PRODUCT KEY FACTS

GFI ETF SERIES

GFI MSCI China A International ETF

廣發國際
GF International

GF International Investment Management Limited

August 2018

- ***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 codes:	RMB counter: 83156 HKD counter: 03156
Trading lot size:	RMB counter: 200 units HKD counter: 200 units
Fund Manager and RQFII Holder:	GF International Investment Management Limited
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited
Custodian:	The Hongkong and Shanghai Banking Corporation Limited
PRC Custodian:	HSBC Bank (China) Company Limited
Underlying Index:	MSCI China A International Index
Base currency:	Renminbi ("**RMB**")
Trading currency:	RMB counter: RMB HKD counter: Hong Kong Dollar ("**HKD**")
Financial year end of this fund:	31 December
Dividend policy:	Annually in July subject to the Manager's discretion. Distributions may be paid out of capital or effectively out of capital and reduce the GFI MSCI China A International ETF (the "**Sub-Fund**")'s net asset value ("**NAV**"). **Distributions for all units (whether traded in HKD or RMB counter) will be in RMB only.**
Ongoing charges over a year#:	Maximum 3% p.a.
Tracking difference of the last calendar year:	-0.29% ##
ETF Website:	http://www.gffunds.com.hk

The ongoing charges figure represents the ongoing expenses expressed as a percentage of the Sub-Fund's average net asset value over the same period. The Manager will, from 13 August 2018 until 31 December 2018, cap the ongoing charges figure for the Sub-Fund at a maximum of 3% p.a. ("**OCF Cap**"). This means that any

expense of the Sub-Fund (falling within the scope of ongoing expenses) incurred during this period will be borne by the Manager and will not be charged to the Sub-Fund if such expense would result in the ongoing charges figure exceeding the OCF Cap.

This is the actual tracking difference of the last calendar year. Investors should refer to the ETF website for more up-to-date information on actual tracking difference.

What is this product?

The Sub-Fund is a sub-fund of the GFI ETF Series ("**Trust**"), which is an umbrella unit trust established under Hong Kong law. The Sub-Fund is a passively managed index tracking ETF authorised under Chapter 8.6 and Appendix I of the Code on Unit Trusts and Mutual Funds. The units of the Sub-Fund are traded on the Stock Exchange of Hong Kong Limited (the "**SEHK**") like stocks.

The Sub-Fund is a physical ETF and invests primarily in China A-Shares listed on the stock exchanges of the People's Republic of China ("China" or "PRC") through the Renminbi Qualified Foreign Institutional Investor ("RQFII") quota of the Manager and/or via the Shanghai-Hong Kong Stock Connect ("Stock Connect"). The Sub-Fund is denominated in RMB.

Objectives and Investment Strategy

Objective

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index, namely, MSCI China A International Index (the "**Underlying Index**").

Investment Strategy

In order to achieve the investment objective of the Sub-Fund, the Manager will primarily adopt a full replication strategy by directly investing all, or substantially all, of the assets of the Sub-Fund in securities constituting the Underlying Index ("**Index Securities**") in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index. The Manager will not adopt a representative sampling strategy.

The Sub-Fund may also invest not more than 5% of its NAV in securities other than the Index Securities which have investment profile that aims to reflect the profile of the Underlying Index.

The Sub-Fund may also hold not more than 5% of its NAV in money market funds and/or cash and cash equivalents subject to applicable law and regulations for cash management purpose.

The Sub-Fund will not invest in derivatives instruments (including structured deposits, products or instruments) for investment or hedging purposes. The Manager does not currently intend to enter into securities lending transactions and repurchase transactions and other similar over-the-counter transactions on behalf of the Sub-Fund.

Currently it is intended that the Sub-Fund will directly invest in securities issued within the PRC primarily through the Manager's RQFII quotas granted by State Administration of Foreign Exchange ("**SAFE**"), as the Manager has obtained RQFII status in the PRC.

Subject to applicable laws and regulations, the Sub-Fund may also invest and have direct access to certain eligible China A-Shares via the Stock Connect. While the Manager may invest in Index Securities constituting the Underlying Index where they are eligible China A-Shares under Shanghai-Hong Kong Stock Connect, it is not intended that exposure to China A-Shares via the Stock Connect may be up to 85% of the Sub-Fund's NAV.

Underlying Index

The Underlying Index is a free float adjusted market capitalisation weighted index. It captures the large and mid-cap representation and includes the China A-Share constituents of the MSCI China All Shares Index. All of its constituents are listed on the stock exchanges in China, which include the Shanghai Stock Exchange ("**SSE**") and Shenzhen Stock Exchange ("**SZSE**"). It is compiled and published by MSCI Inc. ("**MSCI**" or the "**Index Provider**"). The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the Index Securities, such dividends being net of any withholding tax. The Underlying Index is denominated and quoted in RMB.

The Underlying Index was launched on 26 June 2014. As of 31 July 2018, it had a total market capitalisation of US$ 924.5 billion and 419 constituents.

Top 10 Constituents

As at 31 July 2018, the 10 largest constituent securities of the Underlying Index represented about 20.28% of the Underlying Index and their respective weightings are listed below for reference purpose:

Rank	**Constituent Name**	**Stock Code**	**Relevant Exchange**	**Weighting (%)**
1	Kweichow Moutai Co Ltd	600519	SSE	4.34%
2	Ping An Insurance Group Co of China Ltd	601318	SSE	3.17%
3	China Merchants Bank Co Ltd	600036	SSE	2.78%
4	Industrial Bank Co Ltd	601166	SSE	1.53%
5	Hangzhou Hikvision Digital Technology Co Ltd	002415	SZSE	1.52%
6	Midea Group Co Ltd	000333	SZSE	1.49%
7	Industrial and Commercial Bank of China Ltd	601398	SSE	1.45%
8	Shanghai Pudong Development Bank Co Ltd	600000	SSE	1.42%
9	Wuliangye Yibin Co Ltd	000858	SZSE	1.30%
10	Agriculture Bank of China	601288	SSE	1.29%

Source: MSCI as at 31 July 2018

For details, please refer to the website of MSCI at www.msci.com.

Bloomberg Index Code: M9CNAIR

What are the key risks?

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

1. <u>Investment risk</u>

- The Sub-Fund is not principal guaranteed and your investments may suffer losses.
- It is not actively managed. Falls in the Underlying Index may result in a corresponding fall in the value of the Sub-Fund.

2. <u>RQFII risk</u>

- The RQFII policy and rules are subject to change which may have retrospective effect.

- There is no assurance that the Manager will continue to maintain its RQFII status or be able to acquire additional RQFII quota for the Sub-Fund. The Manager may allocate its RQFII quota across different public open-ended fund products, or, subject to SAFE approval, to products and/or accounts that are not open-ended funds. The Sub-Fund may not be allocated sufficient RQFII quota to meet all subscription orders. This may result in a rejection of applications and a suspension of dealings of the Sub-Fund, and the Sub-Fund may trade at a significant premium to its NAV.

3. <u>Dual Counter Trading risk</u>

- If there is a suspension of the inter-counter transfer of units between the RMB counter and the HKD counter, unitholders will only be able to trade their units in the relevant counter on the SEHK.
- The market price on the SEHK of units traded in RMB and of units traded in HKD may deviate significantly. Investors may pay more or receive less when buying or selling units traded in HKD on the SEHK than in respect of units traded in RMB and *vice versa*.
- Some brokers/intermediaries and CCASS participants may not be able to (i) buy units in one counter and sell units in the other, (ii) carry out inter-counter transfers of units, or (iii) trade in both counters at the same time. This may inhibit or delay an investor dealing in both RMB and HKD counters.
- Investors without RMB accounts may buy and sell HKD traded units only and are therefore subject to Renminbi currency risk described below. Such investors will not be able to buy or sell RMB traded units and should note that distributions are made in RMB only. As such, investors may suffer a foreign exchange loss and incur foreign exchange associated fees and charges to receive their dividend.

4. <u>Renminbi currency risk</u>

- RMB is currently not a freely convertible currency as it is subject to foreign exchange controls and restrictions.
- Since the Sub-Fund is denominated in RMB and distributions are made in RMB only, non-RMB based investors are exposed to foreign exchange risk and the value of RMB against the investors' base currency (e.g. HKD) may depreciate.
- While both onshore RMB ("**CNY**") and offshore RMB ("**CNH**") are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. The liquidity and trading price of the Sub-Fund may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside the PRC.
- Application monies from participating dealers to the Sub-Fund will be paid in RMB only. A creation application may be adversely affected if a participating dealer does not have sufficient RMB for payment of application monies.

5. <u>China market risk</u>

- China is considered an emerging market and investments in the China market may be subject to greater economic, political, tax, foreign exchange, regulatory, volatility and liquidity risks, than that in more developed countries.
- The China A-Shares market is volatile and unstable (e.g. due to suspension of particular stocks or government intervention) and has lower trading volumes than those in more developed markets. A participating dealer may not be able to create and redeem the Sub-Fund's units if any Index Securities are not available.
- Hong Kong and overseas investors (including the Sub-Fund) holding China A-Shares are subject to foreign shareholding restrictions. The capacity of the Sub-Fund to make investments in China A-Shares may be adversely affected by the activities of all underlying foreign investors investing through RQFIIs or Stock Connect.

6. <u>Concentration risk</u>

- The concentration of the Sub-Fund's investments in a single geographical region (i.e. China) may subject it to greater volatility than broad-based funds.

7. <u>RMB trading and settlement of units risk</u>

- Investors may not be able to deal in RMB traded units through some stockbrokers.
- The liquidity and trading price of the RMB traded units of the Sub-Fund may be adversely affected by the limited availability of RMB outside the PRC and the restrictions on the conversion between foreign currency and RMB. This may result in the Sub-Fund trading at a significant premium / discount to its NAV.

8. PRC tax risk

- Investment in the Sub-Fund may be subject to the risks associated with changes in the PRC tax laws, and such changes may have retrospective effect and may adversely affect the Sub-Fund.
- The Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission have jointly released Caishui [2014] No.79 which specifies that capital gains realised from the trading of PRC equity investments (including China A-Shares) by QFIIs and RQFIIs which do not have an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but the income so derived in China is not effectively connected with such establishment, will be temporarily exempted from corporate income tax from 17 November 2014 onwards. The Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission have also jointly released Caishui [2014] No. 81 which stipulates that corporate income tax will be temporarily exempted on capital gains realised by foreign investors (including the Sub-Fund) on the trading of China A-Shares through the Stock Connect. However, dividends will be subject to 10% withholding tax and the company distributing the dividend has the withholding obligation.
- In light of the aforesaid circulars, the Manager will not make any withholding income tax provision on the gross unrealised and realised capital gains derived from trading of China A-Shares after taking and considering independent professional tax advice and in accordance with such advice.
- Please note that the tax exemptions granted under the above circulars for trading of China A-Shares through RQFII and the Stock Connect are temporary in nature. In the event that the PRC tax authorities enforce the imposition of such withholding tax in respect of the Sub-Fund's investment in future, such tax will subsequently be borne by the Sub-Fund and affect the NAV of the Sub-Fund.

9. Risks relating to the differences between the Hong Kong and PRC stock markets

- The trading days or hours of the PRC and Hong Kong stock markets are not exactly the same. The value of the China A-Shares in the Sub-Fund's portfolio may change but investors are not able to trade the Sub-Fund's units when China markets are open but the SEHK is closed.
- On the other hand, if a PRC stock exchange is closed while the SEHK is open, the market prices of China A-Shares may not be available while the Sub-Fund is still trading.
- While China A-Shares are subject to trading bands which restrict increases and decreases in the trading price, units of the Sub-Fund listed on the SEHK are not. The dealing suspension of the relevant China A-Shares will render it impossible for the Sub-Fund to acquire the relevant China A-Shares or liquidate positions to reflect creation/redemption of the units.
- These may result in higher tracking error and higher trading premium or discount of the Sub-Fund to its NAV.

10. Custody risk and PRC brokerage risk

- In the event of any default or bankruptcy of the Custodian (directly or through its delegate) or the brokers appointed by the Manager in the PRC ("**PRC Brokers**"), the Sub-Fund may encounter delays in recovering its assets and the execution of any transaction. Its NAV may be adversely affected.
- Only up to three PRC Brokers can be appointed in respect of each stock exchange in the PRC to execute transactions for the Sub-Fund. If the Manager is unable to use its designated PRC Brokers in the PRC, the operation of the Sub-Fund will be adversely affected.

11. Reliance on market makers risk

- Where there is only one SEHK market maker to each counter, it may not be practicable for the Sub-Fund to remove the only market maker even if it is not effective. The Manager may not be able to engage a substitute market maker within the termination notice period of a market maker (which will be not less than 90 days for at least one market maker per counter). The liquidity of the Sub-Fund may be adversely affected if there is no market maker for the RMB or HKD counter or if the market making activities are not effective, which may adversely affect the trading price of the Sub-Fund.

12. Tracking error risk

- Due to the Sub-Fund's fees and expenses, market liquidity, imperfect correlation of returns between the Sub-Fund's assets and the Index Securities and the investment strategy adopted, the Sub-Fund's returns may deviate from that of the Underlying Index.

13. Trading risk

- Retail investors can only trade units of the Sub-Fund on the SEHK. The trading price of the units may be different from the Sub-Fund's NAV and even at a significant discount/premium to its NAV.

14. Risk of early termination

- The Manager or the Trustee may terminate the Trust or the Sub-Fund under certain circumstances. Investors should refer to section "***14.5 Termination of the Trust or a Sub-Fund***" in Part 1 of the Prospectus for further details.
- The index licence agreement between the Manager and MSCI is subject to an initial fixed term of one year, and can thereafter be renewed perpetually for a period of one year. There is no guarantee that the licence agreement will not be terminated. Investors should refer to section "***14. Index Licence Agreement***" in Appendix 1 of Part 2 of the Prospectus for further details.
- The Sub-Fund may be terminated if the Underlying Index is discontinued and/or the licence agreement is terminated and the Manager is unable to identify a replacement index.
- Investors may suffer a loss when the Sub-Fund is terminated.

15. Risk relating to distributions paid out of capital

- The Manager may, at its discretion, pay dividends out of capital of the Sub-Fund or pay dividends out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to / paid out of the capital, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of the capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment.
- Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund may result in an immediate reduction of the NAV per unit of the Sub-Fund.

16. Risks associated with the Stock Connect

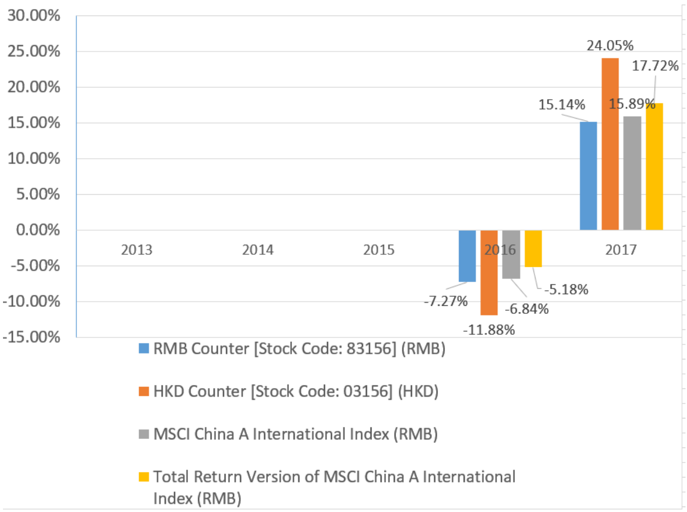
- The Stock Connect program is novel in nature. The relevant regulations are untested and subject to change and may have retrospective effect. There is no certainty as to how they will be applied.
- The program is subject to quota limitations which may restrict the Sub-Fund's ability to invest in China A-Shares through the program on a timely basis.
- Where a suspension in the trading through the program is effected, the Sub-Fund's ability to access the PRC market will be adversely affected.
- Due to the differences in trading days, there may be occasions when the PRC market is open but the Sub-Fund cannot carry out any China A-Shares trading (as the Hong Kong market is closed). The Sub-Fund may be subject to a risk of price fluctuations in China A-Shares in such circumstance.
- If the relevant information technology systems that support the Stock Connect program failed to function properly, trading in both Hong Kong and Shanghai markets through the program could be disrupted. The Sub-Fund's ability to access the China A-Shares market (and hence to pursue its investment strategy) will be adversely affected.
- PRC regulations impose certain restrictions on selling and hence the Sub-Fund may not be able to dispose of holdings of China A-Shares in a timely manner.
- A stock may be recalled from the scope of eligible stocks for trading via the Stock Connect. This may affect the investment portfolio or strategies of the Sub-Fund.

- Trading in securities through the program may be subject to clearing and settlement risk. If the PRC clearing house defaults on its obligation to deliver securities / make payment, the Sub-Fund may suffer delays in recovering its losses or may not be able to fully recover its losses.
- The Sub-Fund may not be able to participate in some corporate actions in respect of the SSE securities in a timely manner. Also, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE securities.
- Further, the Sub-Fund's investments through the program are not covered by the Hong Kong's Investor Compensation Fund.

17. Passive investment risk

- The Sub-Fund is not actively managed. It invests in the index securities and/or non-index securities included in or reflecting its Underlying Index regardless of its investment merit. The Manager does not attempt to select securities individually or to take defensive positions in declining markets. Accordingly, the lack of discretion to adapt to market changes due to the inherent investment nature of the Sub-Fund means that falls in the related Underlying Index are expected to result in a corresponding fall in the value of the Sub-Fund.

How has the fund performed?



- 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, without any dividend payout since launch.
- These figures show by how much the share class increased or decreased in value during the calendar year being shown.
- Performance data has been calculated in RMB, including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance
- Fund launch date: 2015

Is there any guarantee?

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

What are the fees and charges?

Charges incurred when trading the Sub-Fund on SEHK

Fee	**What you pay**
Brokerage fee	At market rates[1]
Transaction levy	0.0027%[2]
Trading fee	0.005%[3]
Stamp duty	Nil

[1] The brokerage fee is payable in the currency decided by the intermediaries used by the buyer and the seller.
[2] Transaction levy of 0.0027% of the trading price of the units, payable by each of the buyer and the seller.
[3] Trading fee of 0.005% of the trading price of the units, payable by each of the buyer and the seller.

Inter-counter transfer	HK$5[4]	

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.

	Annual rate (as a % of the fund's NAV)	
Management Fee*	0.6% per annum	
Trustee Fee (inclusive of fees payable by the Custodian and the PRC Custodian)	Net Asset Value	Annual rate (as a % of NAV)
	First RMB 200 million	0.16%
	Next RMB 1,000 million	0.14%
	Next RMB 1,000 million	0.12%
	Next RMB 1,000 million	0.1%
	Remaining balance	0.08% (subject to a minimum of RMB 40,000 per month)
Registrar Fee	RMB 120 per participating dealer per transaction	
Performance Fee	Nil	
Administration Fee	Nil	
Other Ongoing costs	Please refer to Part 2 of the Prospectus	

* Please note that the fee may be increased up to a permitted maximum amount by providing one month's prior notice to unitholders. Please refer to the section headed "**Fees and Charges**" in Part 1 of the Prospectus for details.

Additional Information

The Manager will publish important news and information in respect of the Sub-Fund (including in respect of the Underlying Index), both in English and Chinese language at the following website http://www.gffunds.com.hk, including:

- the Prospectus (as amended and supplemented from time to time);
- the latest Product Key Facts Statement;
- the latest annual and semi-annual financial reports in English;
- any public announcements made by the Sub-Fund, including information in relation to the relevant Sub-Fund and the Underlying Index, notices of the suspension of the calculation of NAV, changes in fees and charges, the suspension and resumption of trading of units;
- 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 offering documents and constitutive documents of the Sub-Fund;
- the near real-time estimated NAV per unit of the Sub-Fund during normal trading hours on the SEHK in RMB and HKD;
- the last closing NAV of the Sub-Fund in RMB only and the last closing NAV per unit of the Sub-Fund in RMB and in HKD;
- the composition of the Sub-Fund (updated on a daily basis);

[4] Hong Kong Securities Clearing Company will charge each CCASS participant a fee of HK$5 per instruction for effecting an inter-counter transfer of units of the Sub-Fund from one counter to another counter. Investors should check with their brokers/intermediaries regarding any additional fees.

- the compositions of the dividends (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months (also available by the Manager on request); and
- the latest list of participating dealers and market makers.

The near real time estimated NAV per unit in HKD (updated every 15 seconds during SEHK trading hours) and the last closing NAV per unit in HKD are indicative and for reference purposes only. The near real-time estimated NAV per Unit in HKD uses a real-time HKD:CNH foreign exchange rate – it is calculated using the near real-time estimated NAV per Unit in RMB multiplied by a real-time HKD:CNH foreign exchange rate provided by Sumscope (HK) Limited ("**Sumscope**") when the SEHK is opened for trading. Since the estimated NAV per Unit in RMB will not be updated when the underlying China A-Shares market is closed, any change in the estimated NAV per Unit in HKD (if any) during such period is solely due to the change in the foreign exchange rate.

The last closing NAV per unit in HKD is calculated using the last closing NAV per unit in RMB multiplied by an assumed foreign exchange rate using the Tokyo Composite at 3:00 p.m. Tokyo time (2:00 p.m. Hong Kong time) mid rate quoted by Bloomberg for offshore RMB (CNH) as of the same Dealing Day. The official last closing NAV per unit in RMB and the indicative last closing NAV per unit in HKD will not be updated when the underlying China A-Shares market is closed.

"**Dealing Day**" means each business day on which both SEHK and the underlying China A-Shares market are open for normal trading.

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.