PRODUCT KEY FACTS

GFIIM RMB SERIES II

GFIIM China RQFII Balanced Fund

GF International Investment Management Limited
(廣發國際資產管理有限公司)

June 2016

- ***This statement provides you with key information about GFIIM China RQFII Balanced Fund.***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of GFIIM RMB Series II.***
- ***You should not invest in this product based on this statement alone.***

Quick facts

Manager and RQFII Holder:	GF International Investment Management Limited
Trustee:	BOCI-Prudential Trustee Limited
Custodian:	Bank of China (Hong Kong) Limited
RQFII Custodian:	Agricultural Bank of China Limited
Dealing frequency:	Daily
Base currency:	RMB
Dividend policy:	Subject to the Manager's discretion, distributions (if any) will be made on a semi-annual basis (i.e. June and December each year)
Financial year end of this Sub-Fund:	31 December
Minimum investment:	Class A: RMB10,000 initial, RMB5,000 additional
Minimum holding:	Class A: RMB5,000
Minimum redemption:	Class A: RMB5,000
Ongoing charges over a year:	Class A: 1.91% p.a.[#] Class I: 1.36% p.a.[##]

This figure is the Manager's best estimate of the expenses and the average net asset value of the class for the period ended 31 December 2015 on information available on other class already launched (i.e. Class I) with a similar fee structure, as this class has not been launched. The actual figure may be different upon actual operation of the class and may vary from year to year.

This figure is based on the annualised expenses for the year ended 31 December 2015 and may vary from year to year.

What is this product?

- GFIIM China RQFII Balanced Fund (the "**Sub-Fund**") is a sub-fund of GFIIM RMB Series II which is an umbrella structure unit trust established by a trust deed dated 11 April 2014. It is governed by the laws of Hong Kong.
- The Sub-Fund invests in a diversified portfolio of equities and fixed income securities issued within the PRC through the RQFII quota of the Manager. The Manager has been granted RQFII quota for public fund and will allocate certain amount of quota to the Sub-Fund at its own discretion for the Sub-Fund's direct investment into the PRC.
- All investments of the Sub-Fund will be onshore investments issued in the PRC.
- The Sub-Fund is denominated in RMB. Subscription moneys and redemption proceeds must be paid in RMB.

Objective and Investment Strategy

Objective

The investment objective of the Sub-Fund is to provide long term capital appreciation in RMB terms from investment in a diversified portfolio of 70% to 100% of its Net Asset Value in equity and equity-related securities of companies listed on the stock exchanges in the PRC, and fixed income securities issued within the PRC through the RQFII quota of the Manager. The Sub-Fund aims to diversify its allocation between equity and fixed income components and will employ an active asset allocation approach. During the asset allocation and portfolio construction process, the Manager aims to maintain risk at a medium level as measured by the volatility of the portfolio.

To achieve the investment objective, the Sub-Fund may invest in :-

(i) Equity and equity-related securities listed in mainland China which include (a) China A-Shares and (b) equity funds approved by the China Securities Regulatory Commission (the "**CSRC**") and offered to the public in mainland China (collectively, "**PRC Equity Securities**"); and

(ii) RMB denominated and settled fixed income securities trading on the interbank bond market and/or the exchange bond market which include (a) bonds issued or distributed within mainland China by governments, quasi-government organizations, financial institutions and other corporations, for example, government bonds and notes, municipal bonds, urban investment bonds (i.e. debt instruments issued by local government financing vehicles ("**LGFVs**") in the PRC listed bond markets and inter-bank bond market), corporate bonds, financial bonds, commercial papers and convertible bonds and (b) fixed income funds and money market funds approved by the CSRC and offered to the public in mainland China (collectively, "**PRC Fixed Income Securities**").

Investment in equity funds, fixed income funds and money market funds approved by the CSRC which are offered to the public in mainland China will not exceed 10% of the Net Asset Value of the Sub-Fund.

The Sub-Fund may invest: (i) up to 70% of its Net Asset Value in urban investment bonds and (ii) up to 60% of its Net Asset Value in fixed income securities which are rated BB+ or below by major local credit rating agencies or unrated. For the avoidance of doubt, the Manager will first consider the credit rating of a fixed income security itself, and only if it is not available, the Manager will then consider the credit rating of its issuer, which will become the implied rating of the fixed income security, if applicable. If neither the fixed income security nor its issuer is rated, such fixed income security shall be classified as unrated.

The Sub-Fund may invest in China A-Shares issued by companies without any particular focus in terms of market capitalisation.

The Sub-Fund may also invest in other permissible investments pursuant to the applicable PRC rules and regulations. If the Manager deems appropriate, the Sub-Fund may hold a portion of its assets in cash or cash equivalents. The Manager will adjust the allocation to cash or cash equivalents depending on the Sub-Fund's operational needs and prevailing market conditions.

An indicative investment allocation of the Sub-Fund is set out below:

Type of securities	Exposure in terms of percentage of the Sub-Fund's Net Asset Value (indicative only)
PRC Equity Securities (including equity funds approved by the CSRC and offered to the public in mainland China) and PRC Fixed Income Securities (including fixed income funds and money market funds approved by the CSRC and offered to the public in mainland China)	70 -100%*
Cash or cash equivalents	0-30%

* The Sub-Fund's portfolio is subject to change or adjustment based on the analysis undertaken by the Manager and prevailing market conditions and circumstances, subject always to applicable rules and regulations. There is no minimum percentage of the portfolio which will be allocated to either PRC Equity Securities or PRC Fixed Income Securities.

The Sub-Fund does not and will not enter into securities lending, repurchase / reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. 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 transactions.

The Sub-Fund may use index futures contracts as permitted under RQFII rules or other applicable laws and rules for hedging purposes. Save as aforesaid, the Sub-Fund will not invest in any derivatives, structured deposits, structured products or asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

Strategy

The Manager aims to diversify the Sub-Fund's asset allocation between equity securities and fixed income securities and will employ an active allocation approach. The Manager has formulated fixed income securities investment strategy and equity securities investment strategy to achieve its investment objective.

<u>Equity securities investment strategy</u>

The Sub-Fund's equity securities portfolio is expected to be diversified between growth and value equity investment styles, by employing an active blend investment approach. The Manager will select growth and value equity securities based on its fundamental growth and value investment disciplines to produce blended portfolio.

<u>Fixed income securities investment strategy</u>

The Sub-Fund's fixed income securities portfolio is expected to be diversified across a wide range of debt securities and cash equivalents based on analysis of the macro-economic, monetary and fiscal market environment, as well as on individual securities' fundamentals. The Sub-Fund's fixed income securities portfolio generally comprises fixed income securities diversified across various maturity buckets and across the credit spectrum, and each security is expected to be selected by considering various factors including but not limited to duration, term structure, sector allocation and credit quality.

What are the key risks?

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

1. **Investment risk**
   - The Sub-Fund is an investment fund and is subject to market fluctuations and to the risks inherent in all investments. There is no guarantee of the repayment of principal.
   - The Sub-Fund's investments may fall in value and therefore your investment in the Sub-Fund may suffer losses.

2. **China market risk / single country investment risk**
   - China is considered as an emerging market. Investing in China may subject the Sub-Fund to higher economic, political, social, regulatory, legal, foreign exchange and liquidity risks than investing in more developed economies or markets. Investments in China may also be less liquid and more volatile.
   - The Sub-Fund invests primarily in securities related to the China market and may be subject to additional concentration risk. The Sub-Fund may be more volatile than a broad-based fund as the Sub-Fund is more susceptible to fluctuations in value resulting from adverse conditions in the China market.
   - The China fixed income securities market may be subject to higher volatility compared to more developed markets. The prices of securities traded in such market may be subject to fluctuations.

3. **RQFII risk**
   - In the event of any default of either a PRC broker or the RQFII Custodian 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 impact the Net Asset Value of the Sub-Fund.
   - The Sub-Fund invests in securities through an RQFII which is subject to applicable regulations imposed by the PRC authorities. Although repatriations by the RQFII in respect of the Sub-Fund are currently not subject to any lock-up periods, prior approval or other repatriation restrictions, there is no assurance 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 from the unitholders.
   - The application of the RQFII rules may depend on the interpretation of the Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund.

4. **RMB currency risk**
   - RMB is currently not freely convertible and is subject to exchange controls by the Chinese government and investors may be adversely affected by movements of the exchange rates between RMB and other currencies.
   - There is no guarantee that RMB will not depreciate. If investors convert Hong Kong Dollar or any other currency into RMB so as to invest in the Sub-Fund and subsequently convert the RMB redemption proceeds back into Hong Kong Dollar or any other currency, they may suffer a loss if RMB depreciates against Hong Kong Dollar or such other currency.

5. **PRC tax risk**
   - 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.
   - The Manager will make 10% provisions for any PRC taxes payable by the Sub-Fund on dividend from China A-Shares, interest from RMB denominated fixed income securities and the gross capital gains, whether realised or unrealised, derived from China A-Shares and RMB fixed income securities and this will be debited from the Sub-Fund's assets.
   - Such provisions 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 asset value of the Sub-Fund will therefore be adversely affected.

6. Risk relating to equity and equity-related securities

- The Sub-Fund may invest in China A-Shares and is therefore subject to market risks. The value of such investments may be volatile and may be affected by uncertainties such as international, political and economic developments, changes in government policies, investment sentiment, regional or global economic instabilities, currency and interest rate fluctuations, etc. In falling equity markets there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons. If the market value of equity securities in which the Sub-Fund invests goes down, its Net Asset Value may be adversely affected, and investors may suffer substantial losses.
- Trading band limits are imposed by the stock exchanges in China on China A-Shares, where trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Manager to liquidate positions and can thereby expose the Sub-Fund to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Manager to liquidate positions at a favourable price.

7. Risks relating to RMB denominated fixed income securities

Credit risk

- The Sub-Fund invests in RMB denominated fixed income securities and these instruments may fall in value. Investors may suffer losses as a result. Investment in the Sub-Fund is subject to risks that apply to fixed income securities, including the credit risk of the issuers.
- The Sub-Fund is exposed to the credit/insolvency risk of issuers of the RMB denominated fixed income securities it invests in. In the event of a default or credit rating downgrading of the issuers, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.
- Such securities are typically unsecured debt obligations and are not supported by collateral. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Risks of investing in PRC fixed income securities markets and of lower rated or unrated fixed income securities

- The financial market of the PRC is at early stage of development, and some of the fixed income securities held by the Sub-Fund may be lower rated or may not be rated by any rating agency of an international standard.
- The Sub-Fund may invest up to 60% of its Net Asset Value in fixed income securities which are rated BB+ or below by major local credit rating agencies or unrated. Such securities are generally subject to a higher degree of credit risk and a lower degree of liquidity, which may result in greater fluctuations in value. The value of these securities may also be more difficult to ascertain and thus the Net Asset Value of the Sub-Fund may be more volatile.

Risks relating to credit rating

- The local PRC rating process may lack transparency and the rating criteria and methodology used by Chinese local rating agencies may be significantly different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.
- There is little assurance that credit ratings are independent, objective and of adequate quality. In selecting the Sub-Fund's fixed income portfolio, the Manager may refer to credit ratings given by PRC local credit rating agencies for reference but will primarily rely on its own internal analysis to evaluate each fixed income security independently. Investors should also exercise caution before relying on any local credit ratings.

Downgrading risk

- Securities of higher credit rating may be subject to the risk of being downgraded to a credit rating of BB+ or below by major local credit rating agencies, and credit rating of issuers of fixed income securities may also be downgraded; thus adversely affecting the value and performance of the Sub-Fund. The Manager may not be able to dispose of the securities that are being downgraded.

Risk of credit rating not the only selection criterion

- The credit rating of a fixed income security is not the only selection criterion for investment by the Sub-Fund. Investors should therefore note that even if all the fixed income securities the Sub-Fund currently invests in have a higher credit rating, there is no assurance that (a) such fixed income securities will continue to have a higher credit rating, (b) the Sub-Fund will not invest in fixed income securities that do not have a higher credit rating in future; (c) such fixed income securities will continue to be rated, and/or (d) the Sub-Fund will not invest in non-rated fixed income securities in future. Moreover, the Manager may or may not, in its sole discretion, dispose of fixed income securities of which the credit rating falls to BB+ or below by major local credit rating agencies. The Manager will take into account factors including liquidity and maturity date of the relevant fixed income securities and market sentiment towards the fixed income securities at the relevant time to determine whether (and when) disposing of a fixed income security of which the credit rating falls to BB+ or below by major local credit rating agencies is in the financial interest of the Sub-Fund.

Liquidity risk

- The RMB denominated fixed income securities market is at a developing stage and the trading volume may be lower than those of the more developed markets. The Sub-Fund may invest in fixed income securities which are not listed. Even if the fixed income securities are listed, the market for such instruments or securities may be inactive. The Sub-Fund is therefore subject to liquidity risks and may suffer losses in trading such instruments. The bid and offer spreads of the price of such securities may be large, so the Sub-Fund may incur significant trading and realisation costs and may suffer losses accordingly.

Valuation risk

- Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected. The value of fixed income securities may be affected by changing market conditions or other significant market events affecting valuation. In adverse market conditions or where an adverse event happens to the issuer (e.g. credit rating downgrading), the value of lower rated or unrated corporate bonds may decline in value due to investors' perception over credit quality.

Interest rate risk

- Investment in the Sub-Fund is subject to interest rate risk. Generally, the prices of fixed income securities rise when interest rates fall, whilst their prices fall when interest rates rise. The Chinese government's macro-economic policies and controls will have significant influence over the capital markets in China. Changes in fiscal policies, such as interest rates policies, may have an adverse impact on the pricing of fixed income securities, and thus the return of the Sub-Fund.

8. Derivative risk

- The Sub-Fund may use derivative instruments (i.e. futures contracts) for hedging purposes. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund.
- The price of a derivative instrument can be very volatile. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.
- Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses.

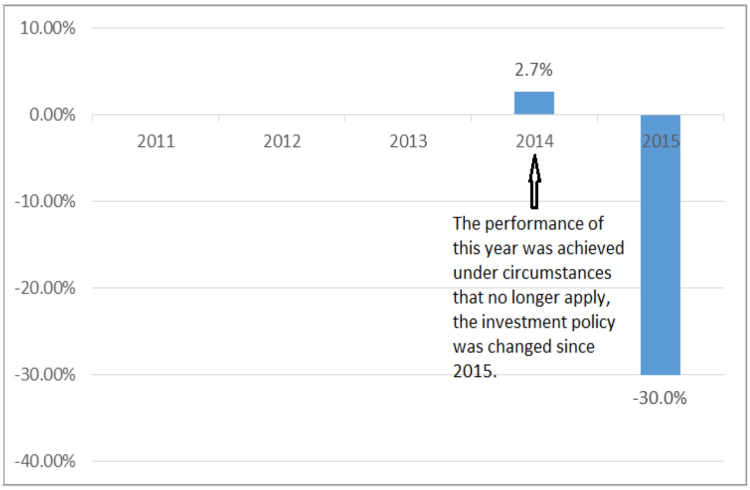
9. Risk of investing in urban investment bonds

- The Sub-Fund may invest up to 70% of its Net Asset Value in urban investment bonds. Urban investment bonds are issued by LGFVs. 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 LGFVs in default. In the event that the LGFVs 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.

10. Dividends risk

- There is no assurance that the Sub-Fund will declare to pay dividends or distributions. Investors may not receive any distributions.

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: 2014
- Representative Share Class (Class I) launch date: 2014

	• The remaining share class (Class A) has not been launched yet.

Is there any guarantee?

This 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 which may be payable by you

You may have to pay the following fees when dealing in the units of the Sub-Fund.

Fee	**What you pay**
Subscription Fee (Initial charge) (% of issue price)	Up to 5% *Current rate* Class A and Class I: Up to 3%
Switching Charge (% of redemption proceeds payable in respect of the existing class)	Up to 3% *Current rate* Class A and Class I: Nil
Redemption Fee (Redemption Charge) (% of redemption price)	Up to 5% *Current rate* Class A and Class I: 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.

Fee	**Annual rate (as a % of the Sub-Fund's Net Asset Value)**
Management Fee	Up to 3% p.a. *Current rate** Class A: 1.35% p.a. Class I: 1% p.a.
Trustee Fee	Up to 0.5% p.a. *Current rate*** Class A and Class I: up to 0.175% p.a., subject to a minimum monthly fee of RMB 40,000

* You should note that the current rate of fee may be increased, up to a specified permitted maximum, by giving Unitholders at least one month's prior notice. For details please refer to the section headed "Expenses and Charges" in the Explanatory Memorandum.

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Custody Fee (including fees payable to the Custodian and RQFII Custodian)	Class A and Class I: Up to 0.3% p.a.
Performance Fee	Class A and Class I: Not Applicable

Other fees

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

Additional Information

- Currently, the Manager has been granted RQFII quota for public fund and will allocate certain amount of quota to the Sub-Fund at its own discretion for the purpose of the Sub-Fund's direct investment into the PRC.

- There can be no assurance that sufficient RQFII quota will be allocated to the Sub-Fund to fully satisfy subscription requests. This may result in a need for the Manager to close the Sub-Fund to further subscriptions.

- You generally buy and redeem units at the Sub-Fund's next-determined Net Asset Value after your request is received by the Authorised Distributor(s) of the Sub-Fund in good order on or before 4:00 p.m. (Hong Kong time), being Sub-Fund's dealing cut-off time. The Authorised Distributor(s) may impose an earlier cut-off time before the dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should contact the Authorised Distributor(s) of the Sub-Fund for details and confirm the arrangements with the Authorised Distributor(s) concerned.

- The Net Asset Value of this Sub-Fund is calculated on the relevant Dealing Day, and the price of units is published on each Dealing Day.

Publication of prices

- The Net Asset Value per unit of the Sub-Fund is published on each Dealing Day in Hong Kong in the South China Morning Post and the Hong Kong Economic Times, and on the website of the Manager at http://www.gffunds.com.hk***.

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.

*** This website has not been reviewed by the SFC.