

CSOP SHEN ZHOU FUND
(An umbrella unit trust established in Hong Kong)
CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020



CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

REPORTS AND FINANCIAL STATEMENTS

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CSOP SHEN ZHOU RMB FUND

(A sub-fund of CSOP Shen Zhou Fund)

MANAGEMENT AND ADMINISTRATION**Trustee and Registrar**

BOCI-Prudential Trustee Limited (Retired on 28 January 2019)
12/F & 25/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

CCB (Asia) Trustee Company Limited (Appointed on 28 January 2019)
G/F., 6 Des Voeux Road Central,
Central, Hong Kong

Manager

CSOP Asset Management Limited
Suite 2802, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Directors of the Manager

Chen Ding
Gaobo Zhang
Xiaosong Yang
Xiuyan Liu
Yi Zhou
Zhiwei Lin
Zhongping Cai

Custodian

Bank of China (Hong Kong) Limited (Retired on 28 January 2019)
14/F, Bank of China Tower
1 Garden Road
Hong Kong

CCB (Asia) Trustee Company Limited (Appointed on 28 January 2019)
G/F., 6 Des Voeux Road Central,
Central, Hong Kong

RQFII Custodian

Bank of China Limited (Retired on 28 January 2019)
No. 1, Fuxingmen Nei Dajie
Beijing 100818
China

China Construction Bank Corporation
(Appointed on 28 January 2019)
No. 25, Financial Street
Xicheng District
Beijing
People's Republic of China

Legal Advisor

Deacons (Resigned on 2 May 2018)
5/F, Alexandra House
18 Chater Road
Central, Hong Kong

Simmons & Simmons (Appointed on 2 May 2018)
13/F One Pacific Place
88 Queensway
Hong Kong

Auditor

PricewaterhouseCoopers
22/F Prince's Building
Central
Hong Kong

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

REPORT OF THE MANAGER TO THE UNITHOLDERS

1.1 Investment Manager's Description of Investment Strategy and Performance during the Reporting Period

1.1.1 Investment Strategy and Operation Analysis during the Reporting Period

Thanks to the successful control measures and hard-working people, China is able to be the first country to restore its economy growth speed and to be the only one who can achieve positive full year GDP growth rate of 2.3% around the world. Among the economic figures, the growth of fixed asset investment for 2020 increased by 2.9% year-over-year (YoY), 0.3% lower than the market expectation. Among FAI, real estate investment increased by 7.0% YoY, infrastructure investment increased by 0.9% YoY and manufacturing investment decreased by 2.2%. The total retail sales of consumer goods in 2020 decreased by 3.9% from the number in previous year, of which retail sales of consumer goods excluding automobiles decreased by 4.1%. In all, both FAI and consumption figures suffered from the negative impact from the Covid-19 in the first half of 2020, while benefited from the fiscal and the monetary policy support, both FAI and consumption experienced strong rebound in the second half. Real estate investment still played an important role in countering the negative economic cycle. Automobile sales for the whole year reached the bottom after a three-year consecutive decrease, because of strong policy support in the sector. China's import and exports are positively affected by the Covid-19, since China is able to fill the demand gap from foreign countries. The total value of China's import and export of goods in 2020 increased by 1.9%, of which import decreased by 0.7% YoY, and export increased by 4% YoY. As a result, trade balance in 2020 increased significantly by 27.4% YoY.

In terms of bond investment in 2020, major economies around the world have adopted the same loose monetary policy and active fiscal supports towards pandemic. As the first country to adopt massive lock down and scientific control measures towards Covid-19, China was able to restore its manufacturing capacity earlier than the rest of the world, fulfill the worldwide supply shortage, and increase its share in world total exports to a historical high level through the year. As a result, Chinese manufacturing industry is in the strongest expansion cycle in the past 10 years. Meanwhile, Chinese central bank is finding the balance between preventing overheat of economy and supporting real economy to recover. 'Normalization of monetary policy' has been mentioned several times by the Chinese officials under different circumstances. The yield of Chinese 10y treasury opened at 3.13% in 2020, slumped to the record low level of 2.46% in April, and closed at 3.15%. In terms of credit market, high grade bond performed well throughout the year, while low-grade bonds are exposed to high default risks. China government committed to open its capital market and made impressive progress in 2020. Following Bloomberg Barclays and JP Morgan, Ftse Russell announced that China government bond will be included into its world government bond index, effective from October 2021. It is reported that cumulative holdings of China interbank bonds by foreign investors reached 3 trillion yuan in 2020.

1.1.2 Fund Performance during the Reporting Period

For the year ended 2020, total return of Shen Zhou RMB Fund Class I-RMB NAV decreased by 2.29% (31 December 2019: increased by 4.19%) and total return of Class A-RMB NAV decreased by 2.79% (31 December 2019: increased by 3.67%).

CSOP SHEN ZHOU RMB FUND

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REPORT OF THE MANAGER TO THE UNITHOLDERS (CONTINUED)**1.2 Investment Manager's Outlook on Macro Economy, Security Market and Sectors**

Look ahead to 2021, the negative impacts from the pandemic will fade away, and global economy will be back on its track. China's economy is expected to have a strong rebound at over 8% in 2021. However, according to the new five-year plan and two-session statements released by the Chinese government, China has entered into a new era, in which the government will focus more on the quality and sustainability on the economy, rather than simply focus on the growth speed of the economy.

In terms of rate bond investment, both economic fundamental and central bank's attitude do not support the treasury yield to go down in China. However, whether and when the yield will go further up really depends on the western countries' economy reopen progress. A steepen yield curve is guaranteed under the current situation. As for the credit market, Chinese government has been working on dealing with local debt risks in the past few years, and this topic has been temporarily put on hold due to the pandemic, but will be back to China's government sight after the recovery. Moreover, the Covid-19 has increased debt burden on local governments. Good quality real estate names are worth investing after the strictest controls in 2020, but tail risks still exist.

CSOP SHEN ZHOU RMB FUND

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REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the CSOP Shen Zhou RMB Fund (the “Sub-Fund”), the sub-fund of CSOP Shen Zhou Fund, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 30 December 2011, as amended, for the year ended 31 December 2020.

On behalf of CCB (Asia) Trustee Company Limited, 29 April 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP SHEN ZHOU RMB FUND
(A SUB-FUND OF CSOP SHEN ZHOU FUND, AN UMBRELLA UNIT TRUST ESTABLISHED
IN HONG KONG)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of CSOP Shen Zhou RMB Fund (the "Sub-Fund"), a sub-fund of CSOP Shen Zhou Fund, set out on pages 8 to 41, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2020, and of its financial transactions and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Sub-Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP SHEN ZHOU RMB FUND (CONTINUED)
(A SUB-FUND OF CSOP SHEN ZHOU FUND, AN UMBRELLA UNIT TRUST ESTABLISHED
IN HONG KONG)**

Responsibilities of the Management for the Financial Statements

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 30 December 2011, as amended, ("Trust Deed") and the Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the Appendix E of the SFC Code.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP SHEN ZHOU RMB FUND (CONTINUED)
(A SUB-FUND OF CSOP SHEN ZHOU FUND, AN UMBRELLA UNIT TRUST ESTABLISHED
IN HONG KONG)**

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and the Appendix E of the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the Appendix E of the SFC Code.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2021

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 RMB	2019 RMB
Assets			
Current Assets			
Financial assets at fair value through profit or loss	4(a)	146,868,129	165,076,825
Interest receivable		4,261,893	5,104,346
Other receivables	8(d)	905,675	905,760
Amount due from broker		10,000,000	-
Cash and cash equivalents	8(c)	1,542,804	1,868,509
Total assets		<u>163,578,501</u>	<u>172,955,440</u>
Liabilities			
Current Liabilities			
Management fee payable	8(a)	148,004	166,170
Trustee fee payable	8(b)	10,547	11,575
Redemption payable		-	1,345,455
Provision for taxation	9	7,050,943	7,050,951
Accrued expenses and other payables		141,031	129,311
Total liabilities excluding net assets attributable to unitholders		<u>7,350,525</u>	<u>8,703,462</u>
Net assets attributable to unitholders	7	<u>156,227,976</u>	<u>164,251,978</u>

The financial statements on pages 8 to 41 were approved by the Trustee and the Manager on 29 April 2021 and were signed on their behalf.

.....
Trustee

.....
Manager

The notes on pages 12 to 41 form an integral part of these financial statements.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 RMB	2019 RMB
Income			
Interest income from debt securities		13,033,418	11,709,360
Interest income from bank deposits	8(c)	8,194	4,616
Dividend income		59,058	123,318
Net loss on financial assets at fair value through profit or loss	6	(14,592,673)	(2,587,612)
Net foreign exchange losses		(2,044)	(2,281)
Total net (loss)/income		<u>(1,494,047)</u>	<u>9,247,401</u>
Expenses			
Management fee	8(a)	1,849,605	1,948,866
Trustee fee	8(b)	130,092	159,476
Auditor's fee		162,695	143,291
Custodian fee		-	29,633
Transaction handling fee		31,403	41,988
Other operating expenses		78,196	350,316
Total operating expenses		<u>2,251,991</u>	<u>2,673,570</u>
Operating profit		(3,746,038)	6,573,831
Finance costs			
Distributions to unitholders	10	(3,066,662)	(3,239,221)
(Loss)/profit after distributions and before tax		<u>(6,812,700)</u>	<u>3,334,610</u>
Taxation	9	(719)	(387)
(Decrease)/increase in net assets attributable to unitholders from operations		<u>(6,813,419)</u>	<u>3,334,223</u>

The notes on pages 12 to 41 form an integral part of these financial statements.

CSOP SHEN ZHOU RMB FUND
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**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 RMB	2019 RMB
Balance at the beginning of the year	7	164,251,978	171,834,685
Proceeds on issue of units	7	8,236,323	431,156
Repayments on redemption of units	7	(9,446,906)	(11,348,086)
Net decrease from unit transactions		(1,210,583)	(10,916,930)
(Decrease)/increase in net assets attributable to unitholders from operations		(6,813,419)	3,334,223
Balance at the end of the year	7	156,227,976	164,251,978

The notes on pages 12 to 41 form an integral part of these financial statements.

CSOP SHEN ZHOU RMB FUND
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB	2019 RMB
Cash flows from operating activities		
(Decrease)/increase in net assets attributable to unitholders from operations	(6,813,419)	3,334,223
Adjustments to reconcile increase in net assets attributable to unitholders from operations to cash generated from operating activities		
Interest income from debt securities	(13,033,418)	(11,709,360)
Dividend income	(59,058)	(123,318)
Interest income from bank deposits	(8,194)	(4,616)
Net foreign exchange losses	2,044	2,281
Distributions to unitholders	3,066,662	3,239,221
Taxation	719	387
Change in financial assets at fair value through profit or loss	18,208,697	4,417,618
Change in deposit reserve	-	1,792
Change in other receivables	(10,000,000)	-
Change in accrued expenses and other payables	(7,474)	(41,803)
Cash used in operating activities	(8,643,441)	(883,575)
Interest income received on debt securities	13,875,871	11,777,346
Dividend received	59,058	128,300
Interest income received on bank deposits and other income	8,277	4,496
Tax paid	(727)	(430)
Net cash generated from operating activities	5,299,038	11,026,137
Cash flows from financing activities		
Proceeds from units issued	8,236,323	431,156
Payments on units redeemed	(10,792,361)	(10,002,631)
Distribution paid to unitholders	(3,066,662)	(3,239,221)
Net cash used in financing activities	(5,622,700)	(12,810,696)
Net decrease in cash and cash equivalents	(323,661)	(1,784,559)
Cash and cash equivalents at the beginning of the year	1,868,509	3,655,349
Net foreign exchange losses	(2,044)	(2,281)
Cash and cash equivalents at the end of the year	1,542,804	1,868,509

The notes on pages 12 to 41 form an integral part of these financial statements.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

1 General

CSOP Shen Zhou Fund (the “Fund”) is an umbrella unit trust established in Hong Kong and governed by its trust deed (the “Trust Deed”) dated 30 December 2011, as amended, made between CSOP Asset Management Limited as Manager (the “Manager”) and BOCI-Prudential Trustee Limited (retired 28 January 2019) (the “Then Trustee”) and CCB (Asia) Trustee Company Limited (appointed on 28 January 2019) as Trustee (the “Trustee”). The Fund is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance. The Fund has three sub-funds in total, namely CSOP Shen Zhou RMB Fund (the “Sub-Fund”), CSOP Select RMB Bond Fund and CSOP Select US Dollar Bond Fund. The Sub-Fund issued different classes of units. The Sub-Fund was established on 22 February 2012. The date of inception of the Sub-Fund was 1 February 2012. The Sub-Fund has issued Class A – RMB, Class I – RMB, Class A – USD, Class I – USD, Class A – HKD and Class I – HKD units, respectively.

Change of Investment Objective and Investment Strategy

Prior to 11 December 2019, the investment objective of the Sub-Fund was to seek long term and stable capital growth through investing primarily in bonds issued within mainland China through the Renminbi Qualified Foreign Institutional Investor (“RQFII”) quota of the Manager.

The Sub-Fund invested primarily in Chinese Renminbi (“RMB”) denominated and settled debt securities issued or distributed within mainland China by governments, quasi-government organizations, financial institutions and other corporations. The debt securities included but were not limited to government bonds and notes, municipal bonds, corporate bonds, financial bonds, commercial papers and convertible bonds. These securities may be listed on a stock exchange or traded in the interbank bond market.

The Sub-Fund intended to invest in urban investment bonds (i.e. debt instruments issued by local government financing vehicles (“LGFVs”) and traded in the PRC exchange-traded bond markets and inter-bank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects. The exposure to urban investment bonds may be up to 100% of the Sub-Fund’s net asset value.

The Sub-Fund also intended to invest in other instruments permitted under applicable regulations. The Sub-Fund may invest in offshore RMB denominated deposits.

The Sub-Fund did not invest in China A-Shares. The Sub-Fund did not invest in bonds issued outside mainland China. The Sub-Fund did not invest in derivative instruments, structured products, structured deposits or asset backed securities (including asset backed commercial papers or similar structured products) for hedging or non-hedging purposes.

Effective from 11 December 2019, the Sub-Fund has changed the investment objective to enhance efficient portfolio management and to increase additional income and to hedge possible duration and foreign exchange risks.

The Sub-Fund may invest in derivatives (including but not limited to China onshore interest rate swaps (“IRS”), China government bond (“CGB”) futures and currency forwards) for hedging purpose only. The Sub-Fund will not invest in any derivatives for investment purpose.

The Manager may, on behalf of the Sub-Fund, enter into repurchase and/or reverse repurchase transactions for, when aggregated with the Sub-Fund’s borrowing, up to 25% of the Sub-Fund’s Net Asset Value.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

1 General (Continued)

Change of Investment Objective and Investment Strategy (Continued)

The Sub-Fund may invest up to 30% of the Sub-Fund's Net Asset Value in debt securities issued outside of mainland China denominated in RMB (the "Dim Sum bonds").

The Sub-Fund may invest up to 30% of the Sub-Fund's Net Asset Value in high quality money market instruments (denominated either in CNH or CNY) such as certificates of deposit, negotiable certificates of deposit, treasury bills, commercial papers, and money market fund.

These financial statements are prepared for the Sub-Fund only. The financial statements for the other sub-funds of the Fund, CSOP Select RMB Bond Fund and CSOP Select US Dollar Bond Fund, have been prepared separately.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (together, the "Management") to exercise their judgment in the process of applying the Sub-Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards and amendments to existing standards effective 1 January 2020

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Sub-Fund.

New standards, amendments and interpretation effective after 1 January 2020 that are relevant to the Sub-Fund and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The performance of the Sub-Fund is measured and reported to the unitholders in RMB. The Manager considers RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Sub-Fund’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within “Net (loss)/gain in financial assets at fair value through profit or loss”.

(c) Financial assets at fair value through profit or loss

(i) Classification

The Sub-Fund classifies its investments based on both the Sub-Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The contractual cash flows of the Sub-Fund’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(c) Financial assets at fair value through profit or loss (Continued)

(ii) Recognition/derecognition

Purchases and sales of investments are accounted for on the trade date basis – the date on which the Sub-Fund commits to purchase or sell the investments. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Investments are initially recognised at fair value. Transaction costs are as incurred expensed in the statement of comprehensive income.

Subsequent to initial recognition, all investments are measured at fair value. Realised and unrealised gains and losses on investments are recognised in the statement of comprehensive income in the year in which they arise.

(iv) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Sub-Fund utilises the last traded market price for both listed financial assets and liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined by using broker quotes or valuation techniques.

(v) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

(vi) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual agreements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(c) Financial assets at fair value through profit or loss (Continued)

(vi) Structured entities (Continued)

The Sub-Fund considers its investment in investment funds to be investment in unconsolidated structured entities. The investment funds are managed by the Manager who apply various investment strategies to accomplish the respective investment objectives of the investment funds. The investment funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportional stake in the respective Sub-Fund's net assets. The Sub-Fund holds redeemable units in the investment funds.

The Sub-Fund's investments in unconsolidated structured entities are shown as financial assets at fair value through profit and loss. The change in fair value of investment funds is included in the statement of comprehensive income in "Net loss on financial assets at fair value through profit or loss".

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Sub-Fund or the counterparty.

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(f) Other payables

Other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(g) Income and expenses

Interest income is recognised on a time-proportionate basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of an interest bearing asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(g) Income and expenses (Continued)

Dividend income is recorded on the ex-dividend date with the corresponding foreign withholding taxes recorded as an expense.

Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

(h) Amounts due from brokers

Amounts due from brokers represent receivables for securities sold that have been contracted for but not yet settled on the statement of financial position date.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Sub-Fund shall measure the loss allowance on amounts due from participating dealers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the participating dealers, probability that the participating dealers will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by Management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(i) Amounts due to brokers

Amounts due to brokers represent payables for securities purchased that have been contracted for but not yet delivered on the statement of financial position date.

These amounts are recognised initially at fair value and subsequently measured at amortised cost.

CSOP SHEN ZHOU RMB FUND
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(j) Transaction costs

Transaction costs are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include the fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income.

(k) Redeemable units

All proceeds and payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders. The net asset value of the Sub-Fund is computed daily. Prices for issues and redemptions are based on the latest available preceding valuation.

The Sub-Fund issues units, which are redeemable at the holder's option and are classified as liabilities. Units can be put back by the unitholders to the Sub-Fund at any time for cash equal to a proportionate share of the Sub-Fund's net asset value.

Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units. In accordance with the provisions of the Sub-Fund's explanatory memorandum, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

(l) Distributions to unitholders

Distributions to unitholders are recognised in the statement of comprehensive income when they are approved by the Manager.

(m) Taxation

The Sub-Fund currently incurs withholding taxes imposed by PRC on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included as taxation in the statement of comprehensive income.

Management will assess the surcharge for late payment of withholding income tax on interest income in accordance with HKAS12, if any, and will make the relevant provision in the statement of financial position, if necessary.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(m) Taxation (Continued)

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

3 Critical accounting estimates and judgements

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the fair value of debt securities and tax exposure which are dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

(a) Fair value of unlisted investments

The Sub-Fund holds quoted debt securities that are valued by reference to broker quotes as at 31 December 2020 and 31 December 2019. In determining the fair value of such investments, the Management exercises judgement and estimates on the quantity and quality of pricing sources used. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. As such, broker quotes do not necessarily indicate the price at which the security could actually be traded as at 31 December 2020 and 31 December 2019. Actual transacted prices may differ from the quotes provided by the brokers. The Management considers that in the absence of any other reliable market sources, the broker quotes available to them reflect the best estimate of fair value.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

(b) People's Republic of China ("PRC") tax provision

Under the general tax provision of PRC Corporate Income Tax Law ("PRC CIT Law"), the non-PRC residents with no place of effective management, establishment or place of business in the PRC may be subject to 10% PRC withholding income tax ("WIT") on the capital gain derived from disposal of securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

In addition, the non-PRC residents with interest income derived from the debt securities will be subject to 10% WIT. Pursuant to the PRC CIT Law, debt securities issuers in the PRC are obligated to withhold the 10% PRC WIT on interest income for those foreign debt securities holders. However, interest income derived from government bonds issued by the State Council's finance departments and/or local government bonds approved by the State Council is exempt from PRC WIT under the PRC CIT Law.

Furthermore, according to the notice Caishui [2016] No.36 ("Circular 36"), Value-Added Tax ("VAT") at 6% shall be levied on the difference between the selling and buying prices of those marketable securities starting from 1 May 2016. In addition, if VAT is applicable, local surtaxes including Urban Maintenance and Construction Tax (currently at the rate ranging from 1% to 7%), Education Surcharge (currently at the rate of 3%) and Local Education Surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities (the "VAT related taxes"). The gains derived by QFIIs/RQFIIs and through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from trading of marketable securities (including A-shares and other PRC listed securities) are exempted from VAT in the PRC under Circular 36 and other prevailing VAT regulations. According to Caishui [2016] No. 70, gains derived by approved foreign investors from the trading of RMB denominated debt securities in the China Interbank Bond Market should be exempt from PRC VAT. There is no specific VAT rules on Bond Connect, by making reference to the above circular and other related prevailing tax regulations, it is anticipated that gains derived by foreign investors from the trading of PRC bonds through "Northbound Trading" should also not be subject to PRC VAT. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

Exemption of PRC WIT and VAT effective from 7 November 2018

On 7 November 2018, the Ministry of Finance and the PRC State Taxation Administration ("STA") jointly issued a notice Caishui [2018] No.108 ("Circular 108") which stipulates that foreign institutional investors are temporarily exempted from PRC WIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021.

Hence, the Manager decides to change the tax provisioning policy of the Sub-Fund and cease to make provisions for PRC WIT and VAT (plus the VAT related taxes) on the interest income received from PRC non-government bonds for three years from 7 November 2018.

CSOP SHEN ZHOU RMB FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

(c) Capital gains on PRC Investments

During the years ended 31 December 2020 and 2019, the Sub-Fund invests in PRC debt securities and PRC investment funds (“PRC Investments”) in PRC through the RQFII program. The Manager considers that the enforcement of PRC tax on gains derived from the PRC debt securities is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing whether the Sub-Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events.

The Manager considered that the WIT policy for QFIIs/RQFIIs investment in debt securities has not been clarified in the “Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (the “Notice”).

Based on the current verbal interpretation of the STA and the local PRC tax authorities, the authorities are of the view that capital gains derived by foreign investors from investment in PRC debt securities would not be treated as PRC-sourced income and thus would not be subject to PRC WIT. However, there are no written tax regulations issued by the PRC tax authorities to confirm this interpretation. As a matter of practice, such 10% PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of these PRC debt securities has not been strictly enforced by the PRC tax authorities. The Manager has considered the applicability of the arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion to the Sub-Fund and assessed that the probability of such tax being levied up to the approval date of the financial statements of the Sub-Fund is reasonably low. Based on all the aforementioned factors, the Manager has reassessed the provisioning approach and has continued not making PRC WIT provision on gains derived from the PRC debt securities of the Sub-Fund.

The Manager estimates the gross realised gains from 22 February 2012 (date of inception) to 31 December 2020 and gross unrealised gains of the Sub-Fund as at 31 December 2020 which could be exposed to PRC WIT at the rate of 10% to be RMB91,578,500 (from 22 February 2012 (date of inception) to 31 December 2019: RMB 91,013,912) and RMB1,465,142 (As at 31 December 2019: RMB 1,001,850) respectively. The estimated potential capital gain tax exposure arising from realised capital gain and unrealised capital gain would be RMB9,157,850 and RMB146,514 respectively which in aggregate represents 6.0% (As at 31 December 2019: RMB9,101,391 and RMB100,185 respectively which in aggregate represents 5.6%) of the net assets attributable to unitholders of the Sub-Fund as at 31 December 2020. The Manager considers that the PRC WIT on capital gains from PRC debt securities is still uncertain and has not made the provision on the gross realised capital gains and gross unrealised capital gains derived from PRC debt securities in the Sub-Fund as at 31 December 2020 and 2019.

The Manager has exercised its judgment when assessing whether the Sub-Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events.

CSOP SHEN ZHOU RMB FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

(d) Interest income on bonds issued by PRC tax residents

The Management considers that the PRC WIT treatment on accrued interest of PRC non-government bonds holding by the Sub-Fund as at 31 December 2020 derived from 22 February 2012 (date of inception) to 6 November 2018 (prior to WIT exemption under Circular 108) and the enforcement of VAT and the VAT related taxes from 1 May 2016 to 6 November 2018 (prior to VAT exemption under Circular 108) is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

PRC WIT

For the PRC bonds disposed of during the year, Management has not made provision on the accrued interest income of PRC bonds during the year and as at reporting date as they consider that:

- (i) the issuers of PRC bonds are required to withhold 10% WIT at the coupon payment date before distributing the interest income to the bond holder; and
- (ii) the PRC bonds purchased during the period from 1 May 2016 to 6 November 2018 were sold by the Manager before the coupon payment dates or the maturity dates of the PRC bonds.

PRC VAT and related taxes

As at 31 December 2020, the Manager estimated that the Sub-Fund's accumulated interest income received from PRC non-government bonds from 1 May 2016 to 6 November 2018 (prior to VAT exemption under Circular 108) of RMB 27,065,122 (As at 31 December 2019: RMB 27,065,122) could be exposed to PRC VAT, Urban Maintenance and Construction Tax, Education Surcharge and Local Education Surcharge amounting to approximately RMB1,715,827 (2019: RMB1,715,827). The amount has been provided in the statement of financial position.

Change to tax provisioning policy with effect from 30 April 2018

Prior to 31 December 2015, the Manager has made no provision on WIT on interest income derived from policy bank bonds of RMB6,462,000, which could be exposed to 10% WIT of RMB646,200, for the Sub-Fund as they consider there are uncertainties on such tax exposure. The Sub-Fund has made no investment in policy bank bonds from 1 January 2016 to 31 December 2017.

The Manager has also made no provision on VAT on interest income derived from the PRC debt securities since 1 May 2016. On 9 November 2017 and 29 December 2017, The People's Bank of China and the Asset Management Association of China released notices to further clarify the VAT technical requirements respectively.

Pursuant to the Notice to the Unitholders of the Sub-Fund 30 April 2018, having consulted with the professional tax advisor, the Manager determined to make a one-off provision ("Past Provision") on 30 April 2018 ("Effective Date") as follows:

- (i) 10% WIT on interest income derived from policy bank bonds prior to 31 December 2015;
- (ii) 6% VAT on bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund from 1 May 2016 to the Effective Date; and
- (iii) 12% of the VAT for the local surtaxes on VAT as stated in (ii)

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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

(d) Interest income on bonds issued by PRC tax residents (Continued)

The Manager has also determined to change the tax provisioning policy of the Sub-Fund with effect from the Effective Date and to make a provision (the “Future Provision”) as follows:

- (i) 10% WIT on interest income derived from policy bank bonds after the Effective Date. (The Sub-Fund has made no investment in policy bank bonds from 1 January 2016 to the Effective Date);
- (ii) 6% VAT on bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund after the Effective Date; and
- (iii) 12% of the VAT for the local surtaxes on VAT as stated in (ii)

The Past Provision will be effected on the Effective Date. The Manager has determined to bear the cost of 10% WIT on interest income derived from policy bank bonds prior to 31 December 2015 of approximately RMB646,200 and the VAT and the related surtaxes from 1 May 2016 to 31 December 2016 of approximately RMB259,440. As such, a receivable from the Manager will be recorded along with one-off provision mentioned above which offset the impact to Past Provision on the Effective Date. Refer to Note 8(d).

As mentioned, the Manager decides to change the tax provisioning policy of the Sub-Fund and cease to make provisions for PRC WIT and VAT (plus the VAT related taxes) on the interest income received from PRC non-government bonds for three years from 7 November 2018 due to the announcement of Circular 108 on 7 November 2018.

If there is any change in the relevant tax regulations or interpretation in the future, the Manager will consider to change/ reverse any VAT provision already made and the relevant receivable from the Manager accordingly.

(e) Fund distribution received from PRC securities investment funds in PRC

The Manager considers that the enforcement of PRC WIT treatment on fund distribution received from PRC securities investment funds is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

The Management estimates that for the year ended 31 December 2020 and 2019, the Sub-Fund’s accumulated fund distribution received from RMB denominated PRC securities investment funds from 22 February 2012 (date of inception) to 31 December 2020 of RMB13,237,271 (from 22 February 2012 (date of inception) to 31 December 2019: RMB13,178,213) could be exposed to 10% PRC withholding tax of approximately RMB1,323,727 (2019: RMB1,317,822), which represents 0.85% (2019: 0.80%) of the net assets attributable to unitholders of the Sub-Fund as at 31 December 2020 and 2019. For the year ended 31 December 2020 and 2019, the Sub-Fund has not made provision for the dividend income from the investment funds.

The Manager reviews the relevant PRC tax rules on the PRC Investments from time to time. Any change in taxation imposed on RQFIIs is likely to have a subsequent impact on the required provision and accordingly the net assets attributable to unitholders of the Sub-Fund. When the STA issues clarifications, this might ultimately result in either an increase or a decrease in the amount provided. The Manager will always act in the best interest of unitholders and will continually assess the tax provision on an on-going basis.

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management

The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price, interest rate and currency), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The following is a summary of the main risks and risk management policies.

(a) Market risk

(i) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The following table discloses the financial assets at fair value through profit or loss of the Sub-Fund by product type:

	2020 RMB	2019 RMB
Listed debt securities in PRC		
- RMB denominated bonds	65,306,000	48,125,000
Quoted investments in PRC		
- RMB denominated bonds	75,631,842	113,978,830
- RMB denominated investment fund	5,930,287	2,972,995
Total financial assets at fair value through profit or loss	146,868,129	165,076,825

The following table discloses the financial assets at fair value through profit or loss of the Sub-Fund by industrial sectors:

	2020		2019	
	RMB	% of NAV	RMB	% of NAV
Communications	9,910,800	6.34	10,131,990	6.17
Consumer, cyclical	9,950,000	6.37	20,136,810	12.26
Consumer, non-cyclical	-	-	19,910,000	12.12
Diversified	9,783,430	6.26	9,510,030	5.79
Energy	5,095,000	3.26	10,321,420	6.28
Financial services	81,998,822	52.49	54,236,510	33.02
Industrial	14,026,410	8.98	27,510,370	16.75
Utilities	10,173,380	6.51	10,346,700	6.30
	140,937,842	90.21	162,103,830	98.69
RMB denominated investment fund	5,930,287	3.80	2,972,995	1.81
Total	146,868,129	94.01	165,076,825	100.50

CSOP SHEN ZHOU RMB FUND
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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

The Sub-Fund's market price risk is managed through diversification of the investment portfolio ratios by exposures to different industries. The Manager considers that the ChinaBond Composite Total Return Index is the most relevant market index to benchmark the market price risk.

At the reporting date, a 4% (2019: 5%) fall or rise in the ChinaBond Composite Total Return Index, with all other variables held constant, would have decreased or increased the net assets attributable to unitholders by RMB992,935 (2019: RMB3,787,872).

There is no individual investments/issuers representing over 10% of the Sub-Fund's net asset value at the reporting date (2019: Nil).

(ii) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The tables below summarise the Sub-Fund's exposure to interest rate risks at the reporting date. Included in the table are the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

CSOP SHEN ZHOU RMB FUND
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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2020

	Maturity up to 1 year RMB	Maturity 1-5 years RMB	Maturity over 5 years RMB	Non-interest bearing RMB	Total RMB
Assets					
Financial assets at fair value through profit or loss					
- RMB denominated bonds	39,814,190	94,923,840	6,199,812	-	140,937,842
- RMB denominated investment fund	-	-	-	5,930,287	5,930,287
Interest receivable	-	-	-	4,261,893	4,261,893
Other receivables	-	-	-	905,675	905,675
Amount due from broker	-	-	-	10,000,000	10,000,000
Cash and cash equivalents	1,542,804	-	-	-	1,542,804
Total assets	<u>41,356,994</u>	<u>94,923,840</u>	<u>6,199,812</u>	<u>21,097,855</u>	<u>163,578,501</u>
Liabilities					
Management fee payable	-	-	-	148,004	148,004
Trustee fee payable	-	-	-	10,547	10,547
Provision for taxation	-	-	-	7,050,943	7,050,943
Accrued expenses and other payables	-	-	-	141,031	141,031
Net assets attributable to unitholders	-	-	-	156,227,976	156,227,976
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,578,501</u>	<u>163,578,501</u>
Total interest sensitivity gap	<u>41,356,994</u>	<u>94,923,840</u>	<u>6,199,812</u>		

CSOP SHEN ZHOU RMB FUND
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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2019

	Maturity up to 1 year RMB	Maturity 1-5 years RMB	Maturity over 5 years RMB	Non-interest bearing RMB	Total RMB
Assets					
Financial assets at fair value through profit or loss					
- RMB denominated bonds	57,544,190	104,559,640	-	-	162,103,830
- RMB denominated investment fund	-	-	-	2,972,995	2,972,995
Interest receivable	-	-	-	5,104,346	5,104,346
Other receivables	-	-	-	905,760	905,760
Cash and cash equivalents	1,868,509	-	-	-	1,868,509
Total assets	<u>59,412,699</u>	<u>104,559,640</u>	<u>-</u>	<u>8,983,101</u>	<u>172,955,440</u>
Liabilities					
Management fee payable	-	-	-	166,170	166,170
Trustee fee payable	-	-	-	11,575	11,575
Redemption payable	-	-	-	1,345,455	1,345,455
Provision for taxation	-	-	-	7,050,951	7,050,951
Accrued expenses and other payables	-	-	-	129,311	129,311
Net assets attributable to unitholders	-	-	-	164,251,978	164,251,978
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,955,440</u>	<u>172,955,440</u>
Total interest sensitivity gap	<u>59,412,699</u>	<u>104,559,640</u>	<u>-</u>		

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

At 31 December 2020 and 2019, the Sub-Fund has bank balances of RMB1,542,804 (2019: RMB1,868,509). If the interest rates had been 10 (2019: 10) basis points higher or lower with all variables held constant, net assets attributable to unitholders would have been RMB1,543 (2019: RMB1,869) higher or lower as a result of higher or lower interest income.

The Manager and Trustee monitor the interest rate risks by quantifying (a) market exposure in percentage terms; and (b) exposure in duration terms by different countries. As at 31 December 2020 and 2019, the Sub-Fund has invested in interest-bearing securities of RMB140,937,842 (2019: RMB162,103,830) and the portfolio weighted average modified duration of the Sub-Fund is 1.63 (2019: 1.51).

As at 31 December 2020 and 2019, should the relevant interest rates have risen/lowered by 100 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately RMB2,297,273 (2019: RMB2,447,768), arising substantially from the increase/decrease in market values of debt securities.

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are mainly denominated in RMB, the Sub-Fund's functional and presentation currency. As a result, Management considers sensitivity analysis of currency risk is not necessary to be presented.

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

All transactions in securities are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of debt securities sold is made only when the custodian has received payment. Payment is made on a purchase when the debt securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in debt securities. The Sub-Fund does not have explicit restrictions on the minimum credit ratings of securities it may hold. The Manager will actively manage the portfolio of the Sub-Fund. In case of credit rating downgrading, the Manager will adjust the positions in the portfolio using its credit analysis and rating systems that are designed to manage credit risks.

The table below summarises the credit rating of the investment portfolio (excluding investment funds) issued by credit rating agencies:

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(b) Credit and counterparty risk (Continued)

Portfolio by rating category of RMB denominated bonds:

Credit rating agency	Rating	RMB	2020 % of NAV
Chengxin	AA+ to AAA	60,265,680	38.58
Dagong	AA+ to AAA	19,829,720	12.69
Lianhe	AA to AAA	44,705,810	28.61
Pengyuan	AA	9,936,820	6.36
Not rated		6,199,812	3.97
		<u>140,937,842</u>	<u>90.21</u>
Credit rating agency	Rating	RMB	2019 % of NAV
Chengxin	AA to AAA	77,083,460	46.93
Dagong	AA to AAA	20,101,880	12.24
Lianhe	AA to AA+	49,031,320	29.85
Pengyuan	AA	7,887,170	4.80
Shanghai Brilliance	AA	8,000,000	4.87
		<u>162,103,830</u>	<u>98.69</u>

The Manager has assessed the credit quality of the RMB denominated bonds based on the nature of the issuers and the historical information about the issuers' default rates. The Sub-Fund is also exposed to credit and counterparty risk on cash and cash equivalents.

The Manager has also assessed the credit quality of the RMB denominated bond, which does not have credit ratings issued by the onshore credit rating agencies, of RMB6,199,812 (2019: Nil) as at 31 December 2020. Since the offshore rating of the bond has the same rating as the China sovereign rating, which is A+, the Manager deems that the bond in the Sub-Fund's holdings has very limited credit risks.

The investment funds held by the Sub-Fund of RMB5,930,287 (2019: RMB2,972,995) as at 31 December 2020 and 2019 are not subject to credit rating and do not have credit rating issued by local credit rating agencies. There is no indication to the Manager that these financial assets are impaired as at 31 December 2020 and 2019.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(b) Credit and counterparty risk (Continued)

The table below summarises the amount of investments of the Sub-Fund placed with the counterparties together with the credit rating of the relevant counterparties as at 31 December 2020 and 2019.

2020	RMB	Credit rating	Source of credit rating
Custodian			
CCB (Asia) Trustee Company Limited	140,937,842	A1	Moody's
Bank balances			
China Construction Bank Corporation	1,229,439	A1	Moody's
China Construction Bank (Asia) Corporation Limited	313,365	A1	Moody's
2019	RMB	Credit rating	Source of credit rating
Custodian			
CCB (Asia) Trustee Company Limited	162,103,830	A1	Moody's
Bank balances			
China Construction Bank Corporation	462,249	A1	Moody's
China Construction Bank (Asia) Corporation Limited	1,406,260	A1	Moody's

The maximum exposure to credit risk as at 31 December 2020 and 2019 is the carrying amount of the financial assets as shown on the statement of financial position.

The Manager considers that none of these assets are impaired nor past due as at 31 December 2020 and 2019.

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2020 and 31 December 2019, interest receivables and bank balances are held with counterparties with high credit ratings and are due to be settled within one month. For other receivables, Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

(c) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

The table below analyses the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month RMB	1 month to less than 3 months RMB	Over 3 months RMB	Total RMB
As at 31 December 2020				
Management fee payable	-	148,004	-	148,004
Trustee fee payable	-	10,547	-	10,547
Redemption payable	-	-	-	-
Accrued expenses and other payables	3,106	-	137,925	141,031
Net assets attributable to unitholders	156,227,976	-	-	156,227,976
Contractual cash outflow	<u>156,231,082</u>	<u>158,551</u>	<u>137,925</u>	<u>156,527,558</u>
As at 31 December 2019				
Management fee payable	-	166,170	-	166,170
Trustee fee payable	-	11,575	-	11,575
Redemption payable	1,345,455	-	-	1,345,455
Accrued expenses and other payables	1,590	-	127,721	129,311
Net assets attributable to unitholders	164,251,978	-	-	164,251,978
Contractual cash outflow	<u>165,599,023</u>	<u>177,745</u>	<u>127,721</u>	<u>165,904,489</u>

Units are redeemed on demand at the unitholder's option. With a view to protecting the interests of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Fund redeemed on any dealing day to 10% of the total number of units in issue. As at 31 December 2020, there were 2 (2019: 2) unitholders holding more than 10% of the Sub-Fund's units.

As at 31 December 2020, the total current assets of the Sub-Fund amounted to RMB163,578,501 (2019: RMB172,955,440). The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 1 month.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(d) Fair value estimation

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets and liabilities measured at fair value at 31 December 2020 and 2019:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2020				
Assets				
Financial assets at fair value through profit or loss				
- RMB denominated bonds	-	140,937,842	-	140,937,842
- RMB denominated investment fund	-	5,930,287	-	5,930,287
Total assets	-	146,868,129	-	146,868,129

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(d) Fair value estimation (Continued)

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2019				
Assets				
Financial assets at fair value through profit or loss				
- RMB denominated bonds	-	162,103,830	-	162,103,830
- RMB denominated investment fund	-	2,972,995	-	2,972,995
Total assets	-	165,076,825	-	165,076,825

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed bonds and exchange traded funds. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments including RMB denominated bonds and investment funds, that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The investments in RMB denominated bonds are valued with reference to Shanghai Stock Exchange, Shenzhen Stock Exchange and China Government Securities Depository Trust quotes. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2020 and 2019, there was no level 3 investment held by the Sub-Fund.

During the year ended 31 December 2020 and 2019, there was no transfer between levels.

The assets and liabilities included in the statement of financial position, other than financial assets at fair value through profit or loss, are carried at amortised cost; their carrying value are approximation of fair value. There are no other assets and liabilities not carried at fair value but for which fair value is disclosed.

(e) Capital risk management

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions in investments that meet the Sub-Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions. The Management may:

- Redeem and issue new units in accordance with the constitutive documents of the Sub-Fund; and
- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(f) Interest in other entities

The Sub-Fund's investments in an investment fund are subject to the terms and conditions of the respective investment fund's offering documents and are susceptible to market price risk arising from uncertainties about future values of such investment fund. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager.

As at 31 December 2020 and 2019, the Sub-Fund invested in Guangfa Money Market Fund. The right of the Sub-Fund to request redemption of its investments in Guangfa Money Market Fund is on a daily basis.

The Sub-Fund's exposure to investments in Guangfa Money Market Fund at fair value is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

As at 31 December 2020

Strategy	Net asset value of Guangfa Money Market ETF RMB	Investment fair value RMB	% of net asset value
(1-Tax Rate) x Deposit Interest Rate tracking	10,427,287,944	5,930,287	3.80%

As at 31 December 2019

Strategy	Net asset value of Guangfa Money Market ETF RMB	Investment fair value RMB	% of net asset value
(1-Tax Rate) x Deposit Interest Rate tracking	8,015,247,672	2,972,995	1.81%

The Sub-Fund's maximum exposure to loss from its interests in Guangfa Money Market Fund is equal to the total fair value of its investments in Guangfa Money Market Fund.

Once the Sub-Fund has disposed of its shares in Guangfa Money Market Fund, the Sub-Fund ceases to be exposed to any risk from Guangfa Money Market Fund.

As at 31 December 2020 and 2019, there were no capital commitment obligations and no amounts due to Guangfa Money Market ETF for unsettled purchases.

During the year ended 31 December 2020 and 2019, there are no net gain/loss on investments in Guangfa Money Market Fund.

Dividend income amounted to RMB59,058 (2019: RMB123,318) was derived from Guangfa Money Market Fund for the year ended 31 December 2020.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

5 Financial instruments by category

Financial assets

Apart from financial assets at fair value through profit or loss as disclosed in the statement of financial position which are classified as at fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including interest income receivable, other receivables, deposit reserve and cash and cash equivalents, are categorised and carried at amortised cost.

Financial liabilities

All financial liabilities as disclosed in the statement of financial position, including management fee payable, trustee fee payable, redemption payable, distribution payables, accrued expenses and other payables and net assets attributable to unitholders, are categorised and carried at amortised cost.

6 Net (loss)/gain on financial assets at fair value through profit or loss

	2020 RMB	2019 RMB
Change in unrealised gain/loss on investments	(2,878,543)	(1,487,446)
Net realised loss on sale of investments	(11,714,130)	(1,100,166)
	<u>(14,592,673)</u>	<u>(2,587,612)</u>

7 Number of units in issue and net assets attributable to unitholders per unit

As at 31 December 2020 and 2019, the Sub-Fund issued 2 classes of units, Class A and Class I. Class A units are available for sale to the retail public in Hong Kong. Class I units are offered to institutional investors.

The movements of the redeemable units are as follows:

	Year ended 31 December 2020				
	Class A – RMB units	Class I – RMB units	Class I – HKD units	Class A – USD units	Class I – USD units
Number of units in issue at the beginning of year	3,593,795.57	10,629,582.27	99,700.90	172,245.13	1,735.60
Units issued	38,157.34	719,845.42	-	-	37.23
Units redeemed	(744,256.24)	(99,900.10)	-	(8,784.48)	-
Number of units in issue at the end of year	<u>2,887,696.67</u>	<u>11,249,527.59</u>	<u>99,700.90</u>	<u>163,460.65</u>	<u>1,772.83</u>

CSOP SHEN ZHOU RMB FUND

(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS**7 Number of units in issue and net assets attributable to unitholders per unit (Continued)**

	Year ended 31 December 2019				
	Class A – RMB units	Class I – RMB units	Class I – HKD units	Class A – USD units	Class I – USD units
Number of units in issue at the beginning of year	4,520,877.34	10,727,991.07	99,700.90	172,245.13	6,725.89
Units issued	41,437.66	-	-	-	105.22
Units redeemed	(968,519.43)	(98,408.80)	-	-	(5,095.51)
Number of units in issue at the end of year	<u>3,593,795.57</u>	<u>10,629,582.27</u>	<u>99,700.90</u>	<u>172,245.13</u>	<u>1,735.60</u>

The table below summarises the net asset value per unit of each class of units at the reporting date:

	Net asset value per unit Class Currency	Net asset value per unit RMB
At 31 December 2020		
Class A – RMB	9.89	9.89
Class A – HKD	-	-
Class A – USD	9.08	59.29
Class I – RMB	10.41	10.41
Class I – HKD	9.49	7.99
Class I – USD	9.46	61.73
At 31 December 2019		
Class A – RMB	10.37	10.37
Class A – HKD	-	-
Class A – USD	8.95	62.35
Class I – RMB	10.85	10.85
Class I – HKD	9.34	8.35
Class I – USD	9.27	64.54

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

8 Transactions with the Trustee, Manager and connected persons

The following is a summary of significant related party transactions and transactions entered into during the year between the Sub-Fund and the Trustee, the Manager and the Connected Persons of the Manager. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the year between the Sub-Fund and the Manager and its Connected Persons were carried out in the ordinary course of business and on normal commercial terms. To the best of the Manager’s knowledge, the Sub-Fund does not have any other transactions with the Connected Persons of the Manager except for those disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee of up to 2% per annum of the net asset value of the Sub-Fund, calculated and accrued on each dealing day and payable monthly in arrears. In respect of the Sub-Fund, the Manager currently charges a rate of 1.5% per annum for Class A and 1% per annum for Class I.

Management fee charged for the year ended 31 December 2020 was RMB1,849,605 (2019: RMB1,948,866) of which RMB148,004 (2019: RMB166,170) was outstanding at 31 December 2020.

(b) Trustee fee

The Then Trustee is entitled to receive a fee of 0.08% per annum of the net asset value of each class of the Sub-Fund. Each transaction is also subject to a transaction fee of RMB200. The fee is calculated and accrued on each dealing day and payable monthly in arrears.

Trustee fee charged by the Then Trustee for the year ended 31 December 2020 was RMB130,092 (2019: RMB159,476) of which RMB10,547 (2019: RMB11,575) was outstanding as at 31 December 2020.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

8 Transactions with the Trustee, Manager and connected persons (Continued)

(c) Bank balances and investments

The investments and bank balances of the Sub-Fund held with the related parties of the Trustee are:

	2020 RMB	2019 RMB
Investments		
CCB (Asia) Trustee Company Limited	140,937,842	162,103,830
Bank balances		
China Construction Bank Corporation	1,229,439	462,249
China Construction Bank (Asia) Corporation Limited	313,365	1,406,260
	1,542,804	1,868,509

Interest income amounted to Nil (for the period from 1 January 2019 to 27 January 2019: RMB1,284) was earned on the bank balances in Bank of China (Hong Kong) Limited and Bank of China Limited for the year ended 31 December 2020. Interest income amounted to RMB8,194 (from 28 January 2019 to 31 December 2019: RMB3,332) was earned on the bank balances in China Construction Bank Corporation and China Construction Bank (Asia) Corporation Limited for the year ended 31 December 2020.

(d) Amount receivables from the Manager

During the financial year ended 31 December 2018, the Manager has decided to reimburse the Sub-Fund for the 10% WIT on interest income derived from policy bank bonds prior to 31 December 2015 and VAT and the related surtaxes from 1 May 2016 to 31 December 2016, amounted to RMB905,640, such amount was outstanding and included in "other receivables" on the statement of financial position as at 31 December 2020. Refer to Note 3 for details.

(e) Investment transactions and brokerage commission

During the year ended 31 December 2020 and 2019, the Sub-Fund has entered into transactions through the connected persons of the Trustee for its brokerage services. Investment transactions with this entity are set out below:

	Aggregate value of purchase and Sale of investments	% of the Sub-Fund's total aggregate value of transactions during the year	Brokerage commission paid	Average rate of commission
2020	161,427,960	47.20%	-	-
2019	419,498,954	56.08%	-	-

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

9 Taxation (Continued)

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

PRC withholding income tax and value added tax

For the year ended 31 December 2020 and 2019, the Sub-Fund had invested in RMB denominated debt securities and investment funds in PRC. Refer to Note 3 for details.

The Sub-Fund is subjected to 10% (2019: 10%) withholding income tax and 6% (2019: 6%) value added tax on coupon interest income received from PRC non-government debt securities and PRC bank interest income.

The taxation of the Sub-Fund for the year ended 31 December 2020 and 2019 represents:

	2020 RMB	2019 RMB
Withholding income tax on interest income	719	387
Value added tax on interest income	-	-
	<hr/>	<hr/>
Taxation	<u>719</u>	<u>387</u>

The movement in provision for taxation during the year is as follows:

	2020 RMB	2019 RMB
At the beginning of the year	7,050,951	7,050,994
Taxation charged to the statement of comprehensive income	719	387
Tax paid	(727)	(430)
	<hr/>	<hr/>
At the end of the year	<u>7,050,943</u>	<u>7,050,951</u>

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

NOTES TO THE FINANCIAL STATEMENTS

10 Distributions to unitholders

	2020 RMB	2019 RMB
RMB0.05 on 3,593,796 units of Class A - RMB and 10,629,582 units of Class I - RMB paid on 15 January 2020	711,169	-
USD0.05 on 172,245 units of Class A - USD and 1,736 units of Class I - USD paid on 15 January 2020	60,423	-
HKD0.05 on 0 units of Class A - HKD and 99,701 units of Class I - HKD paid on 15 January 2020	4,453	-
RMB0.05 on 3,590,565 units of Class A - RMB and 10,629,582 units of Class I - RMB paid on 15 April 2020	711,007	-
USD0.05 on 172,245 units of Class A - USD and 1,745 units of Class I - USD paid on 15 April 2020	61,767	-
HKD0.05 on 0 units of Class A - HKD and 99,701 units of Class I - HKD paid on 15 April 2020	4,565	-
RMB 0.05 on 3,499,488 units of Class A - RMB and 10,629,582 units of Class I - RMB paid on 16 July 2020	706,454	-
USD 0.05 on 172,245 units of Class A - USD and 1,754 units of Class I - USD paid on 16 July 2020	61,486	-
HKD 0.05 on 0 units of Class A - HKD and 99,701 units of Class I - HKD paid on 16 July 2020	4,546	-
RMB 0.05 on 2,994,181 units of Class A - RMB and 10,629,582 units of Class I - RMB paid on 15 October 2020	681,188	-
USD 0.05 on 163,461 units of Class A - USD and 1,764 units of Class I - USD paid on 15 October 2020	55,299	-
HKD 0.05 on 0 units of Class A - HKD and 99,701 units of Class I - HKD paid on 15 October 2020	4,305	-
RMB 0.05 on 4,520,876 units of Class A - RMB and 10,727,991 units of Class I - RMB paid on 16 January 2019	-	762,443
USD 0.05 on 172,245 units of Class A - USD and 6,726 units of Class I - USD paid on 16 January 2019	-	61,456
HKD 0.05 on 0 units of Class A - HKD and 99,701 units of Class I - HKD paid on 16 January 2019	-	4,370
RMB 0.05 on 4,137,188 units of Class A - RMB and 10,727,991 units of Class I - RMB paid on 15 April 2019	-	743,259
USD 0.05 on 172,245 units of Class A - USD and 5,708 units of Class I - USD paid on 15 April 2019	-	59,718

CSOP SHEN ZHOU RMB FUND
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NOTES TO THE FINANCIAL STATEMENTS

10 Distributions to unitholders (Continued)

	2020 RMB	2019 RMB
HKD 0.05 on 0 units of Class A - HKD and 99,701 units of Class I - HKD paid on 15 April 2019	-	4,262
RMB 0.05 on 4,048,259 units of Class A - RMB and 10,727,991 units of Class I - RMB paid on 15 July 2019	-	738,813
USD 0.05 on 172,245 units of Class A - USD and 3,574 units of Class I - USD paid on 15 July 2019	-	60,425
HKD 0.05 on 0 units of Class A - HKD and 99,701 units of Class I - HKD paid on 15 July 2019	-	4,392
RMB 0.05 on 4,025,201 units of Class A - RMB and 10,629,582 units of Class I - RMB paid on 15 October 2019	-	732,739
USD 0.05 on 172,245 units of Class A - USD and 3,574 units of Class I - USD paid on 15 October 2019	-	62,804
HKD 0.05 on 0 units of Class A - HKD and 99,701 units of Class I - HKD paid on 15 October 2019	-	4,540
Total distributions	<u>3,066,662</u>	<u>3,239,221</u>

11 Soft commission arrangements

The Manager confirms that there has been no soft commission arrangement existing during the year in relation to directing transactions of the Sub-Fund through a broker or dealer.

12 Subsequent events

After the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020, the Manager, the Trustee and the Custodian have all deployed business continuity arrangements to minimise interruption to business. As of the date of issuance of these financial statements, the extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and specific positions in which the Sub-Fund invests are uncertain. The Manager and the Trustee are closely monitoring, and responding to, the development of COVID-19 as appropriate.

13 Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 29 April 2021.

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 31 DECEMBER 2020

	Holdings	Fair Value RMB	% of net assets
Investments			
Investment fund			
China			
GUANGFA MONEY MARKET FUND-B	5,930,287	5,930,287	3.80%
Listed Bonds			
China			
CHINA NATL PETROLEUM CO 4.8% 15MAR20	50,000	5,095,000	3.26%
XJ 12TH SHI PROD STATE 4.66% 11APR20	100,000	10,000,000	6.40%
SH POWERLONG IND DEV 7.2% 20NOV2024	100,000	10,170,000	6.51%
SHENZHEN METRO 3.62% 06NOV2023	100,000	9,941,000	6.36%
CHINA CHENG TONG HOLDINGS 2.78% 18MAY2023	100,000	9,950,000	6.37%
XIAMEN ZHONGJUN GP 6.95% 01AUG2023	100,000	10,000,000	6.40%
SUNAC REAL ESTATE GROUP FRN 16AUG202	100,000	10,150,000	6.50%
	650,000	65,306,000	41.80%
Quoted Bonds			
China			
BANK OF BEIJING CO LTD 0% 03DEC2021	100,000	9,707,380	6.21%
FUTONG GROUP CO LTD 7.5% 07JUL2022	100,000	9,910,800	6.34%
RSM INVESTMENT 6.8% 26APR2021	100,000	9,918,920	6.35%
HENGYANG BAISHA DEV 4.57% 25NOV2021	100,000	9,783,430	6.26%
RENHUI DEVE CON INV 5.12% 14APR2023	100,000	5,851,410	3.75%
HAINAN DEVELOP HLD FRN 04DEC2021	100,000	10,173,380	6.51%
PANZHIHUA STATE ASSET 8.18% 13MAR202	100,000	4,085,410	2.62%
SEAZEN HOLDINGS CO LTD FRN 07JAN2022	100,000	10,001,300	6.40%
CHINA DEVELOPMENT BANK 4.04% 06JUL20	60,000	6,199,812	3.97%
	860,000	75,631,842	48.41%

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2020

	Holdings	Fair Value RMB	% of net assets
Total investments		146,868,129	94.01%
Other net assets		9,359,847	5.99%
Total net assets as at 31 December 2020		<u>156,227,976</u>	<u>100%</u>
Total investments, at cost		<u>151,872,977</u>	

CSOP SHEN ZHOU RMB FUND
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STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED)
For the period from 1 January 2020 to 31 December 2020

	% of net asset value 2020	% of net asset value 2019
Listed debt securities and quoted investments		
Communications	6.34	6.17
Consumer, cyclical	6.37	12.26
Consumer, non-cyclical	-	12.12
Diversified	6.26	5.79
Energy	3.26	6.28
Financial services	52.49	33.92
Industrial	8.98	16.75
Utilities	6.51	6.30
RMB denominated investment fund	<u>3.80</u>	<u>1.81</u>
Total investments	94.01	100.50
Other net assets/(liabilities)	<u>5.99</u>	<u>(0.50)</u>
Total net assets	<u><u>100.00</u></u>	<u><u>100.00</u></u>

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

PERFORMANCE TABLE (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Net asset values

At 31 December 2020	Class A – RMB			Class I – RMB		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB		RMB	RMB		RMB
	28,561,811		9.89	117,069,028		10.41
	Class A – HKD			Class I – HKD		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB	HKD	RMB	RMB	HKD	RMB
	-	-	-	796,759	9.49	7.99
	Class A – USD			Class I – USD		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB	USD	RMB	RMB	USD	RMB
	9,690,937	9.08	59.29	109,441	9.46	61.73
At 31 December 2019	Class A – RMB			Class I – RMB		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB		RMB	RMB		RMB
	37,269,983		10.37	115,297,835		10.85
	Class A – HKD			Class I – HKD		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB	HKD	RMB	RMB	HKD	RMB
	-	-	-	832,988	9.34	8.35
	Class A – USD			Class I – USD		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB	USD	RMB	RMB	USD	RMB
	10,739,149	8.95	62.35	112,023	9.27	64.54
At 31 December 2018	Class A – RMB			Class I – RMB		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB		RMB	RMB		RMB
	46,140,031		10.20	113,852,560		10.61
	Class A – HKD			Class I – HKD		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB	HKD	RMB	RMB	HKD	RMB
	-	-	-	817,166	9.33	8.20
	Class A – USD			Class I – USD		
			Dealing Net asset			Dealing Net asset
	Net asset value		value per unit	Net asset value		value per unit
	RMB	USD	RMB	RMB	USD	RMB
	10,598,930	8.94	61.53	425,998	9.20	63.34

CSOP SHEN ZHOU RMB FUND
(A sub-fund of CSOP Shen Zhou Fund)

PERFORMANCE TABLE (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Highest and lowest net asset value per unit

Financial year ended
31 December 2020

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.59		9.82		11.10		10.33	
Class A - HKD				Class I - HKD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
HKD	RMB	HKD	RMB	HKD	RMB	HKD	RMB
-	-	-	-	9.92	8.35	9.17	7.72
Class A - USD				Class I - USD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
USD	RMB	USD	RMB	USD	RMB	USD	RMB
9.49	61.94	8.80	57.44	9.88	64.49	9.13	59.59

Financial year ended
31 December 2019

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.37		10.16		10.85		10.57	
Class A - HKD				Class I - HKD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
HKD	RMB	HKD	RMB	HKD	RMB	HKD	RMB
-	-	-	-	9.67	8.64	9.06	8.10
Class A - USD				Class I - USD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
USD	RMB	USD	RMB	USD	RMB	USD	RMB
9.24	64.34	8.64	60.16	9.52	66.29	8.93	62.18

* The highest and lowest net asset value per unit shown above is based on each class subscription/redemption currency.

CSOP SHEN ZHOU RMB FUND

(A sub-fund of CSOP Shen Zhou Fund)

**PERFORMANCE TABLE (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****Highest and lowest net asset value per unit (Continued)**Financial year ended
31 December 2018

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.20		10.01		10.61		10.38	
Class A - HKD				Class I - HKD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
HKD	RMB	HKD	RMB	HKD	RMB	HKD	RMB
-	-	-	-	10.17	8.12	9.1	8.09
Class A - USD				Class I - USD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
USD	RMB	USD	RMB	USD	RMB	USD	RMB
9.77	61.23	8.71	60.79	10.02	62.79	8.96	62.52

Financial year ended
31 December 2017

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.33		10.01		10.62		10.31	
Class A - HKD				Class I - HKD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
HKD	RMB	HKD	RMB	HKD	RMB	HKD	RMB
9.01	7.94	8.70	7.73	9.79	8.11	9.02	8.01
Class A - USD				Class I - USD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
USD	RMB	USD	RMB	USD	RMB	USD	RMB
9.49	61.38	8.77	60.56	9.69	62.72	8.95	61.86

* The highest and lowest net asset value per unit shown above is based on each class subscription/redemption currency.

CSOP SHEN ZHOU RMB FUND

(A sub-fund of CSOP Shen Zhou Fund)

**PERFORMANCE TABLE (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****Highest and lowest net asset value per unit (Continued)**

Financial year ended

31 December 2016

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.66		10.17		10.94		10.46	
Class A - HKD				Class I - HKD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
HKD	RMB	HKD	RMB	HKD	RMB	HKD	RMB
9.85	8.85	8.76	7.87	10.14	9.11	9.06	8.14
Class A - USD				Class I - USD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
USD	RMB	USD	RMB	USD	RMB	USD	RMB
9.98	69.56	8.86	61.75	10.11	70.47	9.02	62.87

Financial year ended

31 December 2015

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.61		10.23		10.84		10.41	
Class A - HKD				Class I - HKD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
HKD	RMB	HKD	RMB	HKD	RMB	HKD	RMB
10.06	8.53	9.57	8.11	10.31	8.74	9.82	8.32
Class A - USD				Class I - USD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
USD	RMB	USD	RMB	USD	RMB	USD	RMB
10.18	66.88	9.69	63.66	10.28	67.54	9.79	64.32

* The highest and lowest net asset value per unit shown above were based on each class subscription/redemption currency.

CSOP SHEN ZHOU RMB FUND

(A sub-fund of CSOP Shen Zhou Fund)

**PERFORMANCE TABLE (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****Highest and lowest net asset value per unit (Continued)**Financial year ended
31 December 2014

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.45		9.86		10.61		9.96	
Class A - HKD				Class I - HKD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
HKD	RMB	HKD	RMB	HKD	RMB	HKD	RMB
10.24	8.22	9.94	7.98	10.45	8.39	9.99	8.02
Class A - USD				Class I - USD			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
USD	RMB	USD	RMB	USD	RMB	USD	RMB
10.36	64.47	9.94	61.86	10.42	64.85	9.95	61.90

Financial year ended
31 December 2013

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.26		9.87		10.33		9.96	

Financial year ended
from 22 February
2012 (date of
inception) to 31
December 2012

Class A - RMB				Class I - RMB			
Highest net asset value per unit		Lowest net asset value per unit		Highest net asset value per unit		Lowest net asset value per unit	
RMB		RMB		RMB		RMB	
10.32		10.00		10.33		10.00	

* The highest and lowest net asset value per unit shown above were based on each class subscription/redemption currency.