招商證券資產管理(香港)有限公司
CMS ASSET MANAGEMENT (HK) CO., LIMITED

PRODUCT KEY FACTS

CMS Funds
CMS China Opportunities Flexifund

Issuer: CMS Asset Management (HK) Co., Limited
March 2024

This statement provides you with key information about this product.
This statement is a part of the offering document.
You should not invest in this product based on this statement alone.

Quick facts

Manager:	CMS Asset Management (HK) Co., Limited
RQFII Holder:	China Merchants Securities International Company Limited
Trustee:	BOCI-Prudential Trustee Limited
Custodian:	Bank of China (Hong Kong) Limited
RQFII Custodian:	Bank of China Limited
Dealing frequency:	Daily
Base currency:	RMB
Dividend policy:	Dividend in respect of each financial year, if declared, will be distributed
Ongoing charges over a year#:	Class A: 2.93%## # The ongoing charges figure is based on expenses for the year ended 31 March 2024. This figure may vary from year to year. It represents the ongoing expenses expressed as a percentage of the Sub-Fund's average net asset value over the same period. Starting from 1st June 2017, the ongoing charges figure will be capped at a maximum of 3% of the average net asset value of the Sub-Fund. Expenses will be borne by the Manager and will not be charged to the Sub-Fund if such expense would result in the ongoing charges figure exceeding 3%. ## For the year ended 31 March 2024, the Sub-Fund only has investors under Class A and there are no investors holding units issued by Class B and Class I under the Sub-Fund. As such, no ongoing expenses or assets are attributable to classes of units other than Class A. Given the Sub-Fund is in the process of termination and it is unlikely that there will be investors for classes of units other than Class A, the Manager is publishing the ongoing charges figure for Class A units only for the investors' reference.
Financial year end of this Sub-Fund:	31 December
Min. investment:	Class A: RMB10,000 initial, RMB10,000 additional Class B: RMB3 million initial, RMB500,000 additional Class I: RMB50 million initial, RMB10 million additional
Min. holding:	Class A: Units with aggregate minimum value of RMB10,000 Class B: Units with aggregate minimum value of RMB1 million Class I: Units with aggregate minimum value of RMB50 million
Min. redemption:	Class A: Units with aggregate minimum value of RMB10,000 Class B: Units with aggregate minimum value of RMB100,000 Class I: Units with aggregate minimum value of RMB10 million

What is this product?

CMS China Opportunities Flexifund (the "Sub-Fund") is a fund constituted in the form of a unit trust. The Sub-Fund is a sub-fund of CMS Funds, which is a Hong Kong domiciled umbrella structure unit trust and is governed by the laws of Hong Kong.

The Sub-Fund invests primarily in RMB denominated and settled debt securities issued or listed in China through the RQFII quota of China Merchants Securities International Company Limited, the RQFII Holder. The RQFII Holder (the direct holding company of the Manager), acting through the Manager as its asset management arm, has been granted an RQFII quota of RMB0.9 billion for the purpose of the Sub-Fund's direct investments into China. The Sub-Fund is a new type of fund offered in Hong Kong that is denominated in RMB. Subscription moneys and redemption proceeds must be paid in RMB.

Objective and Investment Strategy

Investment Objective

CMS China Opportunities Flexifund seeks to optimise asset allocation and provide long-term capital growth by investing primarily in debt securities which are denominated and settled in RMB and are issued or listed in China through the RQFII quota of the RQFII Holder, which is the direct holding company of the Manager.

The Sub-Fund may invest not less than 80% of its net asset value in (A) RMB denominated and settled debt securities, which include, but are not limited to fixed and floating rate bonds, convertible bonds, central bank bills, short-term financing bills and certificates of deposits issued and distributed within mainland China and (B) fixed income funds which are authorised by the China Securities Regulatory Commission ("CSRC") for offer to the retail public in the PRC.

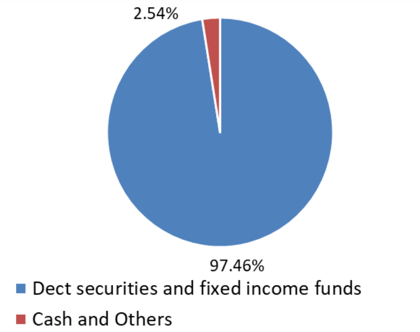
The bonds which the Sub-Fund invests may be traded on the PRC interbank bond market or the PRC exchange-traded bond market. These instruments may be issued by the Chinese government (including municipal bonds issued by local governments), quasi-government organisations, banks, financial institutions and other corporate entities. However, the Sub-Fund will not invest in any urban investment bonds (城投債) (i.e. debt instruments issued by local government financing vehicles ("LGFVs") in the PRC exchange-traded bond market and interbank 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. Also, the Sub-Fund will not invest more than 10% of its net asset value in securities issued or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade.

Notwithstanding there is no restriction on the minimum credit ratings of the debt instruments which the Sub-Fund may hold, the Sub-Fund will not invest in debt instruments which are rated BB+ or below by any major local credit rating agency in the PRC or unrated debt instruments at the time of purchase. When investing in debt instruments, the Manager will first consider the credit rating of the debt instrument itself and only if such credit rating is unavailable, the Manager will then consider the credit rating of the issuer of the relevant debt instrument, which will become the implied rating of the debt instrument. Where the credit ratings of the relevant debt instruments or issuers are downgraded to BB+ or below, the Manager will, having regard to the interests of the unitholders, seek to dispose of all such downgraded debt instruments in a gradual and orderly manner in light of the then prevailing market

Investment Mix

as at

31 March 2024



conditions. Notwithstanding the foregoing, the Sub-Fund's aggregate holding of debt instruments rated BB+ or below by any major local credit rating agency in the PRC or unrated debt instruments under such circumstances shall not exceed 10% of its net asset value.

The Sub-Fund may invest not more than 20% of its net asset value in (A) RMB denominated and settled equity securities which include, but are not limited to, China A-Shares (including initial public offerings) and (B) equity funds which are authorised by the CSRC for offer to the retail public in the PRC.

Notwithstanding the above, the Sub-Fund's investment in both fixed income funds and equity funds will not in aggregate exceed 10% of the net asset value of the Sub-Fund.

The indicative allocation of the non-cash assets of the Sub-Fund is as follows (as a percentage of the net asset value):

(1) Debt securities and fixed income funds: 80% - 100%
(2) Equity securities and equity funds: 0% - 20%

The Sub-Fund will not invest in RMB denominated securities and instruments issued outside mainland China. The Sub-Fund will not invest in financial derivative instruments, structured products, structured deposits or asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

Under extreme market conditions and as considered appropriate by the Manager, the Sub-Fund may keep a significant portion of its assets in cash or near-cash instruments.

The Manager currently does not intend to enter into any securities financing transactions or similar transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to unitholders before the Manager engages in any such transactions.

Investment Strategy

The Manager will use top-down method to analyse macro-economic conditions, monetary policies and market liquidity and seeks to estimate interest rate market trend, as well as qualitative and quantitative methods to analyse yield curve, in actively managing the Sub-Fund's investment in the debt instruments.

The Manager seeks to invest in equity securities of companies which are likely to benefit from the sustained and rapid economic growth of China and demonstrate sustainable competitive edge, favourable growth prospect and high profits potential. The Manager will select equities principally based on a value-growth, bottom up approach.

Use of derivatives

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

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. Investing in the Sub-Fund is not the same as deposits with a bank. There is no guarantee of the repayment of principal. Further, there is no guarantee that the investment objective of the Sub-Fund can be achieved.

- There is also no guarantee of dividend or distribution payments during the period you hold the units of the Sub-Fund.

- The value of investments held by the Sub-Fund may fall as well as rise and investors may not get back the original investments.

Risk Relating to Investing in a Single Market / the China Market

- The Sub-Fund invests primarily in securities related to the China market and may be subject to additional concentration risk. Investment in the China market is subject to emerging market risk including political, economic, legal, regulatory and liquidity risks. The Sub-Fund may also be subject to the risks associated with changes in the PRC laws and regulations, and such changes may have retrospective effect and may adversely affect the Sub-Fund.

- The 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.

PRC Tax Risk

- Currently, no provision on withholding income tax is made on the gross realized and unrealized gains derived from investments in China A-Shares and PRC debt securities.

The Manager will make provisions for any PRC taxes payable by the Sub-Fund on (i) corporate bond interest from PRC debt securities (except for PRC Government bond) received prior to 7 November 2018, and (ii) dividends derived from China A-Shares, at a rate of 10% (or as otherwise advised by the Sub-Fund's tax adviser), if the relevant withholding income tax is not withheld at source. In addition, the Manager will make provisions for PRC Valued Added Tax payable by the Sub-Fund on bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund for the period from 1 May 2016 to 6 November 2018 at a rate of 6.72%. Such provisions may be excessive or inadequate to meet the actual tax liabilities. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the asset value of the Sub-Fund will be adversely affected.

Risks Relating to RQFII

- The Sub-Fund will invest in RMB-denominated debt and equity securities in China primarily through a RQFII which is subject to applicable regulations imposed by the PRC authorities. Although repatriations by RQFIIs in respect of the Sub-Fund are currently not subject to repatriation restrictions or prior approval, there is no assurance that PRC 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.

- Investment in securities through a RQFII will be subject to custodial risk of the RQFII Custodian appointed for purpose of safekeeping assets in the PRC. In addition, the execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers in the PRC. If the RQFII Custodian or the PRC brokers default, the Sub-Fund may not be able to recover all of its assets and may incur a substantial or even a total loss.

- The RQFII rules have only been recently announced and are novel in nature – their application may depend on the interpretation of the Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund.

Risks Relating to RMB Currency

- RMB 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 RMB and other currencies.

- There is no guarantee that RMB will not depreciate. If investors convert Hong Kong Dollar or any other currency into RMB so as to invest in the Sub-Fund and subsequently convert the RMB redemption proceeds back into Hong Kong Dollar or any other currency, they may suffer a loss if RMB depreciates against Hong Kong Dollar or such other currency.

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.

- *Risk relating to credit rating* – 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.

- *Risks relating to lower rated debt securities* - Some of the RMB denominated debt securities may be lower rated. Lower rated securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities.

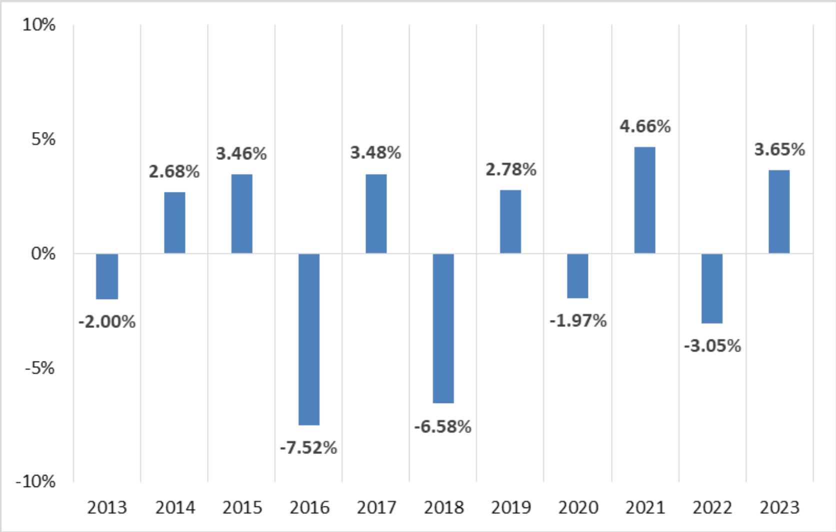
- *Interest rate risk* - Investing in RMB denominated debt securities will subject the Sub-Fund to interest rate risk. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. The Chinese government's macro-economic policies and controls will have significant influence over the capital markets in China. Changes in fiscal 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.

- *Downgrading risk* – Debt securities that the Sub-Fund invests in may be subject to the risk of being downgraded to lower rated securities. If the Sub-Fund continues to hold such securities, it will be subject to additional risk of loss.

- *Valuation risk* - Valuation of a 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. The Sub-Fund is therefore subject to liquidity risks and may suffer losses in trading such instruments. 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.

How has the Sub-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 Class A 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.
- When no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: March 2012
- Class A launch date: March 2012
- The Manager views Class A, being the only unit class offered to the retail public in Hong Kong, as the most appropriate representative unit class.

Is there any guarantee?

This 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
Subscription Fee **(Preliminary Charge)**	Class A, Class B and Class I: Up to 5% of the amount invested
Switching Fee **(Switching Charge)**	Class A, Class B and Class I: Nil*

Redemption Fee (Redemption Charge)	Class A, Class B and Class I: Nil*

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 return you get on your investments.

	Annual rate
Management fee	Class A: 1.2% (temporarily reduced to 0% p.a. from 1 June 2017 until further notice)* of the class' value Class B: 0.8% (temporarily reduced to 0% p.a. from 1 June 2017 until further notice)* of the class' value Class I: 0.6% (temporarily reduced to 0% p.a. from 1 June 2017 until further notice)* of the class' value
Trustee fee	Class A, Class B and Class I: Up to 0.175% of the value of each class (subject to a minimum monthly fee of RMB20,000 for the Sub-Fund in the first 6 months from the launch of the Sub-Fund, and subject to a minimum monthly fee of RMB40,000 for the Sub-Fund after the first 6 months from the launch of the Sub-Fund)*
Performance fee	Not applicable
Custodian fee (Custody fees)	Class A, Class B and Class I: Up to 0.1% of the Sub-Fund's value
Administration fee	Not applicable

* The current rate may be increased up to a specified permitted maximum level as set out in the Explanatory Memorandum by giving one month's prior notice to unitholders.

Other fees

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

Additional Information

- China Merchants Securities International Company Limited, acting through the Manager as its asset management arm, has been granted an RQFII quota of approximately RMB0.9 billion for the purpose of the Sub-Fund's direct investments in China.
- You generally buy and redeem units at the Sub-Fund's next-determined net asset value after the authorised distributor receives your request in good order before 5:00 p.m. (Hong Kong time) on each dealing day, which is generally every HK & PRC Business Day*. The Authorised Distributor(s) may impose an earlier cut-off time for receiving instructions for subscriptions, redemptions or switching. Investors should confirm the arrangements of the Authorised Distributor(s) concerned.
  - The net asset value of this Sub-Fund is calculated on each HK & PRC Business Day and is published daily at http://www.cmschina.com.hk/AM/FundProduct. Please note that the aforesaid website has not been reviewed by the SFC.
  - For further information on the past performance of other unit class offered to Hong Kong investors, please refer to http://www.cmschina.com.hk/AM/FundProduct. Please note that the aforesaid website has not been reviewed by the SFC.

* A HK & PRC Business Day means a Business Day on which banks and stock exchanges in Hong Kong and the PRC are open for normal business or such other day(s) as the Manager and the Trustee may agree from time to time.

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.