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**PARAGON CSI RAFI 50 ETF\***  
(\*This is a synthetic ETF)

**Stock Code: 2818**

**Announcement on Additional Authorization Conditions  
imposed by  
the Securities and Futures Commission**

Ping An of China Asset Management (Hong Kong) Company Limited ("**Manager**") would like to inform investors that on 29 August 2011, the Securities and Futures Commission ("**SFC**") notified the Manager that certain new authorization conditions shall be imposed on PARAGON CSI RAFI 50 ETF\* (\*This is a synthetic ETF) ("**Sub-Fund**"). The new authorization conditions are summarized as follows:

- (i) As soon as practicable but in any event no later than 31 October 2011:
  - (a) collateral held by the Sub-Fund must represent at least 100% of the Sub-Fund's gross total counterparty risk exposure and be maintained, marked to market on a daily basis with a view to ensuring that there is no uncollateralized counterparty risk exposure;
  - (b) where collateral taken is in the nature of equity securities, such collateral shall be subject to an additional requirement such that the market value of such equity collateral represents at least 120% of the related gross counterparty risk exposure;
- (ii) Without prejudice to the generality of any rules and regulations:
  - (a) the collateral must meet the requirements in 8.8(e) of the Code on Unit Trusts and Mutual Funds, as supplemented by such other guidance from the SFC from time to time;

- (b) the Manager, as a fiduciary and with due care and skill, shall adopt a prudent hair-cut policy on any non-equity collateral held by the Sub-Fund taking into account all relevant factors, including without limitation, the credit quality, liquidity, duration and other relevant terms of the collateral held;
- (iii) Notwithstanding the conditions set out in paragraph (i) above, the Manager, as a fiduciary, shall dynamically manage the collateral with due care and skill, and in the interest of the unitholders, having due regard to the market circumstances from time to time. The Manager shall remain vigilant in its risk management and, if market circumstances so require, the Manager shall in its professional judgment decide whether the full implementation of the conditions set out in paragraph (i) above shall be accelerated to a date ahead of 31 October 2011; and
- (iv) The collateral management policy of the Sub-Fund, as amended from time to time, shall be published on the Sub-Fund's website as soon as practicable but in any event no later than 12 September 2011, provided that the policy shall be in compliance with the conditions set out in paragraphs (i) and (ii) above.

Following the receipt of the SFC notification, the Manager will amend its collateral policy and obtain additional collateral from the counterparties with a view to meeting the new authorization conditions and implementing the new collateral policy as soon as practicable on or before 31 October 2011. The new collateral policy will include the following:

- (i) The Manager may accept cash, Treasury bills or equity securities, listed or traded either in Hong Kong or overseas, as collateral for the Sub-Fund.
- (ii) Acceptability of the collateral will be determined in accordance with the requirements in Paragraph 8.8(e) of the SFC's Code on Unit Trusts and Mutual Funds.
- (iii) Collateral will be valued daily on a marked-to-market basis.
- (iv) Collateral held by the Sub-Fund will represent at least 100% of its gross counterparty risk exposure.
- (v) The Manager will apply prudent haircut on the collateral taking into account factors such as the credit quality of the issuers of the collateral and other relevant factors.

The new collateral policy will also take effect as soon as practicable on or before 31 October 2011, and will be published on the "Products" page at the Manager's website (<http://asset.pingan.com.hk>) on or before 12 September 2011.

As a result of the revised collateral policy, the Manager would expect that there would be an increase in the fees, charges and expenses payable from the Sub-Fund. The costs on additional collateral requirement in compliance with the new authorization conditions are currently estimated to be within the range of 0.7% to 1% of the Net Asset Value of the Sub-Fund. Investors however should note that the actual additional costs may be lower or higher than the above estimate, depending on the actual collateral obtained. The performance of the Sub-Fund may therefore be adversely affected, thereby giving rise to increased tracking error. The Manager however considered that the increase level of collateral will mitigate the counterparty risk exposure of the Sub-Fund, thereby enhancing the protection to investors.

The Prospectus of the Sub-Fund will also be updated to include a summary of the revised collateral policy and other relevant disclosures. The updated Prospectus will be available on the “Products” page at the Manager's website (<http://asset.pingan.com.hk>) on or before the taking effect of the new collateral policy, i.e. as soon as practicable on or before 31 October 2011.

If you have any questions concerning this Announcement, please contact us at +852 3762 9228.

**Ping An of China Asset Management (Hong Kong) Company Limited**

29 August 2011

*Terms not defined in this Announcement will have the meanings as are given to such terms in the Prospectus.*