PRODUCT KEY FACTS

Yinhua Credit Theme Jijihong Bond Fund*

(*The name of the fund is not indicative of the fund's performance and return)

December 2018

Issuer: Yinhua Fund Management Co., Ltd.

This is a Mainland fund authorized for public offering in Hong Kong pursuant to Mainland-Hong Kong Mutual Recognition of Funds arrangement.

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

Fund Manager:	Yinhua Fund Management Co., Ltd. (the "Manager")
Custodian:	Industrial and Commercial Bank of China Limited
Ongoing charges over a year#	Class H: 0.65%
Distribution policy:	Class H: Distributions (if any) will be declared and paid no more than 12 times each year at the Manager's discretion. Distributions may be paid out of capital or effectively out of capital.
Financial year end of the Fund:	31 December
Minimum investment:	Class H: RMB 10 minimum initial investment, RMB 10 minimum subsequent investment
Dealing frequency:	Daily (each day being a Hong Kong business day which is also a Mainland working day ("Joint Business Day"))
Base currency:	RMB

As Class H is newly set-up, the ongoing charge figure is an estimate expressed as a percentage of the sum of the estimated ongoing expenses chargeable to Class H over a 12-month period over the estimated average Net Asset Value ("NAV") of Class H Units over the same period. This figure may vary from year to year and the actual figure may be different from the estimated figure.

What is this product?

Yinhua Credit Theme Jijihong Bond Fund (the "Fund") is an open-ended fund constituted under the laws of the Mainland China (the "Mainland") and its home regulator is the China Securities Regulatory Commission ("CSRC").

Objectives and Investment Strategy

Objective

The investment objective of the Fund is to invest primarily in credit bonds ("Credit Bonds") to achieve stable income and overall investment return. Credit Bonds refer to fixed income financial instruments other than sovereign credit fixed income financial instruments such as treasury bonds, central bank bills, policy bank bonds and local bonds issued by the central government. Credit Bonds may include medium term notes, financial bonds (excluding policy bank bonds), corporate bonds, company bonds, convertible bonds (including bonds with warrants), short-term financing bills, subordinated bonds, urban investment bonds and asset-backed securities.

Strategy

The Fund invests in financial instruments with good liquidity, including bonds that are issued and listed in accordance with Mainland laws such as Credit Bonds, treasury bonds, central bank bills, repurchase transactions, bank deposits with term within one year (including one year) and other financial instruments that are permitted by relevant laws and regulations of the CSRC for investment by the Fund.

The Fund's investment portfolio shall consist of bonds for no less than 80% of the Fund's assets and no less than 64% of the Fund's assets shall be invested in Credit Bonds.

The Fund's investments in fixed income financial instruments and other investments will be limited to those securities in the Mainland market only.

The Fund may invest up to 20% of its NAV in asset-backed securities. Other than at least 5% of the Fund's NAV in cash or government bonds with maturity of less than one year, the Fund may invest all of its assets in urban investment bonds, subordinated bonds, medium term notes, financial bonds (excluding policy bank bonds), corporate bonds, company bonds, convertible bonds (including bonds with warrants), short term financing bills or other Credit Bonds, singly (other than asset-backed securities) or in aggregate. The Fund will not invest in debt securities which are rated BB+ or below by a Mainland credit rating agency or unrated.

Notwithstanding the above and reference in the Prospectus to possible investment in convertible bonds and bonds with warrants which may result in the Fund holding warrants attached to such bonds, the Fund does not invest in financial derivative instruments (including warrants) and does not engage in stock lending transactions. The Fund currently does not invest in bonds with warrants. The Fund does not directly invest in equities or participate in initial public offerings. In the event that the Fund holds any stocks derived from convertible bonds, or the Fund holds any warrants derived from such stocks or from bonds with warrants, the Fund will dispose of such stocks or warrants within 30 trading days that such stocks or warrants are tradeable.

The Fund may engage in repurchase or reverse repurchase transactions on the Mainland exchange market and/or the Mainland interbank market. Subject to complying with minimum investment requirements to meet the Fund's investment objective and strategy and the other applicable regulatory requirements, the Fund (i) is not subject to any limit when entering into reverse repurchase transactions on the exchange market and the interbank market; and (ii) may enter into repurchase transactions on the exchange market and/or the interbank market up to an aggregate total limit of 40% of the Fund's NAV. Applicable regulatory approval from relevant regulatory authorities will be sought and at least one month's prior notice will be given to investors if there would be any change of such limit.

The Fund's maximum level of leverage shall not exceed 40% of the Fund's NAV. Applicable regulatory approval from relevant regulatory authorities will be sought and at least one month's prior notice will be given to investors if there would be any change of such limit.

What are the key risks?

Investment involves risks and there is no guarantee of the repayment of the principal. Please refer to the offering document for details including the risk factors.

1. ***Investment Risk***

   The Fund is an investment fund. There is no guarantee of the repayment of the principal or payment of dividend or distributions. Further, there is no guarantee that the Fund will be able to achieve its investment objective and there is no assurance that the stated strategies can be successfully implemented.

2. ***Risks associated with the MRF arrangement***

- *Quota restrictions*: The Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme is subject to an overall quota restriction. Subscription of Class H Units in the Fund may be suspended at any time if such quota is used up.
- *Failure to meet eligibility requirements*: If the Fund ceases to meet any of the eligibility requirements under the MRF, it may not be allowed to accept new subscriptions. In the worst scenario, the SFC may even withdraw its authorization for the Fund to be publicly offered in Hong Kong for breach of eligibility requirements. There is no assurance that the Fund can satisfy these requirements on a continuous basis.
- *Different market practices*: Market practices in the Mainland and Hong Kong may be different. In addition, operational arrangements of the Fund and other public funds offered in Hong Kong may be different in certain ways. For example, subscriptions or redemptions of Class H Units may only be processed on a day which both Mainland and Hong Kong markets are open. Besides this dealing day arrangement, the Fund may also have different cut-off times or dealing day arrangements from other SFC-authorized funds. Investors should ensure that they understand these differences and their implications.
- *Mainland tax risk:* Currently, certain tax concessions and exemptions are available to the Fund and/or its investors under the MRF regime. There is no assurance that such concessions and exemptions or Mainland tax laws and regulations will not change. Any change to the existing concessions and exemptions as well as the relevant laws and regulations may adversely affect the Fund and/or its investors and they may suffer substantial losses as a result.

3. Concentration risk / Mainland market risk

- The Fund's investments will be limited to those securities in the Mainland market only and is subject to additional concentration risk. Investing in the Mainland market may give rise to different risks including political, policy, tax, economic, foreign exchange, legal, regulatory and liquidity risks.

4. Mainland debt securities risks

- *Volatility and liquidity risk:* The Mainland debt securities markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations.
- *Counterparty risk:* The Fund is exposed to the credit/default risk of issuers of the debt securities that the Fund may invest in.
- *Interest rate risk:* Investment in the Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. The Fund is exposed to additional policy risk of potential adjustment by the government to the interbank deposit rate.
- *Downgrading risk:* The credit rating of a debt instrument or its issuer may be downgraded subsequent to investment made by the Fund. In the event of such downgrading, the value of the Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- *Credit rating agency risk:* The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agency may therefore not be directly comparable with those given by other international rating agencies.
- *Risk associated with urban investment bonds:* Other than at least 5% of the Fund's NAV in cash or government bonds with maturity of less than one year, the Fund may invest all of its assets in Credit Bonds, including urban investment bonds, singly or in aggregate. Urban investment bonds are issued by local government financing vehicles ("LGFVs"), such bonds are typically not guaranteed by local governments or the central government of the Mainland. In the event that the LGFVs default on payment of principal or interest of the

urban investment bonds, the Fund could suffer substantial loss and the NAV of the Fund could be adversely affected.

- *Risk associated with subordinated bonds:* Other than at least 5% of the Fund's NAV in cash or government bonds with maturity of less than one year, the Fund may invest all of its assets in Credit Bonds, including subordinated bonds, singly or in aggregate. In the event of bankruptcy, insolvency or liquidation of the issuer, investments in subordinated bonds will have a lower priority of claim than holders of unsubordinated debt securities but before holders of equity securities of the same issuer. The Fund is therefore exposed to higher credit risks and insolvency risks of its counterparties than holders of unsubordinated bonds. The value of the Fund may be adversely affected by such risks.
- *Risk associated with asset-backed securities*: Asset-backed securities may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

5. Risk associated with convertible bonds

- The Fund may invest in convertible bonds issued in the Mainland. Convertible bonds are hybrids between debt and equity that are permitting holders to convert into shares in the company issuing the bond at a specified future date. Prior to conversion, convertible bonds have the same characteristics as non-convertible fixed income securities, and the market value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. While convertible bonds generally offer lower interest or dividend yields than non-convertible fixed income securities of similar quality, the price of a convertible bond will normally vary with changes in the price of the underlying stock. Therefore, investors should be prepared for greater volatility than straight bond investments, with an increased risk of capital loss, which may adversely affect the NAV of the Fund. Factors affecting the value of convertible bonds include credit risk, risk of default, risk related to interest rate changes, liquidity risks, and prepayment risk, which can adversely affect the value of the Fund.
- Convertible bonds may also have call provisions and other features that may give rise to the risk of a call. The value and performance of the Fund may be affected as a result.

6. Risks associated with repurchase and reverse repurchase transactions

- *Reverse repurchase transaction risk:* The collateral pledged under the reverse repurchase transactions in the interbank market may not be marked-to-market. In addition, the Fund may suffer substantial loss when engaging in reverse repurchase transactions as there may be delay and difficulties in recovering cash placed out or realizing the collateral, or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inadequate valuation of the collateral and market movements upon default of the counterparty.
- *Repurchase transaction risk:* For repurchase transaction, the Fund may suffer substantial loss as there may be delay and difficulties in recovering collateral pledged with the counterparty or the cash originally received may be less than the collateral pledged due to inadequate valuation of the collateral and market movement upon default of the counterparty.

7. RMB currency and conversion risks

- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example Hong Kong dollar) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund.

- Investors may not receive RMB upon redemption of investments and/or dividend payment (if any) or such payment may be delayed due to the exchange controls and restrictions applicable to RMB.

8. ***Risks relating to payment of distributions out of capital or effectively out of capital***
   - Payment of distributions out of capital or effectively out of capital amount to a return or withdrawal of part of a unitholder's original investment or from any capital gains attributable to that original investment.
   - Any distribution involving payment of distributions out of or effectively out of the Fund's capital may result in an immediate reduction of the NAV per unit.

How has the Fund performed?

As Class H is newly established, there is currently insufficient data to provide a useful indication of past performance to investors.

Is there any guarantee?

The 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 Class H Units of the Fund.

Fee	What you pay
Subscription fee	**Class H –** Up to 5% of the subscription amount
Switching fee*	**Class H –** Not applicable
Redemption fee	**Class H –** 0. 375% of the redemption amount

* Switching is not currently available for Class H - the Manager will announce applicable arrangement and fee when switching is available.

Ongoing fees payable by the Fund

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investment.

	Annual rate (as % of the Fund's NAV)
Management fee The Fund pays a management fee to the Manager	0.36%
Custodian fee The Fund pays a custodian fee to the Custodian	0.2%
Performance fee	Nil
Administration fee	Nil

Please refer to the section of the Prospectus entitled "Expenses and Taxes of the Fund" for further details, as well as for information on other ongoing expenses that may be borne by the Fund.

Other fees

You may have to pay other fees when dealing in the Class H Units of the Fund.

Additional Information

- You generally buy and redeem units at the Fund's next-determined NAV after your request is received by an authorized distributor in good order on or before the dealing cut-off time, which is 3:00 p.m. (Hong Kong time) on a Joint Business Day. Certain authorized distributors may impose different earlier dealing deadlines for receiving requests from investors. Investors should enquire with the relevant authorized distributors accordingly.

- The NAV of Class H Units of the Fund is calculated on each Mainland Working Day and such other days as required by Mainland laws and regulations (including 30 June and 31 December even if these dates are not Mainland Working Days), and the price of Class H Units is published on a daily basis on the website for Hong Kong investors www.bea-union-investment.com which is issued by the Hong Kong Representative. The website has not been reviewed by the SFC.
- Investors should visit the website www.bea-union-investment.com, which is issued by the Hong Kong Representative for the latest notices relating to the Fund. The website has not been reviewed by the SFC.
- The compositions of the distributions of Class H Units (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months are available from the Manager or the Hong Kong Representative upon request and also on the website www.bea-union-investment.com which is issued by the Hong Kong Representative. The website has not been reviewed by the SFC.

Important

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

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