

PRODUCT KEY FACTS

Issuer: Pando Finance Limited

Pando ETF Series OFC
Pando CMS Innovation ETF

14 June 2024

- This is an active 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 code: | 3056 |
| Trading board lot size: | 100 shares |
| Manager: | Pando Finance Limited |
| Investment Advisor: | CMS Asset Management (HK) Co., Limited |
| Custodian: | BOCI-Prudential Trustee Limited |
| Registrar: | BOCI-Prudential Trustee Limited |
| Ongoing charges over a year [#] : | 2.50% |
| Dealing frequency: | Daily |
| Base currency: | USD |
| Trading currency: | HKD |
| Distribution policy: | Annually (usually in March of each year) subject to the Manager's discretion. Distributions (if any) may be paid out of capital or effectively out of capital. Distributions on any shares will be in HKD only. There is no guarantee of regular distribution nor the amount being distributed (if any). |
| Financial year end: | 31 March |
| ETF website: | www.pandofinance.com.hk (This website has not been reviewed by the SFC) |

[#] The ongoing charges figure is based on expenses for the period from the launch of Sub-Fund to 31 December 2023. This figure may vary from year to year. It represents the ongoing expenses chargeable to the Sub-Fund over the period from the launch of Sub-Fund to 31 December 2023 expressed as a percentage of the average net asset value ("**Net Asset Value**") of the Sub-Fund over the same period. Ongoing charges figure was capped at 2.50% of the average Net Asset Value of the Sub-Fund for the period from the launch of Sub-Fund to 31 December 2023. Any ongoing expenses exceeding 2.50% of the average Net Asset Value of the Sub-Fund during this period was borne by the Manager and was not charged to the Sub-Fund.

What is this product?

- Pando CMS Innovation ETF (the "**Sub-Fund**") is a sub-fund of Pando ETF Series OFC (the "**Company**"), which is a public umbrella open-ended fund company established under Hong Kong law with variable capital with limited liability and segregated liability between sub-funds.
- The Sub-Fund is an actively managed exchange traded fund authorised under Chapter 8.10 of the Code on Unit Trusts and Mutual Funds. The shares of the Sub-Fund (the "**Shares**") are listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**"). These Shares are traded on the SEHK like listed stocks.

Objective and investment strategy

Objective

The Sub-Fund's investment objective is to achieve long term capital growth by primarily investing in companies which are directly or indirectly involved in the provision of innovative products and/or services ("**Innovative Business**").

Strategy

In seeking to achieve the Sub-Fund's investment objective, the Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value) in equities of companies which are directly or indirectly involved in Innovative Business. Innovative Business refers to companies that are leaders in innovation which are able to take advantage of new technologies, led by a management team with the vision to identify market needs that have yet to be fully expressed, and benefit from new industry conditions (such as secular changes in the way people communicate and behave) in the dynamically changing global economy. The following is a non-exhaustive illustration of companies that may be directly or indirectly involved in Innovative Business in which the Sub-Fund will primarily invest: Information Technology; E-commerce; Smart Living; Online Entertainment; Autonomous & Electric Vehicles; Robotics & Artificial Intelligence; Video Games & E-sports; Blockchain; Fintech; Metaverse (i.e. a virtual-reality space in which users can interact with a computer-generated environment and other users); Semiconductor; Healthcare; Consumer Discretionary Sectors; and Social Media. Please refer to the Prospectus for more details regarding the above innovation themes.

The Sub-Fund is not subject to any requirement to invest a minimum portion of its Net Asset Value in any one country or region, or any limitation on the market capitalisation of the companies in which it may invest. The Sub-Fund may invest up to 70% of its Net Asset Value in securities of companies headquartered or incorporated in Mainland China which are listed on global markets.

Companies which are indirectly involved in Innovative Business may provide ancillary services to companies directly related to the Innovative Business. For instance, for Innovative Business relating to Information Technology, examples of ancillary services are the development and provision of data centre and cloud services. For Innovative Business relating to Autonomous & Electric Vehicles, examples are the development and provision of charging stations and software services. For Innovative Business relating to Metaverse, examples of ancillary services are the provision of devices used to access or interact with the Metaverse and computing power to support the Metaverse.

The Manager and the Investment Advisor will use a bottom-up research approach in stock selection, meaning that each stock will be selected by the Manager and the Investment Advisor for inclusion in the Sub-Fund's portfolio based on its individual merits.

The Sub-Fund will invest not more than 50% of its Net Asset Value in American Depositary Receipts ("**ADRs**") listed on the New York Stock Exchange or NASDAQ.

The Sub-Fund will invest less than 30% of its Net Asset Value in A-Shares through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, which may include stocks on ChiNext Board of the Shenzhen Stock Exchange and/or the Science and Technology Innovation Board of the Shanghai Stock Exchange.

The Sub-Fund will not invest directly or indirectly in virtual assets.

Currently, the Manager and the Investment Advisor will not enter into sale and repurchase transactions, reverse repurchase transactions, securities lending transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required), and provide at least one month's prior notice to shareholders (if required) before the Manager and/or the Investment Advisor engages in any such investments.

The Sub-Fund may use financial derivative instruments for hedging purposes only.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of the Prospectus.

Use of derivatives / Investment in derivatives

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

What are the key risks?

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

1. General investment risk

- The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal. There is also no assurance that the investment objective of the Sub-Fund will be achieved.

2. Active investment management risk

- The Sub-Fund employs an actively managed investment strategy. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager and/or the Investment Advisor. It may fail to meet its objective as a result of the Manager's or the Investment Advisor's selection of investments, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other funds with a similar objective.

3. Equity market risk

- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

4. Sector concentration risk and risks related to companies involved in Innovative Business

- Due to the concentration of the Sub-Fund's investments in companies involved in Innovative Business, which are characterised by relatively higher volatility in price performance when compared to other economic sectors, the performance of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- Many of the companies with a high business exposure to Innovative Business have a relatively short operating history. Such companies also face intense competition, and there may also be substantial government intervention, which may have an adverse effect on profit margins. Rapid changes could render obsolete the products and services offered by these companies. These companies are also subject to the risks of loss or impairment of intellectual property rights or licences, cyber security risks resulting in undesirable legal, financial, operational and reputational consequences.
- In addition, the performance of the Sub-Fund may be exposed to risks associated with different sectors and themes, including information technology (including cloud computing), e-commerce, smart living, online entertainment, autonomous and electric vehicles, robotics and artificial intelligence, video games and e-sports, blockchain, fintech, Metaverse, semiconductor, healthcare, consumer discretionary sectors and social media. Fluctuations in the business for companies in these sectors or themes will have an adverse impact on the Net Asset Value of the Sub-Fund.

5. Mainland China related risks

- The Sub-Fund's investments may be concentrated in companies headquartered or incorporated in Mainland China. The Sub-Fund's value may be more volatile than that of a fund with a more diverse portfolio. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Mainland China market.
- Mainland China is an emerging market. The Sub-Fund invests in Mainland Chinese companies which may involve increased risks and special considerations not typically associated with investment in more

developed markets, such as liquidity risk, currency risks / control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

- Securities exchanges in Mainland China markets typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

6. Risk associated with small and mid-capitalisation companies

- The Sub-Fund may invest in small and/or mid-sized companies. The stock of small and mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

7. Emerging market risk

- The Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

8. Currency risk

- Underlying investments of the Sub-Fund may be denominated in currencies other than USD (the base currency of the Sub-Fund). The Sub-Fund is subject to the fees and charges associated with the conversion of such other currencies to USD after receiving the proceeds of sale of the underlying investments, and vice versa when purchasing the underlying investments. The performance and the Net Asset Value of the Sub-Fund may therefore be affected unfavourably by movements in the exchange rate between USD and such other currencies and changes in exchange rate control policies.

9. Risks associated with ADRs

- Exposure to ADRs may generate additional risks compared to a direct exposure to the underlying stocks, including the risk of non-segregation of the underlying stocks held by the depositary bank from the bank's own assets and liquidity risks (as ADRs are often less liquid than the underlying stock). Bankruptcy events in respect of the depositary banks may lead to trading suspension and thereafter a freeze of the price of the ADRs affected, which may negatively affect the performance and/or liquidity of the Sub-Fund. Also, holders of ADRs generally do not have the same right as the direct shareholders of the underlying stocks. The performance of ADRs may also be impacted by the related fees.
- In addition, there is a risk that the ADRs of Mainland Chinese companies may be delisted as a result of regulatory actions by the local government and/or stock exchange. In such an event, the value of such ADRs may be adversely affected as such ADRs could become difficult to trade and to value, and certain investors may not be allowed to invest in such ADRs. This may in turn have an adverse impact on the Net Asset Value of the Sub-Fund.

10. Trading risks

- The trading price of the Shares on the SEHK is driven by market factors such as the demand and supply of the Shares. Therefore, the Shares may trade at a substantial premium or discount to the Net Asset Value of the Sub-Fund.
- As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Shares on the SEHK, investors may pay more than the Net Asset Value per Share when buying Shares on the SEHK, and may receive less than the Net Asset Value per Share when selling Shares on the SEHK.

11. Trading time differences risks

- As the stock exchanges in certain regions on which the underlying securities of the Sub-Fund are listed may be open when the Shares in the Sub-Fund are not priced, the value of the securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Shares.
- Differences in trading hours between the stock exchanges in such regions and the SEHK may also increase the level of premium or discount of the Share price to its Net Asset Value.

12. Early termination risk

- The Sub-Fund may be terminated early under certain circumstances, for example, where there is no market maker, or if the size of the Sub-Fund falls below USD5 million. Any amount recovered by a shareholder on termination of the Sub-Fund may be less than the capital initially invested by the shareholder, resulting in a loss to the shareholder.

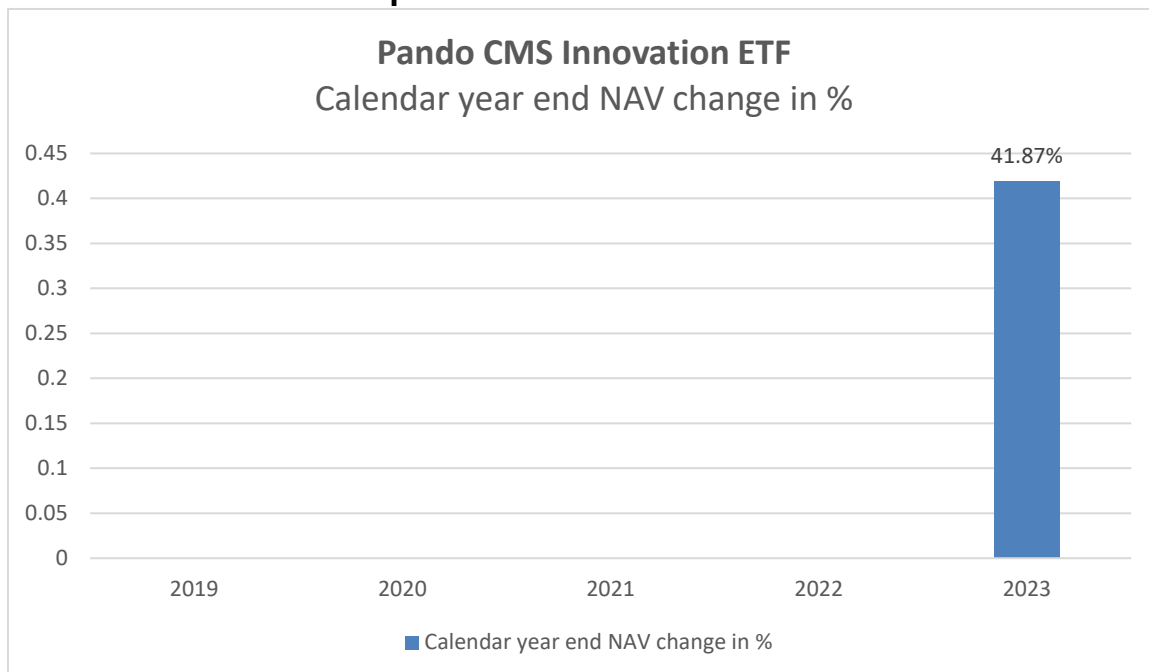
13. Reliance on market maker risks

- Liquidity in the market for the Shares may be adversely affected if there is no or only one market maker for the Shares. The Manager will seek to mitigate this risk by ensuring that at least one market maker gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market maker agreement. It is possible that there is only one SEHK market maker for the Sub-Fund, or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker. There is no guarantee that any market making activity will be effective.

14. Distributions paid out of capital / effectively out of capital risk

- Payments of distributions 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 such distributions may result in an immediate reduction in the Net Asset Value per Share of the Sub-Fund and will reduce the capital available for future investment.

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 of the Sub-Fund is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the Sub-Fund increased or decreased in value during the calendar year being shown, Performance data has been calculated in USD including ongoing charges and excluding your trading costs

on SEHK.

- Where no past performance is shown, there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 8 Dec 2022

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 the SEHK

| <u>Fee</u> | <u>What you pay</u> |
|--|--|
| Brokerage fee | Market rates |
| Transaction levy | 0.0027% ¹ of the trading price |
| Accounting and Financial Reporting Council (“AFRC”) transaction levy | 0.00015% ² of the trading price |
| Trading fee | 0.00565% ³ of the trading price |
| Stamp duty | Nil |

¹ Transaction levy of 0.0027% of the trading price of the Shares, payable by each of the buyer and the seller.

² AFRC transaction levy of 0.00015% of the trading price of the Shares, payable by each of the buyer and the seller.

³ Trading fee of 0.00565% of the trading price of the Shares, payable by each of the buyer and the seller.

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 Net Asset Value of the Sub-Fund which may affect the trading price.

| <u>Fee</u> | <u>Annual rate</u> |
|--|---|
| Management fee* | 0.75% p.a. of the Sub-Fund’s Net Asset Value |
| Investment Advisor fee | Included in the management fee |
| Custodian and fund administration fee* | Up to 0.12% p.a. of the Sub-Fund’s Net Asset Value (subject to a monthly minimum fee of USD4,500) |
| Performance fee | Not applicable |

* Please note that such a fee may be increased up to a permitted maximum rate by providing 1 week’s prior notice to shareholders. Please refer to the “**FEES AND EXPENSES**” section of the Prospectus for details.

Other fees

You may have to pay other fees when dealing in Shares of the Sub-Fund. Please refer to the “**FEES AND EXPENSES**” section of the Prospectus for details.

Additional Information

The Manager will publish important news and information with respect to the Sub-Fund, in the English and Chinese languages (unless otherwise specified), on the Manager's website at www.pandofinance.com.hk (this website has not been reviewed by the SFC) including:

- the Prospectus and this product key facts statement (as revised from time to time);
- the latest audited annual and unaudited interim financial reports of the Sub-Fund (in English only);
- any public announcements made by the Manager in respect of the Sub-Fund, including information in relation to the Sub-Fund, notices of the suspension of the creation and redemption of Shares, the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of trading of Shares;
- any notices relating to material changes to the Sub-Fund that may have an impact on its investors, including notices for material alterations or additions to the Prospectus or this product key facts statement or the Company's and/or the Sub-Fund's constitutive documents;
- the near real time indicative Net Asset Value per Share of the Sub-Fund (updated every 15 seconds throughout each dealing day in HKD) during normal trading hours on the SEHK;
- the last Net Asset Value of the Sub-Fund in USD, and the last Net Asset Value per Share of the Sub-Fund in USD and HKD (updated on a daily basis on each dealing day);
- the past performance information of the Sub-Fund;
- the full portfolio composition of the Sub-Fund (updated on a monthly basis within one month of the end of each month);
- the latest list of the participating dealers and market makers; and
- The composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period.

The near real-time indicative Net Asset Value per Share in HKD and the last Net Asset Value per Share in HKD are indicative and for reference purposes only. The near real-time indicative Net Asset Value per Share in HKD uses a real-time USD:HKD foreign exchange rate – it is calculated using the near real-time indicative Net Asset Value per Share in USD multiplied by a real-time USD:HKD foreign exchange rate quoted by Solactive AG when the SEHK is opened for trading. Since the near real-time indicative Net Asset Value per Share in USD will not be updated when any underlying share market is closed, any change in the near real-time indicative Net Asset Value per Share in HKD (if any) during such period is solely due to the change in the foreign exchange rate. Solactive AG performs the calculation of the near real-time indicative Net Asset Value per Share of the Sub-Fund.

The last Net Asset Value per Share in HKD is calculated using the last Net Asset Value per Share in USD multiplied by an assumed foreign exchange rate using the USD:HKD exchange rate quoted by Bloomberg at 4:00 pm (London time) as of the same dealing day provided by the administrator of the Sub-Fund, BOCI-Prudential Trustee Limited. The administrator of the Sub-Fund performs the calculation of the last Net Asset Value per Share of the Sub-Fund.

Important

If you are in doubt, you should seek professional advice.

Registration with and authorisation by the SFC do not represent a recommendation or endorsement of the Company or the Sub-Fund nor do they guarantee the commercial merits of the Company, the Sub-Fund or their performance. They do not mean the Company or the Sub-Fund are suitable for all investors nor do they represent an endorsement of their suitability for any particular investor or class of investors.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.