

CSOP Asset Management Limited

5 September 2019

- ***This is an exchange traded fund.***
- ***This statement provides you with key information about this product.***
- ***This statement is a part of the Prospectus.***
- ***You should not invest in this product based on this statement alone.***

Quick facts

Stock codes:	RMB counter: 83129 HKD counter: 03129
Trading lot size:	RMB counter: 200 units HKD counter: 200 units
Fund Manager and RQFII Holder:	CSOP Asset Management Limited 南方東英資產管理有限公司
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited 滙豐機構信託服務(亞洲)有限公司
Custodian:	The Hongkong and Shanghai Banking Corporation Limited
PRC Custodian:	HSBC Bank (China) Company Limited
Underlying Index:	CSI 300 Smart Index
Base currency:	Renminbi (“RMB”)
Trading currency:	RMB counter: RMB HKD counter: Hong Kong Dollar (“HKD”)
Financial year end of this fund:	31 December
Dividend policy:	The Manager intends to distribute income to unitholders annually (in December) having regard to the Sub-Fund’s net income after fees and costs. The Manager may, at its discretion, pay dividend out of or effectively pay dividend out of capital. Distributions for all units (whether traded in HKD or RMB counter) will be in RMB only.
Ongoing charges over a year:	2.92% #
Tracking difference of the last calendar year	-1.93% ##
ETF Website:	http://www.csopasset.com/en/products/csi-300-etf

The ongoing charges figure is based on expenses for the year ended 31 December 2018. This figure may vary from year to year.

This is the actual tracking difference of the last calendar year. Investors should refer to the ETF website for more up to date information on actual tracking difference.

What is this product?

The CSOP China CSI 300 Smart ETF (the “**Sub-Fund**”) is a sub-fund of the CSOP ETF Series (“**Trust**”), which is an umbrella unit trust established under Hong Kong law. The Sub-Fund is a passively managed index tracking ETF authorised under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds. The units of the Sub-Fund are traded on the Stock Exchange of Hong Kong Limited (the “**SEHK**”) essentially like shares.

The Sub-Fund is a physical ETF and invests primarily in China A-Shares securities on the stock exchanges of the People’s Republic of China (“China” or “PRC”) through the Stock Connect and/or the Renminbi Qualified Foreign Institutional Investor (“RQFII”) investment quota of the Manager.

Objectives and Investment Strategy

Objective

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index, namely, CSI 300 Smart Index (the “**Underlying Index**”).

Investment Strategy

In seeking to achieve the investment objective, the Sub-Fund uses a representative sampling indexing strategy through investing in a representative portfolio of securities that collectively has a high correlation with the Underlying Index.

The Manager will invest at least 80% of NAV of the Sub-Fund in the securities included in the Underlying Index (“**Index Securities**”). The Sub-Fund may or may not hold all of the securities in the Underlying Index. The Sub-Fund may also invest in money market instruments, cash and cash equivalents.

Currently it is intended that the Sub-Fund will directly obtain exposure to securities issued within the PRC through the Shanghai-Hong Kong Stock Connect and/or the RQFII investment quota granted to the Manager by SAFE. The Manager may invest up to 100% of the Sub-Fund’s NAV through either RQFII and/or the Stock Connect.

The Sub-Fund will not invest in derivatives instruments (including structured deposits, products or instruments) for investment or hedging purposes. The Manager will not enter into any sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions.

The Manager may, on behalf of the Sub-Fund, enter into securities lending transaction for up to 30% of its NAV and is able to recall the securities lent out at any time. As part of the securities lending transaction, the Sub-Fund must receive cash collateral of at least 105% of the value of the securities lent (interests, dividends and other eventual rights included) valued on a daily basis. The collateral will be safekept by the Custodian. The Manager will not engage in any reinvestment of collateral received.

To the extent the Sub-Fund undertakes securities lending transactions, all revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Sub-Fund.

Underlying Index

The Underlying Index of the Sub-Fund is total return index of CSI 300 Smart Index, which tracks the overall performance of the CSI 300 Index constituent companies and returns from share class switches, i.e. switching between share classes (namely A-Shares and H-Shares) based on their

relative prices. It is compiled and published by China Securities Index Co. Ltd. (“**CSI**” or “**Index Provider**”). The Manager and its connected persons are independent of the Index Provider.

The CSI 300 Index is a free float adjusted, category-weighted index which measures the performance of A-Shares traded on the Shanghai Stock Exchange (“**SSE**”) or the Shenzhen Stock Exchange (“**SZSE**”). The CSI 300 Index consists of the 300 stocks with the largest market capitalisation and good liquidity from the entire universe of listed A-Shares companies in the PRC.

The constituent companies of the Underlying Index and their weights are the same as the CSI 300 Index. All constituent changes to the CSI 300 Index will be simultaneously applied to the Underlying Index. The Underlying Index includes either the A-shares or the H-shares of the company depending on their relative prices.

The Underlying Index is a total return index. A total return index calculates the performance of the Index constituents on the basis that all dividends or distributions are reinvested.

The Underlying Index was launched on 16 July 2015 and had a base level of 1,000 on 31 December 2004. As of 26 August 2019, the Underlying Index had a total free-float market capitalisation of RMB 884.18 billion and 300 constituents.

The constituents of the Underlying Index together with their respective weightings can be found on the website of CSI at: <http://www.csindex.com.cn/en/indices/index-detail/930667>.

Bloomberg Index Code: CSIH0667 / Reuters Index Code: .CSIH20667

Use of derivatives / investment in derivatives

The Sub-Fund will not use derivatives for any purposes.

What are the key risks?

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

1. Investment risk

- The Sub-Fund is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective.
- It is not actively managed. Falls in the Underlying Index may result in a corresponding fall in the value of the Sub-Fund.
- Prices of securities may be volatile and are influenced by, among other things, the inherent volatility of the market place and other risks inherent in the market.

2. RQFII risk

- The Sub-Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and may have retrospective effect.
- There is no assurance that the Manager will continue to maintain its RQFII status or be able to acquire additional RQFII quota for the Sub-Fund. The Manager may allocate its RQFII quota to other products and different accounts (subject to SAFE approval). The Sub-Fund may not be allocated sufficient RQFII quota to meet all subscription orders. This may result in a rejection of applications and a suspension of creations for the Sub-Fund, and the Sub-Fund may trade at a significant premium to its NAV. The Sub-Fund may suffer substantial losses if the approval of the RQFII is being revoked / terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including RQFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

3. Dual Counter Trading risk

- If there is a suspension of the inter-counter transfer of units between the RMB counter and the HKD counter, unitholders will only be able to trade their units in the relevant counter on the SEHK.
- The market price on the SEHK of units traded in RMB and of units traded in HKD may deviate significantly. Investors may pay more or receive less when buying or selling units traded in HKD on the SEHK than in respect of units traded in RMB and *vice versa*.
- Investors without RMB accounts may buy and sell HKD traded units only. They will not be able to buy or sell RMB traded units and should note that distributions are made in RMB only. As such, investors may suffer a foreign exchange loss and incur foreign exchange associated fees and charges to receive their dividend.
- Some brokers/intermediaries and CCASS participants may not be able to (i) buy units in one counter and to sell units in the other, (ii) carry out inter-counter transfers of units, or (iii) trade both counters at the same time. This may inhibit or delay an investor dealing in both RMB and HKD counters.

4. Renminbi currency risk

- RMB is currently not a freely convertible currency 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.
- Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.
- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

5. China market risk

- China is considered as an emerging market and investing in China market may subject to greater economic, political, tax, foreign exchange, regulatory, volatility and liquidity risks than investing in more developed countries.
- The China A-Shares market may be more volatile and unstable (e.g. due to suspension of particular stocks or government intervention) than those in the more developed markets. A participating dealer may not be able to create and redeem the Sub-Fund's units if any Index Securities are not available.
- High market volatility and potential settlement difficulties in the China A-Share markets may result in significant fluctuations in the prices of the China A-Shares traded on such markets and thereby may affect the value of the Sub-Fund.

6. Concentration risk

- The concentration of the Sub-Fund's investments in a single geographical region (i.e. China) may subject it to greater volatility than portfolios which comprise broad-based global investments.

7. RMB trading and settlement of units risk

- Not all stockbrokers may be ready and able to carry out trading and settlement of the RMB traded units.
- The liquidity and trading price of the RMB traded units of the Sub-Fund may be adversely affected by the limited availability of RMB outside the PRC This may result in the Sub-Fund trading at a significant premium / discount to its Net Asset Value.

8. PRC tax risk

- Investment in the Sub-Fund may be subject to the risks associated with changes in the PRC tax laws, and such changes may have retrospective effect and may adversely affect the Sub-Fund.

In light of a recent announcement jointly promulgated by the Ministry of Finance and the State Administration of Taxation under Caishui [2014] No.79 and No. 81 in relation to the taxation rule on QFII, RQFII and Stock Connect, the Manager does not make any withholding income tax provision on the gross unrealised and realised capital gains derived from trading of China A-Shares.

9. Risks relating to the differences between the Hong Kong and PRC stock markets

- The trading days or hours of the PRC and Hong Kong stock markets are not exactly the same. There may be occasions where the value of the Index Securities in the Sub-Fund's portfolio may change but investors are not able to purchase or sell the Sub-Fund's units.
- On the other hand, if a PRC stock exchange is closed while the SEHK is open, this may affect the level of premium or discount of the trading price of the Sub-Fund to its NAV.
- While China A-Shares are subject to trading bands which restrict increases and decreases in the trading price, trading of the Sub-Fund listed on the SEHK is not subject to such restrictions. The dealing suspension of the Index Security may result in higher tracking error and may expose the Sub-Fund to losses. Units of the Sub-Fund may also be traded at a premium or discount to its NAV.

10. Custody risk and PRC brokerage risk

- In the event of any default or bankruptcy of the Custodian (directly or through its delegate) or the brokers appointed by the RQFII Holder in the PRC ("**PRC Brokers**"), the Sub-Fund may encounter delays in recovering its assets and may be adversely affected in the execution of any transaction. As a result, the net asset value of the Sub-Fund may also be adversely affected.

11. Reliance on market makers risk

- Although the Manager will use its best endeavours to put in place arrangements so that at least one market maker will maintain a market for the units traded in each counter and that at least one market maker to each counter gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market maker agreement, liquidity in the market for the units may be adversely affected if there is no or only one market maker for the RMB or HKD traded units. There is also no guarantee that any market making activity will be effective.
- There may be less interest by potential market makers making a market in units denominated and traded in RMB. Any disruption to the availability of RMB may adversely affect the capability of market makers in providing liquidity for the units.

12. Combination of cash and in-kind redemption risk

- All Units can be redeemed (through a Participating Dealer) in a combination of cash (RMB) and in-kind (H-Shares constituents of the Underlying Index). Unlike cash only redemption, upon completion of a combination of cash and in-kind redemption, investors will continue to be exposed to the relevant investment risks in equity securities as well as the relevant risks of investment in such H-Shares constituents of the Underlying Index until the investors subsequently dispose such H-Shares constituents of the Underlying Index.

13. Tracking error risk

- Due to fees and expenses of the Sub-Fund, liquidity of the market, imperfect correlation of returns between the Sub-Fund's assets and the Index Securities and other factors such as the representative sampling strategy being used, the Sub-Fund's returns may deviate from that of the Underlying Index. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index.

14. Trading risk

- Generally, retail investors can only buy or sell units of the Sub-Fund on the SEHK. The trading price of the units on the SEHK is driven by market factors and may trade at a substantial premiums or discount to its NAV.

- Trading of units may involve various types of costs that apply to all securities transactions such as trading fees and brokerage commissions. Investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the units (bid price) and the price at which they are willing to sell units (ask price).

15. Risk of early termination

- The Manager or the Trustee may terminate the Trust or the Sub-Fund under certain circumstances. Investors should refer to section “**14.5 Termination of the Trust or a Sub-Fund**” in Part 1 of the Prospectus for further details.
- The index licence agreement between the Manager and CSI is subject to an initial fixed term of 5 years, and can thereafter be automatically renewed for successive terms of 2 years at a time. There is no guarantee that the licence agreement shall not be terminated. Investors should refer to section “**14. Index Licence Agreement**” in Appendix 5 of Part 2 of the Prospectus for further details.
- The Sub-Fund may be terminated if the Underlying Index is discontinued and/or the licence agreement is terminated and the Manager is unable to identify a replacement index. The Sub-Fund may therefore be liquidated.
- Investors may suffer a loss when the Sub-Fund is terminated.

16. Passive investments

- The Sub-Fund is not “actively managed” and the Manager does not attempt to select securities individually or to take defensive positions in declining markets.
- Consequently, falls in the Underlying Index are expected to result in a corresponding fall in the value of the Sub-Fund.

17. Risk relating to distributions paid out of capital

- The Manager may, at its discretion, pay dividends out of capital. or effectively pay dividends out of the capital. Payment of dividends out of capital or effectively out of the capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment and may result in an immediate reduction of the NAV per unit.

18. Risk associated with the Stock Connect

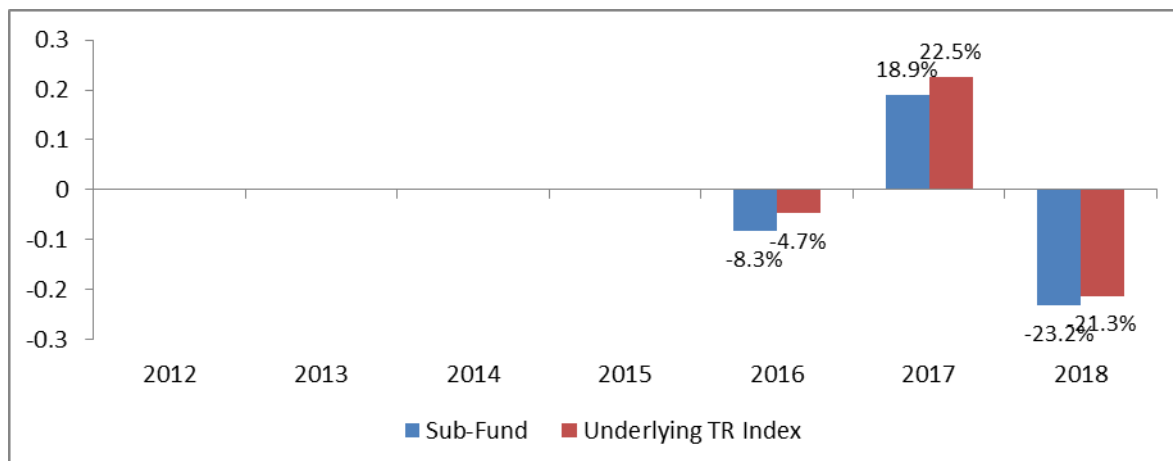
- The Stock Connect is subject to quota limitations, which may affect the ability of the Sub-Fund to acquire A-shares.
- The Sub-Fund can trade certain eligible stocks that are listed on the SSE and SZSE through the Stock Connect.
- It is contemplated that SEHK, SSE and SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary. Suspension where trading by the Sub-Fund via Stock Connect could be suspended. In the case of such suspension, the Sub-Fund’s ability to invest in the Mainland market through the Stock Connect will be adversely affected.
- Since this is a new initiative between China and Hong Kong, there may be operational disruption where this new arrangement’s system fails to function properly.
- The securities regimes and legal systems of the Hong Kong and Shanghai/Shenzhen markets differ significantly. Market participants may need to address issues arising from the differences on an on-going basis.
- The Sub-Fund’s investments through Northbound trading under Stock Connect is not covered by the Hong Kong’s Investor Compensation Fund. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the program.
- The Stock Connect is novel in nature, and the related regulations/rules are untested. There is no certainty as to how they will be applied, and they may change from time to time.

19. Securities Lending Transactions Risks

- The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund’s ability in meeting delivery or payment obligations from redemption requests.

- As part of the securities lending transaction, the Sub-Fund must receive cash collateral of at least 105% of the valuation of the securities lent valued on a daily basis. However, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Sub-Fund.
- By undertaking securities lending transaction, the Sub-Fund is exposed to operational risks such as delay or failure of settlement. Such delays and failure may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

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.
- These figures show by how much the Sub-Fund increased or decreased in value during the calendar year being shown. Performance data has been calculated in RMB including ongoing charges and excluding your trading costs on SEHK.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 23 October 2015

Is there any guarantee?

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

What are the fees and charges?

Charges incurred when trading the Sub-Fund on SEHK

Fee	What you pay
Brokerage fee	At market rates ¹
Transaction levy	0.0027% ²
Trading fee	0.005% ³
Stamp duty	Nil
Inter-counter transfer	HK\$5 ⁴

¹ The brokerage fee is payable in the currency decided by the intermediaries used by the buyer and the seller.

² Transaction levy of 0.0027% of the trading price of the units, payable by each of the buyer and the seller.

³ Trading fee of 0.005% of the trading price of the units, payable by each of the buyer and the seller.

⁴ Hong Kong Securities Clearing Company will charge each CCASS participant a fee of HK\$5 per instruction for effecting an inter-counter transfer of units of the Sub-Fund from one counter to another counter. Investors should check with their brokers/intermediaries regarding any additional fees.

Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the NAV of the Sub-Fund which may affect the trading price.

	<u>Annual rate (as a % of the fund's NAV)</u>
Management Fee*	0.88% per annum
Trustee Fee*	Included in the Management Fee (The Trustee fee is inclusive of fees payable to the Custodian and the PRC Custodian.)
Registrar Fee	Included in the Management Fee
Performance Fee	Nil
Administration Fee	Nil
Other Ongoing costs	Please refer to Part 2 of the Prospectus for details of ongoing costs payable by the Sub-Fund

* Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice to unitholders. Please refer to the section headed "**Fees and Charges**" in Part 1 of the Prospectus for further details.

Additional Information

The Manager will publish important news and information in respect of the Sub-Fund (including in respect of the Underlying Index), both in English and Chinese language at the following website <http://www.csopasset.com/en/products/csi-300-etf>, including:

- the Prospectus (as amended and supplemented from time to time);
- the latest Product Key Facts Statements;
- the latest annual and semi-annual financial reports in English;
- any public announcements made by the Sub-Fund, including information in relation to the relevant Sub-Fund and the Underlying Index, notices of the suspension of the calculation of NAV, changes in fees and charges, the suspension and resumption of trading of units;
- notices relating to material changes to the Sub-Fund which may have an impact on its investors such as material alterations or additions to the offering documents and constitutive documents of the Sub-Fund;
- the near real-time indicative NAV per unit of the Sub-Fund during normal trading hours on the SEHK in RMB and in HKD;
- the last NAV of the Sub-Fund in RMB only and the last NAV per unit of the Sub-Fund in RMB and in HKD;
- full portfolio information of the Sub-Fund (updated on a daily basis);
- the latest list of participating dealers and market makers; and
- Information on the securities lending transaction, including:
 1. summary of stock lending policy of the Sub-Fund and its risk management policy in relation to stock lending, including haircut policy, selection criteria for stock lending counterparties, collateral policy etc.;
 2. information on the securities lending counterparties and their relevant exposures (including (i) a list of securities lending counterparties; (ii) a list of securities lending counterparties that the Sub-Fund has exposure to in the preceding month; and (iii) the number of securities lending counterparties that the Sub-Fund has exposure to which exceeds 3% of its NAV);
 3. amount of securities on loan (including exact amount and as percentage of the Sub-Fund's NAV) and level of collateralisation;
 4. net return to the Sub-Fund (at least over the past 12 months);
 5. collateral information, showing the currency and the foreign exchange rate; and
 6. fee split between the Sub-Fund and the Manager on the income derived from the stock

lending transactions

- the composition of the distributions (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months (if any) (also available by the Manager on request)

The near real time indicative NAV per unit in HKD and the last closing NAV per unit in HKD are indicative and for reference purposes only. The near real time indicative NAV per unit in HKD is updated every 15 seconds during SEHK trading hours. The near real time indicative NAV per unit in HKD uses a real time HKD:CNH foreign exchange rate - it is calculated using the near real time indicative NAV per unit in RMB multiplied by a real time HKD:CNH foreign exchange rate provided by Reuters when the SEHK is opened for trading. Since the indicative NAV per Unit in RMB will not be updated when the underlying China A-Shares market is closed, any change in the indicative NAV per Unit in HKD during such period is solely due to the change in the foreign exchange rate.

The last closing NAV per unit in HKD is calculated using the last closing NAV per unit in RMB multiplied by an assumed foreign exchange rate using the CNH exchange rate quoted by Reuters at 3:00 p.m. (Hong Kong time) as of the same Dealing Day. The official last closing NAV per unit in RMB and the indicative last closing NAV per unit in HKD will not be updated when the underlying China A-Shares market is closed. Please refer to the Prospectus for details.

“Dealing Day” means each business day on which both SEHK and the underlying China A-Shares market are open for normal trading.

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.