

May 2021

Issuer: CSOP Asset Management Limited

- *This statement provides you with key information about CSOP Select RMB Bond 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
QFI Holder:	CSOP Asset Management Limited
Trustee:	CCB (Asia) Trustee Company Limited
RQFII Custodian:	China Construction Bank Corporation
Dealing frequency:	Daily on each HK & PRC mainland Business Day ¹
Base currency:	RMB
Dividend policy:	Currently on a semi-annual basis (i.e. in respect of the period ending June and December each year), subject to the Manager's discretion and paid in the class currency; dividends may be paid out of capital.
Financial year end of this fund:	31 December
Min. investment:	Class A (RMB): RMB20,000 initial, RMB10,000 additional Class A (USD): USD4,000 initial, USD2,000 additional Class I (RMB): RMB1,000,000 initial, RMB500,000 additional Class I (USD): USD200,000 initial, USD100,000 additional
Min. holding:	Class A (RMB): RMB20,000 Class A (USD): USD4,000 Class I (RMB): RMB1,000,000 Class I (USD): USD200,000
Min. redemption:	Class A (RMB): RMB10,000 Class A (USD): USD2,000 Class I (RMB): RMB250,000 Class I (USD): USD50,000

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

What is this product?

CSOP Select RMB Bond 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 QFI status of the Manager. The Sub-Fund is denominated in RMB.

Objectives and Investment Strategy

Objectives

The CSOP Select RMB Bond Fund seeks long term and stable capital growth through investing primarily in bonds issued within Mainland China through the QFI status of the Manager.

The Sub-Fund will invest not less than 80% of its Net Asset Value in RMB denominated and settled debt securities issued or distributed within Mainland China where the issuers or the debt securities have obtained investment grade ratings from recognised international rating agencies at the time the debt securities are purchased. “Investment grade” refers to a credit rating of BBB- or above by Standard & Poor’s, Baa3 or above from Moody’s, BBB- or above from Fitch, or from an internationally recognised credit rating agency. In the event of split ratings among such credit rating agencies, the highest credit rating accredited to the issuers or the securities will be applied by the Manager.

The Sub-Fund may invest in debt securities issued by the PRC mainland central government (e.g. the Ministry of Finance) and local governments, governmental bodies and organizations (e.g. the policy banks of the PRC mainland) and corporate entities (e.g. commercial banks and PRC mainland listed companies). The Sub-Fund does not have a bias towards either government or corporate issuers.

The debt securities include but are not limited to government bonds and notes, treasury bonds, policy bank bonds, local government bonds, corporate bonds, financial bonds, commercial papers, short term bills and notes. These securities are listed on a stock exchange or traded in the interbank bond market.

The Manager will actively manage the portfolio of the Sub-Fund. In case of credit rating downgrading of the issuer or the security, the Manager will adjust the positions in the portfolio using its credit analysis and rating systems that are designed to manage credit risks. In case of credit rating downgrading to below investment grade, the Manager will cease to hold the relevant securities and use reasonable effort to divest such securities in a reasonable period of time determined by the Manager.

The Sub-Fund may invest in offshore RMB denominated deposits, fixed income funds that are authorised by the China Securities Regulatory Commission (“CSRC”) to be offered in Mainland China. The Sub-Fund may also invest in other instruments permitted under applicable regulations.

The indicative asset allocation of the Sub-Fund is as follows:

	<u>Percentage of Net Asset Value</u>
Bonds:	80-100%
Fixed income funds:	0-10%
Offshore RMB deposits and Cash:	0-10%

The Sub-Fund will not invest in (i) Mainland China A-Shares; (ii) any securities issued or distributed outside Mainland China; (iii) bonds issued by PRC mainland local government financing vehicles (also known as “urban investment bonds”); and (iv) securities that are rated non-investment grade or are unrated (unless the relevant issuers is rated investment grade by a recognised international credit rating agency at the time of purchase of the securities). The Sub-Fund will 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. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be any change in the policies set out in this paragraph.

The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

Strategy

The Manager's selection criteria primarily focus on the credit rating of the relevant debt securities or the issuers, in accordance with the investment objective of the Sub-Fund. The Manager will also consider the maturity terms of the debt securities by analyzing and anticipating the market yield curve shape and trends. In addition, the Manager will consider the sector of the relevant issuers as necessary (e.g. where it considers that a sector is facing different macro-trends and policy environment, which could affect the risk/return profile of the debt securities). The Manager will carefully select debt securities with risk/return profile that is able to meet the Sub-Fund's long term investment objective.

In particular, the Manager seeks to construct the duration of the debt securities investment portfolio based on expectations of the changes in RMB interest rates. Duration measures the sensitivity of bond prices to the change of interest rate (or yield). The Sub-Fund will apply analysis in credit risk and liquidity risk to adjust the allocation of investment in debt securities and increase returns on investment. Further, the Sub-Fund will seek to invest in undervalued debt securities, which are selected through the Manager's pricing technique.

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 country investment risk

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

Concentration in a number of issuers

- The Sub-Fund will concentrate its investments in debt securities issued by government or corporate issuers that have obtained investment grade rating. Therefore, it may be subject to additional concentration risks. If any of the issuers defaults, the Sub-Fund may be subject to significant losses in its investments.
- Concentration in limited issuers may narrow the investment universe of the Sub-Fund. In case of downgrading of an issuer to below investment grade, the Sub-Fund may need to dispose of a significant portion of its holdings (and at a discount), and the Sub-Fund's performance will be adversely affected.

PRC mainland tax risk

- There are risks and uncertainties associated with the current PRC mainland tax laws, regulations and practice in respect of capital gains realised by QFIs on its investments in the PRC mainland (which may have retrospective effect). After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from 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 with respect to Taxes on Income (the "Arrangement") and in accordance with such advice, the Manager decided that no withholding income tax 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.

- It is possible that the applicable tax laws may be changed, that the PRC mainland tax authorities may hold a different view or that the PRC mainland tax authorities require the Sub-Fund to provide a Hong Kong Tax Resident Certificate (“HKTRC”) (the Sub-Fund has not currently obtained a HKTRC) and the Manager may not be able to obtain a HKTRC on behalf of the Sub-Fund. 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 will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

QFI risk

- The Sub-Fund invests in securities through a QFI which is subject to applicable regulations imposed by the PRC mainland authorities, and may be subject to liquidity risk. Although no lock-up period is currently imposed, and repatriations by QFIs in respect of the Sub-Fund are currently not subject to repatriation restrictions or prior approval, there is no assurance that PRC mainland rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund’s ability to meet redemption requests from the Unitholders.
- The QFI rules have only been recently announced and are relatively new – their application may depend on the interpretation of the 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 PRC mainland broker or the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC mainland, 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 and 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

- Where an investor subscribes for units denominated in a non-RMB currency, the Manager will convert such subscriptions into RMB prior to investment at the applicable exchange rate and subject to the applicable spread. Where an investor redeems units denominated in a non-RMB currency, the Manager will sell the Sub-Fund’s investments denominated in RMB and convert such proceeds into non-RMB currency at the applicable exchange rate and subject to the applicable spread. 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.
- In calculating the net asset value of units of non-RMB class, the Manager will apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). The CNH rate may be at a premium or discount to the exchange rate for the onshore RMB

investing in classes of units denominated in a non-RMB currency may suffer losses. The value of the Sub-Fund thus calculated may be subject to fluctuation.

Risks relating to debt securities

Credit risk

- The Sub-Fund is exposed to the credit/insolvency risk of issuers of the RMB denominated debt securities it invests in. Such securities are typically unsecured debt obligations and are not supported by collateral. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Interest rates risk

- 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. The Chinese government's macro-economic policies and controls will have significant influence over the capital markets in Mainland China. Changes in fiscal and monetary policies, such as interest rates policies, may have an adverse impact on the pricing of debt securities, and thus the return of the Sub-Fund.

Risks relating to credit rating

- The credit ratings issued by credit rating agencies are subject to certain limitations. For example, credit ratings do not necessarily reflect probable future events and there is often a time lag in updating credit ratings. The credit rating of a bond is not the only selection criterion for investment by the Sub-Fund.

Downgrading risk

- Although the Sub-Fund primarily invests in securities that are of investment grade (or the issuers of which are rated investment grade) as determined by a recognised international credit rating agency, the relevant securities / issuers may be subject to downgrading. There is no assurance that a security / an issuer will continue to be rated or to have an investment grade rating in future.
- The ability of the Manager to dispose of a security may be limited by a number of factors such as the market liquidity. There is no assurance that the Manager will be able to dispose of the security at a favourable price. Therefore, in the event of credit rating downgrading of a security, the Sub-Fund's value will be adversely affected.

Valuation risk

- Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected. The value of debt securities may be affected by changing market conditions or other significant

market events affecting valuation. For example, in the event of downgrading of an issuer, the value of the relevant debt securities may decline rapidly.

Liquidity risk

- 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. The Sub-Fund may invest in debt securities which are not listed. Even if the debt securities are listed, the market for such securities may be inactive.
- In the absence of an active secondary market, the Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such securities. The bid and offer spreads of the price of such securities may be large, so the Sub-Fund may incur significant trading and realisation costs and may suffer losses accordingly.

Distribution from capital

- The Manager may pay distributions out of the capital of the Sub-Fund. The payment of distributions out of capital represents a return or a withdrawal of part of the amount an investor originally invested or capital gains attributable to that amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant units.

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)

Class A (RMB) and Class A (USD): up to 3%*

Redemption Charge
(% of Redemption Price)

Class A (RMB) and Class A (USD): nil*

Class I (RMB) and Class I (USD): up to 1%, which may be waived by the Manager *

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) and Class A (USD): 1.5% p.a.*
Class I (RMB) and Class I (USD): 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

- The Manager may close the Sub-Fund to further subscriptions before the end of the initial offer period without any prior or further notice if the total subscription amount reaches RMB 1 billion.
- 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 Select RMB Bond Fund is not allowed.
- The net asset value of the Sub-Fund is calculated and the price of units is published each HK & PRC mainland Business Day on South China Morning Post and Hong Kong Economic Times and on the website of the Manager: www.csopasset.com.
- 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.

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.