



PROSPECTUS

VANGUARD ETF SERIES

A Hong Kong umbrella unit trust authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong comprising one sub-fund:

VANGUARD FTSE ASIA EX JAPAN INDEX ETF

STOCK CODE: 2805

This Prospectus is dated as at 6 May 2013.

IMPORTANT – If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission (“SFC”) take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The Trust and the Sub-Fund have each been authorised as a collective investment scheme by the SFC. SFC authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund nor does it guarantee the commercial merits of the Trust or any Sub-Fund or their performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

VANGUARD ETF SERIES

IMPORTANT INFORMATION

SFC Authorisation

The Vanguard ETF Series (“**Trust**”) and the Sub-Fund(s) to which this Prospectus relates are authorised by the SFC in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance (Cap. 571) (the “**Securities and Futures Ordinance**”). Such authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund, nor does it guarantee the commercial merits of the Trust or any Sub-Fund or their performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

This Prospectus relates to the offer in Hong Kong of Units in the Trust, an umbrella unit trust established under Hong Kong law by a trust deed dated 18 March 2013 between The Vanguard Group, Inc. (the “**Manager**”) and State Street Trust (HK) Limited (the “**Trustee**”). Units of different classes may be established within a Sub-Fund to accommodate different creation and/or redemption provisions and/or dividends and/or charges and/or fee arrangements, including different total expense ratios.

The portfolio of Fund Assets maintained for each Sub-Fund is invested in accordance with the investment objective and policies applicable to such Sub-Fund. Details for each Sub-Fund are set out in Appendix 1.

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

Reliance on this Prospectus and on the Product Key Facts Statement

Units in any Sub-Fund described in this Prospectus as well as the product key facts statement which forms part of this Prospectus are offered only on the basis of the information contained in those documents and the latest audited annual financial report and any subsequent semi-annual financial report of the relevant Sub-Fund.

This Prospectus is based on information, law and practice as at the date of this Prospectus. The Manager cannot be bound by an out-of-date prospectus when it has issued a new prospectus, and investors should check with the Manager that this is the most recently published prospectus.

No person has been authorised to give any information or make any representations concerning the Trust or any Sub-Fund or in connection with the offering of Units other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied on as having been authorised by the Trust. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Units shall not, under any circumstances, create any implication that the affairs of the Trust or any Sub-Fund have not changed since the date of this Prospectus.

No action has been taken to permit an offering of Units in any of the Sub-Funds or the distribution of this Prospectus in any jurisdiction other than Hong Kong. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or

solicitation. Distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the most recent annual report and accounts of the relevant Sub-Fund or Sub-Funds and, if later, its most recent interim report.

Listing on the Stock Exchange of Hong Kong Limited

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in, the Units in the Vanguard FTSE Asia ex Japan Index ETF on the SEHK. Subject to the approval and compliance with the relevant requirements of Hong Kong Securities Clearing Company Limited (“**HKSCC**”), 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.

United States

The Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended (“1933 Act”) or the securities laws of any of the states of the United States. The Units may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any U.S. Person. Any re-offer or resale of any of the Units in the United States or to U.S. Persons may constitute a violation of U.S. law. Each applicant for Units will be required to certify to its Participating Dealer that it is not a U.S. Person.

The Units are not open for investment by any U.S. Person. A prospective investor will be required at the time of acquiring Units to represent that such investor meets any qualification criteria established by the Manager, and is not a U.S. Person or acquiring Units for or on behalf of a U.S. Person. The prior consent of the Manager is required in respect of each application for Units and the granting of such consent does not confer on investors a right to acquire Units in respect of any future or subsequent application. The Manager may, in its sole discretion, redeem Units of any investor who is a U.S. Person and has not otherwise been approved by the Manager to own Units.

Where the Manager becomes aware that any Units are directly or beneficially owned by any person in breach of the above restrictions, the Manager may direct the Unitholder to transfer his Units to a person qualified to own such Units or to request the Manager to redeem Units, in default of which, the Unitholder shall, on the expiration of such time period as specified from the giving of such notice, be deemed to have given a request in writing for the redemption of the Units. The Manager may impose such restrictions as it believes necessary to ensure that no Units are acquired by persons who are not Qualified Holders. See the “**Restrictions and Compulsory Transfer and Redemption of Units**” section of this Prospectus.

While the Sub-Funds may trade commodity interests (commodity futures contracts, commodity options contracts and/or swaps), including security futures products, the Manager is exempt from registration with the United States Commodity Futures Trading Commission (“**CFTC**”) as a commodity pool operator (“**CPO**”) pursuant to CFTC Rule 4.13(a)(3) with regard to the Sub-Funds. Therefore, unlike a registered CPO, the Manager is not required to deliver a CFTC disclosure document to prospective investors, nor is it required to provide investors with certified annual reports that satisfy the requirements of CFTC rules applicable to registered CPOS.

The Manager qualifies for the exemption under CFTC Rule 4.13(a)(3) with respect to the Sub-Funds on the basis that, at all times, interests in the Sub-Funds: (1) are exempt from registration under the 1933 Act; (2) are not marketed to the public in the United States; (3) are offered only to non-US Persons; and (4) the Sub-Funds meet one or the other of the following tests with respect to their commodity interest positions, including positions in security futures products, whether entered into for bona fide hedging purposes or otherwise: (a) the aggregate initial margin, premiums, and required minimum security deposit for retail forex transactions, determined at the time the most recent position was established, will not exceed 5% of the liquidation value of the Sub-Fund’s portfolio, after taking into account unrealized profits and

unrealized losses on any such positions it has entered into; or (b) the aggregate net notional value of such positions, determined at the time the most recent position was established, does not exceed 100% of the liquidation value of the Sub-Fund's portfolio, after taking into account unrealized profits and unrealized losses on any such positions it has entered into.

Trust Deed

The provisions of the Trust Deed are binding on each of its Unitholders (who are taken to have notice of them).

The value of the Sub-Fund(s) may fall as well as rise, and investors may not get back the amount invested or any return on an investment. There can be no assurance that any Sub-Fund will achieve its investment objective. Potential investors should not treat the contents of this Prospectus (including the product key facts statement) as advice relating to legal, taxation, investment or any matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Units. The Manager makes no representation or warranties in respect of suitability.

Website

Investors should note that the websites referred to in this Prospectus (including the product key facts statement) have not been reviewed by the SFC. Any information provided in websites may be updated and changed periodically without any notice to any person.

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TERMS USED IN THIS PROSPECTUS

Auditor	the accountant appointed as auditor of the Trust or in respect of any Sub-Fund (as applicable) by the Manager with the Trustee's prior approval.
Base Currency	the base currency of a Sub-Fund, being Hong Kong dollars or such other currency as the Manager may determine from time to time in relation to a particular Sub-Fund as set out in Appendix 1.
Business Day	any day on which banks are open for business in Hong Kong and the SEHK is open for normal trading, provided that if on any such day, the period during which the SEHK is open for normal trading is reduced as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree.
Cash Issue Component	<ul style="list-style-type: none">(a) in relation to any full or partial in specie subscription for Creation Units, the amount of cash required to be paid per Creation Unit on the issue of those Units, which amount shall be equal to the difference between the Issue Price at the Valuation Point relating to the Dealing Day on which the application is accepted or treated as having been accepted and the Value of the Securities exchanged in specie for those Units and vested in the Trustee, calculated as at the Valuation Point relating to that Dealing Day; or(b) in relation to any subscription for Creation Units made fully in cash, the amount equal to the Issue Price calculated as at the Valuation Point relating to the Dealing Day on which the application is accepted or treated as having been accepted.
Cash Redemption Component	<ul style="list-style-type: none">(a) in relation to any full or partial in specie redemption of Redemption Units, the amount of cash required to be paid per Redemption Unit on a redemption of those Units before any set-off, which amount shall be equal to the difference between the Redemption Price at the Valuation Point relating to the Dealing Day on which the redemption request is accepted or treated as having been accepted and the Value of the Securities transferred in specie to the redeeming Unitholder in respect of such Units, calculated as at the Valuation Point relating to that Dealing Day; or(b) in relation to any redemption of Redemption Units made fully in cash, the amount equal to the Redemption Price calculated at the Valuation Point relating to the Dealing Day on which the redemption request is accepted or treated as having been accepted.
CCASS	the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC.

CCASS Operational Procedures	the Operational Procedures of CCASS, which forms part of the CCASS Rules and set out the operations of CCASS, the services and facilities available, and the procedures to be followed by CCASS Participants.
CCASS Participant	a person admitted for the time being by HKSCC as a participant of CCASS and to whose account any Units are for the time being debited or credited by HKSCC.
CCASS Rules	the General Rules of CCASS in which terms and conditions regulating the use of CCASS are set out and as may be amended or modified from time to time.
CCASS Service Agreement	the agreement between the Trustee, the Manager, the Registrar, HKSCC, HKCAS and a Participating Dealer designated by the Manager.
Code	the Code on Unit Trusts and Mutual Funds comprising part of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the “ Handbook ”), including the Overarching Principles of the Handbook, as may be amended and supplemented by the SFC from time to time.
Connected Person	has the meaning as set out in the Code.
Creation Unit	in respect of a Sub-Fund, the predetermined number of Units which a Participating Dealer must apply for when creating Units. Such number is set out in detail for the relevant Sub-Fund at Appendix 1, or such other multiple as from time to time determined by the Manager upon giving prior notice to the Trustee.
Custodian	the person or persons for the time being appointed by the Trustee as the custodian of the Trust to hold all the assets and property of the Trust.
Dealing Day	either generally or in respect of a particular class or classes of Units of a Sub-Fund, each Business Day or such other day or days as the Manager may with the Trustee’s approval from time to time determine with respect to that Sub-Fund.
Dealing Deadline	in relation to any particular Dealing Day, such time or times as the Manager may, with the Trustee’s prior approval, from time to time determine generally or in relation to any particular class or classes of Units of a Sub-Fund and as specified in Appendix 1 of this Prospectus.
Deposit Basket	in relation to any in specie subscription of Creation Units, a portfolio of Securities determined and designated or approved by the Manager from time to time for the purposes of the creation of Units in specie in a Creation Unit size.
Deposit Securities	in relation to any in specie subscription of Creation Units, a portfolio of Securities to be deposited with the Trustee by a Participating Dealer pursuant to a creation application submitted by that Participating Dealer.

Distribution Account

in respect of each Sub-Fund, the bank account or accounts (if any) opened by the Trustee for the purposes of making distributions to Unitholders.

Duties and Charges

in relation to any particular transaction or dealing in or for the account of a Sub-Fund, all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the relevant Sub-Fund or the increase or decrease of the Fund Assets of the relevant Sub-Fund or the creation, issue, transfer, redemption or cancellation of Units or the acquisition or disposal of Investments or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, any transaction or dealing in respect of which such duties and charges are payable. This may include, in relation to an issue of Units or a redemption of Units in a Sub-Fund, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of compensating or reimbursing the relevant Sub-Fund for the difference between:

- (a) the prices used when valuing the Investments in the relevant Sub-Fund for the purpose of such issue or redemption of Units; and
- (b) (i) (in the case of an issue of Units) the prices which would be paid when acquiring the same Investments if they were acquired by the relevant Sub-Fund with the amount of cash received by the relevant Sub-Fund upon such issue of Units; and
 - (ii) (in the case of a redemption of Units) the prices which would be obtained when selling the same Investments if they were sold by the relevant Sub-Fund in order to realise the amount of cash required to be paid out of the relevant Sub-Fund upon such redemption of Units.

Extraordinary Resolution

- (a) a resolution proposed as such at a duly convened meeting of Unitholders convened and held in accordance with the Trust Deed and passed as such at such meeting by a majority consisting of 75% or more of the total number of votes of those present and entitled to vote in person or by proxy cast for and against such resolution; or
- (b) a resolution in writing passed in accordance with the Trust Deed.

FDI

financial derivative instruments.

Fund Asset

all the assets (including any cash or other property received by or on behalf of the Trustee) from time to time held or deemed to be held upon the trusts for the Unitholders in the relevant Sub-Fund, but excluding any amount from time to time standing to the credit of the Distribution Account.

Government and other Public Securities	has the meaning as set out in the Code.
HKCAS	HK Conversion Agency Services Limited.
HK\$ or HK dollars	the lawful currency of Hong Kong.
HKSCC	Hong Kong Securities Clearing Company Limited.
HKSCC Nominees	HKSCC Nominees Limited.
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China.
Hong Kong Representative	Vanguard Investments Hong Kong Limited and/or such other person as may be appointed, with the prior approval of the SFC, to act as the Hong Kong representative in accordance with the requirements of the Code.
Index Depository	any securities system or depository in, with or through which any Securities are deposited, cleared and settled.
Index Provider	in respect of each Sub-Fund, the person who is responsible for compiling the Underlying Index and holds the right to licence the use of such Underlying Index to the relevant Sub-Fund, in each case as specified in this Prospectus.
Index Securities	securities which are, at the relevant time, the constituent securities of the relevant Underlying Index.
Initial Issue Date	in respect of each Sub-Fund or class, the date of the first issue of Units relating to the Sub-Fund or class, as detailed in Appendix 1.
Initial Issue Price	in relation to the initial offer of Units in a Sub-Fund or class, the amount per Unit, as detailed in Appendix 1.
Initial Offer Period	the period set out in Appendix 1 in relation to any Sub-Fund or class as the period during which the Units are initially on offer, or such other period as the Manager and the Trustee may determine.
Investment	Securities and, as the case may be, any other investments for each Sub-Fund as permitted under the Trust Deed.
Investment Advisor	Vanguard Investments Australia Limited and/or such other person as may be appointed, with the prior approval of the SFC, to provide investment advisory services in respect of the Trust and any Sub-Fund.
Issue Price	in respect of an application for Units in a Sub-Fund or class, the Issue Price Per Unit multiplied by the number of Units to be created under the application and adjusted in accordance with the Trust Deed.
Issue Price Per Unit	in respect of each Sub-Fund or class, the price per Unit (other than the Initial Issue Price) at which Units are from time to time issued or to be issued and which shall be the price per Unit ascertained in accordance with Appendix 2.

Licence Agreement	in respect of each Sub-Fund, the licence agreement entered into between the relevant Index Provider and the Manager (or any Connected Person of the Manager) in respect of the Underlying Index for such Sub-Fund, or if the Licence Agreement in respect of each Sub-Fund is for any reason terminated, any subsequent licence agreement entered into by the Manager (or any Connected Person of the Manager) with the relevant Index Provider.
Listing Agent	Macquarie Capital Securities Limited or any other person or persons being qualified to be a listing agent and for the time being duly appointed to act as the listing agent of the Trust in succession to Macquarie Capital Securities Limited.
Manager	The Vanguard Group, Inc. and/or such other person as may be appointed, with the prior approval of the SFC, to provide management services in respect of the Trust and any Sub-Fund.
Management Fee	the fees payable out of the Trust and as set out in the section " Fees and Expenses " and Appendix 1 of this Prospectus.
Manager's Fee	the fees payable out of the Trust out of the Management Fee for portfolio management services.
Market Maker	a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK.
Net Asset Value	in relation to any Sub-Fund, the net asset value of that Sub-Fund or, as the context may require, in relation to any Units or class of Units, the net asset value of a Unit or Unit of a particular class, calculated pursuant to the Trust Deed.
Operational Fees	the costs, charges, fees and expenses incurred in the operation of the relevant Sub-Fund, as set out in the section " Fees and Expenses " of this Prospectus.
Operational Guidelines	in relation to a Sub-Fund, the guidelines for the creation and redemption of Units of the relevant Sub-Fund set out in the schedule to each Participation Agreement for the relevant Sub-Fund as amended from time to time by the Manager with the approval of the Trustee, the Service Agent and HKSCC and following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers.
Participating Dealer	any CCASS Participant who is a broker or dealer and who has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee.
Participation Agreement	an agreement entered into between, amongst others, the Trustee, the Manager and a Participating Dealer, setting out, inter alia, the arrangement in respect of the creation, issue, redemption and cancellation of Units in respect of the relevant Sub-Fund.

Professional Investor	has the meaning of Professional Investor under section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance.
Prospectus	this prospectus issued by the Manager in relation to the Sub-Fund in connection with the continuous offering of Units, as amended, supplemented and updated from time to time.
Qualified Holder	<p>any person, corporation or entity other than:</p> <ul style="list-style-type: none"> (a) any individual under the age of 18 (or such other age as the Manager may think fit); (b) any U.S. Person; (c) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the reasonable opinion of the Manager, might result in the Manager, the Trustee, the Unitholders, the relevant class, Sub-Fund or the Trust incurring any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee, the Unitholders, the relevant class, Sub-Fund or the Trust to any additional regulation to which the Manager, the Trustee, the Unitholders, the relevant class, Sub-Fund or the Trust might not otherwise have incurred or suffered or been subject; or (d) any person who, by holding or owning the Units, would be in breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed.
Recognised Exchange	a stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which Securities are regularly traded.
Redemption Basket	in relation to any in specie redemption of Redemption Units, a portfolio of Securities determined and designated or approved by the Manager from time to time for the purposes of the redemption of Units in specie in a Redemption Unit size.
Redemption Securities	in relation to any in specie redemption of Redemption Units, a portfolio of Securities to be transferred from the Trust to or for the account of a Participating Dealer pursuant to a redemption request submitted by that Participating Dealer.
Redemption Price	in respect of each Sub-Fund or class, the Redemption Price Per Unit multiplied by the number of Units to be redeemed and adjusted in accordance with Appendix 2.

Redemption Price Per Unit	in respect of each Sub-Fund or class, the value per Unit at which Units are from time to time redeemed or to be redeemed and which shall be the value per Unit ascertained in accordance with Appendix 2.
Redemption Unit	in respect of a Sub-Fund, the predetermined number of Units which a Participating Dealer must redeem when redeeming Units. Such number is set out in detail for the relevant Sub-Fund at Appendix 1, or such other multiple as from time to time determined by the Manager upon giving prior notice to the Trustee.
Register	the register or registers of Unitholders of Units in a Sub-Fund or class.
Registrar	State Street Trust (HK) Limited, or the person appointed as registrar to keep the Register (and in default of any such appointment shall mean the Trustee) and to receive applications for creation and requests for the redemption of Units. References to Registrar shall include any registrar's agent from time to time appointed by the Registrar with the Manager's prior approval provided however that such approval shall not be required where such agent is a member of the State Street group of companies.
RMP	Risk Management Process.
Securities	has the meaning under the Securities and Futures Ordinance.
Securities and Futures Ordinance	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as the same may from time to time be amended, replaced or re-enacted.
SEC	U.S. Securities and Exchange Commission.
SEHK	The Stock Exchange of Hong Kong Limited.
Service Agent	where applicable, HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent in relation to the Sub-Fund.
Settlement Day	with respect to creations and redemptions of Units in a Sub-Fund, the Business Day which is such number of Business Days after the relevant Dealing Day as specified in Appendix 1 for the relevant Sub-Fund or such other number of days after the relevant Dealing Day as may be determined and agreed between the Trustee and the Manager and notified to Participating Dealers.
SFC	the Securities and Futures Commission of Hong Kong.
Sub-Fund	any sub-fund established by the Trustee and the Manager in accordance with the Trust Deed, each Sub-Fund being a segregated pool of assets and liabilities and designated by the Manager as being attributable exclusively to the Unitholders of a particular class or classes of Units and " relevant Sub-Fund " means the Sub-Fund as is relevant in the context in which it is referred to in this Prospectus.

Transaction Fee	<p>the fee, in respect of a Sub-Fund, which may at the discretion of the Manager be charged for the account of the relevant Sub-Fund:</p> <p>(a) on each application for any Units (in addition to the Issue Price of the Units); and</p> <p>(b) on each request to redeem any Units,</p> <p>the maximum level of which shall not exceed 5% of the Issue Price or Redemption Price of the Units (as applicable).</p>
Trust	<p>the umbrella unit trust scheme constituted by the Trust Deed and called Vanguard ETF Series, or such other name as the Trustee and the Manager may from time to time determine.</p>
Trust Deed	<p>the trust deed constituting Vanguard ETF Series dated 18 March 2013 between the Manager and the Trustee, as amended.</p>
Trustee	<p>State Street Trust (HK) Limited, or any other person or persons for the time being duly appointed to act as the trustee or trustees of the Trust in its succession.</p>
Underlying Index	<p>in respect of each Sub-Fund, the index which the relevant Sub-Fund seeks to track, to the extent practicable pursuant to its investment objective and in accordance with its investment strategies, as specified in Appendix 1.</p>
Unit	<p>one undivided share in a Sub-Fund or a class.</p>
Unitholder	<p>a person for the time being entered on the Register as the holder of a Unit including (where the context so admits) persons jointly so registered.</p>
U.S.	<p>The United States of America.</p>
U.S. Person	<p>(i) a U.S. person within the meaning of Rule 902 promulgated under the 1933 Act; (ii) a U.S. resident within the meaning of the United States Investment Company Act of 1940; or (iii) any person that would not qualify as a Non-United States person within the meaning of United States Commodity Futures Trading Commission Rule 4.7(a)(1)(iv).</p>
U.S.\$	<p>the lawful currency of the U.S.</p>
Valuation Point	<p>in respect of any Sub-Fund or class, such time or times on the day as specified in Appendix 1 for the relevant Sub-Fund, and/or as the Manager may determine, as at which the Net Asset Value of that Sub-Fund and Net Asset Value per Unit of a Sub-Fund (or class) are calculated in respect of any Dealing Day and, unless otherwise determined, shall mean the close of business in the last relevant market to close on each Dealing Day for the relevant Sub-Fund and “relevant Valuation Point” means the Valuation Point as at the relevant date for calculation of the Net Asset Value of each relevant Sub-Fund or class.</p>

Value	in relation to any asset or liability means the value thereof determined in accordance with Appendix 2.
Valuer	has the meaning under Appendix 2.
Vanguard Group of Companies	the group of companies of which The Vanguard Group, Inc. is the ultimate parent.

DIRECTORY

Manager

The Vanguard Group, Inc.
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Malvern, Pennsylvania 19355
U.S.A.

Directors of the Manager

F. William McNabb III
Emerson U. Fullwood
Rajiv L. Gupta
Amy Gutmann
JoAnn Heffernan Heisen
F. Joseph Loughrey
Mark Loughridge
Scott C. Malpass
André F. Perold
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Investment Advisor

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Australia

Hong Kong Representative

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Man Yee Building
60-68 Des Voeux Road Central
Central, Hong Kong

Trustee and Registrar

State Street Trust (HK) Limited
Level 68, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Listing Agent

Macquarie Capital Securities Limited
Level 18, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Service Agent

HK Conversion Agency Services Limited
Level 2, Infinitus Plaza
199 Des Voeux Road Central
Central, Hong Kong

Auditor

PricewaterhouseCoopers
Level 22, Prince's Building
Central, Hong Kong

Initial Market Maker

Macquarie Capital Securities Limited

Initial Participating Dealers

Macquarie Bank Limited
Credit Suisse Securities (Hong Kong) Limited
Goldman Sachs (Asia) Securities Limited
ABN AMRO Clearing Hong Kong Ltd

Legal Adviser as to Matters of Hong Kong Law

King & Wood Mallesons
Level 13, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

THE TRUST

General

The Trust is an umbrella unit trust established under Hong Kong law by a trust deed dated 18 March 2013 between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed, copies of which are available as described in “**Documents Available for Inspection**” in Appendix 4 (“**General Information**”) to this Prospectus.

Umbrella Trust

The Vanguard ETF Series has been structured as an umbrella trust, such that the Trustee and the Manager may issue different Sub-Funds representing separate portfolios of assets. The Fund Assets of each Sub-Fund will be invested in accordance with the investment objective and policies applicable to such Sub-Fund. It is intended that each Sub-Fund will have segregated liability from the other Sub-Funds. Investors should, however, note the risk factor “*Umbrella Structure of the Trust and Segregated Liability between Sub-Funds*” under the “**Risk Factors**” section of this Prospectus. The Trustee and the Manager may issue different classes of Units in a Sub-Fund at any time in the future.

The Trustee and the Manager are required to establish a separate Sub-Fund, with separate pools of assets and liabilities, and designated by the Manager as being attributable exclusively to the Unitholders of a particular class of Units in the following manner:

- (a) The Trustee will keep separate records and accounts for each Sub-Fund in the Base Currency of the relevant Sub-Fund. The proceeds from the issue of Units will be applied in the records and accounts of the Trustee to the Sub-Fund to which those Units relate, and the assets and liabilities and income and expenditure attributable thereto will be applied to such Sub-Fund.
- (b) The Fund Assets of each Sub-Fund shall belong exclusively to that Sub-Fund, shall not be commingled with the Fund Assets of another Sub-Fund, and shall not be used to discharge directly or indirectly the liabilities of or claims against or amount payable out of any other Sub-Fund and shall not be available for such purpose.
- (c) In respect of any asset derived from another asset, such derivative asset shall be applied in the records and accounts of the Trustee to the same Sub-Fund as the Fund Assets from which it was derived and on each re-valuation of an Investment or other property the increase or diminution in value of such an asset will be applied to the relevant Sub-Fund.
- (d) In the case of any Fund Asset that the Manager does not consider as readily attributable to a particular Sub-Fund or Sub-Funds, the Manager may determine the basis upon which any such Fund Asset will be allocated between Sub-Funds, and the Manager may at any time vary such basis, provided that the Manager may at its discretion consult with the Auditor at such times when the Manager considers it necessary to do so.
- (e) Any liability that is not considered by the Manager as attributable to a particular Sub-Fund or Sub-Funds, the Manager may determine the basis upon which any liability will be allocated between Sub-Funds and the Manager may at any time vary such basis, provided that the Manager may at its discretion consult with the Auditor at such times when the Manager considers it necessary to do so.

The Manager may, upon prior authorisation of the SFC, from time to time issue Units in relation to the creation of new Sub-Funds.

Further information

Further general information concerning the Trust, Unitholder meetings and voting rights, provisions relating to the winding up of the Trust or any Sub-Fund and other matters are contained in Appendix 4.

MANAGEMENT AND ADMINISTRATION

The Manager

The Manager of the Trust and each of the Sub-Fund(s) is The Vanguard Group, Inc., based in Malvern, Pennsylvania, and is a family of investment companies with more than 170 distinct funds holding assets of approximately US\$1.6 trillion as at 31 December 2012.

Except to the extent of any fraud, negligence or wilful default on its own part or that of its nominees or agents, the Manager shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the acts or omissions of the Manager except to the extent provided under the Trust Deed, the Code or applicable law.

The Manager (and its directors, officers and employees) shall, except to the extent of any fraud, negligence or wilful default on its (or their) part, be indemnified and held harmless out of the Fund Assets of the relevant Sub-Fund(s) in respect of (in addition to any right of indemnity given by law) any action, costs, claims, expenses, damages or liabilities to which it (or they) may be put or which it (or they) may incur as a result of the Manager acting as manager of the Trust and/or the relevant Sub-Fund(s), managing and administering the trusts or in the exercise of any powers, authorities or discretions vested in the Manager under the Trust Deed, and the Manager shall for such purpose have recourse to the Fund Assets of the relevant Sub-Fund(s).

Notwithstanding anything to the contrary as set out in the Trust Deed, the Manager may not be exempted from any liability to Unitholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence, nor may it be indemnified against any such liability by Unitholders or at the Unitholders' expense.

Regulatory Status

The Manager is registered as an investment adviser under the Investment Advisers Act of 1940 with the SEC (SEC file number: 801-11953).

Investment Advisor

The Manager has delegated the investment management function for each of the Sub-Funds to the Investment Advisor. The Investment Advisor is Vanguard Investments Australia Limited based in Melbourne, Australia. The Investment Advisor is a wholly-owned subsidiary of the Manager and holds an Australian Financial Services Licence (Number 227263) under the Corporations Act 2001, authorising the Investment Advisor to operate registered managed investment schemes that invest in financial assets to retail and wholesale clients.

The Investment Advisor: (i) is free of any conditions or constraints that are not generally applied by the Australian Securities & Investment Commission on licensees authorising a fund manager to operate a managed investment scheme; (ii) has been managing registered managed investment schemes immediately before the Investment Advisor applied to the SFC for recognition under the Code, and shall remain as such during the life of the relevant Sub-Fund's authorisation by the SFC; and (iii) has supplied to the SFC a compliance plan and related documents for the relevant Sub-Fund and its related fund management activities and the compliance plan and related documents follow the requirements as set out by the Australian Corporations Act 2001 with respect to managed investment schemes.

The Investment Advisor's fees will be paid by the Manager and is not a direct cost paid by the Unitholder.

Hong Kong Representative

Vanguard Investments Hong Kong Limited has been appointed by the Manager as the Hong Kong Representative in accordance with the requirements of the Code.

Hong Kong Listing Agent

Macquarie Capital Securities Limited has been appointed as the Listing Agent for the Trust and each of the Sub-Funds in accordance with The Rules Governing the Listing of Securities on the SEHK.

Trustee and Registrar

The Trustee of the Trust is State Street Trust (HK) Limited, which is a registered trust company in Hong Kong. The Trustee is an indirect wholly owned subsidiary of State Street Bank and Trust Company, which is a bank licensed under the Banking Ordinance (Cap. 155 Laws of Hong Kong).

Under the Trust Deed, the Trustee is responsible for the safekeeping of the documents of title and the assets of the Trust save where otherwise provided under the Trust Deed such as assets of the Trust which are held by a securities depository or settlement system. The Trustee may, however, appoint any person or persons (including any of its Connected Person) to be Custodian of the assets of the Trust or any Sub-Fund or to otherwise act as its agent. Subject as noted below, the Trustee will remain responsible for the acts or omissions of such persons in the same manner as if such acts or omissions were those of the Trustee.

The Trustee is required to exercise reasonable care and diligence in the selection, appointment and on-going monitoring of its nominees, agents and delegates and, during the term of their appointment, must be satisfied that the nominees, agents and delegates so retained remain suitably qualified and competent to provide the relevant service.

Subject to the Trustee's proper discharge of the requirements as set out above in relation to the selection, appointment and on-going monitoring of any nominees, agents and delegates, (i) the Trustee shall not be liable for the insolvency of any of its nominees, delegates and agents (including the Custodian and any sub-custodians); and (ii) the Trustee shall not be liable for any act or omission of any delegate or agent (including the Custodian and any sub-custodians) which is (a) not a Connected Person of the Trustee; and (b) which is appointed to provide services to the Trustee other than in relation to (1) the Trustee's safekeeping of Fund Assets; or (2) the exercise of any fiduciary powers or authorities acting as Trustee under the Trust Deed; and (iii) the Trustee shall not be liable for any act or omission of any nominee, delegate or agent which is not a Connected Person of the Trustee appointed in respect of markets which the Trustee reasonably believes to be emerging markets after consultation with the Manager.

Except to the extent of any fraud, negligence or wilful default on its own part or that of its nominees or agents where the Trustee would be liable pursuant to the provisions of the Trust Deed, any liability of the Trustee arising under or in connection with the Trust Deed, whether in contract, in tort, by law or otherwise, is limited to the amount for which the Trustee has a right of recovery against or any indemnity from the Trust or the relevant Sub-Fund (i.e. the relevant Fund Assets).

The Trustee will also act as the Registrar of the Trust. The Registrar will be responsible, inter alia, for maintaining the Register and processing creations, redemptions, conversions and transfers of Units in accordance with the Trust Deed and this Prospectus.

Notwithstanding anything to the contrary as set out in the Trust Deed, the Trustee may not be exempted from any liability to Unitholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence, nor may it be indemnified against any such liability by Unitholders or at the Unitholders' expense.

The Trustee will be entitled to a trustee fee and other service fees agreed by the Manager and will be paid out of the Management Fee.

Service Agent

HKCAS will act as the Service Agent of the Sub-Funds to perform, by itself or through its affiliates or HKSCC, the services to facilitate the deposit of the Units into CCASS and the withdrawal of such Units from CCASS under the CCASS Service Agreement. HKCAS, as the Service Agent, performs, through HKSCC, certain of its services in connection with the creation and redemption of Units.

Index Provider

The Manager may enter into a licensing agreement with an Index Provider in relation to any Sub-Fund, who will grant to the Manager the right to use the relevant Underlying Index to create a Sub-Fund based on the relevant Underlying Index and to use certain trademarks and any copyright in the relevant Underlying Index.

Auditor

The Manager has appointed PricewaterhouseCoopers to act as the auditor of the Sub-Funds. All accounts of the Sub-Funds including the annual report thereof shall be audited by the Auditor and shall be accompanied by a certificate of the Auditor. The Auditor shall further be required to report whether the accounts have been properly prepared in accordance with the provisions of the Trust Deed, the Code and International Financial Reporting Standards.

Participating Dealers

The Participating Dealers will effect applications for creation and redemption of Units. Each Participating Dealer must (i) be licensed or registered for Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance; (ii) be a CCASS Participant; and (iii) have executed a Participation Agreement with the Manager and the Trustee. A list of the current Participating Dealers is available at www.vanguard.com.hk.

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. 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.

If the SEHK withdraws its permit to the existing Market Maker(s), or if any Market Maker's ability to duly perform its services becomes adversely affected, the Manager will endeavour to immediately appoint additional Market Makers to ensure that there is at least one other Market Maker for each Sub-Fund to facilitate the efficient trading of Units. At least one Market Maker will be required to provide three months' prior notice of termination of its appointment as a market maker for the relevant Sub-Fund. The list of the current Market Maker(s) in respect of each Sub-Fund is available at the SEHK's website at www.hkex.com.hk and at www.vanguard.com.hk.

CONFLICTS OF INTEREST

Conflicts of Interest

The Manager, the Investment Advisor, the Hong Kong Representative, the Trustee, the Registrar and the Listing Agent may from time to time act as manager, registrar, administrator, trustee, custodian, receiving agent, advisor or distributor in relation to serving as directors, officers, advisers or agents or be otherwise involved in, other Sub-Funds or collective investment schemes that have similar investment objectives to those of any Sub-Fund. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interests with the Trust or any Sub-Fund. Each will, at all times, have regard in such event to its obligations under the Trust Deed and/or any agreements to which it is a party or by which it is bound in relation to the Trust or any Sub-Fund and, in particular, but without limitation, to its obligations to act in the best interests of the Unitholders when undertaking any investments where conflicts of interest may arise and will endeavour to ensure that such conflicts are resolved fairly.

The Manager and the Investment Advisor also have in place internal control procedures (e.g. in relation to trade allocation and/or staff dealing) to ensure that, in the event of conflicts of interests, all transactions shall be treated fairly. Dedicated personnel are put in place to monitor the internal systems and controls, and to ensure that any potential conflicts of interests are, to the extent possible, promptly identified and handled in accordance with the established policies.

Companies connected with the Vanguard Group of Companies may provide seeding capital to any or all of the Sub-Funds.

Connected Party Transactions

The Trustee, the Manager and the Investment Advisor will take all reasonable care to ensure that all transactions carried out by or on behalf of the Trust or any Sub-Fund are conducted at arm's length.

Any transactions with Connected Persons will be carried out in accordance with the provisions of the Code, any other applicable laws and any conditions imposed by the SFC and other competent governmental authority from time to time provided that no Connected Person transaction will be void or voidable if it is entered into in breach of such provisions.

The Manager, the Investment Advisor and their Connected Persons must not, without the written approval of the Trustee, as principal sell, or deal in the sale of, investments for the account of a Sub-Fund or otherwise deal as principal for the account of the Sub-Fund, including any purchase for the account of a Sub-Fund of any unit or other interest in a collective investment scheme managed by the Manager, the Investment Advisor or any of their Connected Persons. The Trustee may give such approval on the condition that the Manager, the Investment Advisor or their Connected Persons (as the case may be) will ensure that such transactions:

- a) are or will be transacted at arm's length; and
- b) are or will be executed on the best available terms.

A report of such transactions entered into during a reporting period shall be provided in the annual and semi-annual reports, and will list all such transactions, by type, name of the related party and, where relevant, fees paid to that party in connection with the transaction.

The Trustee shall not as principal for its own account sell or deal in the sale of Investments to the Trustee for the account of the Trust or any Sub-Fund or otherwise deal as principal with the Trust or any Sub-Fund, provided that the Trustee shall be permitted to sell or deal in the sale of Investments and otherwise deal with the Trust or any Sub-Fund where it acts at all times in its capacity as a trustee and not in its capacity as a principal. The Connected Persons of the Trustee must not, without the written approval of the Trustee, as principal sell, or deal in the

sale of, Investments for the account of the Trust or the relevant Sub-Fund or otherwise deal as principal for the account of the Trust or the relevant Sub-Fund, and if the Trustee shall give its approval, any such selling or dealing shall be transacted at arm's length and otherwise in accordance with the Trust Deed. If any Connected Person of the Trustee shall so sell or deal, such Connected Person may retain for its own absolute use and benefit any profit which it may derive therefrom or in connection therewith, provided that such transactions are entered into on an arm's length basis and at the best price available to the Trust and the relevant Sub-Fund.

The Manager shall delegate to the Investment Advisor the responsibility for selecting brokers and dealers through whom transactions for the account of the Sub-Fund are to be executed. The Manager will use due care to ensure that the selected brokers will provide best execution to the relevant Sub-Fund. In determining what constitutes best execution, the Manager will consider the overall economic result of the Sub-Fund (price of commission plus other costs), the efficiency of the transaction, the broker's ability to effect the transaction if a large block is involved, the availability of the broker for difficult transactions in the future, other services provided by the broker such as research and the provision of statistical and other information, and the financial strength and stability of the broker.

If the Manager decides to execute foreign exchange spot, forward or swap transactions (collectively, "foreign exchange transactions") with the Connected Persons or other delegates of the Trustee, the Connected Person or other delegate of the Trustee will enter into such foreign exchange transactions with or for the account of the Trust or Sub-Fund as a primary counterparty (and not as agent or fiduciary for the Trust or Sub-Fund) and on a basis determined by the Manager to represent a transaction on an arm's length basis. For the avoidance of doubt, neither the Connected Persons nor other delegates of the Trustee are acting as agent or fiduciary for the Manager. In all cases where the Connected Persons or other delegates of the Trustee enter into foreign exchange transactions with or for the account of the Trust or a Sub-Fund, the Manager will at its discretion determine the method of execution to be used, either generally or in any particular case, that is available to it as outlined in client publications issued by the Connected Persons or other delegates of the Trustee from time to time ("Client Publications") or the Manager may elect to enter into foreign exchange transactions with counterparties other than the Connected Persons or other delegates of the Trustee. Any such transactions shall be effected on an arm's length basis at quoted rates as determined by the Connected Persons or other delegates of the Trustee from time to time which are consistent with the applicable method of execution chosen by the Manager and as outlined in the Client Publications. The Connected Persons and delegates of the Trustee shall be entitled to retain for its or their own use and benefit any benefit which it or they may derive from any such foreign exchange transactions or the holding of any cash in connection with such transactions.

Where any cash forming part of the Fund Assets is transferred to a deposit account with the Trustee, the Custodian, the Manager, the Investment Advisor or with any of their Connected Persons (being an institution licensed to accept deposits), such institution shall pay interest thereon in accordance with normal banking practice at no lower rate than the prevailing rate for deposits of a similar size and term, in the same currency and with institutions of a similar standing negotiated at arm's length. Subject thereto, the Trustee, the Custodian, the Manager, the Investment Advisor or their Connected Persons shall be entitled to retain for its or their own use and benefit any benefit which it or they may derive from any cash for the time being in its or their hands (whether on current or deposit account) as part of a Sub-Fund or of a Distribution Account (as the case may be).

Cash Rebates and Commission

In transacting with brokers or dealers connected to the Manager, the Investment Advisor, or any of their Connected Persons, the Manager must ensure that it complies with the following obligations:

- a) such transactions should be on arm's length terms;

- b) it must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- c) transaction execution must be consistent with applicable best execution standards;
- d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- e) the Manager must monitor such transactions to ensure compliance with its obligations; and
- f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the Sub-Fund's annual report.

None of the Manager, the Investment Advisor or any of its Connected Persons may retain cash or other rebates or other forms of soft commissions from a broker or dealer in consideration of directing transactions for the account of a Sub-Fund to the broker or dealer and none of the Manager, the Investment Advisor or any of its Connected Persons intends to have in place any soft dollar arrangements to receive goods and services from a broker or dealer.

THE SUB-FUNDS

General

The Vanguard ETF Series has been established as an umbrella trust with segregated liability between Sub-Funds. Different Sub-Funds may be established from time to time by the Trustee and the Manager with the prior approval of the SFC. On the introduction of any new Sub-Fund or class of Units, either a revised Prospectus or a supplemental Prospectus will be prepared, setting out the details. The Sub-Funds are operated separately and the Fund Assets of each Sub-Fund are managed in accordance with the investment objective and policy applicable to that Sub-Fund.

The following Sub-Fund has been established and is available for investment:

- Vanguard FTSE Asia ex Japan Index ETF

Details of the Sub-Fund are set out in Appendix 1.

Investment Objectives and Strategies of the Sub-Funds

The specific investment objective and strategies of each Sub-Fund are set out in Appendix 1.

The Fund Assets of each Sub-Fund will be invested with the aim of achieving the investment objective and in accordance with the policies of that Sub-Fund. Investments of each Sub-Fund must also comply with the investment and borrowing powers and restrictions set out in the Code, the Trust Deed and this Prospectus.

A summary of the investment powers and restrictions applicable to each Sub-Fund is set out in more detail in Appendix 3.

Indices

Where set out in the investment objective of a Sub-Fund, the performance of a Sub-Fund will normally be measured against an Underlying Index as disclosed in Appendix 1. The relevant Underlying Index against which performance may be measured may change in certain circumstances as detailed below.

The Manager will rely solely on each Index Provider for information as to the composition and/or weighting of the Securities within each Underlying Index and is not responsible for any error in relation thereto. If the Manager is unable to obtain or process such information in relation to any Underlying Index on any Business Day, then the most recently published composition and/or weighting of that Underlying Index will be used for the purpose of all adjustments.

Change of Index

The Manager reserves the right to, with prior approval of the SFC and, upon notification to Unitholders, substitute a different index for the Underlying Index specified in the investment objective of the relevant Sub-Fund. Circumstances for a change in the Underlying Index may include, but are not limited to, the following events: (i) the Licence Agreement in relation to the Underlying Index is terminated; (ii) the Underlying Index ceases to exist; (iii) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Underlying Index; (iv) investing in the Securities comprised within the Underlying Index becomes difficult; or (v) the quality (including accuracy and availability of the data) of the Underlying Index have, in the opinion of the Manager, deteriorated. In any such instance, the substitute Underlying Index would measure substantially the same market segment as the original Underlying Index.

Investment Techniques

The Manager will utilise an indexing approach which involves the use of either a “Replication Strategy” and/or a “Representative Sampling Strategy”.

Replication Strategy is where the Manager invests in substantially all the Index Securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index. When an Index Security ceases to be a constituent of the Underlying Index, rebalancing occurs which involves, inter alia, selling the outgoing security and using the proceeds to invest in the incoming security.

Representative Sampling Strategy is where the Manager invests in a representative sample of the Index Securities of the Underlying Index selected by the Manager using quantitative analytical models in a technique known as “portfolio optimisation”, under which each Index Security is considered for inclusion and weighting in the portfolio of the Sub-Fund based on risk, industry, country or other factors. Portfolios are optimised to minimise tracking error given a set of constraints which may include transaction costs, trade sizes, country, risk factor and stock specific constraints.

The Manager’s aim is to manage the portfolio of each Sub-Fund to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index of that Sub-Fund by investing all, or substantially all, of the Fund Assets of such Sub-Fund in Index Securities in substantially the same weightings as constituted in the Underlying Index, and/or other Securities that, in the aggregate, approximates the Underlying Index in terms of primary risk factors and other key characteristics.

Unitholders should note that it may not be possible or practicable for a Sub-Fund to purchase or gain exposure to all of the Index Securities in their proportionate weightings or to purchase them at all due to various factors, including the costs and expenses involved and the concentration limits described in Appendix 3 to this Prospectus. In these circumstances, the Manager may, in seeking to track an index, decide to hold a representative sample of the Securities contained in an index.

Subject to the restrictions set out in Appendix 3 of this Prospectus, there may also be instances where a Sub-Fund holds Securities which are not Index Securities, if the Manager believes this to be appropriate.

A Sub-Fund may, for cash management purposes, maintain cash balances held in an operating account with the Custodian or hold cash instruments including, but not limited to, deposits with a bank with a short-term domestic credit rating of A1 or higher as rated by Standard & Poor’s, with a term to maturity of no more than a year, or bills of exchange that have been accepted or endorsed by a bank with a short term credit rating of A1 or higher as rated by Standard and Poor’s with a term to maturity of no more than a year.

In addition to the direct acquisition of the Index Securities, a Sub-Fund may invest in Securities (such as exchange traded funds or depositary receipts) and derivatives which collectively, or individually, provide an economic exposure which is substantially similar to any of the Index Securities. The Manager may utilise various combinations of other available investment techniques for direct investment purposes in seeking to track the Underlying Index.

A Sub-Fund may invest in FDIs including, but not limited to, listed options, exchange traded options contracts, futures, index futures, options on index futures and warrants (for investment purposes to gain exposure to the Index Securities and/or the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons, or to minimise tracking errors) and foreign currency forward contracts, spots and short-dated forward foreign exchange transactions (for the purpose of managing cash flows, settling Securities and minimising tracking errors).

Changes to the composition and/or weighting of the Index Securities which is sampled or replicated by a Sub-Fund may require that Sub-Fund to make corresponding adjustments or rebalancings to its holdings in order to seek to track or replicate the Underlying Index. The Manager will in a timely manner and as efficiently as possible, but subject to its overall discretion in accordance with the investment strategies of the relevant Sub-Fund, seek to rebalance the composition and/or weighting of the investments held by a Sub-Fund from time to time and to the extent practicable and possible to conform its exposure to the changes in the composition and/or weighting of Index Securities. Other rebalancing measures may be taken from time to time to seek to maintain the correspondence between the performance of a Sub-Fund and the performance of the Underlying Index.

Currency Hedging at Portfolio Level

A Sub-Fund may enter into transactions for the purposes of hedging the currency exposure of the underlying Securities into the relevant Sub-Fund's Base Currency. If undertaken, the aim of this hedging will be to reduce the Sub-Fund's level of risk or to hedge the currency exposure to the currency of denomination of some or all of the Sub-Fund's underlying Securities. Derivatives such as currency forwards and interest rate futures may be utilised if the Sub-Fund engages in such hedging. The currency exposure of Investments will not be allocated to other Sub-Funds.

Profile of a typical investor in the Sub-Funds

Each Sub-Fund is available to a wide range of investors seeking access to a portfolio managed in accordance with a specific investment objective and policy. Investors should in particular read the "**Risk Factors**" as set out in this Prospectus and, if they are in any doubt about making an investment, should consult their professional adviser concerning the acquisition, holding or disposal of any Units.

LISTING, DEALING AND TRADING OF UNITS

Listing of Units on the SEHK

Application has been made to the listing committee of the SEHK for the listing of, and permission to deal in, the Units. Subject to the approval of the application and compliance with the relevant requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealing in the Units on the SEHK or such other date as HKSCC determines. Upon listing, the Units will be and are traded on the SEHK in board lots of 100 Units and will be traded in the Trading Currency of the relevant Sub-Fund as specified in Appendix 1.

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

Investors will not be able to purchase or sell Units on the SEHK if the Units are no longer listed. There is no assurance that the Units of the Sub-Funds will continue to meet the listing requirements of the SEHK. If the Units of the a Sub-Fund are delisted, the Manager may, in consultation with the Trustee, seek the SFC's prior approval to operate the relevant Sub-Fund as an unlisted index fund (subject to any necessary amendments to the constitutive documents of the Trust) or terminate the Sub-Fund in accordance with the Code, Trust Deed and/or all applicable laws.

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

Creation and Redemption of Units (Primary Market)

Units

Units are issued in blocks, known as Creation Units, and redeemed in similar blocks, known as Redemption Units. To create or redeem a Creation/Redemption Unit, you must be a Participating Dealer or you must transact through a broker that is a Participating Dealer. A Participating Dealer is a CCASS Participant and has executed a Participation Agreement with the Trustee and the Manager. The current list of Participating Dealers is available at www.vanguard.com.hk.

All applications for creation or redemption of Units delivered on a Dealing Day after a Sub-Fund's Dealing Deadline, or delivered on a day that is not a Dealing Day, will be rejected. Participating Dealers will be required to re-submit any such applications for creations or redemptions of Units during the next Dealing Day before the Dealing Deadline in order to be accepted.

Investors that are not Participating Dealers must purchase Units through a broker on the secondary market or through a Participating Dealer on the primary market. As with any stock traded on an exchange through a broker, purchases and sales of Units on the secondary market will be subject to usual and customary brokerage commissions. The Manager does not set the amount of the commissions and does not receive these payments.

Units may be created in specie, at the Manager's discretion, in exchange for the Deposit Securities that are generally part of (or soon to be part of) the Sub-Fund's Index Securities. Units may also be redeemed in specie; an investor redeeming a Redemption Unit will receive a basket of Securities that are part of the Sub-Fund's portfolio holdings, the "Redemption Securities". As part of any in specie creation or redemption transaction, the investor will either pay or receive some cash in addition to the Deposit Securities or Redemption Securities, as described in the "**Creation of Units**" and "**Redemption of Units**" sections of this Prospectus.

Participating Dealers who apply for creation of Units in specie will for settlement purposes have access to an account in CCASS.

Minimum Holdings

Where applicable, the minimum holdings for each Sub-Fund are set out in Appendix 1. If, following redemption of Units, a Participating Dealer's holding of Units should fall below the minimum holding for that Sub-Fund as set out in Appendix 1, the Manager may effect a mandatory redemption of that Participating Dealer's entire holding in Units of that Sub-Fund. Failure of the Manager to do so immediately after such redemption does not remove this right.

Trading of Units on the SEHK (Secondary Market)

The listing of the Units on the secondary market (1) provides intraday liquidity; (2) allows investors to trade Units in quantities smaller than a Creation/Redemption Unit; and (3) facilitates distribution of, and access to, the Units for retail investors. Through the operation of such a secondary market, persons who are not Participating Dealers or not able or willing to apply for and redeem Creation/Redemption Units will be able to buy Units from or sell Units to other retail investors or Market Makers, broker/dealers, or other Participating Dealers at prices which should approximate the Net Asset Value of the Units.

Investors who purchase Units on the secondary market and who are not CCASS Participants will have indirect access to CCASS through professional financial intermediaries, such as banks, custodians, brokers, dealers, and trust companies which clear through or maintain a custodial relationship with CCASS Participants. As the purchase and sale of Units on the SEHK is not a creation or redemption of Units with a Sub-Fund, investors should note that such orders may be subject to the customary brokerage commissions and other fees associated with the trading through the SEHK. Please see "**Fees Payable by Investors Dealing in Units on SEHK**" in relation to a particular sub-fund as set out in Appendix 1.

The price of any Units traded on the secondary market will depend on market supply and demand, movements in the value of the Index Securities as well as other factors such as prevailing financial markets, corporate, economic and political conditions. The trading price of the Units may differ from the Net Asset Value per Unit and there can be no assurance that a liquid secondary market will exist for the Units.

Investors may place an order with a broker to buy or sell their Units (in board lots of 100 Units) on the SEHK at any time during the trading day. To sell Units (or to buy new Units) an investor will need to use an intermediary such as a stockbroker or any of the share dealing services offered by banks or other financial advisers. There are also exchange participants that will make a market for Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK. Please refer to "**Market Maker**" under the "**Management and Administration**" section of this Prospectus for further details on the role of a Market Maker.

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 Securities and Futures Ordinance.

CREATION OF UNITS

Investment in the Sub-Fund

There are two methods of making an investment in a Sub-Fund.

The first method is to create Units at the Issue Price directly with the Sub-Fund in the primary market. Dealing in the primary market could be carried out by an investor through a Participating Dealer. Only a Participating Dealer may apply to create Units directly from the Sub-Fund. A Participating Dealer may apply for Units on their own account or for the account of their clients in accordance with the Operational Guidelines and Trust Deed.

The second method is to buy Units in the secondary market on the SEHK, as described in “**Trading of Units on the SEHK (Secondary Market)**” under the “**Listing, Dealing and Trading of Units**” section of this Prospectus. The secondary market price of Units may trade at a premium or discount to the Net Asset Value of the Sub-Fund.

This section of this Prospectus describes the first method of investment and should be read in conjunction with the Operational Guidelines for the creation and redemption of Units set out in the Participation Agreement and the Trust Deed.

Initial Offer Period

Units in a Sub-Fund will initially be offered to Participating Dealers during the Initial Offer Period as set out in Appendix 1. Participating Dealers may apply for Units on their own account or on behalf of their investors during the Initial Offer Period, but always in the name of the Participating Dealers.

The offer and issue of Units during the Initial Offer Period is subject to, and conditional upon, the SEHK granting a listing of, and permission to deal in, Units in the relevant Sub-Fund on or before the end of the relevant Initial Offer Period or such other date as the Manager may determine. If such condition is not fulfilled, any Deposit Securities tendered and any cash amount (including any Cash Issue Component, Duties and Charges and Transaction Fee) paid by the relevant Participating Dealer in respect of any applications for creation of Units submitted during the Initial Offer Period will be returned without interest.

Initial Issue Price

The Initial Issue Price per Creation Unit during the Initial Offer Period is set out in Appendix 1.

Extension of the Initial Offer Period

If the Initial Offer Period is extended, dealings in the Units on the SEHK will commence 3 Business Days following the close of the extended Initial Offer Period.

Creation of Units

To apply for a creation of Units, a Participating Dealer must submit an order in proper form to the Registrar and the Manager and such order must be received by the Registrar and accepted by the Manager by the Dealing Deadline. Participating Dealers must submit orders pursuant to procedures set forth in the Operational Guidelines and in this Prospectus. An application for the creation of Units, once given, cannot be revoked or withdrawn after the Dealing Deadline without the consent of the Manager.

The Manager shall have the absolute discretion to accept or reject any application for Units for any reason, and will be unable to process any application for Units in the case where dealing in a Sub-Fund has been suspended as set out under the “**Temporary Suspension of Dealing in Units**” section of this Prospectus.

Minimum creations

Units may only be purchased in Creation Units. The size of a Creation Unit for each Sub-Fund is set out in Appendix 1. The Manager may, upon giving prior notice to the Trustee: (a) accept cash creation orders below the minimum amount; and (b) reduce the size of a Creation Unit.

Requests for creation of Units from Investors

The Manager generally expects Participating Dealers, in the normal course of business, to process requests from investors to create Units.

Participating Dealers will generally accept and submit creation requests received from third parties, but shall, acting in good faith, have the right to reject an application for creation of Units from third parties under exceptional circumstances, including (i) market disruption events which are out of control of the Participating Dealers (such as if dealing of the Units or determination of the Net Asset Value of the Sub-Fund has been suspended – please refer to the “**Temporary Suspension of Dealing in Units**” section of this Prospectus); (ii) where the investor fails to comply with the client acceptance procedures of the Participating Dealers; (iii) where there is in existence any trading restriction or limitation, regulatory restriction or requirement, or internal compliance or internal control restrictions of the Participating Dealer which are for the purpose of ensuring compliance with laws and regulations; or (iv) if, in the opinion of the Manager, acceptance of the application for creation of Units will have a material adverse effect on the Sub-Fund. Participating Dealers may impose fees and charges in handling any creation request which would increase the cost of investment and investors are advised to check with the Participating Dealers as to relevant fees and charges.

Issue Price per Unit

The Issue Price per Unit in a Sub-Fund applied after the Initial Offer Period will be calculated as at the Valuation Point relating to the Dealing Day on which the application is accepted. The basis for calculation is summarised in Appendix 2. Creations of Units will be completed in the Base Currency of the relevant Sub-Fund.

Fees

The Manager may charge a Transaction Fee (the rate of which may be varied by the Manager from time to time) in respect of an application for creation of Units. The Manager may charge an application cancellation fee in connection with the cancellation of each accepted application for creation or redemption of Units and/or an extension fee in connection with any requests for extended settlement. Please see “**Fees and Expenses**” and Appendix 1 of this Prospectus for further details on fees and charges.

Settlement – In specie

The consideration for the purchase of a Creation Unit for a Sub-Fund generally consists of:

- a) the Deposit Securities; plus
- b) the Cash Issue Component; plus
- c) Duties and Charges; plus
- d) a Transaction Fee.

A list of the names and the quantity of each Deposit Security to be included on each Business Day’s Deposit Basket for each Sub-Fund (subject to possible amendment or correction) is made available from the Hong Kong Representative at such time as stipulated in the Operational Guidelines. The identity and quantity of the Deposit Securities in the Deposit Basket may change from one day to another to reflect rebalancing adjustments and corporate actions, or to respond to adjustments to the weighting or composition of the constituent stocks of the relevant target index.

The Manager reserves the right to permit or require the substitution of any Deposit Security by an amount of cash -referred to as "cash-in-lieu", which will be added to the Cash Issue Component to replace any or all Deposit Securities that may not be available in sufficient quantity for delivery; may not be eligible for transfer; may not be eligible for trading by a Participating Dealer; or in the event that in specie trading is not permissible in particular countries or markets. Trading costs incurred by the Manager in connection with the purchase of Deposit Securities with cash-in-lieu amounts will be borne by the relevant Participating Dealer, through the Duties and Charges payable by the Participating Dealer to protect existing Unitholders from this expense.

All questions as to the quantity of each security in the Deposit Securities and the validity, form, eligibility, and acceptance for deposit of any Securities to be delivered shall be determined by the Manager and the Manager's determination shall be final and binding.

The Trustee shall inform the Custodian of the application for Units. The Custodian will then inform the appropriate sub-custodians. Each sub-custodian shall maintain an account into which the Participating Dealer shall be instructed to deliver, on behalf of itself or the party on whose behalf it is acting, the relevant Deposit Securities (or the cash value of all or part of such Securities, in the case of a permitted or required cash purchase or cash-in-lieu amount) including all applicable fees. Deposit Securities must be delivered to an account maintained at the applicable local sub-custodians as instructed by the Custodian. The Participating Dealer must also make available on the Settlement Day, by means satisfactory to the Manager, immediately available or same day funds sufficient to pay the Cash Issue Component and any applicable Duties and Charges, Transaction Fees and any other fees next determined after acceptance of the creation order.

The standard settlement period for Creation Unit creations is two Business Days following the Dealing Day on which the application for creation is accepted. This may vary depending upon the standard settlement periods of the different stock exchanges on which the Units are traded and the nature of the Deposit Securities but shall not in any event exceed ten Business Days from the relevant Dealing Day. No Units of a Creation Unit will be issued to the applicant until all the Deposit Securities (or relevant cash collateral as detailed below) has been received by the Custodian and the requisite Cash Issue Component, Duties and Charges and Transaction Fees have been received by the Custodian.

If an applicant fails to deliver to the Custodian one or more of the Deposit Securities and/or the full amount of the cash amount (including the Cash Issue Component, any Duties and Charges and Transaction Fees) by the designated time, the Manager may: (a) reject the application for creation of Units and cancel any Units issued in respect of such application; (b) postpone the Settlement Day, such postponement 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 postponing the Settlement Day) as the Manager may determine; or (c) in respect of any failure to deliver Deposit Securities, require the applicant to pay to it, in cash, a collateral sum as agreed to between the applicant and the Manager, until the date of delivery of all such undelivered securities (or the date on which the Manager acquires all such Deposit Securities in the open market), plus any duties and charges associated with the purchase by the Manager of those Deposit Securities. Cash collateral will be used following the default on the delivery of a Deposit Security. Deposit Securities that have a standard market settlement date past the settlement period provided for above are deemed "non-delivered Deposit Securities" and therefore cash collateral will be required until the Deposit Securities are delivered. The cash collateral will be marked-to-market on a daily basis and additional collateral will be requested if the value of the security exceeds the value of the cash initially received. Once the security in question has been delivered, the cash collateral will be returned to the Participating Dealer. If the applicant fails to deliver to the Custodian the Deposit Securities by the designated time, the Manager reserves the right to utilise the relevant cash collateral to acquire the Deposit Securities. In the event that any cash collateral is used to purchase the security omitted from the Deposit Securities, any excess cash will be returned once the security has settled. The Manager will notify the Participating Dealer in advance of taking action to purchase the Deposit Securities with cash collateral. No Creation Unit will be issued and settlement will not occur until such time as the Deposit Securities are received by the Custodian, either through delivery by the applicant or acquisition by the Manager utilising the

relevant cash collateral or through receipt by the Manager of the cash collateral. If the actual cost to the Manager of acquiring the Deposit Securities (including any trading fees and stamp duty taxes) and the Transaction Fee payable to the Custodian exceed the value of such cash collateral held, the applicant will be required to promptly reimburse the Manager the difference on demand. No interest will be paid on any collateral held in these circumstances.

Settlement – Cash

For cash creations, a Participating Dealer will be required to deposit a cash amount equal to the sum of:

- a) Issue Price; plus
- b) Duties and Charges; plus
- c) a Transaction Fee.

The standard settlement period for Creation Unit creations in cash is two Business Days following the Dealing Day on which the application for creation is accepted. No Creation Unit will be issued to the applicant until all the Issue Price, Duties and Charges and Transaction Fees have been received by the Custodian in cleared funds.

Units held through CCASS

Distributions of dividends and other payments with respect to Units held through CCASS will be credited to the bank accounts of such CCASS Participants in accordance with CCASS Rules and CCASS Operational Procedures.

Secondary market sales of Units will be conducted in accordance with the normal rules and operating procedures of the SEHK and CCASS and will be settled using the normal procedures applicable to trading Securities and the rights of secondary market investors will be governed accordingly.

Currency of Creation Orders

Applications for creation of Units must be in the Base Currency of the relevant Sub-Fund.

General

Acceptance of Orders

The Manager reserves the right not to accept any applications for creation of Units until (i) the Registrar receives an application in form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager; (ii) the Trustee and the Manager receive copies of the certifications and other information contemplated in the Participation Agreement in respect of the creation of Units; and (iii) the Trustee and the Manager receive such other certifications and opinions of counsel as each may in their absolute discretion consider necessary to ensure compliance with applicable securities and other laws.

The Manager shall have the absolute discretion to accept or reject any application for Units for any reason. By way of example, and without in any way limiting that right, a creation order could be rejected if: (i) the Deposit Securities delivered in payment for the Creation Unit are not as specified by the Manager; (ii) acceptance of the Deposit Securities would be unlawful or would otherwise have certain adverse tax consequences to the Sub-Fund; (iii) the acceptance of the Deposit Securities would have an adverse effect on the Sub-Fund or its Unitholders; or (iv) circumstances outside the control of the Registrar or the Hong Kong Representative which makes it impractical to process an application for creation of Units. The Hong Kong Representative will notify the Participating Dealer if it rejects the Participating Dealer's application for creation of Units. The Hong Kong Representative is under no duty, however, to give notification of any defects or irregularities in the delivery of Deposits

Securities, nor shall it incur any liability for the failure to give any such notification, however the Hong Kong Representative will endeavour to contact the Participating Dealer in the event of defects or irregularities in the delivery of Deposit Securities.

The Manager reserves the right to limit the issue of Units in any Sub-Fund where the liquidity within the Sub-Fund is deemed to be detrimental to its performance by closing the Sub-Fund to new applications for creation of Units. An example of the circumstances in which this may occur could be where the Manager determines that it would be prudent to limit the capacity or the size of a Sub-Fund, the investment objective of which is aimed at a particular market or sector.

Timing of Applications

Applications submitted after the Dealing Deadline will be rejected. Participating Dealers will be required to re-submit any such applications for creations of Units during the next Dealing Day before the Dealing Deadline in order to be accepted.

The Manager may at its discretion, in exceptional circumstances, permit a Participating Dealer to withdraw or amend any application for creation of Units after it has been submitted, provided that the amended creation application is accepted before the Dealing Deadline on the Dealing Day to which the application relates.

Documents the Participating Dealer will receive

Units will be in registered form and no temporary documents of title will be issued. No individual certificates for Units will be issued. All Units will be registered in the name of the HKSCC Nominees by the Registrar on the Register, which is the evidence of ownership of Units. Beneficial interest of investors in the Units who are not Participating Dealers will be established through an account with the relevant Participating Dealer, or established through the records of CCASS or the statements such investor receives from his broker/custodian.

REDEMPTION OF UNITS

Procedure

Valid instructions to the Registrar and the Manager to redeem Units in a Sub-Fund will be processed at the Redemption Price calculated with reference to the next Valuation Point for that Sub-Fund following acceptance of the instruction (the basis of calculation as summarised in Appendix 2), except in the case where dealing in a Sub-Fund has been suspended as set out under the “**Temporary Suspension of Dealing in Units**” section of this Prospectus. For the avoidance of doubt, all redemption instructions received before a Sub-Fund’s Dealing Deadline on a Dealing Day will be processed based on the Redemption Price calculated as at that Dealing Day’s Valuation Point. All redemption instructions delivered after a Sub-Fund’s Dealing Deadline on a Dealing Day will be rejected. Participating Dealers will be required to re-submit any such applications for redemptions of Units during the next Dealing Day before the Dealing Deadline in order to be accepted.

A redemption request once given cannot be revoked or withdrawn without the Manager’s consent.

Redemption of Units

To be eligible to place a redemption order for Units with the Registrar and the Manager, the investor must be a Participating Dealer. Investors that are not Participating Dealers must make appropriate arrangements with a Participating Dealer in order to redeem Units. For a current list of Participating Dealers, please contact the Hong Kong Representative. Generally, Units may be redeemed only in whole multiples of Redemption Units.

Requests for redemption of Units from Investors

The Manager generally expects Participating Dealers, in the normal course of business, to process requests from investors to redeem Units.

Participating Dealers will generally accept and submit redemption requests received from third parties, but shall, acting in good faith, have the right to reject an application for redemption of Units from third parties under exceptional circumstances, including (i) market disruption events which are out of control of the Participating Dealers (such as if dealing of the Units or determination of the Net Asset Value of the Sub-Fund has been suspended – please refer to the “**Temporary Suspension of Dealing in Units**” section of this Prospectus); (ii) where the investor fails to comply with the redemption procedures of the Participating Dealers; (iii) where there is in existence any trading restriction or limitation, regulatory restriction or requirement, or internal compliance or internal control restrictions of the Participating Dealer which are for the purpose of ensuring compliance with laws and regulations; or (iv) if, in the opinion of the Manager, acceptance of the application for redemption of Units will have a material adverse effect on the Sub-Fund. Participating Dealers may impose fees and charges in handling any redemption request which would increase the cost of investment and investors are advised to check with the Participating Dealers as to relevant fees and charges.

Fees

The Manager may charge a Transaction Fee (the rate of which may be varied by the Manager) in respect of an application for redemption of Units. The Manager may charge an application cancellation fee in connection with the cancellation of each accepted application for redemption of Units and/or an extension fee in connection with any requests for extended settlement. Please see “**Fees and Expenses**” and Appendix 1 of this Prospectus for further details on fees and charges.

Settlement – In specie

A Participating Dealer redeeming a Redemption Unit generally will receive redemption proceeds consisting of:

- a) a basket of Redemption Securities; plus
- b) Cash Redemption Component equal to the difference between (i) the Redemption Price at the Valuation Point relating to the Dealing Day on which the redemption request is accepted, or deemed to be accepted, and (ii) the value of the Redemption Securities as at that same Valuation Point; less
- c) Duties and Charges; and less
- d) a Transaction Fee.

If the Redemption Securities have a value greater than the Redemption Price, the redeeming Participating Dealer will be required to pay the Cash Redemption Component, rather than receiving such amount from the Sub-Fund.

Settlement – Cash

For cash redemptions, a Participating Dealer will receive redemption proceeds consisting of:

- a) the Redemption Price; less
- b) Duties and Charges; and less
- c) a Transaction Fee.

General

The Manager makes available, at such time as stipulated in the Operational Guidelines, a list of the names and the number of Units of each “Redemption Security” to be included in the next Business Day’s Redemption Basket (subject to possible amendment or correction). Due to any changes to the composition of the Underlying Index which a Sub-Fund seeks to track, the Redemption Basket provided to a Participating Dealer on redemption may not be identical to the basket of Deposit Securities required of a Participating Dealer applying for a Creation Unit. The Manager may agree with Participating Dealers to deliver to the Participating Dealer a customised basket of Redemption Securities that differs from the composition of the Redemption Basket published by the Manager. The Manager reserves the right to deliver cash-in-lieu of any or all Redemption Security for the same reason it might accept cash-in-lieu of a Deposit Security, as discussed in the “**Creation of Units**” section of this Prospectus.

In addition, when the Manager permits or requires (for example where the specified Redemption Securities are not eligible for transfer or not eligible for trading by a Participating Dealer or in the event that in specie trading is not permissible in particular countries or markets) a redeeming Participating Dealer to receive cash-in-lieu of one or more Redemption Securities, the Participating Dealer will be charged an additional amount on the cash-in-lieu portion of its redemption as part of the Duties and Charges payable. The amount of this charge will vary as determined by the Manager at its sole discretion, but will not be more than as reasonably needed to compensate the Sub-Fund for the transaction costs including, if applicable, the estimated market costs of selling portfolio securities to raise the necessary cash.

Redemption requests for Redemption Units must be submitted to the Registrar and the Manager by a Participating Dealer before the Dealing Deadline. An order to redeem a Redemption Unit is deemed accepted on the Dealing Day if (1) such order is accepted by the Manager prior to the Dealing Deadline on such Dealing Day; and (2) all other procedures set forth in the Participation Agreement are properly followed. If a redemption order in proper form is submitted to the Registrar and the Manager by a Participating Dealer prior to the Dealing

Deadline on the Dealing Day, then the value of the Redemption Securities and the Cash Redemption Component will be determined by the Sub-Fund on such Dealing Day. A redemption request is considered to be in “proper form” if: (1) a Participating Dealer has transferred or caused to be transferred to the Registrar the Redemption Unit being redeemed through the book-entry system of CCASS so as to be effective by the Settlement Day on T+2; and (2) a request satisfactory to the Manager is accepted by the Registrar and the Manager from the Participating Dealer within the time periods specified herein.

A Participating Dealer must deliver to the Registrar the Units it is seeking to redeem by the Settlement Day on T+2. If on T+2 a Participating Dealer has failed to deliver all of the Units it is seeking to redeem, the Manager shall, with the consent of the Trustee, be entitled to: (i) cancel the redemption order; (ii) postpone the Settlement Day, such postponement 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 postponing the Settlement Day) as the Manager may determine; or (iii) require a collateral sum as agreed to between the Participating Dealer and the Manager, until the date of delivery of all such undelivered Units. The receipt of this will be deemed to have settled the redemption in full. Cash collateral will be used following the default on the delivery of the Units. In all cases, the Manager shall be entitled to charge the redeeming Participating Dealer for any costs sustained by the Sub-Fund as a result of the late delivery or failure to deliver. The cash collateral will be marked-to-market on a daily basis and additional collateral will be requested if the value of the Units exceeds the value of the cash initially received. Once the Units in question have been delivered, the cash collateral will be returned to the Participating Dealer. Redemption proceeds will not be paid until such time as the relevant Units are received by the Sub-Fund, either through delivery by the redeeming Participating Dealer or the receipt of the relevant collateral. No interest will be paid on any collateral held in these circumstances.

The Manager reserves the right, at its sole discretion, to permit a redeeming Participating Dealer to receive its redemption proceeds either in specie or in cash, as requested by the redeeming Participating Dealer. Where the redemption proceeds are paid in cash, the Participating Dealer will receive a cash payment equal to the Redemption Price (less Duties and Charges and a Transaction Fee).

If a redeeming Participating Dealer is subject to a legal restriction with respect to a particular security included in the basket of Redemption Securities, such Participating Dealer may, in the Manager’s discretion, be paid an equivalent amount of cash-in-lieu of the Security.

Deliveries of redemption proceeds generally will be made within four Business Days after the day on which the redemption request is received in proper form. Due to the schedule of holidays in certain countries or where settlement in any market requires, however, the delivery of in specie redemption proceeds may take longer than four Business Days after the day on which the redemption request is received in proper form, but shall not exceed ten Business Days following the Dealing Date on which the application for redemption is accepted.

In the event that cash redemptions of Units are permitted or required in respect of a Sub-Fund, proceeds will be paid to the Participating Dealer redeeming Units as soon as practicable after the date of redemption, normally within T+4, but in any event no later than T+10.

Mandatory Redemption

If any redemption order reduces the holding of any Participating Dealer to below any minimum holding required in respect of a Sub-Fund, such order will be treated as an order to redeem all the Units held by that Participating Dealer.

Details in relation to the powers of the Manager and the Trustee to require the compulsory transfer or redemption of Units are described in “**Restrictions and Compulsory Transfer and Redemption of Units**”.

If the Sub-Fund is terminated pursuant to any of the provisions as specified in “**Termination of the Trust or the Sub-Fund**” in Appendix 4 (“**General Information**”) to this Prospectus, the Manager may, upon such notice as may be required by law or regulation, cancel all of the issued Units of any Sub-Fund and distribute remaining proceeds from the realisation of the Fund Assets pro rata to the number of Units in issue.

Rejection of Redemption of Units

Under exceptional circumstances, the Manager reserves the right to reject a redemption request, provided that the Manager must act reasonably and in good faith. In rejecting a redemption request, the Manager will take into account the interests of all Unitholders in a Sub-Fund to ensure that the interest of all Unitholders will not be materially adversely affected.

The Manager shall have the right to reject a redemption request under exceptional circumstances, including without limitation the following circumstances where:

- (a) the acceptance of the redemption of Units would, in the opinion of the Manager, have a material adverse effect on the Trust or the relevant Sub-Fund;
- (b) there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the Underlying Index;
- (c) acceptance of the redemption request would render the Manager in breach of any regulatory restriction or requirement, or internal compliance or internal control restriction or requirement of the Manager which are for the purpose of ensuring compliance with laws and regulations;
- (d) circumstances outside the reasonable control of the Manager make it for all practicable purposes impossible to process the redemption request; or
- (e) any circumstance where there is a suspension of the creation or redemption of Units of the Trust or a Sub-Fund and/or the determination of Net Asset Value of the Trust or a Sub-Fund,

provided that, in so rejecting any redemption request, the Manager will take into account the interests of Unitholders in the Trust or the relevant Sub-Fund to ensure that the interests of such Unitholders will not be materially adversely affected by such rejection.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such redemption request in accordance with the Operational Guidelines.

No liability

In the absence of any fraud or negligence on its/their part, neither the Trustee, the Registrar, the Manager, the Investment Advisor nor the Hong Kong Representative shall be liable for any delay or loss to any Participating Dealer or any investor caused by:

- a) CCASS being closed or the settlement and clearance of Securities in CCASS being disrupted in any way whatsoever;
- b) the creation or redemption of Units being suspended pursuant to the Trust Deed; or
- c) any circumstances beyond the Trustee’s, the Registrars’, the Manager’s, the Investment Advisor’s or the Hong Kong Representative’s reasonable control.

TEMPORARY SUSPENSION OF DEALING IN UNITS

The Manager may at any time, after giving prior written notice to the Trustee, suspend any application for creation or redemption of Units received by the Registrar under exceptional circumstances, having regards to the interests of Unitholders, including but not limited to if:

- a) the SEHK, CCASS or any relevant Index Depository is closed;
- b) dealings of the Units on the SEHK are restricted or suspended;
- c) settlement or clearing of Securities in CCASS or any other Index Depository is disrupted;
- d) there are circumstances outside the reasonable control of the Manager which would render it practically impossible to determine the value of the Fund Assets or to process the application for creation or redemption of Units. For example, if there is any breakdown in the means normally employed in determining the value of the Fund Assets or the liabilities of the Sub-Fund or when for any other reason the value of a substantial part of the Investments or other property for the time being comprised in the Fund Assets or the liabilities of the Sub-Fund cannot be promptly and accurately ascertained;
- e) the relevant Sub-Fund is restrained from, subject to a quota limit, or is otherwise unable to acquire or dispose of further Investments for the time being comprised in the Fund Assets of the relevant Sub-Fund;
- f) in the reasonable opinion of the Manager, the acceptance of the application for creation or redemption of Units or any Securities in respect of an in specie application is unlawful or would otherwise have adverse tax consequences for the Trust and/or the Sub-Fund;
- g) the Underlying Index is not compiled or published;
- h) there exists any state of affairs which in the reasonable opinion of the Manager might seriously prejudice the interests of the Unitholders as a whole or a substantial part of the Fund Assets; or
- i) following changes in any laws, rules, orders or directions, and regulations (including foreign exchange controls) imposed by any regulatory or supervisory, governmental or quasi-governmental authority, any fiscal body or self-regulatory organisation (whether of a governmental nature or otherwise) as a result of which delivery of Securities in respect of an in specie application for creation or redemption of Units, disposal of Investments for the time being comprised in the Fund Assets or repatriation or remittance of Sub-Funds to Unitholders cannot, in the reasonable opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders.

Any suspension (including the right to delay payment of any Cash Redemption Component and transfer of any Redemption Securities) will take effect as soon as the Manager, after giving prior written notice to the Trustee, declares that a suspension is in effect. After this declaration, there shall be no creation or redemption of Units and/or delivery of redemption proceeds until the Manager, in consultation with the Trustee, declares that suspension to be at an end. However, the suspension will terminate in any event on the Business Day following the first Business Day on which (i) the condition giving rise to the suspension ceases to exist; and (ii) no other condition exists under which a suspension may be declared.

Any creation or redemption request which has not been processed prior to a suspension will be rejected. Participating Dealers will be required to re-submit any such applications for creation or redemption requests after the termination of the suspension in order to be accepted.

During any period which there exists any conditions giving the Manager the right to suspend the creation or redemption of Units (as described above), the Manager may also, at any time after giving prior written notice to the Trustee, suspend:

- a) the dealing of the Units; and/or
- b) the calculation of the Value of the Fund Assets and the determination of the Net Asset Value per Unit.

For any suspension, (i) notice will be given to the SFC immediately, and (ii) announcements of any suspension of the creation and redemption of Units, any decision to suspend trading in Units by the SEHK and the calculation of the Net Asset Value of the relevant Sub-Fund's portfolio and of each Unit will be published immediately following such suspension and at least once a month during the period of such suspension in the Hong Kong Economic Times and South China Morning Post, and for the duration of the suspension, at www.vanguard.com.hk.

RESTRICTIONS AND COMPULSORY TRANSFER AND REDEMPTION OF UNITS

General

Participating Dealers are required to notify the Manager or the Hong Kong Representative immediately in the event that: (a) they cease to be Qualified Holders; (b) they hold Units for the account or benefit of a person who is not a Qualified Holder; or (c) they otherwise hold Units in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or fiscal consequences or material administrative disadvantage for the Trust, the relevant Sub-Fund or the Unitholders. If the Manager or the Trustee becomes aware of such facts in (a), (b) or (c) above, the Manager or the Trustee may give notice to the Participating Dealers requiring them to transfer such Units to another Qualified Holder, or redemption of such Units pursuant to the Trust Deed. If the Participating Dealers do not within 30 days after such notice transfer or redeem such Units, the Manager shall be entitled to compulsorily redeem such Units.

No person may offer or sell any Units to any person who would not be a Qualified Holder. No person other than a Qualified Holder shall be entitled to be registered or remain registered as a Unitholder and the Manager may upon an application for any Units or on a transfer of any Units or at any other time and from time to time require such evidence to be furnished to them in this connection as they shall in their discretion deem sufficient and in default of such evidence being furnished to the satisfaction of the Manager, the Manager may require the redemption or transfer of such Units pursuant to the Trust Deed.

U.S. Persons

The Units have not been and will not be registered under the 1933 Act. The Units may not be offered or sold in the U.S. or offered or sold to U.S. Persons. The Trust and the Sub-Funds have not been and will not be registered under the Investment Company Act of 1940, as amended.

VALUATION

Valuation

The price of a Unit is calculated by reference to the Net Asset Value of the Sub-Fund to which it relates and the basis of calculation of Net Asset Value is summarised in Appendix 2.

RISK FACTORS

Investment in any Sub-Fund entails a degree of risk. While there are some risks that may be common to a number or all of the Sub-Funds, there may also be specific risk considerations that apply to particular Sub-Funds. It is important to keep in mind one of the main axioms of investing: the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. As you consider an investment in the Sub-Funds, you should take into account your personal risk tolerance.

General Risk Factors

Investment Risk

There can be no assurance that any Sub-Fund will achieve its investment objective. The Net Asset Value of Units may go down as well as up, and you may not get back the amount invested or any return on your investment.

Market Risk

The investments of a Sub-Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets, and there can be no assurances that capital will not be lost and that appreciation will occur.

Asset Class Risk

The Index Securities or each Sub-Fund's portfolio may underperform the returns of other Securities or indices that track other industries, groups of industries, markets, asset classes or sectors. Various types of Securities or indices tend to experience cycles of outperformance and underperformance in comparison to general securities markets.

Funds that invest in stocks are also subject to the risk that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Currency Risk

The Net Asset Value per Unit will be computed in the Base Currency of the relevant Sub-Fund whereas the investments held for the account of that Sub-Fund may be acquired in other currencies. The Base Currency value of the investments of a Sub-Fund designated in another currency may rise and fall due to exchange-rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments of each Sub-Fund may be fully hedged to its Base Currency. In addition, currency hedging transactions, while potentially reducing the currency risks to which a Sub-Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

Where a Sub-Fund enters into "cross hedging" transactions (for example, utilising currency different from the currency in which the security being hedged is denominated), the Sub-Fund will be exposed to the risk that changes in the value of the currency used to hedge will not correlate with changes in the value of the currency in which the Securities are denominated, which could result in losses for both the hedging transaction and the Sub-Fund's Securities.

Emerging Market Risks

Certain Sub-Funds may invest in securities markets that are considered to be emerging markets which involve a greater risk of loss than investing in more developed markets. These markets are subject to special risks associated with foreign investment in these emerging markets including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and foreign exchange controls; imposition of restrictions on the expatriation of funds or other assets; less financial stability of issuers of securities; less publicly available information about entities comprising the relevant

Underlying Index; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; lesser regulation of securities markets; smaller market capitalisations; different accounting and disclosure standards; governmental interference, particularly with respect to foreign investment policies; greater risk of market shutdown; the risk of expropriation of assets; higher inflation; social, economic and political uncertainties; and the risk of war.

Investment Style Risk

Funds are also subject to investment style risk, which is the chance that returns from the types of stocks in which a Sub-Fund invests will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better, or worse, than the stock market in general. These periods have, in the past, lasted for as long as several years and there can be no assurances that appreciation will occur.

Passive Investment Risk

In seeking to track an Underlying Index, the Manager will not normally reduce or increase a Sub-Fund's holdings in or exposure to any constituent security of an Underlying Index when to do so would reduce the tracking accuracy. Therefore, if a constituent security of an Underlying Index is decreasing in value, the Sub-Fund will generally continue to hold such security (or any other Securities which give exposure or equivalent price performance to such a constituent security's price performance) until the weight of the constituent security is reduced in the Underlying Index, or the constituent security is removed from the Underlying Index, by the Index Provider.

Government Intervention and Regulatory and Country Risks

The value of Fund Assets may be negatively affected by factors such as international political developments, government intervention, changes in a country's government policies, taxation, restrictions on foreign investment, currency decisions, other decisions in applicable laws and regulations, or any natural disasters, wars, threat of war, local or regional conflict, economic instability or political upheaval, which will weaken a country's securities markets. In addition, certain governments or regulators may intervene in financial markets by imposing trading restrictions, such as a ban on "naked" short selling or other types of investment activities.

Counterparty Risk

A Sub-Fund will be exposed to credit risk on the counterparties with which it trades in relation to futures, option contracts and other FDIs that are traded over-the-counter or otherwise. Such instruments are not afforded the same protections as may apply to participants trading futures or options, such as the performance guarantee of an exchange clearing house. A Sub-Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which it trades such instruments, which could result in substantial losses to the Sub-Fund.

Custodian Risk

Custody risk refers to the risks inherent in the process of clearing and settling trades and to the holding of Securities by local banks, agents and depositories. Local agents are held to local standards of care and in general, the less developed a country's securities market is, the greater the likelihood of custody problems. A Sub-Fund's investments may be registered in the name of a sub-custodian where, due to the nature of the laws or market practice of jurisdictions, it is common market practice or not feasible to do otherwise and may be exposed to risk in circumstances whereby the Custodian will have no liability. Such investments may not be segregated from the sub-custodian's own investments and in the event of default or fraud of such sub-custodian, the Fund Assets may not be protected and may be irrecoverable by the Sub-Fund.

Management Risk

Each Sub-Fund may not fully track the Underlying Index and may hold Securities not included in the Underlying Index. As a result, each Sub-Fund is subject to the risk that the Manager's strategy and the implementation thereof which may be subject to a number of constraints, may not produce the intended results.

Auditing and Accounting Standards Risk

The legal infrastructure and accounting, auditing and reporting standards in some countries, particularly emerging markets, in which some Sub-Funds will invest may not provide the same degree of information to investors as would generally apply internationally. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards.

Investment Techniques

There are certain investment risks that apply in relation to techniques and instruments that the Manager may employ for efficient portfolio management purposes. To the extent that the Manager's expectations in employing such techniques and instruments are incorrect, a Sub-Fund may suffer a substantial loss having an adverse effect on the Net Asset Value per Unit.

A Sub-Fund's ability to use these techniques and instruments may be limited by market conditions, regulatory limits and tax considerations.

Umbrella Structure of the Trust and Segregated Liability between Sub-Funds

The Trust Deed allows the Trustee and the Manager to issue Units in separate Sub-Funds as separate trusts, and provides for the manner in which the liabilities are to be attributed across the various Sub-Funds. There should not be the potential for cross contamination of liabilities between Sub-Funds. There can, however, be no categorical assurance that, should an action be brought against the Trust in the courts of another jurisdiction, the segregated nature of the Sub-Funds will be upheld.

Tracking Error Risk

Unless otherwise stated, a Sub-Fund is not expected to track or replicate the performance of its respective Underlying Index at all times with perfect accuracy. Each Sub-Fund is, however, expected to provide investment results that, before expenses, generally correspond to the price and yield performance of its respective Underlying Index. Although the Manager will regularly monitor the level of correspondence of the performance of a Sub-Fund with the performance of the relevant Underlying Index (i.e. the "tracking accuracy"), there can be no guarantee or assurance of exact or identical replication by any Sub-Fund of the performance of the relevant Underlying Index due to, amongst others, the fees and expenses of the Sub-Fund and/or the liquidity of the market.

The following factors may adversely affect the tracking by a Sub-Fund of its respective Underlying Index:

- (a) a Sub-Fund must pay various fees and/or expenses, while the Underlying Index does not reflect any fees and/or expenses;
- (b) a Sub-Fund must comply with regulatory constraints, such as the Investment Powers and Restrictions (as set out in Appendix 3), that do not affect the calculation of its respective Underlying Index;
- (c) the existence of uninvested Fund Assets in the Sub-Fund (including cash and deferred expenses);

- (d) the timing difference between when the Underlying Index reflects the event of corporate actions (including dividends) and when a Sub-Fund reflects the event of corporate actions;
- (e) the temporary unavailability of certain Securities comprising the Underlying Index; and
- (f) the extent that a Sub-Fund is not invested identically in respect of the composition and/or weighting of the constituent securities of its respective Underlying Index, and Securities in which it is underweighted or overweighted in relation to its respective Underlying Index perform differently from its respective Underlying Index as a whole.

Performance

The performance of a Sub-Fund may be negatively affected by a general decline of the Securities or the market segment relating to the Underlying Index. Each Sub-Fund invests in Securities included in, or representative of, the Underlying Index regardless of their investment merit. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of index funds will mean that falls in the relevant Underlying Index are expected to result in corresponding falls in the value of the relevant Sub-Fund.

There can be no assurance that an Underlying Index will continue to be calculated and published on the basis described in this Prospectus or that it will not be amended significantly. The past performance of an Underlying Index is not necessarily a guide to its future performance.

A Sub-Fund whose respective Underlying Index is oriented to a specific economic sector, country or region will (subject to the diversification requirements set out in the “**Investment Powers and Restrictions**” of this Prospectus at Appendix 3) concentrate in the Securities of issuers relating to that economic sector, country or region, and will be particularly subject to the risks of adverse political, industrial, social, regulatory, technological and economic events affecting such sector, country or region.

Concentration of Underlying Index

The Underlying Index and the investments of a Sub-Fund may be concentrated in securities of a single or several issuers, an industry or group of industries, or in a particular jurisdiction or market (including an emerging market). Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect an issuer, industry, jurisdiction or market, and changes in general economic or political conditions can adversely affect the value of Securities and result in price volatility. Such changes may have a negative impact on the Securities held by a Sub-Fund.

Composition of Underlying Index

The composition of an Underlying Index may change as the relevant Index Securities are redeemed, as new securities are included in the Underlying Index, or if any Index Securities are delisted. When this happens, the weighting or composition of the Securities in a Sub-Fund would be changed as considered appropriate by the Manager in order to achieve the investment objective of the relevant Sub-Fund. 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.

Compilation of Underlying Index

The Index Securities of each Underlying Index are determined and composed by the Index Provider without regard to the performance of the relevant Sub-Fund. No Sub-Fund is sponsored, endorsed, sold or promoted by any relevant Index Provider. No Index Provider makes any representation or warranty, express or implied, to investors or other persons regarding the advisability of investing in securities generally or in the relevant Sub-Fund particularly.

No Index Provider has any obligation to take the needs of the relevant Sub-Fund or the Unitholders into consideration in determining, composing or calculating any Underlying Index. The Manager has neither control nor input into the determination of the composition or calculation of any 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. In addition, the process and the basis of computing and compiling each Underlying Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by the Index Provider without notice. Consequently there can be no guarantee that the actions of an Index Provider will not prejudice the interests of the relevant Sub-Fund, the Manager or Unitholders.

Termination Risk

The Manager is granted a licence by the relevant Index Provider to use the relevant Underlying Index to create a Sub-Fund based on the relevant Underlying Index and to use certain trademarks and any copyright in the relevant Underlying Index. The licence may be terminated for a material breach of the Licence Agreement. A Sub-Fund may not be able to fulfil its objective and may be terminated if the relevant Licence Agreement is terminated. A Sub-Fund may also be terminated if the relevant Underlying Index ceases to be compiled or published. In such circumstances, the Manager will seek to identify a suitable replacement index. Any such replacement index will be notified to Unitholders, subject to the prior approval of the SFC under the Code. The Index Provider and the Manager (and its Connected Persons) are independent of one another.

The Sub-Fund may also be terminated if the Manager goes into liquidation, there is no replacement Manager or Trustee upon the retirement or removal of the Manager or Trustee (as applicable), the Manager is incapable of performing its duties properly or has committed a material breach of the terms of the Trust Deed, any laws, rules and regulations renders it illegal, impracticable or inadvisable to continue the Sub-Fund or the Sub-Fund ceases to be authorised by the SFC.

Financial Derivative Instruments (“FDI”) Risks

The risks associated with the use of FDI are different from, or possibly greater than, the risks associated with investing directly in Securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Any Sub-Fund investing in FDIs may utilise both exchange-traded products and over-the-counter derivatives. Compared to equity securities, FDIs can be more sensitive to changes in market prices of the underlying assets and thus market prices of FDIs may fall in value as rapidly as they may rise. Investors investing in such Sub-Funds are exposed to a higher degree of fluctuation than traditional funds. Transactions in over-the-counter FDIs may involve additional risk as there is no regulated market for such FDIs. It may not always be possible for such Sub-Funds to dispose of their investment or liquidate an existing position especially in a falling market. Investing in FDIs also involves other types of risks including, but not limited to, the risk of adopting different valuation methodologies and imperfect correlation between the FDI and its underlying securities, rates and indices. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

Futures Contracts

Positions in futures contracts may be closed out only on an exchange that provides a trading market for such futures. However, there can be no assurance that a liquid market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of adverse price movements, a Sub-Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if a Sub-Fund has insufficient cash, it may have to sell Securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, a Sub-Fund may be required to make delivery of the instruments underlying futures contracts it holds. The inability to close futures positions also could have an adverse impact on the Sub-Fund.

A Sub-Fund will minimise the risk that it will be unable to close out a futures contract by only entering into futures that are traded on national futures exchanges and for which there appears to be a liquid market.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount of investment in the contract. The relevant Sub-Fund also incurs the risk that the Manager will incorrectly predict future stock market trends. A Sub-Fund would generally have sustained comparable losses if, instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline.

Utilisation of futures transactions by a Sub-Fund does involve the risk of imperfect or no correlation where the Securities underlying the futures contracts have different maturities than the Sub-Fund Securities being hedged. It is also possible that a Sub-Fund could both lose money on futures contracts and also experience a decline in the value of its Sub-Fund Securities. There is also a risk of loss by a Sub-Fund of margin deposits in the event of the bankruptcy of a broker with whom a Sub-Fund has an open position in a futures contract.

Listing Related Risks

Absence of Active Market Risk

There can no assurance that an active trading market for such Units will develop or be maintained.

Suspension Risks

The Manager may suspend calculation of the Net Asset Value and the creation and redemption of Units of one or more Sub-Funds under certain circumstances (see the “**Temporary Suspension of Dealing in Units**” section of this Prospectus). During such suspension it may be difficult for an investor to buy or sell Units, and the market price may not reflect the Net Asset Value per Unit. In the event that the Manager has to suspend the creation and redemption of Units of a Sub-Fund, or if a stock exchange on which a Sub-Fund’s underlying investments are traded is closed, it is expected that the market price may reflect larger discounts or premiums relative to the Net Asset Value per Unit.

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

Secondary Market Price Risks

The following factors may result in a fluctuation of the secondary market price of Units: (a) changes in the Net Asset Value per Unit, (b) changes in the exchange rate between the currency(ies) in which the Securities held by the relevant Sub-Fund are denominated and the currency in which the Units are traded, and (c) supply and demand factors on the stock exchange on which the Units are traded. The Manager cannot predict whether the Units will trade below, at, or above their Net Asset Value per Unit (when converted to the currency in which the Units are traded). Price differences may be due, in large part, to the fact that supply and demand forces in the secondary market for a Sub-Fund’s Units will be closely related, but not identical, to the same forces influencing the prices of the Index Securities trading individually or in the aggregate at any point in time.

The Net Asset Value per Unit and the secondary market price of Units are expected to track each other through arbitrage. A Participating Dealer or other Professional Investor in calculating the price at which it would be willing to sell the Units of a Sub-Fund on the

secondary market (the offer price), or to buy such Units (the bid price), will take account of the notional price at which it could purchase (when selling Units), or sell (when buying Units), the requisite amounts of Securities of the Underlying Index in respect of one or more Creation/Redemption Unit(s) including transfer taxes (if applicable). Where the notional price of purchasing the Securities comprising the Underlying Index corresponding to a creation for a Creation Unit is less, or the notional price of selling Securities comprising the Underlying Index corresponding to a redemption of a Redemption Unit is more, than the secondary market price of Units in a Creation Unit or Redemption Unit, as the case may be, then a Participating Dealer may choose to arbitrage the Sub-Fund by subscribing for or redeeming Creation/Redemption Units. The Manager believes such arbitrage will help to ensure that the deviation of the trading bid and offer price per Unit from the Net Asset Value per Unit (after currency conversion) is generally minimised, however this cannot be assured.

Nominee Arrangements Risks

Investors may purchase Units through a broker, Market Maker/Participating Dealer or a nominee or may hold Units in a Sub-Fund through clearing agents. In such circumstances, the investor may not be entered as a Unitholder or appear on the Register. Where an investor does not appear on the Register, such investor will not have rights exercisable by Unitholders, such as voting rights or rights to participate at meetings of the relevant Sub-Fund.

No Assurance on Continued Listing Status

There is no assurance that the Units of the Sub-Fund will continue to meet the listing requirements of the SEHK. If the Units of the Sub-Fund are delisted, the Manager may, in consultation with the Trustee, seek the SFC's approval to operate the Sub-Fund as an unlisted index fund or terminate the Sub-Fund. SFC reserves the right to withdraw the authorisation of the Sub-Fund if SFC considers that the Underlying Index is no longer acceptable.

Trading Risk

Generally, retail investors can only buy or sell Units on the SEHK. The trading price of the Units on the SEHK is driven by market factors such as demand and supply of the Units. Therefore, the Units may trade at a substantial premium/discount to its Net Asset Value. Retail investors may pay more than the Net Asset Value per Unit when buying a Unit on the SEHK and may receive less than the Net Asset Value per Unit when selling a Unit on the SEHK.

Buying or selling Units involves various types of costs that apply to all Securities transactions. When trading Units through a broker, investors will incur a brokerage commission or other charges imposed by the broker. In addition, investors on the secondary market will also incur the cost of the trading spread, which is the difference between what investors are willing to pay for the Units (bid price) and the price they are willing to sell such Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments. If in doubt about the risks involved with trading Units, investors should seek independent advice.

Reliance on Participating Dealers

Unless an investor is a Participating Dealer, the creation and redemption of Units in the Sub-Fund may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of Securities through the CCASS is disrupted or the Underlying Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the Units or disposal of the relevant Sub-Fund's Securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

Reliance on Market Makers

Investors should note that liquidity in the secondary market for the Units may be adversely affected if there is no Market Maker for such Units in the Sub-Fund. It is possible that the Sub-Fund will have only one Market Maker for the Units and there is no guarantee that any market making activity will be effective.

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the Sub-Fund as set out in Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the relevant Sub-Fund and expressed as a percentage of the Net Asset Value of the relevant Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager's Fee, the Operational Fees (as disclosed below), all costs and expenses connected with the management and operating activities of the relevant Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees as detailed below) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the relevant Sub-Fund which will be paid separately out of the Fund Assets of the relevant Sub-Fund. The Management Fee does not represent the estimated tracking error of the relevant Sub-Fund.

Pursuant to the Trust Deed, the Manager may, on giving one month's notice (or such other period as required by the SFC) to the Trustee and the affected Unitholders, increase the Management Fee to the maximum rate of 4% per annum of the Net Asset Value of the relevant Sub-Fund.

In the event that the costs and expenses of the Trust or any Sub-Fund agreed to be payable out of the Management Fee exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

Pursuant to the Trust Deed, the Manager may, on giving one month's notice (or such other period as required by the SFC) to the Trustee and the affected Unitholders, increase the Manager's Fee to the maximum rate of 2% per annum of the Net Asset Value of the relevant Sub-Fund. In any event, the Manager's Fee shall not exceed the Management Fee.

Trustee Fee

The trustee fee will be paid by the Manager out of the Management Fee.

Pursuant to the Trust Deed, the Trustee may, with the approval of the Manager, and upon the Manager giving one month's notice (or such other period as required by the SFC) to the affected Unitholders, increase the trustee fee to the maximum rate of 2% per annum of the Net Asset Value of the relevant Sub-Fund. In any event, the trustee fee shall not exceed the Management Fee.

Operational Fees

Operational Fees are part of the Management Fee. The Operational Fees comprise other costs, charges, fees and expenses incurred in the operation of the relevant Sub-Fund, which are to be paid out of the Management Fee, specifically any fees and expenses incurred in relation to banking, the costs and expenses of preparing, printing, publishing and distributing prospectuses, annual and semi-annual reports, and other documents to current and prospective Unitholders, the costs and expenses of obtaining and maintaining authorisations or registrations of the Trust and/or the Sub-Funds with the regulatory authorities (including the SFC), the costs of listing and maintaining a listing of Units on any stock exchange (including the SEHK), the costs of convening and holding Unitholders' meetings and professional fees

and expenses for auditing and other consulting services and professional fees incurred in the normal course of business of any Sub-Fund, and such other costs and expenses as may arise from time to time and that have been approved by the Manager as necessary or appropriate for the continued operation of the Trust or of any Sub-Fund.

Expenses of the Trust that are not directly attributable to the operation of a particular Sub-Fund are allocated among all Sub-Funds in a manner determined by the Manager.

Establishment Fees

The fees and expenses relating to the establishment of the Trust, costs of preparation of this Prospectus, the costs of seeking and obtaining listing, and all initial legal and printing costs, is approximately HK\$1 million and will be borne by the Manager.

DIVIDEND DISTRIBUTION POLICY

The Manager may in its absolute discretion declare dividend distributions in accordance with the Trust Deed. Please refer to Appendix 1 of this Prospectus for the frequency of dividend distributions to the Unitholders in respect of each Sub-Fund.

TAXATION

The following summary is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all the tax considerations that may be relevant to an investment in the Sub-Funds. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all investors.

Prospective investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.

The information below is based on the law and practice in force in Hong Kong as at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus.

Investors do not purchase Units from the Sub-Fund directly but instead through a broker or Participating Dealer. Accordingly, any due diligence and reporting as may be required under the Foreign Account Tax Compliance Act (the “**FATCA**”) shall be performed, as applicable, by the Participating Dealer or investor’s broker. To the extent applicable, the Sub-Fund (or the Trust) may be required to comply with FATCA if it holds any US securities. At present, the Sub-Fund does not intend to hold US securities.

The Trust

(a) Profit Tax

The Sub-Fund has been authorised by the SFC pursuant to Section 104 of the Securities and Futures Ordinance. Accordingly, profits of the Sub-Fund arising from the sale or disposal of Securities, net investment income received by or accruing to the Sub-Fund and other profits of the Sub-Fund are exempt from Hong Kong profits tax, for so long as the Sub-Fund is so authorised.

(b) Other taxes

Notwithstanding that profits or income of the Trust are exempt from Hong Kong profits tax, the Trust may be subject to tax in certain jurisdictions where investments are made on income or capital gains derived from such investments.

(c) Stamp Duty

Hong Kong stamp duty is ordinarily payable on the transfer of Hong Kong stock. Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty payable by an investor on the transfer of Index Securities to the Trust in respect of allotment of Units, or by the Trust to an investor upon redemption of Units, will be remitted or refunded. No Hong Kong stamp duty is payable by a Sub-Fund on an issue or redemption of Units.

No Hong Kong stamp duty is payable by the Trust on any creation or redemption of Units pursuant to an application in cash.

The Unitholders

(a) Profit Tax

No tax will be payable by Unitholders in Hong Kong in respect of income distributions from the Sub-Fund or in respect of any gains arising on a sale, redemption or other disposals of units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong. In accordance with

the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus) tax should not be payable in Hong Kong in respect of dividends payable to investors.

(b) Stamp Duty

Hong Kong stamp duty, currently charged at the rate of 0.1% of the price of the Units, will be payable by the purchaser on every purchase and by the seller on every sale of Units (in other words, a total of 0.2% of the Units is currently payable on a typical sale and purchase transaction involving the Units). Such Hong Kong stamp duty will be payable whether or not the sale or purchase is on or off the SEHK. Where applicable, approval will be sought from the Financial Services and the Treasury Bureau for remission or refund in full of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units in a Sub-Fund where the Sub-Fund tracks an Underlying Index comprising no more than 40 per cent of Hong Kong stocks. In such circumstances, the seller and the purchaser of the Units shall not be liable for Hong Kong stamp duty upon such transfer. Please refer to Appendix 1 of this Prospectus relating to the relevant Sub-Fund.

APPENDIX 1 – THE SUB-FUNDS

Vanguard FTSE Asia ex Japan Index ETF

Underlying Index

FTSE Asia Pacific ex Japan, Australia and New Zealand Index

Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

Investment Strategy

The Manager seeks to achieve the investment objective by employing an indexing approach, through physical acquisition of Securities, designed to seek to track the performance of the Underlying Index. The Manager may use either a “Replication Strategy” and/or a “Representative Sampling Strategy”. Initially, the Manager intends to pursue a “Representative Sampling Strategy”. Over time, as the Sub-Fund grows in size and market developments reduce the cost of investing in some markets, the Sub-Fund will trend towards a full “Replication Strategy”. In the event the Manager wishes to switch between a “Replication Strategy” and a “Representative Sampling Strategy”, or adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to Unitholders. The Manager does not currently intend to adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”.

In seeking to track the performance of the Underlying Index, the Manager currently invests in a representative sample of the Index Securities of the Underlying Index selected by the Manager using quantitative analytical models in a technique known as “portfolio optimisation”, under which each Index Security is considered for inclusion and weighting in the portfolio of the Sub-Fund based on risk, industry, country or other factors. Portfolios are optimised to minimise tracking error given a set of constraints which may include transaction costs, trade sizes, country, risk factor and stock specific constraints.

Investment Policies

In seeking to track the Underlying Index, the Sub-Fund may invest in FDI such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the constituents of the Underlying Index or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDI would exceed 10% of the latest available Net Asset Value of the Sub-Fund.

Portfolio Constraints

Exposure based constraints

The Manager must:

- a) ensure the Sub-Fund maintains at all times a minimum net equity exposure of 95% of the market value of the portfolio of the Sub-Fund;
- b) not, at any time, invest more than 10% of the market value of the portfolio of the Sub-Fund in open futures contracts; and

- c) ensure that the effective market exposure of all Fund Assets (including derivatives) in the portfolio of the Sub-Fund does not exceed the total amount available for investment in the portfolio of the Sub-Fund (i.e. the portfolio is not leveraged). The Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Manager will correct the leverage as soon as possible.

Other constraints

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The Manager will not deal on behalf of the Sub-Fund in the short sale of Securities.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager’s intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to the Unitholders.

Risks relating to the Sub-Fund

See the “**Risk Factors**” section of this Prospectus for further information, in particular the risk factors entitled “*Concentration of Underlying Index*”, “*Composition of Underlying Index*”, “*Compilation of Underlying Index*”, “*Tracking Error Risk*”, “*Emerging Market Risks*”, “*Government Intervention and Regulatory and Country Risks*” and “**FDI Risks**”. Please also refer to the “**Listing Related Risks**” for further information on the risks associated with trading units on an exchange.

Creation/Redemption of Units

Units may be created or redeemed in specie or in cash by or through Participating Dealers (see the “**Creation of Units**” and “**Redemption of Units**” sections of this Prospectus for further information).

Units on Offer

Currently Units are available for creation through the primary market or for purchase through the secondary market in accordance with the details below.

Sub-Fund Details

Manager: The Vanguard Group, Inc.

Investment Advisor: Vanguard Investments Australia Limited

Product Type	Exchange Traded Fund
Stock Code	2805
Short Stock Name	VG FTSE ASIAXJ

Underlying Index	FTSE Asia Pacific ex Japan, Australia and New Zealand Index Base Date: 31 December 1986 Inception Date: 31 May 2000 Base Currency: HK\$ Number of Constituent Stocks: 764 as at 15 April 2013 Total Market Capitalisation: US\$2,955 billion as at 15 April 2013
Expected Listing Date	15 May 2013
Initial Issue Price	HK\$20 per Unit excluding Duties and Charges and Transaction Fees (as detailed in the table entitled " Creation of Units " below)
Initial Offer Period	The Initial Offer Period will open at 9.00 a.m. (Hong Kong time) on 6 May 2013 and will close at 12.00 noon (Hong Kong time) on 10 May 2013
Initial Issue Date	14 May 2013
Trading Currency	Hong Kong dollars
Base Currency	Hong Kong dollars
Trading Board Lot Size	100 Units
Creation/Redemption Unit size	100,000 Units (or whole multiples thereof)
Minimum Holding	N/A
Dealing Day	Each Business Day will be a Dealing Day, however, days when markets on which a Sub-Fund's Investments are listed or traded, or markets relevant to an Underlying Index are closed and as a result of which 25% or more of the Underlying Index may not be traded, shall not be Dealing Days, provided there is at least one Dealing Day per fortnight. The Dealing Days for the Sub-Fund are available at www.vanguard.com.hk .
Dealing Deadline – Creation of Units	10.30 a.m. (Hong Kong time) on the Dealing Day
Dealing Deadline – Settlement of Creations	12.00 p.m. (Hong Kong time) on T+2
Dealing Deadline – Redemption Requests	10.30 a.m. (Hong Kong time) on the Dealing Day
Settlement of Redemptions	4.00 p.m. (Hong Kong time) on T+2
Payment of Redemption Proceeds	T+4
Valuation Point	12.30 a.m. (Hong Kong time) on a day following the relevant Dealing Day
Financial year end	31 December
Website	www.vanguard.com.hk
Distribution Frequency	Quarterly (in March, June, September, December) – at the Manager's absolute discretion
Total Expense Ratio	0.38% per annum of the Net Asset Value of the Sub-Fund

Initial Participating Dealers	Macquarie Bank Limited Credit Suisse Securities (Hong Kong) Limited Goldman Sachs (Asia) Securities Limited ABN AMRO Clearing Hong Kong Ltd
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* The TER equals the Management Fee and is the sum of the anticipated charges to the Sub-Fund, including the ongoing fees payable out of the Sub-Fund, the Manager's Fee, the operational fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The TER will not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund. The TER does not represent estimated tracking error.

DIVIDEND DISTRIBUTION POLICY

The Manager reserves its absolute discretion in determining whether a dividend distribution shall be made for the Sub-Fund, and if so, the amount and the frequency of such a distribution. The Manager does not currently intend to make any dividend distribution out of capital.

THE UNDERLYING INDEX

The FTSE Asia Pacific ex Japan, Australia and New Zealand Index was launched on 31 May 2000 and is derived from the FTSE Global Equity Index Series. The FTSE Asia Pacific ex Japan, Australia and New Zealand Index is a total return, free float market capitalisation index, and as at 15 April 2013 comprises of large and mid-cap stocks listed in China (B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange), Hong Kong (H shares and red chips listed on the SEHK), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand, with total market capitalisation of approximately US\$2,955 billion. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars.

FTSE International Limited ("**FTSE**") is the Index Provider of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index. The Manager and its Connected Persons are independent of FTSE.

The initial term of the Licence Agreement is more than 5 years and automatically renews unless either party provides prior written notice of its intent to not renew the Licence Agreement.

The Manager will consult the SFC on any events that may affect the acceptability of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index, and any significant events (such as a change in the methodology/rules for compiling or calculating the index, or a change in the objective or characteristic of the index) will be notified to Unitholders as soon as practicable.

As at 15 April 2013, the 10 largest Index Securities of the Underlying Index, representing approximately 18.63% of the market capitalisation based on total shares in issue of the Underlying Index, are as follows:

Rank	Constituent Name	Country	Industry Classification Benchmark Supersector	Index Weight (%)
1	Samsung Electronics	South Korea	Technology	4.84
2	Taiwan Semiconductor Manufacturing	Taiwan	Technology	2.69
3	China Construction Bank (H)	China	Banks	1.92
4	China Mobile (Red Chip)	China	Telecommunications	1.86
5	AIA Group Ltd.	Hong Kong SAR	Insurance	1.72
6	Industrial and Commercial Bank of China (H)	China	Banks	1.62
7	Bank of China (H)	China	Banks	1.14
8	Tencent Holdings (P Chip)	China	Software & Computer Services	0.98
9	CNOOC (Red Chip)	China	Oil & Gas	0.96
10	Hon Hai Precision Industry	Taiwan	Industrial Goods & Services	0.90
Total:				18.63

Index Methodology

In selecting the stocks which constitute the Underlying Index, FTSE will first identify the investable universe based on the region to which the Underlying Index relates. The eligible universe is then ranked by full market capitalisation in descending order, after which the index universe is defined as 98% of the regional universe (determined based on certain criteria for inclusion and eligibility of securities).

Once the index universe has been identified:

- investability weights are assigned to all companies in accordance with the free float rules – the same investability weight will be applied to all lines of a company, unless security specific data is available).
- the multiple lines rule will be applied and all secondary lines which fail will not be included in the Underlying Index.
- the liquidity rule will be applied to all remaining eligible lines of stock. Liquidity is measured based on the adjusted weighting after applying the free float bands.

Adjustments applied to Eligible Securities

Eligible companies may be subject to adjustment for free float and multiple lines

1 Investability Weightings

The Underlying Index is adjusted for free float and foreign ownership limits.

Free float shares are subject to free float restrictions on certain categories of shareholdings which constitute restricted holdings. Free float restrictions will be calculated using available published information. If, in addition to restricted holdings, the company's shareholders are subject to more restrictive legal restrictions, including foreign ownership restrictions, the legal restriction will be applied.

Please refer to section 6.4 of the Ground Rules which can be found on FTSE website (http://www.ftse.com/Indices/FTSE_Global_Equity_Index_Series/Downloads/FTSE_Global_Equity_Index_Series_Index_Rules.pdf) for further details on free float restrictions, bands for initial investability weightings and other limits or restrictions.

The Underlying Index will be periodically reviewed for changes in free float.

2 *Multiple Lines*

Where there are multiple lines of equity capital in a company, all are included and priced separately, provided that the secondary line's full market capitalisation (i.e. before the application of any investability weightings) is greater than 25% of the full market capitalisation of the company's principal line and the secondary line is eligible in its own right in all respects. Should the full market capitalisation of a secondary line that is already a constituent of the FTSE All-World Index or the FTSE Global Small Cap Index fall below 20% of the full market capitalisation of the company's principal line at an annual review, the secondary line will be deleted from the FTSE All-World Index or the FTSE Global Small Cap Index unless its full market capitalisation remains above the qualification level for continued inclusion as a constituent in the relevant regional index at that review.

Liquidity

Each security will be tested for liquidity by calculation of its median daily trading per month. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are included in the ranking, therefore a security that fails to trade for more than half of the days in a month will have a zero median trade.

Further information on the Underlying Index can be found on the FTSE website (http://www.ftse.com/Indices/FTSE_All_World_Index_Series/Factsheets.jsp).

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the Sub-Fund as set out in this Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the Sub-Fund and expressed as a percentage of the Net Asset Value of the Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager's Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund.

As the Management Fee is a single fixed fee, the TER of the Sub-Fund will be equal to the Management Fee. The Management Fee of the Sub-Fund is 0.38% per annum of the Net Asset Value of the Sub-Fund.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

In the event that the costs and expenses of the Sub-Fund exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Trustee Fee

The trustee fee is paid by the Manager out of the Management Fee.

FEES PAYABLE BY INVESTORS DEALING IN UNITS ON SEHK

The following table sets out the fees payable by investors dealing in Units on SEHK:

(% based on price of Units)	
Brokerage Fee	As determined by the relevant broker
Transaction Levy	0.003% of the trading price of the Units, payable by each of the buyer and the seller
Trading Fee	0.005% of the trading price of the Units, payable by each of the buyer and the seller
Stamp Duty	Nil [#]

[#] Stamp duty of 0.1% of the price of the Units, payable by both the buyer and seller (i.e. 0.2% in total), except in respect of qualifying market maker transactions. Approval has been given by the Financial Services and the Treasury Bureau for remission or refund in full of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units in the Sub-Fund. Therefore, the seller and the purchaser of the Units shall not be liable for Hong Kong stamp duty upon such transfer.

FEES PAYABLE BY PARTICIPATING DEALERS*

The fees payable by Participating Dealers in respect of the Sub-Fund are summarised in the table below:

Creation of Units

Transaction Fee (<i>See Note 1</i>)	Cash creation: 0.18% of the Issue Price per creation application In specie creation: 0.14% on cash in lieu as part of the creation application
Service Agent fee (<i>See Note 2</i>)	HK\$1,000
Application Cancellation Fee (<i>See Note 3</i>)	HK\$10,000 per creation application
Cancellation Compensation	<i>See Note 4</i>
Extension Fee	N/A
Stamp Duty	Nil
Duties and Charges	Up to HK\$104,000 per creation application

Redemption of Units

Transaction Fee (<i>See Note 1</i>)	Cash redemption: 0.29% of the Redemption Price per redemption application In specie redemption: 0.24% on cash in lieu as part of the redemption application
Service Agent fee (<i>See Note 2</i>)	HK\$1,000
Application Cancellation Fee (<i>See Note 3</i>)	HK\$10,000 per redemption application
Cancellation Compensation	<i>See Note 4</i>
Extension Fee	N/A
Stamp Duty	Nil
Duties and Charges	Up to HK\$104,000 per redemption application

* The Manager shall give not less than one (1) month's prior notice to Unitholders if it increases the fees payable on creation and redemption of Units.

Note 1 – The Transaction Fee is payable by the Participating Dealer for the benefit of the relevant Sub-Fund and may be passed on in whole or in part to the investor.

Note 2 – Participating Dealers will be subject to the Service Agent fee, being the fee for each book-entry deposit or book-entry withdrawal transaction, currently to the amount of HK\$1,000 and payable to HKCAS.

Note 3 – An Application Cancellation Fee is payable to the Manager for the benefit of the relevant Sub-Fund by a Participating Dealer in respect of either a withdrawn or failed application for creation or redemption of Units.

Note 4 – A Participating Dealer may be required to pay cancellation compensation to the Trustee, for the account of the Sub-Fund, pursuant to the terms of the Operational Guidelines.

Other Duties and Charges

The current rate of other Duties and Charges, payable only by Participating Dealers on creations or redemptions of Units, is up to HK\$104,000 per creation or redemption (as applicable).

APPENDIX 2

Valuation

Determination of Net Asset Value

The Net Asset Value of a Sub-Fund is determined by the Manager or its duly appointed agent (or if the Manager and the Trustee so agree, by the Trustee or its duly appointed agent) (the “Valuer”) at the Valuation Point relating to each Dealing Day by valuing the assets of the Sub-Fund and deducting the liabilities of the Sub-Fund in accordance with the terms of the Trust Deed.

Set out below is a summary of how the value of the assets comprised in a Sub-Fund is calculated:

- a) the value of any investment (other than a unit or other interest in a collective investment scheme or a commodity) is generally calculated by reference to the price appearing as the last traded price on the principal stock exchange for such investment as at the close of the business in such place on the Dealing Day;
- b) the value of any investment (other than a unit or other interest in a collective investment scheme or a commodity) that is not quoted will be the initial value as ascertained or the value as assessed on the latest revaluation;
- c) subject to sub-sections (d) and (e) below, the value of each unit or other interest in a collective investment scheme which is valued as at the same day as the Sub-Fund will be the net asset value per unit or other interest in such collective investment scheme calculated as at that day or, if the Valuer so determines, in consultation with the Manager and the Trustee, or if such collective investment scheme is not valued as at the same day as the Sub-Fund, will be the last published net asset value per unit or other interest in such collective investment scheme, or if unavailable, the last published bid and offer price for such unit or other interest;
- d) if no net asset value, bid and offer prices or price quotations are available for such unit or other interest as provided in sub-section (c) above, the value shall be determined from time to time in such manner as the Valuer shall determine in consultation with the Manager and the Trustee;
- e) the Manager may, in consultation with the Trustee, adjust the value of any investment if, having regard to currency, applicable rates of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment is required to reflect the fair value of the investment or permit some other method of valuation to be used if it considers that to do so better reflects the fair value of the investment; and
- f) assets other than investments and cash will be valued in such manner and at such times as the Valuer may decide acting prudently and in good faith and after consultation with the Manager and the Trustee.

The term “last traded price” referred to above refers to the last traded price reported on the relevant exchange for the day, commonly referred to in the market as the “settlement” or “exchange price”, and represents a price at which members of the exchange settle between them for their outstanding positions.

Determination of Issue Price

The Issue Price at which any issue of Units after the Initial Offer Period shall be ascertained as follows:

- a) by dividing the Value of the Sub-Fund at the relevant Valuation Point relating to the Dealing Day by the number of Units then in issue and deemed to be in issue;

- b) by adjusting the resulting total per Unit to four decimal places (or such other method of rounding or adjustment as may be determined by the Manager from time to time in consultation with the Trustee) (“**Issue Price Per Unit**”);
- c) by multiplying the Issue Price Per Unit by the number of Units in the Sub-Fund to be created; and
- d) thereafter by adjusting the amount determined under paragraph (c) above to the nearest HK\$0.01 (with fractions of HK\$0.005 being rounded up) (or such other method of rounding or adjustment as may be determined by the Manager from time to time in consultation with the Trustee).

Determination of Redemption Price

The Redemption Price of any redemption and cancellation of Units shall be ascertained as follows:

- a) by dividing the Value of the Sub-Fund at the relevant Valuation Point relating to the Dealing Day by the number of Units then in issue and deemed to be in issue;
- b) by adjusting the resulting total per Unit to four decimal places (or such other method of rounding or adjustment as may be determined by the Manager from time to time in consultation with the Trustee) (“**Redemption Price Per Unit**”);
- c) by multiplying the Redemption Price Per Unit as determined under paragraph (b) above by the number of Units to be redeemed; and
- d) thereafter by adjusting the amount to the nearest HK\$0.01 (one cent) (with fractions of HK\$0.005 being rounded down) (or such other method of rounding or adjustment as may be determined by the Manager from time to time in consultation with the Trustee).

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

For further details on suspension of determination of Net Asset Value, please refer to “**Temporary Suspension of Dealing in Units**” in this Prospectus.

APPENDIX 3

Investment Powers and Restrictions

Investment Restrictions

The Trust is subject to certain investment restrictions set out under the Code and Trust Deed, as amended from time to time. No holding of any Securities may be acquired or added for each Sub-Fund which would result in:

- (a) more than 10% of the latest available Net Asset Value of any Sub-Fund being invested in Securities issued by any single issuer, unless such investment is permitted under the Code (as specified below) and as varied by Appendix I of the Code (as applicable):
 - (i) it is limited to any Securities that each accounts for more than 10% of the weighting of the Underlying Index; and
 - (ii) the relevant Sub-Fund's holding of any such Securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature.

Subject to the above, the Value of a Sub-Fund's holding in Government and other Public Securities of the same issue may exceed 30% of the latest available Net Asset Value of the Sub-Fund. Further, subject to the restriction aforementioned, the Manager may invest all of the assets of a Sub-Fund in Government and other Public Securities in any number of different issues despite paragraph (d) below;

- (b) the Sub-Funds collectively holding more than 10% of any ordinary shares issued by any single issuer;
- (c) more than 15% of the latest available Net Asset Value of any Sub-Fund being invested in Securities which are not listed, quoted or dealt in on a Recognised Exchange;
- (d) except as permitted by Chapter 8.6(i) of the Code, more than 30% of the latest available Net Asset Value of any Sub-Fund being invested in Government and other Public Securities of the same issue, save that the relevant Sub-Fund may invest all of its assets in Government and other Public Securities in at least six different issues;
- (e) more than 15% of the latest available Net Asset Value of any Sub-Fund being invested in options and warrants in terms of the total amount of premium paid, except where such options and warrants are acquired for hedging purposes;
- (f) the Manager, for the account of a Sub-Fund, writing uncovered options;
- (g) the Manager, for the account of a Sub-Fund, granting call options over investments held by a Sub-Fund the total of which, in terms of the prices at which all such call options may be exercised, exceeds 25% of the latest available Net Asset Value of any Sub-Fund;
- (h) more than 20% of the latest available Net Asset Value of any Sub-Fund being invested in:
 - (i) physical commodities (including gold, silver, platinum or other bullion); (ii) commodity based investments (excluding, for this purpose, shares in companies engaged in the producing, processing or trading of commodities); and (iii) futures contracts on an unhedged basis (but without prejudice to the Manager's right to take positions in futures contracts for hedging purposes), calculated based on the net total aggregate value of contract prices, whether payable to or by the relevant Sub-Fund under all outstanding contracts;

- (i) more than 10% of the latest available Net Asset Value of any Sub-Fund being invested in any units or shares in other collective investment schemes which are not recognised jurisdiction schemes (as designated by the SFC) and not authorised by the SFC; and
- (j) more than 30% of the latest available Net Asset Value of any Sub-Fund being invested in units or shares in a collective investment scheme which is either a recognised jurisdiction scheme (as designated by the SFC) or authorised by the SFC, provided always that such limit may be exceeded if (x) such collective investment scheme is authorised by the SFC and (y) the name and key investment information of such collective investment scheme are disclosed in this Prospectus.

In addition, the Trust is subject to the following investment restrictions, which prohibits the Manager, for the account of any Sub-Fund, from:

- a) investment in a collective investment scheme, the objective of which is to invest primarily in any investments prohibited or restricted under chapter 7 of the Code, and where such collective investment scheme's objective is to invest primarily in investments restricted by chapter 7 of the Code, such holdings may not be in contravention of the relevant limitations;
- b) investment in a collective investment scheme managed by the Manager or its Connected Persons unless all initial charges on such collective investment scheme are waived and the Manager does not retain any rebate on any fees or charges levied by the collective investment scheme or the management company of such collective investment scheme;
- c) investment 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);
- d) making short sales unless (i) the Sub-Fund's liability to deliver securities does not exceed 10% of its latest available Net Asset Value; and (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted;
- e) 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 Trustee;
- f) acquisition of any asset which may involve any Sub-Fund in any unlimited liability;
- g) investment in securities of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of those securities of that class or such directors and officers collectively own more than 5% of those securities; and
- h) acquisition of any security where a call is to be made for any sum unpaid on that security unless that call can be met in full out of cash or near cash by the Fund Assets, the amount of which has not already been taken into account for the purposes of paragraph (g) under the section headed "**Investment Restrictions**" above.

If any of the investment restrictions and limitations under this section of the Prospectus are breached, the Manager will take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the Unitholders.

Borrowing Restrictions

The Trustee may, at any time at the written request of the Manager, borrow money for the account of any Sub-Fund, subject to the following limitations:

- (a) the principal amount for the time being of all borrowings for the account of any Sub-Fund shall not exceed an amount equal to 10% of the value of the Fund Assets of the Sub-Fund on any Dealing Day; and

- (b) each borrowing may be related to any one or more of the following:
- (i) to pay the Cash Redemption Component or Redemption Price on a redemption of Units;
 - (ii) to purchase Securities following a creation of Units where the cash amount of the Issue Price is not received in full in cleared funds by the Trustee on the relevant settlement date for such cash amount;
 - (iii) to settle the purchase or sale of any Investments in order to facilitate a rebalance of the portfolio of the Fund Assets;
 - (iv) to pay any negative Cash Issue Component;
 - (v) to meet the fees, expenses and liabilities of the Trust or the relevant Sub-Fund (excluding the Manager's Fee or fees payable to the Trustee);
 - (vi) to pay distributions of income; or
 - (vii) for any other proper purpose as may be agreed by the Manager and the Trustee from time to time.

If at any time the aggregate principal amount of all outstanding borrowings under the Trust Deed in respect of a Sub-Fund shall exceed an amount equal to 10% of the value of the Fund Assets calculated on the then most recent Dealing Day, the Manager shall take as a priority objective all steps as are reasonably necessary within a reasonable time to remedy the situation, taking into account the interests of Unitholders.

Financial Derivative Instruments ("FDIs")

The portfolio of the Sub-Fund will not be leveraged either through borrowing to purchase Securities or through the acquisition of options, futures or other derivative products without appropriate cash offsets.

The Manager must not leverage the portfolio or use FDIs to gear the Sub-Fund or to place a contingent liability or a contingent risk on the Trustee, the Trust or the Sub-Fund, except contingent liabilities or contingent risks associated with permitted derivative Securities.

- (a) Derivatives are to be used only when the Manager considers their use to be consistent with the investment objectives and strategy of the portfolio of the Sub-Fund, to reduce tracking error and to maintain market exposure.
- (b) The Manager must not use derivatives for the purposes of speculation.
- (c) The Manager will ensure that the portfolio of the Sub-Fund holds only "covered" derivatives.

In the case of derivatives positions to achieve exposure, "cover" consists of assets which the Manager determines:

- (i) are equivalent to cash (i.e. short term assets); and
- (ii) are sufficient to meet all potential obligations associated with the derivatives position.

In the case of derivatives positions to remove exposure, "cover" consists of sufficient assets that the Manager determines to be a reasonable hedge for the derivatives position.

The portfolio of the Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Investment Advisor will correct the leverage as soon as possible.

In making these determinations, the Investment Advisor will consider net derivatives positions where relevant.

Risk Management Process (“RMP”)

The Investment Advisor employs an RMP which enables it to accurately measure, monitor and manage the various risks associated with the use of FDI. The Investment Advisor will only use FDI which are specified in the RMP.

Amongst others, to mitigate borrower’s risk, the Manager or Investment Advisor maintains an approved counterparty list where credit rating of the counterparties for FDI will be checked using an independent source on a weekly basis and a report will be made where there are any changes. All dealings with approved counterparties will occur subject to legal documentation that is satisfactory to the Manager or Investment Advisor. Dealings with approved counterparties shall also comply with limits detailed in the RMP.

The RMP also includes policies on risk monitoring, reporting and operational control. Amongst others, an independent designated team will at all times have reporting lines and will ensure:

- comprehensive capture of the relevant Sub-Fund’s holdings in risk measures and mandate compliance;
- no reliance exists on the portfolio managers for calculation of effective exposures or calculation of risk measures;
- counterparties are authorised to move money to the Trustee;
- where reliance exists on a third party for information (including valuations), that information is issued by the third party’s back office and is received directly and systematically; and
- separation of reconciliation, accounting and settlement functions, and other back office procedures.

APPENDIX 4

General Information

Trust Deed

The Trust was established under Hong Kong law by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. Unitholders and prospective investors are advised to consult the terms of the Trust Deed. Nothing in the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from any liability to fraud or negligence.

Accounting periods and annual and interim reports

The Manager, with the assistance of the Trustee or other service provider appointed by the Manager, shall cause to be prepared an annual report and an interim report for the each Sub-Fund for the period ending 31 December in every financial year. The first annual report and audited annual accounts will cover the period from establishment of the Trust to 31 December 2013. No unaudited semi-annual half-yearly accounts will be prepared in the first financial year. The first unaudited semi-annual half-yearly accounts of the initial Sub-Fund will cover the period from 1 January 2014 to 30 June 2014. The subsequent unaudited semi-annual half-yearly accounts for each Sub-Fund will cover the period from 1 January to 30 June.

The audited annual reports and interim reports will be prepared in English only and will be posted at www.vanguard.com.hk and available at the office of the Hong Kong Representative free of charge within four months of the end of each financial year and two months after the end of the semi-financial year-end respectively. Chinese annual reports and interim reports will not be prepared in respect of the Sub-Funds.

Communications with Unitholders

Communications with Unitholders may be effected by mail. In addition, communications with Unitholders will also be published on the website of the SEHK (<http://www.hkexnews.hk/>) or at www.vanguard.com.hk. Unitholders should regularly visit the SEHK website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis. The following information will be available at www.vanguard.com.hk, in both English and Chinese:

- this Prospectus, including the product key facts statement (as revised from time to time);
- the most recent audited annual and unaudited semi-annual reports and accounts of the Sub-Funds (available in English only);
- the last closing Net Asset Value per Unit of the Sub-Funds;
- the Dealing Days for the Sub-Fund;
- near real-time estimated Net Asset Value per Unit of the Sub-Funds throughout each Dealing Day;
- any public announcements or notices made by the Trust and Sub-Funds, including information regarding the Sub-Funds or the Underlying Index, the suspension of creation and redemption of Units, the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading, and notices relating to material alterations or additions to this Prospectus or the constitutive documents of the Trust;

- total holdings (including a list of the 10 largest holdings) of the Sub-Funds (updated on a monthly basis);
- the latest list of Participating Dealers and Market Maker(s) of the Sub-Funds; and
- the last closing level of the Underlying Index.

Unitholders' meetings and voting rights

The Trust Deed provides that the Trustee or the Manager may (and the Trustee shall at the request in writing of Unitholders together registered as holding not less than one-tenth of the Units for the time being in issue) at any time convene a meeting of Unitholders after giving at least 21 days' prior notice. These meetings may be used to sanction any modification, alteration or addition to the terms of the Trust Deed, to increase the maximum Management Fee, Manager's Fee or trustee fee, to permit other types of fees or to approve termination of the Trust or any Sub-Fund. Such matters must be considered by one or more Unitholders present in person or by proxy and registered as holding in aggregate at least 25% of the Units in issue for the relevant Sub-Fund and passed by at least 75% majority of the votes cast.

Proxies may be appointed. A Unitholder may appoint more than one proxy to attend and vote a prescribed number of his or its Units. Where the Unitholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of the Trust or the relevant Sub-Fund provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number of Units in respect of which each such representative is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence for substantiating the facts that it is duly authorised and will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Unitholder, including the right to vote individually on a show of hands.

The Trust Deed sets out procedures to be followed in respect of meetings of the Unitholders, including provisions as to the giving of notice, appointment of proxies and quorum.

Documents Available for Inspection

Copies of the following documents may be inspected free of charge at the place of business of the Hong Kong Representative at Vanguard Investments Hong Kong Limited, Level 20, Man Yee Building, 60-68 Des Voeux Road Central, Central, Hong Kong, during normal business hours on any Business Day:

- a) the Trust Deed and any supplemental deed;
- b) this Prospectus, including the product key facts statement; and
- c) any audited annual or unaudited interim reports of any Sub-Fund.

A copy of the Trust Deed and any supplemental deed (if any) may be supplied by the Hong Kong Representative on application at a reasonable fee.

Enquiries and Complaints

Any person who has an enquiry or complaint to make about the operation of the Trust or any Sub-Fund may submit his complaint directly to the Hong Kong Representative in writing to the Hong Kong Representative's address or by calling the Hong Kong Representative on +852 3409 8333 during normal business hours. The Hong Kong Representative will respond to any enquiry or complaint in writing as soon as practicable and within one month under normal circumstances.

Modification of Trust Deed

The Trustee and the Manager may jointly modify, alter or add to the provisions of the Trust Deed by supplemental deed to the extent as they may consider expedient for any purpose, provided that unless the Trustee and the Manager will certify in writing (in such form and manner agreed between the Trustee and the Manager) that in their reasonable opinion such proposed modification, alteration or addition:

- a) is necessary or desirable in order to make possible compliance with any fiscal, statutory or other official requirements of any country or authority (whether or not having the force of law); or
- b) does not materially prejudice the interests of Unitholders in the Sub-Fund, does not to any material extent release the Trustee, the Manager or any other person from any liability to Unitholders under the Trust Deed and (with the exception of the payment of proper fees and expenses incurred in relation to the preparation and execution of the relevant supplemental deed) will not result in any increase in the amount of costs and charges payable from the Sub-Fund and borne by the Unitholders relating to the Sub-Fund which are in issue at the time such modification, alteration or addition takes effect; or
- c) is necessary or desirable to correct a manifest or technical error,

no such modification, alteration or addition may be made without an Extraordinary Resolution of Unitholders in each Sub-Fund specified by the Trustee as being required to approve such modification, alteration or addition and no such modification, alteration or addition (whether or not approved by an Extraordinary Resolution) shall impose upon any Unitholder any obligation to make any further payment in respect of his Units or to accept any liability in respect thereof.

Unitholders shall be given prior notice of the details of any modification, alteration or addition to the Trust Deed and their effects on existing Unitholders (if any). Any such modification, alteration or addition to the Trust Deed shall be subject to prior approval by the SFC.

Removal and Retirement of the Trustee and the Manager

The Trustee

Subject to requisite regulatory approvals (including the SFC's prior approval), the Trustee may retire from office by giving not less than six months' notice (or such shorter period as the SFC may approve), upon and subject to the appointment of a new trustee in accordance with the provisions of the Trust Deed. The Manager shall be responsible for finding a new trustee approved by the SFC as trustee of the Trust. The retirement of the Trustee shall take effect at the same time as the appointment of the new trustee. The Trustee, the new trustee and the Manager shall by deed or deeds supplemental to the Trust Deed appoint such new trustee to be the Trustee in the place of the retiring Trustee.

If following a material breach of the Trustee's obligations under the Trust Deed which, if capable of remedy, and:

- a) the Trustee fails to remedy within 60 days (or such longer period as the Trustee and the Manager may agree) of being specifically required to do so by the Manager; and
- b) the Manager is of the opinion and so states in writing to the Trustee that a change of the Trustee is desirable and in the best interests of Unitholders as a whole,

the Manager shall be entitled to give not less than one month's notice in writing to the Trustee that it wishes the Trustee to retire and specify in such notice the name of a company eligible, in accordance with the Code and any other applicable laws, to be the trustee of the Trust and is acceptable to the SFC (and any other competent governmental authority as required by law), whereupon the Trustee shall, with effect on and from the date on which the appointment of such new Trustee takes effect, by deed supplemental to the Trust Deed retire as the Trustee.

The new Trustee shall as soon as practicable after its appointment give notice to the Unitholders specifying the name and address of the office of the new Trustee.

The Trustee may be removed by prior notice in writing given by the Manager:

- a) if the Trustee goes into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a receiver shall be appointed in respect of the property or undertaking of the Trustee or any part thereof or a judicial manager is appointed in respect of the Trustee or the Trustee is the subject of any analogous proceedings or procedure in each case under such law as may be applicable in the circumstances;
- b) if the Manager acting in good faith and in the best interests of Unitholders, wishes to remove the Trustee;
- c) if a Unitholder or Unitholders who is or between them are registered as holding in aggregate 50% or more in value of the Units outstanding (other than those held or deemed to be held by the Trustee) delivers or deliver to the Manager in writing a request to dismiss the Trustee; or
- d) if the SFC or any other competent governmental authority directs the Manager to remove the Trustee (including the circumstances where the SFC withdraws its approval of the Trustee as trustee of the Trust).

The Manager shall inform the SFC and any other competent governmental authority of any decision to remove the Trustee, if required by law. The Manager shall be responsible for finding a new trustee approved by the SFC as trustee of the Trust. The Trustee, the new trustee and the Manager shall by deed or deeds supplemental to the Trust Deed appoint such new trustee to be the Trustee in the place of the retiring Trustee.

The Manager

Upon giving three months' written notice to the Trustee, the Manager may retire in favour of some other person eligible to be the manager of the Trust in accordance with the Code and approved by the Trustee and the SFC (and any other governmental authority as required by law) upon and subject to such person entering into such deed or deeds (being a deed or deeds supplemental to the Trust Deed) as the Trustee may be advised to be necessary or desirable to be entered into by such person in order to secure the due performance of its duties as Manager. In the event that the Manager desires for any of its Connected Persons to assume its duties as the Manager, the retiring Manager shall be entitled to provide the Trustee and all Unitholders in the Sub-Fund with at least one month written notice (or such other period as permitted by the SFC), and the Trustee agrees to appoint such Connected Person to be the Manager in place of the retiring Manager, subject to the prior approval of the SFC.

The Manager shall be subject to removal by notice in writing given by the Trustee:

- a) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously notified in writing to the Trustee) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or a judicial manager is appointed in respect of the Manager or the Manager is the subject of any analogous proceedings or procedure in each case under such law as may be applicable in the circumstances;
- b) if the SFC or any other competent governmental authority directs the Trustee to remove the Manager (including the circumstances where the SFC withdraws its approval of the Manager as manager of the Trust);

- c) following a material breach of the Manager's obligations under the Trust Deed which, if the breach is capable of remedy, the Manager fails to remedy within 60 days (or such longer period as the Trustee and the Manager may agree), and the Trustee acting in good faith is of the reasonable opinion and so states in writing to the Manager that a change of Manager is desirable and in the best interests of Unitholders as a whole;
- d) if for good and sufficient reason the Trustee, acting in good faith, is of the reasonable opinion and so states in its written notice of removal to the Manager that a change of Manager is desirable in the interest of the Unitholders as a whole, provided that if the Manager shall be dissatisfied with such opinion and so states to the Trustee within seven days of receipt of the Trustee's written notice of removal the matter shall be referred to a third party mediator as agreed between the Trustee and the Manager for determination, and his/her determination shall be final and bind the Trustee and the Manager; or
- e) if a Unitholder or Unitholders who is or between them are registered as holding in aggregate 50% or more in value of the Units outstanding (other than those held or deemed to be held by the Manager) delivers or deliver to the Trustee in writing a request to dismiss the Manager.

The Trustee shall inform the SFC and any other competent governmental authority of any decision to remove the Manager, if required by law. The Trustee shall by writing appoint as Manager some other person eligible to be the manager of the Trust and acceptable to the SFC (and any other competent governmental authority as required by law) and subject to such person entering into such deed or deeds (being a deed or deeds supplemental to the Trust Deed) as the Trustee may be advised to be necessary or desirable to be entered into by such person in order to secure the due performance of its duties as Manager. The Trustee shall also, as soon as practicable after the appointment of a new Manager, give notice to the Unitholders specifying the name and the address of the office of the new Manager.

Termination of the Trust or the Sub-Fund

The Trust shall continue for a period of 80 years from the date of the Trust Deed unless it is earlier terminated as described below and/or in accordance with the Trust Deed.

The Trust or any Sub-Fund may be terminated by the Trustee in the following circumstances:

- a) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or is adjudged a bankrupt or insolvent or appoints liquidators or if a receiver is appointed in respect of the property or undertaking of the Manager or any part thereof or the Manager is the subject of any analogous proceedings or procedure in each case under the laws of Hong Kong or such other laws as may be applicable in the circumstances where, after the expiration of a period of three months, the Trustee has not appointed a new Manager in accordance with the Trust Deed;
- b) if on the expiration of three months after notifying the Manager that in the Trustee's opinion a change of Manager is desirable in the interests of the Unitholders, the Trustee has not found another company ready to accept the office of manager of the Trust of which the Trustee and the SFC (and any other government authority required by law) shall approve;
- c) if the Manager shall fail to appoint a new trustee in place of the Trustee within such time as the Manager considers to be reasonable (which shall be not less than three months) after the date of the Trustee's written notice to retire in accordance with the Trust Deed;
- d) if, in the reasonable opinion of the Trustee acting in good faith, the Manager is incapable of performing its duties properly or has done any other thing which in the opinion of the Trustee is calculated to bring the Trust or any Sub-Fund into disrepute or to be harmful to the interests of the Unitholders or if the Manager is no longer licensed or authorised pursuant to applicable law or regulation to perform its duties hereunder, provided that if the Manager shall be dissatisfied with such opinion and so states to the Trustee in writing

within seven days of receipt of the Trustee's notice in writing hereunder the matter shall be referred to a third party mediator as agreed between the Trustee and the Manager for determination and his/her determination shall be final and bind the Trustee and the Manager;

- e) if any laws, rules and regulations imposed by any regulatory or supervisory, governmental, or quasi-governmental authority, any fiscal body or self-regulatory organisation (whether of a governmental nature or otherwise) render it illegal or in the reasonable opinion of the Trustee (in consultation with the Manager and if the Trustee deems necessary, upon advice from legal counsel) impracticable or inadvisable to continue the Trust or Sub-Fund;
- f) if the Manager has committed a material breach of any of the terms of the Trust Deed and has failed to remedy such breach within 60 days after service of a notice by the Trustee requiring such breach to be remedied provided that the Trustee certifies that in its opinion the proposed termination is necessary having regard to the interests of the Unitholders;
- g) in respect of any Sub-Fund, if the relevant Underlying Index is no longer available for benchmarking and there is no successor index;
- h) in respect of any Sub-Fund, if the relevant Licence Agreement is terminated and a new Licence Agreement relating to the Underlying Index is not entered into by the Manager; or
- i) if the Trust or the relevant Sub-Fund ceases to be authorised by the SFC pursuant to the Securities and Futures Ordinance, or if the SFC directs under the Securities and Futures Ordinance or any other competent governmental authority directs that the Trust or a Sub-Fund be terminated.

The Manager may terminate the Trust or a Sub-Fund, by notice in writing, if the Manager considers it to be in the best interests of Unitholders to terminate the Sub-Fund or the Trust and, with the approval of the SFC (and any other competent governmental authority as required by law), gives written notice to the Trustee and the Unitholders of its intention to terminate the Trust or the Sub-Fund, as the case may be.

The Trustee or Manager terminating the Trust or a Sub-Fund (as applicable) will give written notice of termination of the Trust or a Sub-Fund to the Unitholders (such notice having been previously approved by the SFC, if necessary) containing the reasons for the termination, the relevant provisions under the Trust Deed that enable such termination, the consequences of the termination and their effects on existing Unitholders, the alternatives available to Unitholders, the estimated costs of the termination and who is expected to bear them. The Trustee or Manager (as applicable) shall by such notice fix the date at which such termination is to take effect (where the Trust is terminated by reason of illegality, impracticality or inadvisability in which case termination may take effect forthwith without any prior notice to Unitholders, provided that notice of termination shall be given to Unitholders as soon as reasonably practicable).

Anti-Money Laundering Regulations

In order to comply with the responsibilities for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Investment Advisor, the Hong Kong Representative, the Trustee, the Registrar, the Sub-Fund(s), the Trust or the relevant Participating Dealer is subject, the Manager, the Investment Advisor, the Registrar, the Hong Kong Representative, the Trustee or the relevant Participating Dealer may require a detailed verification of an investor's identity and the source of payment of any applications for Units.

Depending on the circumstances of each application, a detailed verification might not be required where:

- (a) the investor makes the payment from an account held in the investor's name at a recognised financial institution; or

(b) the application is made through a recognised intermediary.

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

Each of the Manager, the Investment Advisor, the Hong Kong Representative, the Trustee, the Registrar and the relevant Participating Dealer reserves the right to request such information as is necessary to verify the identity of an applicant and the source of payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, each of the Manager, the Investment Advisor, the Hong Kong Representative, the Trustee, the Registrar and the relevant Participating Dealer, as applicable, may refuse to accept the relevant application and the application monies. None of the Manager, the Investment Advisor, the Hong Kong Representative, the Trustee, the Registrar or the relevant Participating Dealer shall be liable to the applicant for such loss caused as a result of any delay or refusal to process applications.

Part XV of the Securities and Futures Ordinance

Part XV of the Securities and Futures Ordinance sets out the Hong Kong disclosure of interests' regime applicable to Hong Kong listed companies. The regime does not apply to unit trusts that are listed on the SEHK like the Sub-Fund. Consequently, Unitholders are not obliged to disclose their interest in the relevant Sub-Fund.

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