager out of the management fee. The management fee is payable semi-annually in arrears.

²⁹ Transaction costs may be charged to the LYXOR ETF FTSE RAFI US 1000 although there is currently no transaction cost. Transaction costs (if any) may include, amongst others, costs in connection with the LYXOR ETF FTSE RAFI US 1000's purchase of the Investments including equity swap agreement, any brokerage and stock market taxes, and any transfer fees payable to the Custodian and/or the Manager.

The following fees are payable by Participating Dealer(s) in respect of the LYXOR ETF FTSE RAFI US 1000:

Creation of Units:

| | |
|--|--|
| Transaction fee | See Note ³⁰ |
| Daylight settlement fee | Up to HK\$10,000 ³¹ per application |
| Cancellation fee | Up to HK\$10,000 ³¹ per application |
| Extension fee | Up to HK\$10,000 ³¹ per application |
| Partial delivery request fee | Up to HK\$10,000 ³¹ per application |
| Stamp duty | Nil |
| Transaction levy and trading fee | Nil |

Redemption of Units:

| | |
|------------------------------------|--|
| Transaction fee | See Note ³⁰ |
| Cancellation fee | Up to HK\$10,000 ³¹ per application |
| Extension fee | Up to HK\$10,000 ³¹ per application |
| <i>Ad valorem</i> stamp duty | Nil |

The Underlying Index

The Underlying Index in respect of the LYXOR ETF FTSE RAFI US 1000 is the FTSE RAFI US 1000™ strategy index, which is a price return index, increased by the potential dividends as may be distributed by the constituents stocks of the Underlying Index, and calculated net of any applicable tax. The FTSE RAFI US 1000™ strategy index is denominated in US Dollars.

The FTSE RAFI US 1000™ strategy index is an equity index calculated and maintained jointly by international index supplier FTSE International Limited (hereinafter "FTSE") and Research Affiliates LLC, a management research organisation, partner of the FTSE. The FTSE RAFI US 1000™ strategy index is published by the FTSE.

The FTSE RAFI US 1000™ strategy index comprises solely United States stocks selected on an annual basis within the realm of United States stock on the FTSE USA All Cap Index. As at 31 December 2007, the FTSE RAFI US 1000™ strategy index represented more than 88% of the market capitalisation of the FTSE USA All Cap Index and comprised over 96% of the shares included in the S&P500 index (SPX). The FTSE RAFI US 1000™ strategy index comprises the largest 1000 companies by fundamental value selected from the constituents of the FTSE USA All Cap Index.

³⁰ A transaction fee is payable by the Participating Dealer to the Manager for the benefit of the Transfer Agent and the Service Agent. The Transfer Agent and the Service Agent will charge a fee for each subscription or redemption application which will be met out of the transaction fee. The Transfer Agent and the Service Agent's fees will be a fee of up to HK\$15,000 per application and a fixed fee of HK\$1,000 per application, respectively.

³¹ Such fee is payable by the Participating Dealer on each occasion that the Manager grants the Participating Dealer's request for daylight real time settlement, partial delivery, cancellation or extended settlement in respect of such application. The daylight settlement fee is payable when the Participating Dealer fails to complete a creation by the Settlement Date and so opts to use daylight settlement available at Euroclear to settle trades on the same day.

The FTSE RAFI US 1000™ strategy index is part of FTSE RAFI's range of indices referred to as "fundamental".

The Manager selected the FTSE RAFI US 1000™ strategy index for the LYXOR ETF FTSE RAFI US 1000 because it believes that the FTSE RAFI US 1000™ strategy index has clearly defined rules and is a tradable index with high liquidity.

Constituent securities of the Underlying Index

The official FTSE RAFI indices are calculated daily on the closing value by using the official closing price of each stock exchange on which the constituent stocks are listed.

The FTSE RAFI US 1000™ strategy index is available in real time through Reuters (.FTFR10) and Bloomberg (FR10), and the closing price of the FTSE RAFI US 1000™ strategy index is available on the FTSE's website: www.ftse.com.

As at 15 April 2008, the 10 largest constituent stocks of the FTSE RAFI US 1000™ strategy index, representing in excess of 18.94% of the total market capitalisation, based on total shares in issue, of the FTSE RAFI US 1000™ strategy index, are as follows:-

| Rank | ISIN Code | Name | Weight (%) |
|------|--------------|-----------------|------------|
| 1 | US30231G1022 | EXXON MOBIL | 3.04% |
| 2 | US3696041033 | GENERAL ELEC CO | 2.38% |
| 3 | US1729671016 | CITIGROUP | 2.34% |
| 4 | US0605051046 | BANK OF AMERICA | 1.84% |
| 5 | US5949181045 | MICROSOFT CP | 1.72% |
| 6 | US1667641005 | CHEVRON | 1.61% |
| 7 | US00206R1023 | AT&T | 1.60% |
| 8 | US46625H1005 | JPMORGAN CHASE | 1.56% |
| 9 | US9311421039 | WAL-MART STORES | 1.44% |
| 10 | US30231G1022 | EXXON MOBIL | 3.04% |

Description of the Underlying Index methodology

The monitored performance is that of the index closing prices.

FTSE RAFI methodology is based on a quantitative analysis rule aiming to evaluate and select the underlying stock according to fundamental criteria. Eligible stock is valued individually and classed based on a coefficient calculated according to 4 analysis factors for the company: dividend, cash flow, sales and book value. These criteria fall within a long-term approach to company analysis. Stocks with the highest coefficients (defined above) are selected in the FTSE RAFI US 1000™ strategy index. Weighting for each stock is determined based on a calculated coefficient and free float-adjusted market capitalisation.

The FTSE RAFI strategy indices are analysed and rebalanced annually, in March. The FTSE RAFI methodology and calculation method are based on a variable number of companies in the FTSE RAFI US 1000™ strategy index. The complete methodology for the construction of FTSE RAFI strategy indices is available for consultation on the FTSE web site: www.ftse.com.

Real Time Information

The estimated NAV of the Euro class units of the Lyxor ETF FTSE RAFI US 1000 and its trading information on Euronext Paris SA are available on the website of Euronext Paris SA: www.euronext.com.

Index Provider Disclaimer

LYXOR ETF FTSE RAFI US 1000 does not benefit in any manner whatsoever from the sponsoring, support, or promotion, and is not sold by FTSE International Limited (hereinafter "FTSE"), London Stock Exchange Plc, The Financial Times Limited or Research Affiliates LLC (collectively designated as the "Holders").

The Holders do not grant any guarantee and do not make any commitment, whether explicit or implied, as to the income to be obtained by using the FTSE RAFI US 1000™ strategy index (hereinafter the "Index") and/or the level at which the Index is positioned at any given moment or day or any other type. The Index is calculated by or on behalf of FTSE. The Holders shall not be held responsible (regardless of resulting from negligence or any other reason) for any error impacting the Index concerning whosoever and shall not be obliged to inform whosoever of any error impacting it.

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LYXOR ETF FTSE RAFI EUROPE

Key Information

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

| | |
|--|---|
| Underlying Index | FTSE RAFI EUROPE™ strategy index |
| Date of establishment | 24 January 2007 |
| Listing Date (SEHK) | 3 June 2008 (but no later than 3 July 2008) |
| Exchange Listing | SEHK – Main Board |
| Stock Code | 2806 |
| Trading Board Lot Size | 100 Units |
| Trading Currency | Hong Kong Dollars (HK\$) |
| In-Kind Unit / Redemption Unit (only Participating Dealer(s)) | Minimum 500,000 Units |
| In-cash subscription / redemption (only Participating Dealer(s)) | No minimum amount for in-cash subscription / redemption |
| Total Expense Ratio (the “TER”) | 0.75% of the NAV |
| Investment Strategy | Synthetic Replication (please see Part 1 of this Prospectus) |
| Counterparty to the Swap Agreement | Société Générale |
| Fiscal year end | The last day in August of each year on which the Euronext is open for trading |

Exchange Listing and Trading

Application has been made to the Listing Committee of the SEHK for the listing of and permission to deal in the Units of the LYXOR ETF FTSE RAFI EUROPE. The Euro units of the LYXOR ETF FTSE RAFI EUROPE are currently listed on, amongst other exchanges, the Euronext but will not be listed on the SEHK.

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

Investment Objective

The LYXOR ETF FTSE RAFI EUROPE seeks to track the performance of the FTSE RAFI EUROPE™ strategy index while insofar as possible minimising the tracking error between the LYXOR ETF FTSE RAFI EUROPE's performance and that of the FTSE RAFI EUROPE™ strategy index.

Although the AMF has confirmed the eligibility of strategy indices as exchange-traded funds, they do not have the benefit of the exceptions accorded to index-based UCITS under the applicable laws in that an index-based UCITS is entitled to use up to 20% of its assets to acquire shares of a single issuing entity, and this 20% limit can be increased to 35% for one of such single issuing entities which the index-based UCITS invests in. The LYXOR ETF FTSE RAFI EUROPE has been approved under this regime.

The LYXOR ETF FTSE RAFI EUROPE, nonetheless, currently intends only to invest in accordance with the standard investment restrictions of 10% in a single issuing entity.

There can be no assurance that the LYXOR ETF FTSE RAFI EUROPE will achieve its investment objective.

Typical Investor Profile

An investor subscribing to the LYXOR ETF FTSE RAFI EUROPE would generally want to obtain an exposure to the European equity market.

The recommended minimum investment period is more than 5 years.

Fees and Charges

The following fees and charges are payable by an investor investing in the LYXOR ETF FTSE RAFI EUROPE:

| | |
|--|--|
| Subscription fee or preliminary charge ³² | The higher of (i) € 40,000 (converted ³³ to US\$) per subscription request and (ii) 2% of the NAV per Unit multiplied by the number of Units subscribed |
| Redemption charge ³² | The higher of (i) € 40,000 (converted ³³ to US\$) per redemption request and (ii) 2% of the NAV per Unit multiplied by the number of Units redeemed |
| Brokerage | Market rate |
| Transaction levy | 0.004% ³⁴ |
| Trading fee | 0.005% ³⁵ |
| Stamp duty | Nil |

The following fees and charges are payable out of the assets of the LYXOR ETF FTSE RAFI EUROPE:

| | |
|------------------------------|--|
| Management fee ³⁶ | Currently 0.75% per annum Maximum 0.75% per annum |
| Performance fee | Nil |
| Transaction costs | Currently nil ³⁷ |

³² Unless otherwise agreed by the Manager, subscriptions and redemptions in cash or in kind through a Participating Dealer are subject to subscription fees and redemption charges. No subscription fees or redemption charges will apply in the case of Units bought or sold on the SEHK.

³³ Investors should note that the exchange costs and risks, if any, will be borne by the investors.

³⁴ Transaction levy of 0.004% of the price of the Units, payable by the buyer and the seller.

³⁵ Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.

³⁶ The fees payable to the Custodian, the Hong Kong Representative, the Transfer Agent and the Listing Agent will be paid by the Manager out of the management fee. The management fee is payable semi-annually in arrears.

³⁷ Transaction costs may be charged to the LYXOR ETF FTSE RAFI EUROPE although there is currently no transaction cost. Transaction costs (if any) may include, amongst others, costs in connection with the LYXOR ETF FTSE RAFI EUROPE's purchase of the Investments including equity swap agreement, any brokerage and stock market taxes, and any transfer fees payable to the Custodian and/or the Manager.

The following fees are payable by Participating Dealer(s) in respect of the Lyxor ETF FTSE RAFI EUROPE:

Creation of Units:

| | |
|--|--|
| Transaction fee | See Note ³⁸ |
| Daylight settlement fee | Up to HK\$10,000 ³⁹ per application |
| Cancellation fee | Up to HK\$10,000 ³⁹ per application |
| Extension fee | Up to HK\$10,000 ³⁹ per application |
| Partial delivery request fee | Up to HK\$10,000 ³⁹ per application |
| Stamp duty | Nil |
| Transaction levy and trading fee | Nil |

Redemption of Units:

| | |
|------------------------------------|--|
| Transaction fee | See Note ³⁸ |
| Cancellation fee | Up to HK\$10,000 ³⁹ per application |
| Extension fee | Up to HK\$10,000 ³⁹ per application |
| <i>Ad valorem</i> stamp duty | Nil |

The Underlying Index

The Underlying Index in respect of the LYXOR ETF FTSE RAFI EUROPE is the FTSE RAFI EUROPE™ strategy index, which is a price return index, increased by the potential dividends as may be distributed by the constituents stocks of the Underlying Index, and calculated net of any applicable tax. The FTSE RAFI EUROPE™ strategy index is denominated in Euros.

The FTSE RAFI EUROPE™ strategy index is an equity index calculated and maintained jointly by international index supplier FTSE International Limited (hereinafter "FTSE") and Research Affiliates LLC, a management research organisation, partner of the FTSE. The FTSE RAFI EUROPE™ strategy index is published by the FTSE.

The FTSE RAFI EUROPE™ strategy index comprises all the constituents from each European country among the 1000 non US-listed companies with the highest coefficients corresponding to fundamental criteria (defined below), selected from the constituents of the FTSE Developed ex US All Cap Index. As at 31 December 2007, the FTSE RAFI EUROPE™ strategy index represented more than 76% of the market capitalisation of the FTSE Europe All Cap Index and comprised over 67% of the shares included in the DJ Stoxx 600 index (SXXP).

³⁸ A transaction fee is payable by the Participating Dealer to the Manager for the benefit of the Transfer Agent and the Service Agent. The Transfer Agent and the Service Agent will charge a fee for each subscription or redemption application which will be met out of the transaction fee. The Transfer Agent and the Service Agent's fees will be a fee of up to HK\$15,000 per application and a fixed fee of HK\$1,000 per application, respectively.

³⁹ Such fee is payable by the Participating Dealer on each occasion that the Manager grants the Participating Dealer's request for daylight real time settlement, partial delivery, cancellation or extended settlement in respect of such application. The daylight settlement fee is payable when the Participating Dealer fails to complete a creation by the Settlement Date and so opts to use daylight settlement available at Euroclear to settle trades on the same day.

The FTSE RAFI EUROPE™ strategy index is part of FTSE RAFI's range of indices referred to as "fundamental".

The Manager selected the FTSE RAFI EUROPE™ strategy index for the LYXOR ETF FTSE RAFI EUROPE because it believes that the FTSE RAFI EUROPE™ strategy index has clearly defined rules and is a tradable index with high liquidity.

Constituent securities of the Underlying Index

The official FTSE RAFI indices are calculated daily on the closing value by using the official closing price of each stock exchange on which the constituent stocks are listed.

The FTSE RAFI EUROPE™ strategy index is available in real time through Reuters (.FTFREU) and Bloomberg (FREU), and the closing price of the FTSE RAFI EUROPE™ strategy index is available on the FTSE's website: www.ftse.com.

As at 15 April 2008, the 10 largest constituent stocks of the FTSE RAFI EUROPE™ strategy index, representing in excess of 19.61% of the total market capitalisation, based on total shares in issue, of the FTSE RAFI EUROPE™ strategy index, are as follows:-

| Rank | ISIN Code | Name | Weight (%) |
|------|--------------|------------------|------------|
| 1 | GB0007980591 | BP | 3.03% |
| 2 | GB0005405286 | HSBC HOLDINGS | 2.76% |
| 3 | NL0000303600 | ING GROEP | 2.47% |
| 4 | FR0000120271 | TOTAL | 2.16% |
| 5 | GB00B16GWD56 | VODAFONE GROUP | 1.98% |
| 6 | GB00B03MLX29 | ROYAL DTCH SHL A | 1.65% |
| 7 | DE0007100000 | DAIMLERCHRYSLER | 1.46% |
| 8 | GB0007547838 | ROYAL BANK SCOT | 1.44% |
| 9 | IT0003132476 | ENI | 1.36% |
| 10 | FR0000131104 | BNP PARIBAS | 1.32% |

Description of the Underlying Index methodology

The monitored performance is that of the index closing prices.

FTSE RAFI methodology is based on a quantitative analysis rule aiming to evaluate and select the underlying stock according to fundamental criteria. Eligible stock is valued individually and classed based on a coefficient calculated according to 4 analysis factors for the company: dividend, cash flow, sales and book value. These criteria fall within a long-term approach to company analysis. Stocks with the highest coefficients (defined above) are selected in the FTSE RAFI EUROPE™ strategy index. Weighting for each stock is determined based on a calculated coefficient and free float-adjusted market capitalisation.

The FTSE RAFI strategy indices are analysed and rebalanced annually, in March. The FTSE RAFI methodology and calculation method are based on a variable number of companies in the FTSE RAFI EUROPE™ strategy index. The complete methodology for the construction of FTSE RAFI strategy indices is available for consultation on the FTSE web site: www.ftse.com.

Real Time Information

The estimated NAV of the Euro class units of the LYXOR ETF FTSE RAFI EUROPE and its trading information on Euronext Paris SA are available on the website of Euronext Paris SA: www.euronext.com.

Index Provider Disclaimer

LYXOR ETF FTSE RAFI EUROPE does not benefit in any manner whatsoever from the sponsoring, support, or promotion, and is not sold by FTSE International Limited (hereinafter "FTSE"), London Stock Exchange Plc, The Financial Times Limited or Research Affiliates LLC (collectively designated as the "Holders").

The Holders do not grant any guarantee and do not make any commitment, whether explicit or implied, as to the income to be obtained by using the FTSE RAFI EUROPE™ strategy index (hereinafter the "Index") and/or the level at which the Index is positioned at any given moment or day or any other type. The Index is calculated by or on behalf of FTSE. The Holders shall not be held responsible (regardless of resulting from negligence or any other reason) for any error impacting the Index concerning whosoever and shall not be obliged to inform whosoever of any error impacting it.

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