



# XIE Shares FTSE Chimerica ETF (a sub-fund of XIE Shares Trust II)

Enhanced Investment Products Limited

27 March 2017

*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

Stock code:	03161
Trading lot size:	200 Units
Fund Manager:	Enhanced Investment Products Limited (the “Manager”)
Trustee:	Cititrust Limited
Ongoing charges over a year:	0.97%*
Tracking difference of the last calendar year:	-0.88%**
Underlying Index:	FTSE China N Shares All Cap Capped Net Tax Index
Base currency:	Hong Kong dollars
Trading currency:	Hong Kong dollars
Financial year end of this fund:	31 December
Distribution policy:	No dividends are payable
ETF website:	<a href="http://www.xieshares.com.hk">www.xieshares.com.hk</a>

## What is this product?

XIE Shares FTSE Chimerica ETF (the “Sub-Fund”) is a sub-fund of XIE Shares Trust II (the “Trust”), which is an umbrella unit trust established under Hong Kong law. The Sub-Fund is a passively managed index tracking exchange traded fund under Chapter 8.6 and Appendix I of the Code on Unit Trusts and Mutual Funds. The Units of the Sub-Fund are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). They are traded on the SEHK like listed stocks.

## Objective and Investment Strategy

### Objective

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE China N Shares All Cap Capped Net Tax Index (the “Index”).

### Strategy

The Manager intends to adopt primarily a full replication strategy to achieve the investment objective of the Sub-Fund. The Manager may however, in the appropriate circumstances, choose to use a representative sampling strategy.

When the Sub-Fund adopts a full replication strategy, it will invest substantially all of its assets in the securities constituting the Index in substantially the same weightings (i.e. proportions) as these securities have in the Index. When the Sub-Fund adopts a representative sampling strategy, it may or may not hold all the securities comprised in the Index, and may hold a portfolio of securities which are not included in the Index, provided that these collectively feature a high correlation with the Index.

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

\* The ongoing charges figure is based on expenses for the year ended 31 December 2016. This figure may vary from year to year. It represents the sum of the ongoing expenses chargeable to the Sub-Fund expressed as a percentage of the average net asset value.

\*\* This is an actual tracking difference of the last calendar year. Investors should refer to the Sub-Fund’s website for more up to date information on actual tracking difference.



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There is no current intention for the Sub-Fund to:

- (a) invest other than in stocks;
- (b) invest in or utilise any financial derivative instruments for non-hedging (i.e. investment) or hedging purposes; or
- (c) engage in securities lending, repurchase transactions or other similar over-the-counter transactions,

but this may change in light of market circumstances and where the Sub-Fund does engage in these types of transactions, prior approval shall be obtained from the SFC and no less than 1 month's prior notice will be given to the Unitholders.

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

## Index

The Index was launched on 1 December 2014 and is an index of the FTSE China Index Series. The Index is derived from the FTSE Global Equity Index Series methodology. The Index is a total net return index capturing PRC related companies (which are companies incorporated outside the PRC but controlled by PRC entities, companies or individuals and a majority of whose revenue or assets are derived in the PRC) listed on the New York Stock Exchange, the NASDAQ exchange or the NYSE MKT that rank within the top 98% by full market capitalisation of the North America region universe (United States and Canada) according to the FTSE Global Equity Index Series ground rules. A total net return index means that the performance of the index constituents is calculated on the basis that any dividends and distributions are reinvested after withholding tax deductions. As at 20 March 2017, the Index comprised 20 constituents with a total market capitalisation of approximately USD62,225million. It is a free float adjusted market capitalisation index with a capping of 10% applied to a constituent's weighting in the Index. Individual constituent weights are capped on a quarterly basis when the Index is rebalanced (and so between rebalances, a constituent's weighting in the Index may exceed 10% of the Index). The base date of the Index is set at 15 December 2006 with a base value of 1000. The Index is denominated and quoted in US dollars.

FTSE International Limited is the Index Provider. The Manager and its connected persons are independent of the Index Provider.

As at 20 March 2017, the 10 largest constituents of the Index (which accounted in aggregate for approximately 83.30% of the Index) were as follows:

	Company name	Exchange	Sector	Weighting %
1	New Oriental Education & Technology Group	NYSE	Consumer Discretionary	10.47%
2	Baidu ADS	NASDAQ	Information Technology	9.93%
3	Alibaba Group Holding	NYSE	Information Technology	9.92%
4	Ctrip.com International Ltd.	NASDAQ	Consumer Discretionary	9.87%
5	JD.com ADS	NASDAQ	Consumer Discretionary	9.86%
6	NetEase	NASDAQ	Information Technology	9.78%
7	TAL Education Group	NYSE	Consumer Discretionary	7.22%
8	SINA	NASDAQ	Information Technology	6.59%
9	Vipshop Holdings (ADS)	NYSE	Consumer Discretionary	5.02%
10	58.com ADS	NYSE	Information Technology	4.64%



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Further information on the Index including the index methodology and Index constituents is available at the website of FTSE International Limited at [www.ftse.com/product/indices/china](http://www.ftse.com/product/indices/china).

## Index code

Bloomberg Code: CHIMERIR

## What are the key risks?

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

### 1. PRC related risks

- The Index is comprised of the approximately 20 largest PRC related companies (which are incorporated outside the PRC) listed in the United States. As such, investment in the Sub-Fund will be subject to the general risks relating to the PRC due to, among other factors, risks associated with foreign exchange, uncertainty concerning PRC laws and regulations and government policies.
- Investing in PRC related companies (which are incorporated outside the PRC) with exposure to the PRC markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater governmental intervention, political, tax, economic, foreign exchange, liquidity, legal and regulatory risk.
- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised on investments in the PRC (which may have retrospective effect).

### 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) and a limited number of stocks and may likely be more volatile than a broad-based fund.

### 3. Passive investments risk

- The Sub-Fund is not “actively managed”, therefore when there is a decline in the Index, the Sub-Fund will also decrease in value. The Manager has no discretion to select stocks individually (other than in respect of representative sampling) and will not adopt any temporary defensive position against any market downturn. Hence a decline in the Index will result in a fall in the Net Asset Value of the Sub-Fund. Investors may suffer significant losses accordingly.

### 4. Investment strategy risk

- The Sub-Fund will invest in PRC related companies (which are incorporated outside the PRC) listed in the United States which involves special risks and considerations not typically associated with investing in Hong Kong companies. An investment in Units involves risks similar to those of investing in PRC companies and in a portfolio of securities traded on exchanges in the US including market fluctuations caused by economic and political developments, changes in interest rates and perceived trends in stock prices as well as litigation risk.

### 5. US market risk

- The recent financial crisis and/or economic recession, decreasing US imports, new trade regulations, changes in the US dollar exchange rates, and increasing public debt pose concerns on the development of the US economy. This may have an adverse impact on the US securities in which the Sub-Fund invests. The Sub-Fund’s investment in the US securities may also be subject to US taxes.

### 6. 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.



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## 7. Large capitalisation companies risk

- Returns on investments in securities of large companies could be less than the returns on investments in securities of small-sized and mid-sized companies. Since the Index consists of securities of the approximately 20 largest PRC related entities by full market capitalisation listed on the New York Stock Exchange, the NASDAQ exchange or the NYSE MKT, the Sub-Fund's investments are concentrated in securities of large companies. Hence the returns may be less than the returns of funds that focus their investments in securities of small-sized and mid-sized companies.

## 8. Trading risks

- Generally, retail investors can only buy or sell Units on the SEHK. The trading prices of the Units on the SEHK are 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.
- 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 net asset value per Unit when buying Units on the SEHK, and may receive less than the net asset value per Unit when selling Units on the SEHK.

## 9. Difference in trading hours risks

- As the New York Stock Exchange and other US exchanges will 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 Units.
- Differences in trading hours between exchanges in the US and the SEHK may result in the trading price per Unit deviating from its Net Asset Value (i.e. the trading price being at a premium or discount to the Net Asset Value) because US exchanges will be closed while the SEHK is open and the Index level will not be available.

## 10. Tracking error risk

- Due to fees and expenses of the Sub-Fund, any adoption of a representative sampling strategy, liquidity of the market, foreign exchange costs and changes to the regulatory policies, the Sub-Fund's return may deviate from that of the Index. There can be no guarantee or assurance of exact or identical replication at any time of the performance of the Index or that the Sub-Fund will achieve its investment objective of corresponding to the performance of the Index.

## 11. Termination risks

- If the Index Provider terminates the Index license agreement or the Index or otherwise does not allow the Sub-Fund to use the Index, and there is no successor index or if its fund size falls below HKD100 million, the Sub-Fund may be terminated and investors may suffer a loss. Please refer to the section headed "Termination" of the Prospectus for details of events which may cause the Sub-Fund to be terminated.

## 12. Taxation risk of the PRC

- The PRC Government has implemented a number of tax reform policies in recent years. There can be no assurance that the current tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and the business operations of the constituents of the Index, hence affecting the performance of the Sub-Fund.

## 13. Reliance on market maker and liquidity risks

- Although it is an expectation that the Manager ensures that at least one market maker will maintain a market for the Units and gives not less than 3 months' notice prior to terminating market making under the relevant market maker agreement, liquidity in the market for the Units may be adversely affected if there is no market maker for the Units. At the listing of Units, there is only one SEHK market maker. It is possible that there will only ever be one market maker and that the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker. There is also no guarantee that any market making activity will be effective.



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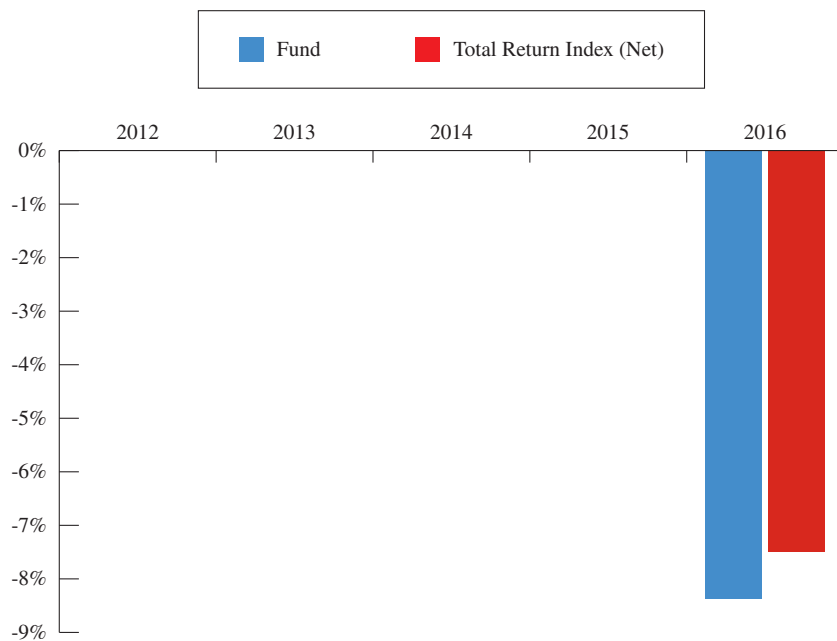
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## How has the fund performed?

Calendar Year Performance (in HKD, %)

	2012	2013	2014	2015	2016
Fund					-8.37%
Index					-7.49%



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the fund increased or decreased in value during the calendar year being shown.
- Performance data has been calculated in HKD, including ongoing charges and excluding your trading costs on SEHK.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 16 April 2015

## Is there any guarantee?

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



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**What are the fees and charges?**

Please refer to the section entitled “Fees and Expenses” of the Prospectus for details of other fees and expenses.

**Charges incurred when trading the Sub-Fund on SEHK**

Fee	What you pay
Brokerage fee	Market rates
Transaction levy	0.0027% <sup>1</sup> of the trading price
Trading fee	0.005% <sup>2</sup> of the trading price
Stamp duty	Nil

<sup>1</sup> Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.

<sup>2</sup> 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 net asset value of the Sub-Fund which may affect the trading price.

	Annual rate (as a % of the Sub-Fund’s value)
Management fee*	0.65%
Trustee fee*	No separate Trustee Fee is charged. The Trustee Fee is included in the Management Fee
Performance fee	None
Administration and custody fees	No separate administration or custody fees are charged. These are included in the Management Fee

\* Please note that some fees may be increased up to a permitted maximum amount by providing 1 month’s prior notice to Unitholders. Please refer to the section headed “Fees and Expenses” of the Prospectus for details of these maximum permitted amounts. In addition, the Sub-Fund will pay the Registrar a fee for its services of HKD54,000 per annum.



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## Other fees

You may have to pay other fees when dealing in the Units of the Sub-Fund.

## Additional information

You can find the following information relating to the Sub-Fund (in English and in Chinese) at the website at [www.xieshares.com.hk](http://www.xieshares.com.hk) (which has not been reviewed or approved by the SFC):

- The Prospectus including the Product Key Facts Statement (as revised from time to time)
- The latest annual audited accounts and interim half yearly unaudited report of the Sub-Fund (in English only)
- Any notices relating to material changes to the Sub-Fund which may have an impact on its investors, such as material alterations or additions to the Prospectus including the Product Key Facts Statement or the constitutive documents of the Trust and the Sub-Fund (as revised from time to time)
- Any public announcements made by the Manager in respect of the Sub-Fund, including information with regard to the Sub-Fund and the Index, the suspension of creations and redemptions of Units, the suspension of the calculation of its Net Asset Value, changes in its fees and the suspension and resumption of trading in its Units
- The near real time estimated Net Asset Value per Unit of the Sub-Fund (updated every 15 seconds throughout each dealing day in Hong Kong dollars)
- The last closing Net Asset Value of the Sub-Fund and the last closing Net Asset Value per Unit of the Sub-Fund in Hong Kong dollars
- The last closing level of the Index
- The composition of the Sub-Fund (updated on a daily basis)
- The latest list of the Participating Dealers and Market Makers of the Sub-Fund
- The past performance information, annual tracking difference and tracking error of the Sub-Fund

## 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.