

HANG SENG H-SHARE INDEX ETF

HANG SENG  H-SHARE ETF
2828

(SEHK STOCK CODE : 2828)

www.hangseng.com/etf

IMPORTANT RISK WARNINGS / FUND INFORMATION FOR HONG KONG INVESTORS

- ❖ Hang Seng H-Share Index ETF (the “H-Share ETF”) is an index-tracking fund which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index (the “H-Share Index”). The H-Share ETF invests primarily in the constituent stocks of the H-Share Index.
- ❖ The H-Share ETF is different from a typical unit trust as it is listed on The Stock Exchange of Hong Kong Limited, and like other listed stocks, carry similar risks such as liquidity risk and risk of trading suspension. The market price per Unit could be significantly higher or lower than its Net Asset Value per Unit due to market demand and supply, liquidity and scale of trading spread in the secondary market and will fluctuate during the trading day.
- ❖ The H-Share ETF is subject to tracking error risks, risks associated with passive investments and risks of concentration of investments in a single market/several constituent stocks of the H-Share Index.
- ❖ Investment involves risks and investors may lose substantial part of their investment in the HS H-Share ETF.

Investors should not only base on this brochure alone to make investment decisions, but should read the HS H-Share ETF’s offering documents (including the full text of the risk factors stated therein) in detail.

INTRODUCTION

This brochure provides an outline of the HS H-Share ETF and is not intended to be or to replace its Hong Kong Offering Document. The Hong Kong Offering Document of the HS H-Share ETF is available on its official website www.hangseng.com/etf.

WHAT IS THE HS H-SHARE ETF?

HS H-SHARE ETF is an exchange-traded fund and Units of the HS H-Share ETF can be traded like listed shares on the Stock Exchange of Hong Kong Limited (“SEHK”). Its investment objective is to track, as closely as practicable, the performance of the H-Share Index by holding a portfolio of the constituent stocks of the H-Share Index. The Manager of HS H-Share ETF, Hang Seng Investment Management Limited, primarily adopts a replication strategy to pursue this objective.

The H-Share Index was launched on 8 August 1994. It is a major index that tracks the performance of China enterprises listed in Hong Kong in the form of H shares. The H-Share Index comprises only those H-shares companies with the largest market value that are included in the Hang Seng Composite Index. The constituent stocks are freefloat-adjusted for investibility representation and a 15% capping is applied to avoid single stock domination.

The following is the key information in respect of the HS H-Share ETF:

Instrument Type	Exchange Traded Fund
Tracked Index	Hang Seng China Enterprises Index
Listing Date	10 Dec 2003
Exchange Listing in Hong Kong	The Stock Exchange of Hong Kong Limited - Main Board



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Stock Code	2828
Trading Board Lot Size	200 Units
Trading Currency	Hong Kong dollars
Dividend Payout	Semi-annually (if any) ⁽¹⁾
Market price per Unit in Proportion to the H-Share Index	Approximately 1/100 ⁽²⁾ Assuming that the H-Share Index is at 10,000 ⁽³⁾ , each Unit of the HS H-Share ETF would be traded at around HK\$100 and the cost per board lot would be around HK\$20,000..
Manager	Hang Seng Investment Management Limited
Trustee/Registrar	HSBC Provident Fund Trustee (Hong Kong) Limited
Market Maker	Yes (to enhance the liquidity of the secondary market)
Physical Scrip	No (investors do not need to pay the registrar fee)
Website	www.hangseng.com/etf

7 KEY BENEFITS OF INVESTING IN THE HS H-SHARE ETF

TRACK INDEX PERFORMANCE

The HS H-Share ETF invests in the constituent stocks of the H-Share Index in substantially the same weightings as those stocks have in the H-Share Index. Hence, investors can have the opportunity to receive investment returns that track, as closely as practicable, the performance of the H-Share Index by holding the HS H-Share ETF.

DIVERSIFICATION

HS H-Share ETF represents an investment portfolio, which helps its investors to indirectly invest across a basket of 43 constituent stocks of the H-Share Index for diversification and risk reduction.

TRADE LIKE LISTED SHARES

Trading of HS H-Share ETF Units is as convenient and flexible as trading of shares listed on the SEHK. Investors can trade HS H-Share ETF Units anytime during trading hours of SEHK.

HIGH TRANSPARENCY OF INVESTMENT PORTFOLIO

The fund manager of HS H-Share ETF primarily adopts a replication strategy and the HS H-Share ETF invests in the constituent stocks of the H-Share Index in substantially the same weightings as those stocks have in the H-Share Index. Information on the constituent stocks of the H-Share Index is public information which investors can easily obtain. Generally speaking, unlike traditional actively managed investment fund, the fund manager of HS H-Share ETF does not select stocks or investment instruments based on their own investment judgement. Hence, the investment portfolio of HS H-Share ETF is comparatively more transparent than that of the traditional actively-managed investment fund.

LOWER INVESTMENT AMOUNT

The board lot size of the HS H-Share ETF is 200 Units. Assuming that the H-Share Index is at 10,000⁽³⁾, each Unit of HS H-Share ETF would be traded at around \$100 and it would only cost around HK\$20,000 to buy 1 board lot of HS H-Share ETF Units. Hence the cost per board lot is approximately the same as the level of the H-Share Index which is easy to remember.

LOWER TRANSACTION COSTS

The transaction cost of HS H-Share ETF Units is comparatively lower than that of the traditional investment fund. Investors only need to pay brokerage and securities trading fees when they trade HS H-Share ETF. For details, please refer to the section "How can I buy or sell HS H-Share ETF Units?" below.

OPPORTUNITY TO RECEIVE CASH DIVIDENDS

The Manager of the HS H-Share ETF intends to distribute cash dividends (if any) to investors on a semi-annual basis. ⁽¹⁾



KEY RISK FACTORS

Before deciding whether or not to invest in the HS H-Share ETF, you should consider if investment in the HS H-Share ETF is a suitable investment for you in terms of your financial situation, investment experience and investment objectives. You should read the offering documents of the HS H-Share ETF (including the full text of the risk factors stated therein) in detail before making any investment decision. Please note that investment involve risks (including the possibility of loss of the capital invested), prices of Units in the HS H-Share ETF may go up as well as down and past performance information presented is not indicative of future performance. In addition, you should avoid excessive investment in any single type of investment (in terms of its proportion of your overall investment portfolio) including any proposed investment in the HS H-Share ETF so as to avoid having your investment portfolio being over-exposed to any particular investment risk. You should read in detail the Hong Kong Offering Document and consider all the risks of investing in the HS H-Share ETF. Generally speaking, such risks include but are not limited to:

- To the extent that the index tracked by the HS H-Share ETF (i.e. Hang Seng China Enterprises Index) concentrates in the securities of a particular industry or group of industries, the Manager may similarly concentrate HS H-Share ETF's investment. HS H-Share ETF's performance could be heavily affected by the performance of that industry or group of industries
- Like other index-tracking funds, the HS H-Share ETF is passively managed. The Manager does not have the discretion to select stocks individually or to take defensive positions in declining market.. Hence, any fall in the H-Share Index will result in a corresponding fall in the value of the HS H-Share ETF.
- No assurance can be given that the performance of the HS H-Share ETF will be identical to the performance of the H-Share Index.
- Although the HS H-Share ETF Units are listed on SEHK, there can be no assurance that active trading in the HS H-Share ETF Units can be maintained.
- The market price of the HS H-Share ETF Unit could be higher or lower than its Net Asset Value ("NAV") per Unit due to market demand and supply, liquidity and scale of trading spread in the secondary market and will fluctuate during the trading day.
- In tracking the H-Share Index, the HS H-Share ETF will be investing in the constituent stocks of the H-Share Index with reference to their respective weightings in the H-Share Index. Certain constituent stocks of the H-Share Index are shares of PRC companies which have substantial business exposure to growth opportunities in the PRC. Thus, investors in the HS H-Share ETF are subject to the risks of investing in emerging markets generally and in particular, all risks specific to investments associated with the PRC market.
- Although the HS H-Share ETF Units are listed on the SEHK, the HS H-Share ETF Units may be delisted from the SEHK. In such circumstances, the Manager may, in consultation with the Trustee, seek the relevant regulator's prior approval to operate the HS H-Share ETF as a traditional index fund and will notify the investors accordingly. Alternatively, the Manager may liquidate the HS H-Share ETF if the Trustee deems it to be in the best interests of investors and will notify the investors accordingly. Investors would then receive NAV per Unit (which may be higher or lower than the amount (per Unit) paid by the investors at the time of original investment) as of the date of liquidation as a result of the Manager having to liquidate all of the HS H-Share ETF's investments.

HOW CAN I BUY OR SELL HS H-SHARE ETF UNITS?

You can buy or sell HS H-Share ETF Units through your broker or bank securities account anytime during trading hours of the SEHK. The stock code of HS H-Share ETF is 2828 with 200 Units per board lot. The transaction costs in respect of dealing in HS H-Share ETF Units are listed below for reference. Please refer to its Hong Kong Offering Document for details.

Brokerage	Approx. 0.2% - 0.4% (varies from broker to broker)
SFC Transaction Levy	0.004%
SFC Investor Compensation Levy	Suspended
SEHK Trading Fee	0.005%



Stamp Duty	Approximate 0.1%
Purchase Order Handling Fee	Varies from broker to broker

FREQUENTLY ASKED QUESTIONS

1. What is an exchange-traded fund (ETF)?

An ETF is an open-ended fund that can be traded like a share on a stock exchange. An index-tracking ETF is a listed collective investment schemes that aims to track the performance of the underlying index by holding a portfolio of the constituent stocks of that index. ETFs have been issued in many countries/territories, such as the United States, Canada, Japan, Singapore and Hong Kong.

2. How are the market prices of HS H-Share ETF Units determined?

It is expected that the market price of HS H-Share ETF Units will normally approximate its net asset value (NAV) per Unit. However, due to the forces of market supply and demand, market prices of HS H-Share ETF Units may differ from the NAV per Unit of the HS H-Share ETF, which is calculated by adding the market value of stocks it holds, cash, and other assets of the HS H-Share ETF, subtracting its liabilities, and dividing the result by the number of Units outstanding.

3. What are the risks of investing in the HS H-Share ETF?

Before deciding whether or not to invest in the HS H-Share ETF, you can refer to the section "Key Risk Factors" above and should consider if investment in the HS H-Share ETF is a suitable investment for you in terms of your financial situation, investment experience and investment objectives. You should read the offering document of the HS H-Share ETF (including the full text of the risk factors stated therein) in detail before making any investment decision. You should note that investment involves risks (including the possibility of loss of the capital invested), prices of Units in the HS H-Share ETF may go up as well as down and past performance information presented is not indicative of future performance. In addition, you should avoid excessive investment in any single type of investment (in terms of its proportion of your overall investment portfolio) including any proposed investment in the HS H-Share ETF so as to avoid your investment portfolio being over-exposed to any particular investment risk.

4. What are the fees, charges and expenses involved in investing in the HS H-Share ETF?

Investors trading via the SEHK will have to pay transaction costs as set out in the section "How can I buy or sell HS H-Share ETF Units?" above. Currently, the HS H-Share ETF will pay management fee and trustee fee to the Manager and the Trustee respectively. Investors should refer to the Hong Kong Offering Document of the HS H-Share ETF for full details of the relevant fees, charges and expenses. Investors should also note that fees may change and they should check for, from time to time, the information with respect to the HS H-Share ETF (including any change in fees) at the "Document Library – Hang Seng H-Share Index ETF - Notices to Unitholders" section on www.hangseng.com/etf.

5. What strategy does the Manager apply in achieving the investment objective of the HS H-Share ETF?

The Manager primarily adopts a replication strategy to achieve the investment objective of the HS H-Share ETF. When there is a change in the constituent stock(s) of the H-Share Index or their weightings in it, the Manager will be responsible for implementing any adjustment to the ETF's portfolio of stocks to ensure that the composition and weighting of the stocks held by the HS H-Share ETF closely correspond to that of the constituent stocks of the H-Share Index.

6. Can I redeem my HS H-Share ETF Units for the H-Share Index constituent stocks?

You will only be able to redeem your Units in return for the constituent stocks of the H-Share Index if you hold a minimum of 100,000 Units. Such in-kind redemption can be dealt with through Participating Dealers. For details, please refer to the Hong Kong Offering Document of HS H-Share ETF. You can also obtain the list of the Participating Dealers on www.hangseng.com/etf.



7. How can I obtain market and trading information and other information about the HS H-Share ETF and the H-Share Index?

Real-time trading information of the HS H-Share ETF will be available on the teletext screen of SEHK. Realtime

updates about the H-Share Index can be obtained through Reuters, Bloomberg, Moneyline Telerate and on www.hsi.com.hk. Investors are advised to actively check information on the HS H-Share ETF on a regular basis via www.hangseng.com/etf since such information may materially impact on their investment holdings. The Manager may not issue any separate notice or newspaper notice regarding changes of the HS H-Share ETF.

For more information, please visit any branches of Hang Seng Bank, call our Enquiry Hotline 2998 9898 during office hours or visit www.hangseng.com/etf.

- (1) The Manager shall publish details of dividend declaration dates and amounts, ex-dividend dates and dividend payment dates on the website of the HS H-Share ETF (www.hangseng.com/etf) and via the SEHK's website (www.hkex.com.hk).
- (2) This is only a rough approximation and is for reference only (brokerage and other transaction fees not included). The actual proportion may vary due to market demand and supply for the Units, as well as other factors. The Manager, Hang Seng Investment Management Limited, shall not be liable for such rough approximation.
- (3) This is a hypothetical figure and is for illustrative purposes only. It does not represent the actual index point of the H-Share Index.



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Investors should note that investment involves risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund’s offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

The HS H-Share ETF has been authorised by the Securities and Futures Commission in Hong Kong (the “SFC”) but such authorisation does not imply official recommendation.

This brochure has not been reviewed by the SFC.

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