

# PRODUCT KEY FACTS

## E Fund CSI 100 A-Share Index ETF

*A sub-fund established under the E Fund ETFs Trust*

Issuer: E Fund Management (Hong Kong) Co., Limited

20 August 2012

*This is an exchange traded fund.*

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

*This statement is a part of the Prospectus.*

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

### Quick facts

<b>Stock code:</b>	83100
<b>Trading lot size:</b>	100 Units
<b>Manager:</b>	E Fund Management (Hong Kong) Co., Limited
<b>Trustee and Registrar:</b>	HSBC Institutional Trust Services (Asia) Limited
<b>Custodian:</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>PRC Custodian:</b>	HSBC Bank (China) Company Limited
<b>Total expense ratio (“TER”):</b>	Estimated to be 0.99% p.a. of Net Asset Value (“NAV”)*
<b>Underlying Index:</b>	CSI 100 Index
<b>Base currency:</b>	Renminbi (RMB)
<b>Trading currency:</b>	Renminbi (RMB)
<b>Dividend policy:</b>	The Manager intends to distribute income to Unitholders at least annually (usually in October) having regard to the Sub-Fund’s net income after fees and costs.
<b>Financial year end of this fund:</b>	31 December
<b>ETF Website:</b>	<a href="http://www.efunds.com.hk/fund.html">www.efunds.com.hk/fund.html</a>

*\* The TER does not represent tracking error.*

### What is this product?

- E Fund CSI 100 A-Share ETF (the “**Sub-Fund**”) is a sub-fund of E Fund ETFs Trust, an umbrella unit trust established under Hong Kong law. The Sub-Fund is a passively-managed ETF falling within Chapter 8.6 and Appendix I of the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission (the “**SFC**”). Units of the Sub-Fund (the “**Units**”) are traded on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) like stocks.
- The Sub-Fund is a physical ETF which invests directly in the PRC’s domestic securities markets

through the Manager's status as a renminbi qualified foreign institutional investor ("RQFII"). The Manager has been granted, on behalf of the Sub-Fund, an initial RQFII quota of RMB2 billion for the purposes of direct investment into the PRC.

## Objective and Investment Strategy

### Objective

The investment objective is to provide investment results that, before fees and expenses, closely correspond to the performance of the CSI 100 Index (the "Index").

### Strategy

In order to achieve the Sub-Fund's investment objective, the Manager will adopt a full replication strategy through investing directly in the constituent securities of the Index in substantially the same weightings in which they are included in the Index, through the RQFII investment quota granted to the Manager by the State Administration of Foreign Exchange of the PRC (the "SAFE"). The Manager will not adopt representative sampling strategy.

The Sub-Fund may also invest not more than 5% of its NAV in money market funds and in cash deposits for cash management purpose.

Currently the Manager has no intention to invest the Sub-Fund in any financial derivative instruments (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes and will not enter into securities lending transactions, repurchase or reverse repurchase transactions, and other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such investments.

Prior approval of the SFC will be sought and not less than one month's prior notice will be given to the Unitholders in the event the Manager wishes to adopt any investment strategy other than the full replication strategy.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in the section "Investment Objective, Investment Strategy, Investment Restrictions, Security Lending and Borrowing" of the Prospectus.

### Index

The Index is a free float market capitalisation weighted index (net of dividends) which measures the performance of A-Shares traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The Index is calculated and disseminated in RMB on a real-time basis and is maintained by China Securities Index Co., Ltd. ("CSI"). The Index measures the performance of the 100 largest A-Shares issuers by market capitalisation out of the constituents of the CSI 300 Index. The CSI 300 Index is a free float market capitalisation weighted index which measures the performance of 300 A-Shares with the largest market capitalisation and good liquidity from the entire universe of listed A-shares companies in the PRC, representing about 70% of the total market capitalisation of the Shanghai Stock Exchange and Shenzhen Stock Exchange.

The Index is a price return index. A price return index calculates the performance of the Index constituents on the basis that any dividends or distributions are not reinvested.

As at 31 July 2012 the Index had a free float adjusted market capitalisation of RMB3,106 billion and 100 constituents.

The Index was launched on 26 May 2006 and had a base level of 1,000 on 31 December 2005.

## Top 10 Constituents

As at 31 July 2012, the 10 largest constituents of the Index, represented about 33.48% of the market capitalisation of the Index based on total shares in issue, were as follows:

Rank	Constituent Name	Weighting (%)
1.	Ping An Insurance (Group) Company of China Ltd	4.77
2.	China Minsheng Banking Corp Ltd	4.37
3.	China Merchants Bank Co Ltd	3.95
4.	Kweichow Moutai Co Ltd	3.29
5.	Bank of Communications Co Ltd	3.23
6.	Industrial Bank Co Ltd	3.03
7.	China Vanke Co Ltd	2.88
8.	Shanghai Pudong Development Bank Co Ltd	2.76
9.	CITIC Securities Co Ltd	2.71
10.	Haitong Securities Company Limited	2.49

The list of constituent stocks of the Index may be updated from time to time and the complete list of constituent stocks of the Index and additional information of the Index (including Index fact sheets, methodology, end of day Index levels and Index performance) is available on the website of CSI ([www.csindex.com.cn](http://www.csindex.com.cn)). The Index is available in real time through Reuters and Bloomberg. The end of day Index is also available on Reuters and Bloomberg. Please refer to the "Index Code" below for Reuters and Bloomberg Code.

### ***Index Code***

Reuters Code: 68152793

Bloomberg Code: SHCSI100

Shanghai Stock Exchange Quote System Code: 000903

Shenzhen Stock Exchange Quote System Code: 399903

## **What are the key risks?**

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

### **1. Investment risk**

- The Sub-Fund is an investment fund. There is no guarantee of the repayment of principal. Therefore your investment in the Sub-Fund may suffer losses.
- The Sub-Fund is a physical RQFII, RMB denominated exchange traded fund investing directly in A-Shares. The novelty and untested nature of RQFII and the fact that the Sub-Fund is one of the first of its kind makes the Sub-Fund riskier than traditional exchange traded funds investing in markets other than the PRC.

### **2. Concentration risk**

- The Sub-Fund is subject to concentration risk as a result of tracking the performance of a single geographical region (the PRC).
- The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in the PRC.

### **3. Risk relating to the RQFII regime**

- In the event of any default of either a PRC broker or the PRC Custodian (directly or through its delegate) in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC, the Sub-Fund may encounter delays in recovering its assets which may in

turn adversely impact the NAV.

- The RQFII policy and rules are new and there may be uncertainty to its implementation and such policy and rules are subject to change. The uncertainty and change of the laws and regulations in the PRC (including the RQFII policy and rules) may adversely impact the Sub-Fund and such changes may also have potential retrospective effect.
- Repatriations by RQFIIs in respect of fund such as the Sub-Fund conducted in RMB are permitted daily and are not subject to any lock-up periods or prior approval. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests.
- The Sub-Fund will utilize the Manager's RQFII quota. In the event the quota is reached and the Manager is unable to acquire additional RQFII quota, the Manager may suspend creations of Units. In such event the trading price of a Unit will be at a significant premium to the NAV of each Unit.

#### 4. RMB trading and settlement of Units risk

- The Units are amongst the first RMB denominated securities to be traded on the SEHK.
- The listing, trading and settlement of the Units, being RMB denominated securities, may not be capable of being implemented as envisaged.
- Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the Units which may be amongst the first RMB denominated RQFII ETF units listed on the SEHK.
- After listing, the trading price of the Units on the SEHK will be subject to market forces and may trade at a substantial premium/discount to their NAV, and may deviate significantly from the NAV per Unit.
- The limited availability of RMB outside the PRC may also affect the liquidity and trading price of the Units.

#### 5. Risks relating to PRC

- Given that the A-Share market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the creation and redemption of Units may also be disrupted. A participating dealer is unlikely to redeem or create Units if it considers that A-Shares may not be available.
- Investing in emerging markets, such as the PRC, involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- Investing in PRC-related companies and in the PRC markets involve certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity, legal and regulatory risk.
- The PRC imposes restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may increase tracking error, and at the worst, the Sub-Fund may not be able to achieve its investment objective.

#### 6. PRC tax risk

- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised by RQFIIs on its investments in the PRC (which may have retrospective effect). The Manager will make a 10% provision for the account of the Sub-Fund in respect of any potential PRC tax liability on capital gains. Such provision, however, may be excessive or inadequate to meet final PRC tax liabilities. In case of any shortfall between the provision and actual tax liabilities, which will be debited from the Sub-Fund's assets, the Sub-Fund's NAV will be adversely affected.

## 7. RMB currency risk

- The Sub-Fund is denominated in RMB. RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- The base currency of the Sub-Fund is RMB. Non-RMB based investors are therefore exposed to foreign exchange risk as a result of fluctuations in the RMB exchange rate against their base currencies. There is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. If investors wish or intend to convert the redemption proceeds or dividends (in RMB) paid by the Sub-Fund or sale proceeds (in RMB) into a different currency, they are subject to the relevant foreign exchange risk and may incur substantial capital loss from such conversion.

## 8. Government intervention and restrictions risk

- Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions, a ban on "naked" short selling or the suspension of short selling for certain stocks. This may affect the operation and market making activities of the Sub-Fund, and may have an unpredictable impact on the Sub-Fund.
- Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the Index and as a result the performance of the Sub-Fund.

## 9. Trading differences risk

- As the Shanghai Stock Exchange and the Shenzhen Stock Exchange may be open when Units in the Sub-Fund are not priced, the value of the securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Units.
- Differences in trading hours between foreign stock exchanges (e.g. Shanghai Stock Exchange and Shenzhen Stock Exchange) and the SEHK may increase the level of premium/discount of the Unit price to its NAV because if a PRC stock exchange is closed while the SEHK is open, the Index level may not be available.
- A-Shares are subject to trading bands which restrict increase and decreases in the trading price. Units listed on the SEHK are not. This difference may also increase the level of premium discount of the Unit price to its NAV.

## 10. Passive investments risk

- The Sub-Fund is not "actively managed" and therefore, when there is a decline in the Index, the Sub-Fund will also decrease in value.
- The Manager will not adopt any temporary defensive position against any market downturn. Investors may lose part or all of their investment.

## 11. Reliance on Investment Adviser and new Manager risk

- The Manager has no or limited experience of managing ETFs. It will substantially make use of and rely on the expertise and systems of the Investment Adviser to support the Sub-Fund's investments in the A-Share market. Any disruption in the communication with or the provision of assistance by the Investment Adviser may adversely affect the operations of the Sub-Fund.

## 12. Trading risk

- Generally, retail investors can only buy or sell Units of the Sub-Fund on the SEHK. The trading price of the Units on the SEHK is driven by market factors such as the demand and supply of the Units. Therefore, the Units may trade at a substantial premium or discount to the Sub-Fund's NAV.

- As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, retail investors may pay more than the NAV per Unit when buying Units on the SEHK, and may receive less than the NAV per Unit when selling Units on the SEHK.
- The Manager can only appoint one broker in the PRC for each market (the Shenzhen Stock Exchange and the Shanghai Stock Exchange) in the PRC. As such the Sub-Fund will rely on only one broker for each market (which may be the same broker). Should, for any reason, the Manager be unable to use the relevant broker in the PRC, the operation of the Sub-Fund would be adversely affected and may cause Units to trade at a premium or discount to the Sub-Fund's NAV or the Sub-Fund may be unable to track the Index.

#### 14. Tracking error risk

- Due to fees and expenses of the Sub-Fund, liquidity of the market and different investment strategies adopted by the Manager, the Sub-Fund's return may deviate from that of the Index.

#### 15. Reliance on market maker

- Although it is the Manager's expectation that at least one market maker will maintain a market for the Units and at least one market maker gives not less than 3 months prior notice before termination of market making under market maker agreement, liquidity in the market for the Units may be adversely affected if there is no market maker for the Sub-Fund. It is possible that there is only one SEHK market maker to the Sub-Fund or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker, and there is also no guarantee that any market making activity will be effective.
- Units of the Sub-Fund are traded and settled in RMB. There may be less interest by potential market makers making a market in Units denominated in RMB. Furthermore, any disruption to the availability of RMB may adversely affect the capability of market makers in providing liquidity for the Units.

#### 16. Termination risk

- The Sub-Fund may be terminated early under certain circumstances, for example, where the Index is no longer available for benchmarking or if the size of the Sub-Fund falls below RMB100 million. Investors should refer to the section "Termination" in the Prospectus for further details.

### Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

### What are the fees and charges?

#### Charges incurred by you when trading the Sub-Fund on the SEHK

Fees	What you pay
Brokerage fee	Market rates
Transaction levy	0.003% <sup>1</sup>
SEHK trading fee	0.005% <sup>2</sup>
Stamp duty	Nil

- Transaction levy of 0.003% of the trading price of the Units, payable by each of the buyer and the seller.*
- Trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.*

### Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the NAV of the Sub-Fund which may affect the trading price.

<b>Annual rate (as a % NAV)</b>		
<b>Management fee*</b> The Sub-Fund pays a management fee to the Manager.	0.76%	
<b>Trustee's and Registrar's fee*</b> The Sub-Fund pays a trustee's fee to the Trustee (out of which the Trustee pays the Custodian and the PRC Custodian).	<u>Net Asset Value</u>	<u>Annual rate (as a % of NAV)</u>
Equals or is less than the RMB200 million		0.16%
Between the RMB200 million and RMB1,200 million		0.14%
Between the RMB1,200 million and RMB2,200 million		0.12%
Between the RMB2,200 million and RMB3,200 million		0.10%
Exceeds the RMB3,200 million		0.08%
(subject to a minimum of RMB40,000 per month)		
The Sub-Fund also pays a registrar's fee to the Trustee acting as the Registrar of RMB120 per participating dealer per transaction.		
<i>* Please note that these fees may be increased up to a permitted maximum on giving 1 month's notice to unitholders. Please refer to the section of the prospectus entitled "Fees and Expenses" for further details of the fees and charges payable and the permitted maximum of such fees allowed as well as other ongoing expenses that may be borne by the Sub-Fund</i>		
<b>Performance fee</b>	Nil	
<b>Administration fee</b>	Nil	
<b>Other fees</b>		
You may have to pay other fees when dealing in the Units of the Sub-Fund. Please refer to the Prospectus for details.		

## Additional information

The Manager will publish important news and information with respect to the Sub-Fund (including in respect of the Index), both in the English and in the Chinese languages, on the Manager's website at [www.efunds.com.hk/fund.html](http://www.efunds.com.hk/fund.html) (the contents of this website have not been reviewed by the SFC) including:

- (a) the Prospectus and this statement (as revised from time to time);
- (b) the latest annual and semi-annual financial reports (in English only);
- (c) any notices for material alterations or additions to the Prospectus or the Sub-Fund's constitutive documents;
- (d) any public announcements made by the Sub-Fund, including information with regard to the Sub-Fund and Index, the notices of the suspension of the calculation of the NAV, changes in fees and the suspension and resumption of trading;
- (e) the near real time estimated NAV per Unit throughout each dealing day;
- (f) the last closing NAV of the Sub-Fund and per Unit;
- (g) the composition of the Sub-Fund (updated on a daily basis); and
- (h) the latest list of the participating dealers and market makers.

## Important

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

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