PRODUCT KEY FACTS
CSOP Shen Zhou Fund -
CSOP Shen Zhou RMB Fund

Issuer: CSOP Asset Management Limited

24 September 2020

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

Quick facts

Manager:	CSOP Asset Management Limited 南方東英資產管理有限公司
RQFII Holder:	CSOP Asset Management Limited 南方東英資產管理有限公司
Trustee:	CCB (Asia) Trustee Company Limited 建行亞洲信託有限公司
RQFII Custodian:	China Construction Bank Corporation 中國建設銀行股份有限公司
Ongoing charges over a year:	Class A (RMB): 2.18%* Class A (USD) : 1.91% * Class A (HKD) : 1.91% ** Class I (RMB): 1.44%* Class I (USD) : 3.81% * Class I (HKD) : 1.43% *
Dealing frequency:	Daily on each HK & Mainland China Business Day[1]
Base currency:	RMB
Dividend policy:	Currently on a quarterly basis (i.e. in respect of the period ending March, June, September and December each year), subject to the Manager's discretion and paid in the class currency. The Manager may, at its discretion, pay dividends out of or effectively pay dividend out of capital, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund.
Financial year end of this fund:	31 December

[1] a day (other than a Saturday or Sunday) on which a Business Day on which banks in Hong Kong and the mainland China are open for business

*The ongoing charges figure is based on expenses for the year ended 31 December 2019. This figure may vary from year to year.

** There is no ongoing charges figure in respect of Class A (HKD) as the Share Class is dormant since 20 June 2017. This figure is the best estimate of the ongoing charges for Class A (HKD) by making reference to other unit classes with similar fee structure at a similar fund size.

Min. investment:	**Class A (RMB):** RMB500 initial, RMB500 additional **Class A (USD):** USD100 initial, USD100 additional **Class A (HKD):** HKD500 initial, HKD500 additional **Class I (RMB):** RMB1,000,000 initial, RMB500,000 additional **Class I (USD):** USD200,000 initial, USD100,000 additional **Class I (HKD):** HKD1,000,000 initial, HKD500,000 additional
Min. holding:	**Class A (RMB):** RMB500 **Class A (USD):** USD100 **Class A (HKD):** HKD500 **Class I (RMB)**: RMB1,000,000 **Class I (USD)**: USD200,000 **Class I (HKD)**: HKD1,000,000
Min. redemption:	**Class A (RMB):** RMB500 **Class A (USD):** USD100 **Class A (HKD):** HKD500 **Class I (RMB):** RMB250,000 **Class I (USD):** USD50,000 **Class I (HKD):** HKD250,000

What is this product?

CSOP Shen Zhou RMB Fund (the "**Sub-Fund**") is a sub-fund of CSOP Shen Zhou Fund which is a Hong Kong domiciled umbrella structure unit trust established by a trust deed dated 30 December 2011 as amended from time to time. It is governed by the laws of Hong Kong.

The Sub-Fund invests primarily in RMB denominated and settled debt instruments issued within mainland China through the RQFII status of the Manager.

Objectives and Investment Strategy

Objectives

CSOP Shen Zhou RMB Fund seeks long term and stable capital growth through investing primarily in bonds issued within mainland China through the RQFII status of the Manager.

The Sub-Fund will invest primarily in RMB denominated and settled debt securities issued or distributed within mainland China by governments, quasi-government organizations, financial institutions and other corporations, for example, 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 may invest in urban investment bonds (i.e. debt instruments issued by local government financing vehicles ("LGFVs") and traded in the mainland China 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 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 does not have explicit restrictions on the minimum credit ratings of securities it may hold. For enterprise bonds, corporate bonds and other non-government issues, the Manager will generally select securities that have a rating of AA or above assigned by any mainland China domestic credit rating agency, provided that the Manager may also invest in securities that have a lower rating or are unrated. The aggregate investment in securities with a credit rating of BB+ or below (assigned by any mainland China domestic credit rating agency) or unrated securities will not exceed 5% of the Sub-Fund's Net Asset Value. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. If both the security and the relevant issuer are not rated, then the security will be classified as unrated. 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.

The Sub-Fund may also invest in other instruments permitted under applicable regulations. The Sub-Fund may invest up to 30% of the Sub-Fund's Net Asset Value in offshore RMB denominated deposits and 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 funds (authorised by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC).

The Sub-Fund will not invest in China A-Shares. The Sub-Fund will not invest in structured products, structured deposits or asset backed securities (including asset backed commercial papers or similar structured products) for hedging or non-hedging purposes.

Use of derivatives / investment in derivatives

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

Securities financing transactions

The Manager may, on behalf of the Sub-Fund, enter into sale and repurchase transactions and/or reverse repurchase transactions (listed on recognised exchanges and/or OTC-based), when aggregated with the Sub-Fund's borrowing, with the maximum level of up to 25% and expected level of approximately 20% of the Sub-Fund's Net Asset Value with a view to creating additional income (all transactions will be dealt with in compliance with the relevant laws and regulations where applicable for onshore and/or offshore market). A sale and repurchase transaction involves a sale of securities for cash with a simultaneous agreement to reverse the transaction at an agreed date and price in the future. A sale and repurchase agreement is economically similar to a secured loan, with the counterparty receiving securities as collateral for the cash it lends to the Sub-Fund. Where the Sub-Fund enters into reverse repurchase transactions it acquires securities such as bonds by cash and simultaneously agrees to sell the securities to the counterparty at a pre-determined future date for a pre-determined price. A reverse repurchase transaction is economically similar to secured lending, with the Sub-Fund receiving securities as collateral for the cash it lends to the counterparty.

Cash received in a sale and repurchase transaction will be used for liquidity management, re-investment and hedging purposes. Any reinvestment made with the proceeds will be in accordance with the Sub-Fund's investment objectives and investment restrictions, and may not be used as the collaterals for other sale and repurchase transactions.

Any revenue generated from sale and repurchase transactions and/or reverse repurchase transactions will be credited to the Sub-Fund following the deduction of any direct and indirect operational costs and fees arouse from such transactions.

The Manager currently does not intend to enter into any securities lending transactions in respect of the Sub-Fund.

Use of derivatives / investment in derivatives

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

What are the key risks?

Investment involves risks. Please refer to the offering document for details including the risk factors.

Investment risk

- The Sub-Fund is an investment fund. There is no guarantee of the repayment of principal. There is also no guarantee of regular distribution payments during the period you hold the units of the Sub-Fund. The instruments invested by the Sub-Fund may fall in value and therefore your investment in the Sub-Fund may suffer losses.

Mainland China market risk / Single market investment risk

- The Sub-Fund invests primarily in securities related to the mainland China market and may be subject to additional concentration risk and is likely to be more volatile than a broad-based fund, such as a global or regional fund, or a fund which invests in more developed markets. The prices of securities traded in the mainland China debt securities market may have higher volatility compared to more developed markets.
- Investment in the mainland China market is subject to emerging market risk in general including political, economic, legal, foreign exchange, regulatory and liquidity risks.

Mainland China tax risk

- There are risks and uncertainties associated with the current mainland China tax laws, regulations and practice in respect of capital gains realised by RQFIIs on its investments in the mainland China (which may have retrospective effect). After careful consideration of the Manager's reassessment and having taken and considered independent professional tax advice and in accordance with such advice, the Manager decided that with effect from 17 November 2014, no withholding provision will be made on the gross unrealised and realised capital gains derived from the disposal of RMB denominated and settled debt securities issued or distributed within mainland China.
- The Manager will make a WIT provision of 10% for the account of the Sub-Fund on mainland China sourced passive income (such as dividend income or interest income) arising from investments in mainland China securities.
- In light of another notice issued by the Ministry of Finance of the PRC and State Taxation Administration of the PRC ("STA") under Caishui [2016] No. 36 announcing that the Value-Added Tax ("VAT") transformation will be rolled out to cover all the remaining industries, including financial services, the Manager, after having carefully considered the assessment and having taken and considered independent professional tax advice, has determined to make a provision for VAT in an amount equal to the total of (i) for VAT, 6% of the bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i) with effect from 30 April 2018.
- On 22 November 2018, the Ministry of Finance (the "MOF") and the STA jointly issued a notice Caishui [2018] No.108 (the "Notice 108") which announced that foreign investors are exempt from mainland China Corporate Income Tax ("CIT") and mainland China Value-Added Tax ("VAT") and local surtaxes in respect of non-government bond interest income received from 7 November 2018 to 6 November 2021 from mainland China. In other words, the Manager, having consulted professional and independent tax adviser, will make no tax provision on bond coupon interest income derived from mainland China during this period.
- It is possible that the applicable tax laws may be changed, that the mainland China tax authorities may hold a different view as to the enforcement of the mainland China withholding tax and collection on capital gains. In such case the Sub-Fund will bear the actual tax liabilities as no tax provision has been made. This may have an adverse impact to the Sub-Fund's Net Asset Value. In this case, existing and subsequent investors will be disadvantaged as they bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

RQFII risk

- The Sub-Fund invests in securities through a RQFII and repatriations by RQFIIs in respect of the Sub-Fund are currently not subject to repatriation restrictions or prior approval. However, there is no assurance that mainland China rules and regulations will not change or that repatriation restrictions will not be imposed in the future.
- The application of RQFII rules may depend on the interpretation of the mainland Chinese authorities and may have retrospective effects. Any changes to the relevant rules may have an

adverse impact on investors' investment in the Sub-Fund.

- In the event of any default of either a mainland China broker or the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the mainland China, the Sub-Fund may encounter delays in recovering its assets which may in turn impact the Net Asset Value of the Sub-Fund.

RMB currency risk

- Renminbi is currently not freely convertible and is subject to exchange controls by the Chinese government. Investors may be adversely affected by movements of the exchange rates between Renminbi and other currencies. There is no guarantee that RMB will not depreciate. Any depreciation of the value of RMB could adversely affect the value of investors' investments in the Sub-Fund.

Currency conversion risk

- Investors of non-RMB denominated units are subject to foreign exchange risks due to the foreign exchange movements between RMB and other currencies and the spread between the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong) and CNY rate (i.e. the exchange rate for the onshore RMB market in the mainland China) and additional conversion costs. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in RMB into non-RMB currency which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Unitholders or delay the payment of redemption proceeds.

Risks relating to debt securities

- <u>Credit risk:</u> The Sub-Fund invests in RMB denominated debt securities which are typically unsecured debt obligations and are not supported by collateral. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.
- <u>Interest rates risk:</u> Investment in the Sub-Fund is subject to interest rate risk. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

- <u>Risks relating to credit rating / downgrading risk:</u> The rating criteria and methodology used by Chinese local rating agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.
  Rated securities may be subject to the risk of being downgraded and this may adversely affect the value of investments in such securities in the event of downgrading.
- <u>Valuation risk:</u> Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.
- <u>Risk associated with urban investment bonds:</u> Urban investment bonds are issued by LGFVs. Although local governments may appear to be connected to urban investment bonds, such bonds are typically not guaranteed by local governments or the central government of the mainland China. As such, local governments or the central government of the PRC are not obliged to support any LGFVs in default. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.
- <u>Risk associated with Dim Sum bond markets:</u> "Dim Sum bonds" are bonds issued outside of mainland China but denominated in RMB. The Dim Sum bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the Dim Sum bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).
- <u>Liquidity risk:</u> The RMB denominated debt securities market is at a developing stage and the trading volume may be lower than those of the more developed markets.
  In the absence of an active secondary market, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy redemption requests The Sub-Fund may

incur significant trading and realisation costs and may suffer losses accordingly.

Risks associated with sale and repurchase transactions and reverse repurchase transactions

- In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.
- Cash obtained in sale and repurchase transactions may be re-invested in securities subject to the restrictions applicable to the Sub-Fund. While it is the intention of the Manager to generate additional income for the Sub-Fund through reinvestment of cash, it is possible that the Sub-Fund may suffer loss of some or the entire re-invested amount.
- In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

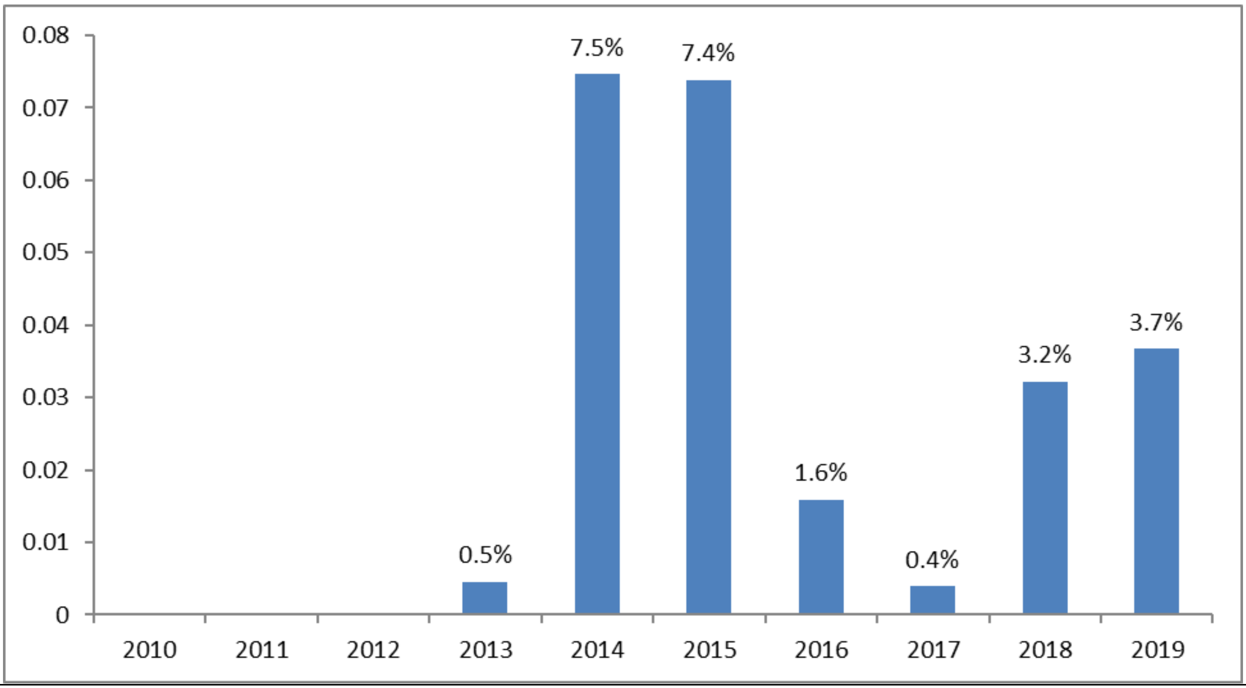
Hedging / derivative risk

- The Sub-Fund may invest in derivatives for hedging purposes and in adverse situations its use of financial derivative instruments may become ineffective and/or cause the Sub-Fund to suffer significant loss.

Risks relating to distribution from capital

- The Manager, may at its discretion, pay dividends out of or effectively pay dividend out of capital, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund. The payment of distributions out of capital or effectively out of capital amounts to a return or a withdrawal of part of the amount an investor originally invested or capital gains attributable to that amount, and may result in an immediate decrease in the net asset value of the relevant units.

How has the fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.
- This figure shows by how much Class A (RMB) increased or decreased in value during the calendar year being shown. Performance data has been calculated in RMB including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 22 February 2012.
- Class A (RMB) launch date: 22 February 2012
  The Manager views Class A (RMB), being the retail unit class denominated in the Sub-Fund's base currency as the most appropriate representative unit class.
- Investors may obtain the past performance information of other unit classes offered to Hong Kong investors from the website www.csopasset.com. This website has not been reviewed by the SFC.

Is there any guarantee?

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

What are the fees and charges?

Charges which may be payable by you

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

Fee	**What you pay**
Preliminary Charge (% of Issue Price)	**For all classes**: up to 3%*
Redemption Charge (% of Redemption Price)	**Class A (RMB)**, **Class A (USD) and Class A (HKD)**: nil* **Class I (RMB), Class I (USD) and Class I (HKD)**: nil, subject to redemption notice period of at least 1 month*
Switching Charge (% of Issue Price of the new class being switched into)	**For all classes**: nil*

Ongoing fees payable by the Sub-Fund

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

	Annual rate (as a % of the Sub-Fund's net asset value)
Management Fee	**Class A (RMB)**, **Class A (USD) and Class A (HKD)**: 1.5% p.a.* **Class I (RMB), Class I (USD) and Class I (HKD)**: 1% p.a.*
Trustee Fee	**For all classes:** up to 0.10% p.a., and a transaction fee of

	RMB200 per transaction (including fees for the RQFII Custodian)
Performance Fee	**For all classes**: Nil

Other fees

You may have to pay other fees and charges when dealing in the units of the Sub-Fund. The Sub-Fund will also bear the costs which are directly attributable to it, as set out in the offering document.

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

Additional Information

- You generally buy and redeem units at the Sub-Fund's next-determined net asset value (NAV) after the Manager or an Authorised Distributor receives your request in good order on or before 4p.m. (Hong Kong time) on the relevant Dealing Day.
- The Authorised Distributor(s) may impose an earlier cut-off time before the dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.
- Switching from a non-RMB denominated sub-fund into CSOP Shen Zhou RMB Fund is not allowed.
- The net asset value of the Sub-Fund is calculated and the price of units is published each HK & Mainland China Business Day on the website of the Manager: www.csopasset.com. This website has not been reviewed by the SFC.
- The composition of the latest dividend distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months is available from the Manager on request and on the website www.csopasset.com. This website has not been reviewed by the SFC.

Important

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

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