

CSOP Asset Management Limited

28 April 2017

- ***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.***
- ***This is an exchange traded fund which invests in constituent securities of the underlying index which are highly volatile and have a high price-earnings ratio. You may suffer a substantial loss by investing in this product.***

Quick facts

Stock codes:	RMB counter: 83147 HKD counter: 03147
Trading lot size:	RMB counter: 200 units HKD counter: 200 units
Fund Manager and RQFII Holder:	CSOP Asset Management Limited
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited
Custodian:	The Hongkong and Shanghai Banking Corporation Limited
PRC Custodian:	HSBC Bank (China) Company Limited
Underlying Index:	ChiNext 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:	Annually in October subject to the Manager’s discretion. Distributions may be paid out of capital or effectively out of capital and reduce the Sub-Fund’s net asset value (“NAV”).
	Distributions for all units (whether traded in HKD or RMB counter) will be in RMB only.
Ongoing charges over a year:	1.28% #
Tracking difference of the last calendar year:	-0.50% ##
ETF Website:	www.csopasset.com/chinext-etf

The ongoing charges figure is based on expenses for the year ended 31 December 2016. 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 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 and Appendix I 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**”) like stocks.

The Sub-Fund is a physical ETF and invests primarily in China A-Shares listed on the ChiNext board of the Shenzhen Stock Exchange (“SZSE”) of the People’s Republic of China (“China” or “PRC”) primarily through the Renminbi Qualified Foreign Institutional Investor (“RQFII”) quota of the Manager and/or the Shenzhen-Hong Kong Stock Connect (“Stock Connect”). The Sub-Fund is denominated in RMB.

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, ChiNext Index (the “**Underlying Index**”).

Investment Strategy

In order to achieve the investment objective of the Sub-Fund, the Manager will primarily use a full replication strategy by directly investing all, or substantially all, of the assets of the Sub-Fund in Securities constituting the Underlying Index (“**Index Securities**”) in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index.

The Sub-Fund may also invest not more than 5% of its NAV in securities other than the Index Securities which have investment profile that aims to reflect the profile of the Underlying Index. The Sub-Fund may also invest not more than 5% of its NAV in cash and money market funds for cash management purpose.

The Sub-Fund will not invest in derivatives instruments (including structured deposits, products or instruments) for investment or hedging purposes. The Manager does not currently enter into securities lending transactions and repurchase transactions and other similar over-the-counter transactions on behalf of the Sub-Fund.

Currently it is intended that the Sub-Fund will directly invest in securities issued within the PRC primarily through the Manager’s RQFII quotas granted by State Administration of Foreign Exchange (“**SAFE**”) and/or the Stock Connect. The Manager may invest up to 100% of the Sub-Fund’s Net Asset Value through either RQFII and/or Shenzhen-Hong Kong Stock Connect.

Underlying Index

The Underlying Index is a free float adjusted market capitalisation weighted index and is designed to represent the performance of the top 100 A-Share companies listed on the ChiNext board of the SZSE ranked by total market capitalisation, free-float market capitalisation and turnovers. It is compiled and published by Shenzhen Securities Information Co., Ltd. (“**SSICL**” or the “**Index Provider**”). The Underlying Index covers about 39.85% of the total market value with good representatives of the entire ChiNext market as of 20 April 2017.

The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the Index Securities, such dividends being net of any withholding tax. The Underlying Index is denominated and quoted in RMB.

The Underlying Index was launched on 1 June 2010 and had a base level of 1,000 on 31 May 2010. As of 20 April 2017, it had a total market capitalisation of RMB 969 billion and 100 constituents.

Top 10 Constituents

As at 20 April 2017, the 10 largest constituent securities of the Underlying Index represented about 32.36% of the Underlying Index and their respective weightings are listed below for reference purpose:

Rank	Constituent Name	Stock Code	Relevant Exchange	Sector	Weighting (%)
1.	Guangdong Wen's Foodstuff Group Co., Ltd.	300498	SZSE	Consumer Staples	8.96
2.	Beijing Sanju Environmental Protection and New Materials Co., Ltd.	300072	SZSE	Materials	3.42
3.	Leshi Internet Information and Technology Corp., Beijing	300104	SZSE	Information Technology	3.35
4.	Beijing Originwater Technology Co., Ltd.	300070	SZSE	Industrials	3.07
5.	East Money Information Co., Ltd.	300059	SZSE	Information Technology	2.75
6.	Siasun Robot and Automation Company Limited	300024	SZSE	Industrials	2.35
7.	Shenzhen Inovance Technology Co., Ltd.	300124	SZSE	Industrials	2.23
8.	Shenzhen Sunway Communication Co., Ltd.	300136	SZSE	Information Technology	2.23
9.	Chaozhou Three-Circle (Group) Co., Ltd.	300408	SZSE	Information Technology	2.19
10.	Wangsu Science and Technology Co., Ltd.	300017	SZSE	Information Technology	1.81

Source: SSICL as at 20 April 2017

For details, please refer to the website of SZSE at www.szse.cn and the Index Department of SSICL at www.cnindex.com.cn

Bloomberg Index Code: SZ399006 / Reuters Index Code: .CHINEXTP

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.
- It is not actively managed. Falls in the Underlying Index may result in a corresponding fall in the value of the Sub-Fund.

2. Volatility and delisting risks associated with the ChiNext market

The Sub-Fund invests in securities in the ChiNext market and is subject to the following risks:

- Listed companies in the ChiNext market (e.g. innovative or small/medium sized enterprises (“**SME**”)) are usually in their preliminary stage of development with smaller operating scale and shorter operating history, less mature business model and weaker risk management capacity, and their businesses are usually subject to higher uncertainty and more fluctuations in their performance. Therefore its stability and resistance to market risks may be lower. Hence, they are subject to higher market volatility and risks and higher turnover ratios than companies listed on the main board. In extreme circumstances where the trading price of the stock has hit the trading band limit, trading of the stock will be suspended. This would render it impossible for the Sub-Fund to liquidate positions and subject the Sub-Fund to significant losses. When the suspension is subsequently lifted, it may not be possible for the Sub-Fund to liquidate positions at a favourable price.
- Given the emerging nature of the companies listed on the ChiNext market and their industries focus on scientific development, innovation and media industries, any failures in the process of the scientific development which such companies are involved in and/or any major adverse events happening in the industries or their development may result in losses in such companies which are invested by the Sub-Fund.
- Conventional valuation methods may not be entirely applicable to companies listed in the ChiNext market due to the risky nature of the industries that these companies operate in. There are fewer circulating shares in the ChiNext market, hence stock prices may be relatively more easily manipulated and may experience higher fluctuation upon market speculation.
- The rules and regulations regarding securities in the ChiNext market are less stringent in terms of profitability and share capital than those applicable to the main board market and SME board market of the SZSE.
- At present, major index compilers such as MSCI, FTSE and HSI exclude ChiNext stocks from their index universe of A-Share indices.
- Companies listed on the ChiNext market have less track record of profitability. It may be more common and faster for listed companies in the ChiNext market than companies listed on main board and SME board to delist. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.
- Currently, stocks listed on ChiNext are generally considered overvalued. The ChiNext market has a price-earnings ratio of 98.94 (compared to the price-earnings ratio of 33.99 in the main board of SZSE and 59.20 in the SME board of SZSE) as at 30 April 2015, and such exceptionally high valuation may not be sustainable.

3. RQFII risk

- The RQFII policy and rules are subject to change which 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 creation for the Sub-Fund, and the Sub-Fund may trade at a significant premium to its NAV.

4. Dual Counter Trading risk

- The nature of dual counter may bring additional risks for investment in the Sub-Fund.
- 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*.
- Some brokers/intermediaries and CCASS participants may not be able to (i) buy units in one counter and sell units in the other, (ii) carry out inter-counter transfers of units, or (iii) trade in both counters at the same time. This may inhibit or delay an investor dealing in both RMB and HKD counters.
- Investors without RMB accounts may buy and sell HKD traded units only and are therefore subject to Renminbi currency risk described below. Such investors 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.

5. Renminbi currency risk

- RMB is currently not a freely convertible currency as it is subject to foreign exchange controls and restrictions.
- Since the Sub-Fund is denominated in RMB and distributions are made in RMB only, non-RMB based investors are exposed to foreign exchange risk and the value of RMB against the investors' base currency (e.g. HKD) may depreciate.

6. China market risk

- China is considered an emerging market and investments in the China market may be subject to greater economic, political, tax, foreign exchange, regulatory, volatility and liquidity risks, than that in more developed countries.
- The China A-Shares market is volatile and unstable (e.g. due to suspension of particular stocks or government intervention) than those in 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.

7. Concentration risk

- The Sub-Fund's investments are concentrated in a single geographical region (i.e. China) and the ChiNext market (which mainly comprises of companies engaged in independent innovation and other growing venture enterprises such as high technology companies). Companies listed on the ChiNext market are usually in their preliminary stage of development with smaller operating scale and shorter operating history (e.g. innovative or SME), therefore its stability and resistance to market risks may be lower. As such, it may be subject to greater volatility than broad-based funds.

8. RMB trading and settlement of units risk

- Investors may not be able to deal in RMB traded units through some stockbrokers.
- 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 and the restrictions on the conversion between foreign currency and RMB. This may result in the Sub-Fund trading at a significant premium / discount to its NAV.

9. 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 in relation to the taxation rule on QFII and RQFII, the Manager does not intend to make any withholding income tax (“WIT”) provision on the gross unrealised and realised capital gains derived from trading of China A-Shares.

10. 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. The value of the China A-Shares in the Sub-Fund’s portfolio may change but investors are not able to trade the Sub-Fund’s units when China markets are open but the SEHK is closed.
- On the other hand, if a PRC stock exchange is closed while the SEHK is open, the market prices of China A-Shares may not be available while the Sub-Fund is still trading.
- While China A-Shares are subject to trading bands which restrict increases and decreases in the trading price, units of the Sub-Fund listed on the SEHK are not. The dealing suspension of the relevant China A-Shares will render it impossible for the Sub-Fund to acquire the relevant China A-Shares or liquidate positions to reflect creation/redemption of the units.
- These may result in higher tracking error and higher trading premium or discount of the Sub-Fund to its NAV.

11. 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 Manager in the PRC (“**PRC Brokers**”), the Sub-Fund may encounter delays in recovering its assets and the execution of any transaction. Its NAV may be adversely affected.
- Only up to three PRC Brokers can be appointed in respect of each stock exchange in the PRC to execute transactions for the Sub-Fund. If the Manager is unable to use its designated PRC Brokers in the PRC, the operation of the Sub-Fund will be adversely affected.

12. Reliance on market makers risk

- While the Manager will ensure that there will always be at least one market maker for each counter, it is possible that no market maker is appointed.
- Where there is only one SEHK market maker to each counter, it may not be practicable for the Sub-Fund to remove the only market maker even if it is not effective. The Manager may not be able to engage a substitute market maker within the termination notice period of a market maker (which will be not less than 90 days for at least one market maker). The liquidity of the Sub-Fund may be adversely affected if there is no market maker for the RMB or HKD counter or if the market making activities are not effective.

13. Tracking error risk

- Due to the Sub-Fund’s fees and expenses, market liquidity, imperfect correlation of returns between the Sub-Fund’s assets and the Index Securities and the investment strategy adopted, the Sub-Fund’s returns may deviate from that of the Underlying Index.

14. Trading risk

- Retail investors can only trade units of the Sub-Fund on the SEHK. The trading price of the units may be different from the Sub-Fund’s NAV and even at a significant discount/premium to its NAV.

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 SSICL is subject to an initial fixed term of one year, and can thereafter be renewed perpetually for a period of one year. There is no guarantee that the licence agreement will not be terminated. Investors should refer to section “**14. Index Licence Agreement**” in Appendix 4 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.
- Investors may suffer a loss when the Sub-Fund is terminated.

16. Risk relating to distributions paid out of capital

- The Manager may, at its discretion, pay dividends out of capital of the Sub-Fund or pay dividends out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to / paid out of the capital, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of the capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment.
- Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund may result in an immediate reduction of the NAV per unit of the Sub-Fund.

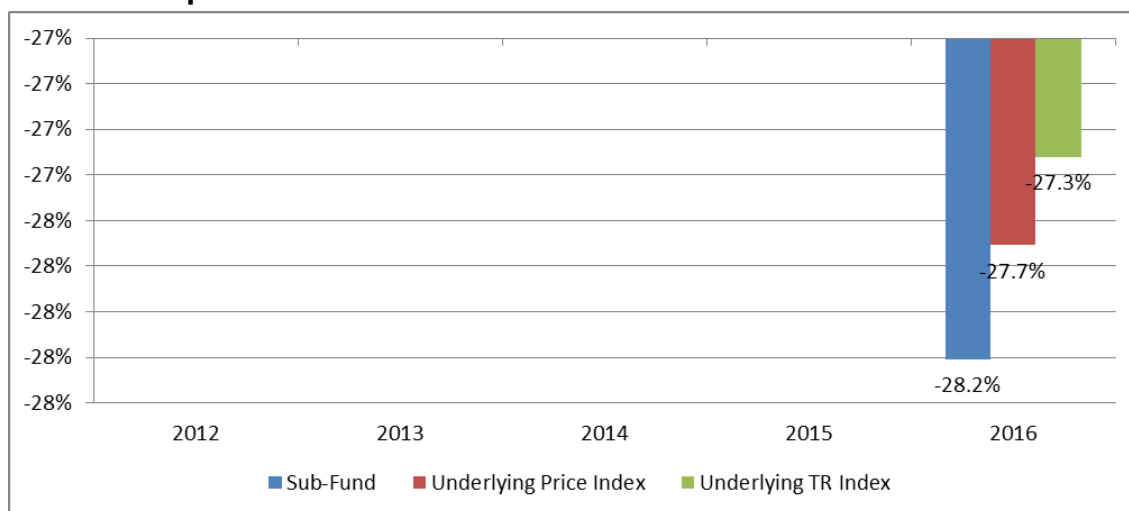
17. Passive investment risk

- The Sub-Fund is not actively managed. It invests in the index securities and/or non-index securities included in or reflecting its Underlying Index regardless of its investment merit. The Manager does not attempt to select securities individually or to take defensive positions in declining markets. Accordingly, the lack of discretion to adapt to market changes due to the inherent investment nature of the Sub-Fund means that falls in the related Underlying Index are expected to result in a corresponding fall in the value of the Sub-Fund.

18. Risk associated with the Stock Connect

- The Stock Connect is subject to quota limitations.
- The Sub-Fund can trade certain eligible stocks that are listed on the SZSE through the Stock Connect.
- It is contemplated that SEHK and SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary.
- The securities regimes and legal systems of the Hong Kong and 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.

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, without 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.
- Fund launch date: 15 May 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

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.

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.

	<u>Annual rate (as a % of the fund's NAV)</u>
Management Fee*	0.99% per annum
Trustee Fee (inclusive of fees payable to the Custodian)	Included in the Management Fee
Registrar Fee	Included in the Management Fee
Performance Fee	Nil
Administration Fee	Nil
Other Ongoing costs	Please refer to Part 2 of the Prospectus

* 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 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 www.csopasset.com/chinext-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 estimated NAV per unit of the Sub-Fund during normal trading hours on the SEHK in RMB and HKD;
- the last closing NAV of the Sub-Fund in RMB only and the last closing NAV per unit of the Sub-Fund in RMB and in HKD;
- the composition of the Sub-Fund (updated on a daily basis);
- the compositions of the dividends (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months (also available by the Manager on request); and
- the latest list of participating dealers and market makers.

The near real time estimated NAV per unit in HKD (updated every 15 seconds during SEHK trading hours) and the last closing NAV per unit in HKD are indicative and for reference purposes only. The near real-time estimated NAV per Unit in HKD uses a real-time HKD:CNH foreign exchange rate – it is calculated using the near real-time estimated NAV per Unit in RMB multiplied by a real-time HKD:CNH foreign exchange rate provided by Ningbo Sumscope Information Technology Co Ltd ("**Sumscope**") when the SEHK is opened for trading. Since the estimated NAV per Unit in RMB will not be updated when the underlying China A-Shares market is closed, any change in the estimated NAV per Unit in HKD (if any) 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.

“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.