华安基金 HuaAn Funds

HuaAn Asset Management
(Hong Kong) Limited

PRODUCT KEY FACTS

HuaAn Aggregate Fund Series
HuaAn Aggregate China Bond Fund
August 2016

- **This statement provides you with key information about HuaAn Aggregate China Bond Fund (the "Sub-Fund"), a sub-fund of HuaAn Aggregate Fund Series (the "Trust").**
- **This statement is part of the Sub-Fund's offering document and must be read in conjunction with the offering memorandum of Trust (the "Offering Memorandum") and the Supplement in relation to the Sub-Fund (the "Supplement").**
- **You should not invest in this product based on this statement alone.**

Quick facts

Manager (RQFII licence holder):	HuaAn Asset Management (Hong Kong) Limited
Trustee:	BOCI-Prudential Trustee Limited
Global Custodian:	Bank of China (Hong Kong) Limited
PRC Custodian:	Bank of China Limited
Dealing frequency:	Daily
Base currency:	RMB
Dividend policy:	Discretionary, if declared, will be paid quarterly. Only the net income may be distributed. No distribution will be paid out of the Sub-Fund's capital
Financial year end of this Sub-Fund:	31 December
Minimum investment:	RMB10,000 (initial and additional)
Minimum holding and minimum redemption:	RMB10,000
Ongoing charges over a year:	
Class A*#	2.69%
Class B^#	1.41%
Class I*#	0.75%
Class I-2^#	0.81%

*The ongoing charges figure is based on expenses for the Sub-Fund's last interim report ending 30 June 2016 and expressed as a percentage of the Sub-Fund's net asset value. It includes operating costs, management fee, trustee fee, global custody fees, fund accounting service fee and legal fee of the Sub-Fund and the Trust. This figure may vary from year to year. Those classes ceased to be available until further notice.

^As the unit class is newly set up, this figure is an estimate based on the estimated ongoing expenses of the respective unit classes of the Sub-Fund expressed as a percentage of estimated average net asset value of the respective unit classes of the Sub-Fund for the first year of launch. This actual figure may be different from this estimated figure and may vary from year to year.

[#]Class A Units and Class I Units ceased to be available for subscription commencing 1 October 2015 until further notice, and Class B Units and Class I-2 Units are available for subscription commencing 1 October 2015.

What is this product?

The Sub-Fund is a sub-fund of HuaAn Aggregate Fund Series, a unit trust established as an umbrella fund under the laws of Hong Kong. Your subscription to Class A and Class B units in the Sub-Fund ("**Class A Units and Class B Units**") and redemption can only be made in RMB. You will be issued with Class A Units and Class B Units.

The Sub-Fund is denominated in RMB. The Sub- Fund primarily invests in RMB denominated and settled fixed income and debt instruments issued by entities that are based or established within the People's Republic of China ("**PRC**") through the quota ("**RQFII Quota**") allocated to the Manager as a Renminbi qualified foreign institutional investor ("**RQFII**").

Investment Objective and Investment Strategy

Investment objective

The investment objective of the Sub-Fund is to achieve long term capital growth and provide a steady flow of income through investment in a portfolio consisting of RMB denominated and settled debt instruments and RMB denominated and settled equities or equity related securities, subject to the investment restrictions applicable to the Sub-Fund and as set out in the Offering Memorandum and the Supplement.

Investment strategy

The Sub-Fund will invest in a portfolio consisting primarily (not less than 80% of its net asset value) of RMB denominated and settled fixed rate or floating rate debt instruments ("**RMB-Denominated Debt Instruments**") and will actively manages the risks of such portfolio. The RMB-Denominated Debt Instruments include the following, without limitation (as permitted by the RQFII regulations from time to time) which may be issued or distributed by governments and quasi-government organisations and multinational organisations, financial institutions and other corporations that are based or established within the PRC (through the RQFII Quota) on the interbank market and/or the exchange-traded market in short term bonds (with maturity within one (1) year), medium term and long term bonds (with maturity of three (3) to five (5) years, and five (5) years or more respectively); and convertible bonds on primary market only.

The Sub-Fund will only be investing in those RMB-Denominated Debt Instruments that are subject to the following requirements on credit rating: (i) in relation to those instruments and/or their issuers that are generally "rated" by a major PRC local credit rating agency in the market (for example, corporate bonds), a minimum credit rating of BBB- or above issued by major PRC local credit rating agencies as set out in the Supplement; and (ii) and in relation to those issued or distributed in the PRC exchange-traded market, any debt instruments that are listed for trading in the PRC exchange-traded market.

The Sub-Fund will not invest in RMB-Denominated Debt Instruments which are rated BB+ or below by any one of major PRC local credit rating agencies or unrated. The rating of each RMB-Denominated Debt Instrument should be the credit rating of the instrument itself. If the instrument itself does not have a credit rating, the credit rating would be based on the credit rating of its issuer. If both the RMB-Denominated Debt Instruments and its issuer are not rated, such instrument is classified as unrated. In event of any downgrading in the credit rating of a debt instrument or an issuer relating to a debt instrument to BB+ or below, the Manager may try to dispose of these debt instrument as soon as practicable.

The Sub-Fund may invest more than 30% but up to 100% of its total net asset value in urban investment bonds (城投債) in the Mainland listed bond and interbank bond market, which are debt instruments issued by local government financing vehicles ("**LGFVs**") and approved by the National Development and Reform Commission in the PRC. These LGFVs are separate legal entities established by local governments and / or their affiliates to raise financing for public welfare investment or infrastructure projects.

The Sub-Fund may also invest (not more than 20% of its net asset value) in RMB denominated and settled equities or equity related securities (mainly China A-shares) in the PRC (through the RQFII Quota allocated to the Manager) with any remainder held in RMB denominated cash or cash equivalents in the PRC.

The Sub-Fund will not invest in any financial derivative instruments, structured products, structured deposits and asset-backed securities (including asset backed commercial papers) for purposes of investment, hedging or otherwise.

The Sub-Fund does not intend to enter into any securities lending transactions, repurchase/reverse repurchase transactions or other similar over-the-counter transactions, for any changes in the future, not less than one month's notice will be given to the investors.

What are the key risks?

Investment involves risks. Please refer to the "Risk Factors" section in the Offering Memorandum and the "Additional Risk Factors" section in the Supplement for detailed discussion of the risks of this product.

Investment risk

- The Sub-Fund mainly invests in RMB-Denominated Debt Instruments and these instruments may fall in value. You may suffer losses as a result.
- The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in RMB-Denominated Debt Instruments or placing RMB funds on deposit with a bank.
- There is also no guarantee of dividend or distribution payments during the period you hold Units in the Sub-Fund.

Risks associated with the RQFII regime

- The Sub-Fund may invest in securities permitted under the RQFII regime via the Manager's RQFII Quota. The prevailing rules and regulations governing RQFIIs under the RQFII Regulations impose restrictions on investments and other operational aspects of investments which will restrict or affect the Sub-Fund's investments.
- The RQFII Regulations which regulate investments by RQFIIs in mainland China and the repatriation are

relatively new and novel in nature. The application and interpretation of the RQFII Regulations are therefore relatively untested and there is uncertainty as to how they will be applied.

- Where the Sub-Fund is invested in the securities market in mainland China by investing through the Manager's RQFII Quota, repatriation of funds from mainland China may be subject to the RQFII Regulations in effect from time to time. Currently there is no regulatory prior approval requirement for repatriation of funds from the Manager's RQFII Quota. However the relevant RQFII regulations are subject to uncertainty in their application and there is no certainty that no regulatory restrictions will apply to the repatriation of funds by the Sub-Fund in the PRC in the future.

- The RQFII Regulations apply to RQFII Quota(s) which may be obtained by the Manager as RQFII from time to time for the Sub-Fund or other investors as a whole, and not simply to investments made by the Sub-Fund. Thus you should be aware that violations of the RQFII Regulations arising out of activities related to any additional RQFII Quota that may be obtained by the Manager (including any RQFII Quota managed by the Manager) in the future that is not allocated to the Sub-Fund could result in the revocation of or other regulatory action in respect of the RQFII Quota held by the Manager as a whole.

- The Manager's RQFII Quota currently allocated exclusively to HuaAn Aggregate Fund Series is in the amount of RMB 1.5 billion. It is possible that the Sub-Fund may not be able to accept additional subscriptions due to this limitation.

PRC market risk (concentration/ single country risk)

- Investing in the PRC market, which is also an emerging market, involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political risks, taxation issues, economic risks, foreign exchange risks, liquidity risks and regulatory risks. Accounting standards and practices in the PRC may deviate significantly from international accounting standards.

- The Sub-Fund may invest primarily in the PRC, and subject to additional concentration risk, it may not be well diversified in terms of the number of holdings. You should be aware that the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity fund.

RMB currency risk

- RMB is not a freely convertible currency and it is subject to foreign exchange control policies and restrictions of the PRC government. If such policies change in the future, your position may be adversely affected.

- There is no guarantee that RMB will not depreciate. A depreciation of RMB may result in a decrease in the market value of the underlying investments in this Sub-Fund, which could adversely affect the value of your investments in the Sub-Fund.

Risks associated with investment in RMB-Denominated Debt Instruments

(a) **Credit and counterparty risks:** Investment in RMB-Denominated Debt Instruments is subject to the risk of the counterparty which may be unable or unwilling to make timely payments on principal and/or interest. In the event of a default of a counterparty of the RMB-Denominated Debt Instruments, the Sub-Fund's value will be adversely affected and you may suffer a substantial loss as a result. RMB-Denominated Debt Instruments may be offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. If a counterparty becomes bankrupt or insolvent, proceeds from the liquidation of the counterparty's assets will be paid to holders of RMB-Denominated Debt Instruments only after all secured claims have been satisfied in full. The Sub-Fund may also experience delays in liquidating its positions and may experience losses and incur costs or the inability to redeem any gains on investment during the period in which the Sub-Fund seeks to enforce its rights.

(b) **Credit rating downgrading risk and risks associated with investments rated BB+ or below by major PRC local credit rating agencies and unrated debt instruments:** In the event of any downgrading in the credit ratings of a debt instrument or an issuer relating to a debt instrument to BB+ or below by major PRC local credit rating agencies, the Sub-Fund's investment value in such debt instrument may be adversely affected. If the Sub-Fund continues to hold such debt instrument, it will be subject to additional risk of loss. The Manager may try to dispose of the debt instrument rated BB+ or below as soon as practicable but may or may not be able to do so subject to the prevailing market circumstances. Although the Sub-Fund does not intend to hold investments rated BB+ or below by major PRC local credit rating agencies and unrated debt instruments in the long term, in the event that the Manager does not dispose of such debt instruments, the Sub-Fund may invest in debt instruments which are rated BB+ or below by major PRC local credit rating agencies or unrated. Investors should note that such debt instruments would generally be considered to have a higher credit risk and a greater possibility of default than more highly-rated debt instruments.

(c) **Risk associated with Urban Investment Bonds:** The Sub-Fund may invest up to 100% of its Net Asset Value in urban investment bonds. Urban investment bonds are issued by local government financing vehicles. Although local governments may be seen to be closely connected to urban investment bonds, such bonds are typically not guaranteed by local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obliged to support any local government financing vehicles in default. In the event that the local government financing vehicles default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

(d) **Credit rating agency risk:** The credit appraisal system in mainland China is at an early stage of development, there is no standard credit rating methodology used in investment appraisal and the same rating scale may have a different meaning in different agencies. The assigned ratings may not reflect the actual financial strength of the appraised asset. Therefore, such rating system may not provide an equivalent standard for comparison with instruments rated by international rating agencies.

(e) **Liquidity risk:** If the quantity of RMB-Denominated Debt Instruments available for investment becomes limited, the Sub-Fund may have to invest a significant portion of its assets in RMB-negotiated term deposits issued by banks or other authorised financial institutions. The Sub-Fund may need to hold these instruments until their maturity date in the absence of an actively traded stock exchange or a securities market. As such, the Sub-Fund may suffer loss in selling such investments below their usual valuation in the event of large redemptions (for example, as a result of credit downgrading or other significant events) or other events which require the Sub-Fund to hold liquid assets. Further, the bid and offer spread of the price of the RMB-Denominated Debt Instruments may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

(f) **Valuation risk:** There is no guarantee that quotations will be available for all RMB-Denominated Debt Instruments. The Sub-Fund may be subject to risk on valuation of the Sub-Fund's net asset value where the latest traded prices of RMB-Denominated Debt Instruments are not available at the time of valuation.
You should note that valuation of the Sub-Fund's investments may involve uncertainties and judgmental

determinations, and independent pricing information may not at all times be available, and if such valuations should prove to be incorrect, the net asset value of the Sub-Fund may be adversely affected. You may be adversely affected depending upon the timing of subscription for or redemption of Units.

(g) **Interest rate risk:** Changes in interest rates may affect the value of a security. Since RMB-Denominated Debt Instruments are a type of debt instrument, increase in interest rates may adversely affect the value of the RMB-Denominated Debt Instruments held by the Sub-Fund, causing the Sub-Fund to suffer a loss in its investments.

Risk associated with PRC tax

- The Sub-Fund may be subject to the risks associated with changes in the PRC laws and regulations, including PRC tax laws, and such changes may have retrospective effect and may adversely affect the Sub-Fund.

(a) **Capital gains from investment in China A-Share**: The Manager, having taken and considered professional tax advice and in accordance with such advice, makes a withholding income tax provision at 10% for capital gains tax at 10% of the Sub-Fund's gross realised capital gains derived from trading of A-Shares via RQFII since the Sub-Fund's' respective inception up to and including 14 November 2014. The Manager does not make withholding income tax provision for gross realised or unrealised capital gains derived from trading of A-Shares via RQFII from 17 November 2014 onwards. It remains uncertain as to whether the Sub-Fund will ultimately be granted any double tax treaty benefit on the capital gain realised from trading of China A-Share prior to 17 November 2014 under the PRC-HK Double Tax Arrangement ("**China-HK Arrangement**"). Notwithstanding the foregoing, any tax provision amount made or subsequent release of such provision made with respect to a class of Units shall be applied solely to such class of Units and such tax provision amount shall not be allocated and shared with any other class of Units.

(b) **Capital gains from investment in RMB-Denominated Debt Instruments**: The Manager, acting in the best interest of Unitholders, assesses the withholding income tax ("**WIT**") provisioning approach on an on-going basis. Given the fast development of the RQFII regime together with the Manager's accumulated knowledge about WIT, the Manager reassesses the WIT provisioning approach. After careful consideration of the reassessment and having taken independent professional tax advice regarding the Sub-Fund's eligibility for tax relief under the China-HK Arrangement, the Manager considers that the Sub-Fund should be regarded as a Hong Kong tax resident and the Sub-Fund should be able to enjoy a tax exemption on capital gains realised from trading of RMB-Denominated Debt Instruments. The Manager, having taken and considered independent professional tax advice and in accordance with such advice, has therefore decided to cease withholding 10% of realized and unrealized gains on its investments in RMB-Denominated Debt Instruments as a tax provision from 1 October 2015. However, such China-HK Arrangement may change in the future, and the Sub-Fund may ultimately be required to pay PRC withholding tax on such capital gains. It should also be noted that the relief under the China-HK Arrangement will still be subject to the final agreement of the relevant PRC tax authorities. Even if the Manager believes that the Sub-Fund should be eligible for such relief, the relevant PRC tax authorities may ultimately hold a different view.

- Any tax provision (including provisions previously made which have been retained by the Sub-Fund) may be more than or less than the Sub-Fund's actual tax liabilities. In the event that the Manager considers that the tax provisions of the Sub-Fund are not sufficient, it will consider making additional tax provision. In the event that the Manager is satisfied that part of the tax provisions are not required, such provisions will be released back into the Sub-Fund.

- Any tax provisions made by the Sub-Fund may be excessive or inadequate to meet the actual tax liabilities. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the net asset value of the Sub-Fund will be adversely affected. In this case, the then existing and new Unitholders will be disadvantaged as they bear for a disproportionately higher amount of tax liabilities as compared to the tax liabilities at the time of the investment in the Sub-Fund. On the other hand, if the actual applicable tax levied by PRC tax authorities is less than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed the Units before PRC tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision.

Is there any guarantee?

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

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in Class A Units and Class B Units in the Sub-Fund.

Fee	**What you pay**
Subscription fee	Up to 3% of the subscription price per Class A Unit and Class B Unit
Conversion fee	Up to 1% of the subscription price per unit in the new class
Redemption fee	Nil

Ongoing fees payable by the Sub-Fund

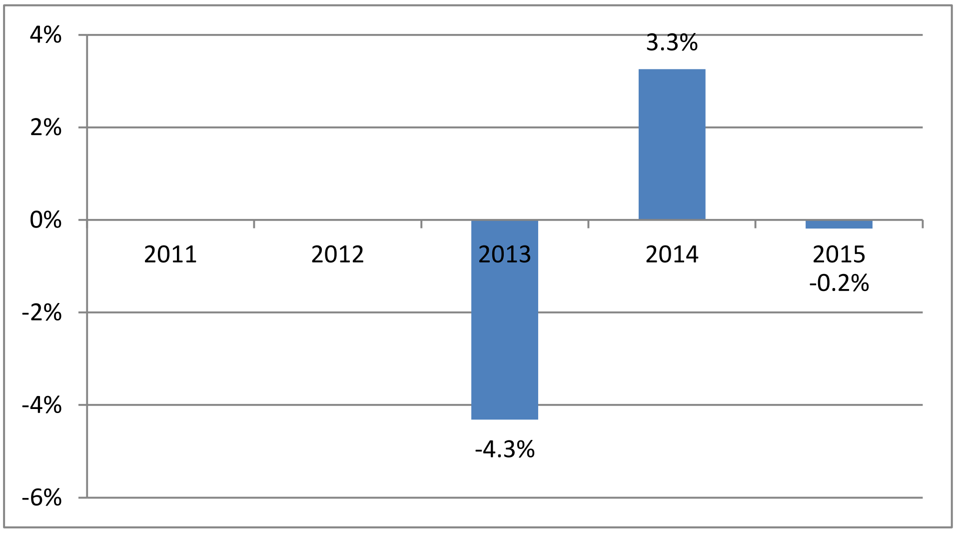
The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the Sub-Fund's net asset value)
Management fee	Class A Units and Class B Units: Up to 1.2% p.a.
Trustee fee	Class A Units and Class B Units: Up to 0.175% p.a. subject to a minimum monthly fee of RMB 40,000
Global Custody fees	Class A Units and Class B Units: Up to 0.10% p.a. (inclusive of the custody fee payable to the PRC Sub-Custodian)
Performance fee	Class A Units and Class B Units: Nil

Other fees

You may have to pay other fees when dealing in Class A Units and Class B Units in the Sub-Fund. The Sub-Fund may have to pay other fees to third parties.

How has the Sub-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, with dividend reinvested.
- Class A Units, being a class of units with the longest track record among all classes of units and available to retail investors, is selected as the representative class of units as the investment strategies as well as the fees payable by investors with respect to Class A Units and Class B Units are identical. Although Class A Units are being held by certain investors as at the date of this statement, Class A has been closed for subscription from 1 October 2015 until further notice.
- These figures show by how much the Class A Units in the HuaAn Aggregate China Bond Fund 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 : February 1, 2012
- Class A Units launch date : February 1, 2012 (close for subscription since 1 October 2015)
- Class B Units launch date : 1 October 2015
- Only Class B and Class I-2 are currently available.

For further information on the performance of Class B Units, Class I Units and Class I-2 Units, please refer to www.huaan.com.hk

Additional Information

- The Manager's RQFII Quota currently allocated exclusively to HuaAn Aggregate Fund Series is in the amount of RMB 1.5 billion. Accordingly the Sub-Fund's investments in the PRC will be limited by the Manager's RQFII Quota amount. It is possible that the Sub-Fund may not be able to accept additional subscriptions due to this limitation.
- You generally buy and redeem Class A Units and Class B Units at the Sub-Fund's next-determined net asset value after the Trustee (as specified in the application form) receives your request in good order on or before 4:00 p.m. (Hong Kong time), being the dealing cut-off time. Please note that an authorised distributor of the Sub-Fund may have a dealing cut-off time that is earlier than 4:00 p.m. (Hong Kong time). Class A Units ceased to be available for subscription commencing 1 October 2015 until further notice and Class B Units are available for subscription commencing 1 October 2015.
- The net asset values of the Sub-Fund are calculated and the prices of Class A Units and Class B Units are published on each Dealing Day. The net asset values of Class A Units and Class B Units in the Sub-Fund will be available on each bank business day in Hong Kong in the South China Morning Post and the Hong Kong Economic Journal.
- You may obtain information on the Sub-Fund from the Manager, HuaAn Asset Management (Hong Kong) Limited by calling hotline +852 3190 1016.

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.