

**CSOP ETF SERIES**  
(An umbrella unit trust established in Hong Kong)

**CSOP FTSE CHINA A50 ETF**  
(A sub-fund of CSOP ETF Series)  
**ANNUAL REPORT**  
**FOR THE PERIOD FROM**  
**23 AUGUST 2012 (DATE OF INCEPTION)**  
**TO 31 DECEMBER 2012**

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

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**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS**

**Introduction**

The CSOP FTSE China A50 ETF (the “CSOP A50 ETF”), a sub-fund of the CSOP ETF Series, is a unit trust authorised under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. It was launched on 23 August 2012 and commenced trading in RMB under the stock code 82822 on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 28 August 2012; following the SEHK’s dual counter model, the CSOP A50 ETF started trading in HKD under the stock code 02822 on the SEHK on 8 November 2012. The CSOP A50 ETF is benchmarked against the FTSE China A50 Index (the “A50 Index”) and adopts the full-replication strategy. The Manager and RQFII Holder of the CSOP A50 ETF is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The CSOP A50 ETF is a physical ETF which invests directly in the A50 Index securities through the RQFII quotas of the Manager. Under current regulations in the PRC, foreign investors can invest only in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFII or a RQFII from the CSRC and have been granted quota(s) by SAFE to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC’s domestic securities markets. The Manager has obtained RQFII status and the total RQFII quotas obtained by the Manager amount to RMB 15 billion as of 31 December 2012.

The FTSE China A50 Index (The “Index”) is compiled and published by FTSE International Limited. It comprises the top 50 A-Share companies from both the Shanghai and Shenzhen markets by market capitalization. The Index operates under clearly defined rules published by the index provider and is a tradable index.

**Capital Gains Tax (“CGT”) Treatment**

Specific rules governing taxes on capital gains derived by QFIIs or RQFIIs from the trading of PRC Securities (including China A-Shares) have yet to be announced. It is possible that the relevant tax authorities may in the future clarify the tax position on capital gains realised by the Sub-Fund dealing in PRC Securities or by a relevant QFII from dealing in PRC Securities. In the absence of such specific rules, the CGT should be governed by the general tax provisions of the PRC CIT Law, according to the Manager’s tax adviser. Therefore, the Manager currently provisioned to withhold 10% of realised and unrealised capital gains.

With the uncertainties under the applicable PRC tax laws and the possibility of such laws being changed and taxes being applied retrospectively, the provision for taxation made by the Manager may be excessive or inadequate to meet actual PRC tax liabilities on gains derived from investments held by the CSOP A50 ETF. Upon any future resolution of the abovementioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant PRC tax authorities since the net asset value of the CSOP A50 ETF may be affected. The Manager reasonably believes the current provision is adequate and will monitor the situation closely.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)**

**Fund Performance**

The CSOP A50 ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 31 December 2012, the Net Asset Value ("NAV") per unit of the CSOP A50 ETF was RMB8.2890 and there were 2,023,500,000 units outstanding. The total asset under management was approximately RMB16.8 billion.

Since the first trading date of 28 August 2012 to 31 December 2012, the NAV of CSOP A50 ETF performed 15.08% while the index performed 17.16%. The difference in performance between the NAV of the CSOP A50 ETF and the Index is mainly attributed to fees and expenses, including tax on dividends and CGT withholding. The RMB counter (stock code 82822) traded at a premium and performed 18.78%.

**Exchange Liquidity**

Since inception, the CSOP A50 ETF has attracted great investor attention from investors across the globe. The trading value of the RMB counter (stock code: 82822) climbed steadily to an average daily turnover of RMB 73 million in December 2012. The daily trading volume of the HKD counter (stock code: 02822) booked an average of 78 million units in December 2012. The fund's high liquidity often placed it in the top 3 most heavily traded ETFs on the SEHK. The trading volume for the CSOP A50 ETF reflected strong interest in the CSOP A50 ETF.

**Portfolio Rebalance**

The CSOP A50 ETF adopts full-replication strategy to track the Index. Since inception, the Sub-Fund has experienced two quarterly index rebalances.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

We hereby confirm that, in our opinion, the Manager of the CSOP FTSE China A50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 25 July 2012 for the period from 23 August 2012 (date of inception) to 31 December 2012.

A handwritten signature in black ink, appearing to read "Clare Weir". The signature is fluid and cursive, with a long horizontal stroke at the end.

HSBC Institutional Trust Services (Asia) Limited  
29 April 2013

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

**MANAGER'S RESPONSIBILITIES**

The Manager of the CSOP FTSE China A50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series, is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong and the Trust Deed dated 25 July 2012 (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Sub-Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Sub-Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

CSOP ETF Series (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2012, the Trust has established one sub-fund, namely, the CSOP FTSE China A50 ETF.

**TRUSTEE'S RESPONSIBILITIES**

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-Fund and rights attaching thereto; and
- report to the Unitholders for each annual accounting period on the conduct of the Manager in the management of the Sub-Fund.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

**Report on the Financial Statements**

We have audited the financial statements of CSOP FTSE China A50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series (the "Fund"), set out on pages 7 to 25, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the period from 23 August 2012 (date of inception) to 31 December 2012, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 25 July 2012 (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Sub-Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2012, and of its financial performance and cash flows for the period from 23 August 2012 (date of inception) to 31 December 2012 in accordance with Hong Kong Financial Reporting Standards.

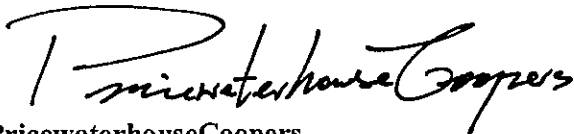
**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

**Emphasis of Matter**

We draw attention to Note 3 to the financial statements which indicates that Management considers that the enforcement of PRC tax on gains on A-Shares is uncertain as at the date of approval of these financial statements and that Management has exercised significant judgment in their assessment of the potential tax charge and the related provision included in the Sub-Fund's financial statements as at 31 December 2012. Our opinion is not qualified in respect of this matter.

**Report on Other Legal and Regulatory Disclosure Requirements**

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 29 April 2013



**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2012*

	<i>Note</i>	2012 <i>RMB</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Investments	8(a)	16,939,960,824
Deposit reserve		2,800,000
Interest receivable		8,804
Bank balances	7(c)	69,801,044
<b>Total assets</b>		<u>17,012,570,672</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Amounts due to participating dealers		4,766,135
Management fee payable	7(a)	11,752,600
Taxation payable	6	221,846,420
Other accounts payable		1,373,836
<b>Total liabilities</b>		<u>239,738,991</u>
<b>EQUITY</b>		
<b>Net assets attributable to unitholders</b>	4	<u>16,772,831,681</u>

The financial statements on pages 7 to 25 were approved by the Trustee and the Manager on 29 April 2013 and were signed on their behalf.

For and on behalf of

For and on behalf of




*Approved by the Trustee and the Manager on 29 April 2013.*

CSOP Asset Management Limited  
as the Manager

HSBC Institutional Trust Services (Asia) Limited  
as the Trustee

*The notes on pages 11 to 25 form part of these financial statements.*

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF COMPREHENSIVE INCOME**

*For the period from 23 August 2012 (date of inception) to 31 December 2012*

	<i>Note</i>	Period from 23 August 2012 (date of inception) to 31 December 2012 <i>RMB</i>
<b>INCOME</b>		
Dividend income		10,976,085
Interest income		529,397
Net gain on investments	5	2,090,145,951
Other income		11,304,938
<b>Total net income</b>		<u>2,112,956,371</u>
<b>EXPENSES</b>		
Management fee	7(a)	(29,513,307)
Trustee fee	7(b)	(2,871,690)
Transaction costs on investments		(16,246,599)
Audit fee		(158,290)
Safe custody and bank charges		(30,863)
Other operating expenses		(156,123)
<b>Total operating expenses</b>		<u>(48,976,872)</u>
Operating profit		2,063,979,499
Taxation	6	(222,996,968)
<b>Total comprehensive income</b>		<u><u>1,840,982,531</u></u>

*The notes on pages 11 to 25 form part of these financial statements.*

**CSOP FTSE CHINA A50 ETF**  
**(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

*For the period from 23 August 2012 (date of inception) to 31 December 2012*

	Period from 23 August 2012 (date of inception) to 31 December 2012 <i>RMB</i>
Net assets attributable to unitholders at the beginning of the period	-
Proceeds on issue of units	14,931,849,150
	<hr/>
	14,931,849,150
	<hr/>
Total comprehensive income for the period	1,840,982,531
	<hr/>
<b>Net assets attributable to unitholders at the end of the period</b>	<b>16,772,831,681</b>
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*The notes on pages 11 to 25 form part of these financial statements.*

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF CASH FLOWS**

*For the period from 23 August 2012 (date of inception) to 31 December 2012*

	Period from 23 August 2012 (date of inception) to 31 December 2012 <i>RMB</i>
<b>OPERATING ACTIVITIES</b>	
Payments for purchase of investments	(15,640,645,734)
Proceeds from sale of investments	790,830,861
Dividend received	10,976,085
Interest received	520,593
Other income received	16,071,073
Management fee paid	(17,760,707)
Transaction costs paid	(16,246,599)
Taxation paid	(1,150,548)
Other operating expenses paid	(1,843,130)
Deposit reserve paid	(2,800,000)
	<hr/>
<b>Net cash used in operating activities</b>	<b>(14,862,048,106)</b>
	<hr style="border-top: 1px dashed black;"/>
<b>FINANCING ACTIVITIES</b>	
Proceeds on issue of units	14,931,849,150
	<hr/>
<b>Net cash generated from financing activities</b>	<b>14,931,849,150</b>
	<hr style="border-top: 1px dashed black;"/>
Net increase in cash and cash equivalents	69,801,044
Cash and cash equivalents at the beginning of the period	-
	<hr/>
Cash and cash equivalents at the end of the period	69,801,044
	<hr style="border-top: 3px double black;"/>
<b>Analysis of balances of cash and cash equivalents</b>	
Bank balances	69,801,044
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*The notes on pages 11 to 25 form part of these financial statements.*

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

CSOP ETF Series (the “Trust”) is an umbrella unit trust governed by its a trust deed dated 25 July 2012 (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. On 23 August 2012, the Trust has established a sub-fund, namely, the CSOP FTSE China A50 ETF (the “Sub-Fund”). As at 31 December 2012, the Trust only has one sub-fund which is the Sub-Fund. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited. The date of inception of the Sub-Fund was 23 August 2012.

The manager and the trustee of the Sub-Fund are CSOP Asset Management Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (“the Trustee”) respectively.

The investment objective of the CSOP FTSE China A50 ETF is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, FTSE China A50 Index. In order to achieve the investment objective of the Sub-Fund, the Manager will only adopt a full replication strategy by directly investing all, or substantially all, of the assets of the Sub-Fund in index securities constituting the underlying index in substantially the same weightings (i.e. proportions) as these index securities have in the underlying index.

Under current regulations in the People’s Republic of China (“PRC”), generally foreign investors can invest only in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a Qualified Foreign Institutional Investor (“QFII”) or a Renminbi Qualified Foreign Institutional Investor (“RQFII”) from the China Securities Regulatory Commission (“CSRC”) and have been granted quota(s) by the State Administration of Foreign Exchange (“SAFE”) of the PRC to remit foreign freely convertible currencies (in the case of a QFII) and Chinese Renminbi (“RMB”) (in the case of a RQFII) into the PRC for the purpose of investing in the PRC’s domestic securities markets.

The Sub-Fund obtains exposure to securities issued within the PRC through the RQFII quotas of the Manager. The Manager has obtained RQFII status in the PRC and the RQFII quotas have been granted, on behalf of the CSOP FTSE China A50 ETF. To the extent that the Manager has, on behalf of the CSOP FTSE China A50 ETF, utilised its entire RQFII quota, the Manager may, subject to any applicable requirements, apply for an increase of the RQFII quota. On the other hand, the Manager actively manages the RQFII quota obtained and may impose limits on creation applications as it considers appropriate.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (together the “Management”) to exercise their judgment in the process of applying the Sub-Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Standard effective after 1 January 2012 that have been early adopted by the Sub-Fund

HKFRS 13, “Fair value measurement”, effective for annual periods beginning on or after 1 January 2013, has been early adopted. The Standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Sub-Fund uses last traded prices as its valuation inputs for listed financial assets and liabilities to be consistent with the inputs prescribed in the Sub-Fund’s offering document for the calculation of its per unit trading value for subscriptions and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Sub-Fund except the following set out below:

HKFRS 9, “Financial instruments”, effective for annual periods beginning on or after 1 January 2015, it addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is not expected to have a significant impact on the Sub-Fund’s financial position or performance, as it is expected that the Sub-Fund will continue to classify their financial assets and financial liabilities as being at fair value through profit or loss.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(a) Basis of preparation (continued)**

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted (continued)

HKFRS 12, “Disclosures of Interests in Other Entities”, effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Sub-Fund’s financial position or performance.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Sub-Fund.

**(b) Investments**

**(i) Classification**

The Sub-Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Management at fair value through profit or loss at inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Sub-Fund’s documented investment strategies. The Sub-Fund’s policies require the Management to evaluate the information about these financial assets on a fair value basis together with other related financial information.

**(ii) Recognition/derecognition**

Purchases and sales of investments are accounted for on the trade date basis. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

**(iii) Measurement**

Investments are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all investments are measured at fair value. Realised and unrealised gains and losses on investments are recognised in the Statement of Comprehensive Income in the period in which they arise.

**(iv) Fair value estimation**

The Sub-Fund early adopted HKFRS 13 “Fair value measurement” since 23 August 2012 (date of inception). The fair value of investments that are listed or traded on an exchange is based on quoted market prices at close of trading on reporting date.

Investments which are not listed on an exchange or are thinly traded are valued by using quotes from brokers.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Amounts due from/to participating dealers**

Amounts due from/to participating dealers represent the subscription receivable and redemption payable to the participating dealer at the end of the reporting period. The amounts are non-interest bearing and repayable on demand.

**(d) Dividend income and interest income**

Dividend income is recorded on the ex-dividend date with the corresponding foreign withholding taxes recorded as an expense.

Interest income is recognised on a time-proportionate basis using the effective interest method.

**(e) Other income**

Other income represents the duties and charges paid by the participating dealers for investments purchased/sold in a subscription/redemption day.

**(f) Expenses**

Expenses are accounted for on an accrual basis.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**(h) Foreign currencies translation**

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The Sub-Fund invests in A-Shares in the PRC and the performance of the Sub-Fund is measured and reported to the unitholders in RMB. The Manager considers RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Sub-Fund’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within “net gain/(loss) on investments”.



**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Redeemable units**

The Sub-Fund issues redeemable units, which are redeemable at the holder's option, are the most subordinated units in issue and are therefore classified as equity.

Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

**(j) Taxation**

The Sub-Fund currently incurs withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in the Statement of Comprehensive Income. Withholding taxes are included as taxation in the Statement of Comprehensive Income.

The Sub-Fund also makes tax provisions on the gains arising from PRC A-shares which Management expects such amount may have to be paid to the tax authorities.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with HKFRS requires the Manager to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below.

**Taxation**

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

The Sub-Fund invests in A-Shares securities which are issued within the PRC through the RQFII quotas of the Manager. Under the general taxing provision of PRC corporate tax law, a 10% withholding tax may be payable on the gains derived from the sale of A-Shares by RQFIIs. The Manager considers that the enforcement of PRC tax on gains on A-Shares is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing whether the Sub-Fund may be liable for taxation on its gains, the amount of potential tax liability and the probability of such tax charges being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events. The Manager consider that its estimation may be impacted by any future clarification by the PRC State Administration of Taxation ("SAT"), such as a decision by the SAT to levy capital gains tax on the RQFII investments, which may be materially different from what the Manager envisioned.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**Taxation (continued)**

The Manager estimates the gross realised gains and unrealised gains of the Sub-Fund which could be exposed to PRC taxation at the rate of 10% for the period ended 31 December 2012 to be approximately RMB44,813,823 and approximately RMB2,173,650,375 respectively, and the Manager has made tax provision accordingly. The capital gains tax provision in relation to A-Shares investments of the Sub-Fund included in the financial statements of RMB221,846,420 represents 1.32% of the net assets attributable to unitholders of the Sub-Fund as at 31 December 2012. The Manager considers that the capital gains tax provision amount may differ significantly from the amounts that may have to ultimately borne by the Sub-Fund. In the event a capital gains tax is levied at an amount that is different from what was provided for by the Sub-Fund, the Sub-Fund may incur a liability that is different from the existing tax provision, which could significantly impact the net assets attributable to unitholders and consequently, the price per unit of the Sub-Fund based on the calculation of the net assets attributable to unitholders when distributing to the unitholders at such relevant time. When the SAT issues clarifications, this might ultimately result in either an increase or a decrease in the amount provided. Refer to Note 6 for more details.

**4. NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT**

The Sub-Fund's capital is represented by the units in the Sub-Fund, and shown as "net assets attributable to unitholders" in the Statement of Financial Position. Subscriptions and redemptions of units during the period are shown in the Statement of Changes in Net Assets Attributable to Unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies, whilst maintaining sufficient liquidity to meet redemption requests.

In accordance with the provisions of the Sub-Fund's Trust Deed dated 25 July 2012 and Prospectus dated 20 August 2012, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculations.

As stated in note 2(i), redeemable units of the Sub-Fund are classified as equity and they are carried at the redemption amount that would be payable at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4. NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT (continued)**

The movements of the redeemable units for the period from 23 August 2012 (date of inception) to 31 December 2012 are as follows:

	Period from 23 August 2012 (date of inception) to 31 December 2012
Number of units in issue at the beginning of the period	-
Units issued	2,023,500,000
	<hr/>
Number of units in issue at the end of the period	2,023,500,000
	<hr/> <hr/>
	2012
	<i>RMB</i>
Net assets attributable to unitholders per unit at 31 December 2012	8.2890
	<hr/> <hr/>

**5. NET GAIN ON INVESTMENTS**

	Period from 23 August 2012 (date of inception) to 31 December 2012 <i>RMB</i>
Net fair value change in unrealised gain/loss in value of investments	2,056,223,647
Net realised gain on sale of investments	33,922,304
	<hr/>
	2,090,145,951
	<hr/> <hr/>

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6. TAXATION**

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as collective investment schemes under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

PRC withholding tax

The Sub-Fund invests in A-Shares listed in the PRC and is subjected to 10% withholding tax on dividend income derived from A-Shares. Withholding tax was charged on dividend income received from A-Shares during the period. A 10% withholding tax may also be payable on the gains derived from the sale of A-Shares. Refer to Note 3 for details.

The taxation of the Sub-Fund for the period from 23 August 2012 (date of inception) to 31 December 2012 represents:

	Period from 23 August 2012 (date of inception) to 31 December 2012 <i>RMB</i>
Capital gains tax on realised gains on investments	4,481,382
Capital gains tax on unrealised gains on investments	217,365,038
	<hr/>
	221,846,420
	<hr/>
Withholding tax on dividend income	1,097,609
Withholding tax on interest income	52,939
	<hr/>
	1,150,548
	<hr/>
Taxation	<u><u>222,996,968</u></u>

**7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS**

The following is a summary of significant related party transactions/transactions entered into during the period between the Sub-Fund and the Trustee, the Manager and their Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code"). All transactions entered into during the period between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with Connected Persons except for those disclosed below.

**(a) Management fee**

The Manager is entitled to receive a management fee, currently at the rate of 0.99% per annum of the net asset value of the Sub-Fund accrued daily and calculated as at each dealing day and payable monthly in arrears.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS (continued)**

**(b) Trustee fee and Registrar's fee**

The Trustee is entitled to receive a trustee fee, which accrued daily and calculated as at each dealing day and payable monthly in arrears. The trustee fee is calculated as a percentage per annum of the net asset value of the Sub-Fund at the rate as follows, subject to a monthly minimum of RMB40,000:

	Trustee fee percentage per annum
For first RMB200 million	0.16%
For next RMB1,000 million	0.14%
For next RMB1,000 million	0.12%
For next RMB1,000 million	0.10%
Thereafter	0.08%

The Trustee's fee is inclusive of fees payable to The Hongkong and Shanghai Banking Corporation Limited (the "Custodian") and HSBC Bank (China) Company Limited (the "PRC Custodian").

The Trustee, acting as the Registrar, is also entitled to a fee of RMB120 per participating dealer per transaction.

**(c) Bank balances**

As at 31 December 2012, bank balances of HK\$69,801,044 maintained with The Hongkong and Shanghai Banking Corporation Limited, a group company of the Trustee, which carry interest at normal commercial rates.

**8. FINANCIAL RISK MANAGEMENT**

The objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE China A50 Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invest.

The following is a summary of the main risks and risk management policies.

**(a) Market risk**

**(i) Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund is designated to track the performance of the FTSE China A50 Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked index.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. FINANCIAL RISK MANAGEMENT (continued)**

**(a) Market risk (continued)**

**(i) Market price risk (continued)**

As at 31 December, the Sub-Fund's investments were concentrated in the following industries:

	As at 31 December 2012	
	Fair value RMB	% of net asset value
Listed equities – by industry		
Basic materials	1,375,945,868	8.20
Consumer goods	1,794,484,402	10.70
Consumer services	66,091,596	0.39
Financials	11,061,671,700	65.95
Industrials	1,621,124,223	9.68
Oil & gas	530,151,734	3.16
Telecommunications	196,224,147	1.17
Utilities	294,267,154	1.75
	<u>16,939,960,824</u>	<u>101.00</u>

The Sub-Fund held 50 out of 50 constituents comprising the FTSE China A50 Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the FTSE China A50 Index.

Sensitivity analysis in the event of a possible change in the index by 10% as estimated by the Manager

As at 31 December 2012, if the FTSE China A50 Index were to increased by 10% with all other variables held constant, this would increase the post-tax profit for the period by approximately RMB1,693,996,082. Conversely, if the FTSE China A50 Index were to decrease by 10%, this would decrease the post-tax profit for the period by an equal amount.

**(ii) Interest rate risk**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

As at 31 December 2012, interest rate risk arises only from bank balances which are reset monthly. As these interest bearing assets are short-term in nature, the Manager considers that changes in their fair value and future cash flows in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis has been disclosed.

**(iii) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are denominated in RMB, the Sub-Fund's functional and presentation currency. Therefore, no sensitivity analysis has been disclosed.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. FINANCIAL RISK MANAGEMENT (continued)**

**(b) Credit and counterparty risk**

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

The Sub-Fund limits its exposure to credit and counterparty risk by carrying out the majority of its investment transactions and contractual commitment activities with well established broker-dealers, banks and regulated exchanges with high credit ratings.

All transactions in listed securities are settled or paid for upon delivery using approved and reputable brokers. And the Sub-Fund places bank balances with reputable financial institutions. As such, the Manager does not consider the Sub-Fund to be exposed to significant credit and counterparty risk.

As at 31 December 2012, the Sub-Fund placed bank balances of RMB2,316,387 with The Hong Kong and Shanghai Banking Corporation Limited (“HSBC”), which is the custodian of the Sub-Fund. The S&P credit rating of HSBC is AA-.

As at 31 December 2012, the Sub-Fund placed bank balances of RMB67,484,657 and investments of RMB16,939,960,824 with HSBC Bank (China) Company Limited (“HSBC China”), which is the PRC custodian of the Sub-Fund. The Moody’s credit rating of HSBC China is A2.

The Manager considers that none of assets are impaired nor past due as at 31 December 2012.

**(c) Liquidity risk**

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

The table below analyses the Sub-Fund’s financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month <i>RMB</i>	1 month to less than 3 months <i>RMB</i>	Over 3 months <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2012</b>				
Amounts due to participating dealers	4,766,135	-	-	4,766,135
Management fee payable	-	11,752,600	-	11,752,600
Other accounts payable	-	1,069,216	304,620	1,373,836
<b>Contractual cash outflow</b>	<b>4,766,135</b>	<b>12,821,816</b>	<b>304,620</b>	<b>17,892,571</b>

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. FINANCIAL RISK MANAGEMENT (continued)**

**(c) Liquidity risk (continued)**

Units are redeemed on demand at the unitholder's option. As at 31 December 2012, there were 2 unitholders holding more than 10% of the Sub-Fund's units.

The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held:

	Less than 7 days <i>RMB</i>	7 days to less than 1 month <i>RMB</i>	1-12 months <i>RMB</i>	No stated maturity <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2012</b>					
Total assets	<u>17,009,761,868</u>	<u>-</u>	<u>8,804</u>	<u>2,800,000</u>	<u>17,012,570,672</u>

**(d) Fair value estimation**

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.



**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. FINANCIAL RISK MANAGEMENT (continued)**

**(d) Fair value estimation (continued)**

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets (by class) measured at fair value at 31 December 2012:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2012</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Equity securities	16,939,960,824	-	-	16,939,960,824
<b>Total assets</b>	<u>16,939,960,824</u>	<u>-</u>	<u>-</u>	<u>16,939,960,824</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As at 31 December 2012, the Sub-Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2012, the Sub-Fund did not hold any investments classified in level 3.

For the period from 23 August 2012 (date of inception) to 31 December 2012, there were no transfers between levels.

The following table analyses within the fair value hierarchy the Sub-Fund's assets and liabilities (by class) not measured at fair value at 31 December 2012 but for which fair value is disclosed.

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2012</b>				
<b>Assets</b>				
Deposit reserve	-	2,800,000	-	2,800,000
Interest receivable	-	8,804	-	8,804
Bank balances	69,801,044	-	-	69,801,044
<b>Total</b>	<u>69,801,044</u>	<u>2,808,804</u>	<u>-</u>	<u>72,609,848</u>
<b>Liabilities</b>				
Amounts due to participating dealers	-	4,766,135	-	4,766,135
Management fee payable	-	11,752,600	-	11,752,600
Other accounts payable	-	1,373,836	-	1,373,836
<b>Total</b>	<u>-</u>	<u>17,892,571</u>	<u>-</u>	<u>17,892,571</u>

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. FINANCIAL RISK MANAGEMENT (continued)**

**(d) Fair value estimation (continued)**

The assets and liabilities included in the above table are carried at amortised cost, their carrying values are a reasonable approximation of fair value.

Bank balances include cash in hand, deposit held with banks and other financial institutions in an active market.

Interest receivable includes the contractual amounts for interest due to the Sub-Fund. Amounts due to participating dealers, management fee payable, taxation payable and other accounts payable represent the obligations due by the Sub-Fund for settlement of expenses.

**(e) Capital risk management**

The Sub-Fund's capital is represented by the redeemable units outstanding. The Sub-Fund's objective is to provide investment results that correspond generally to the performance of the respective index. The Manager may:

- Redeem and issue new units on a daily basis in accordance with the constitutive documents of the Sub-Fund;
- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- Suspend the creation and redemption of units under certain circumstance stipulated in the prospectuses of the Sub-Fund.

**9. FINANCIAL INSTRUMENTS BY CATEGORY**

As of 31 December 2012, other than investments as disclosed in the financial statements which are classified as the financial assets at fair value through profit or loss, all financial assets including deposit reserve, interest receivable and bank balances are categorised as loans and receivables and carried at amortised costs. All the financial liabilities of the Fund are carried at amortised cost.

The carrying value of the financial assets and liabilities are considered by the Manager to approximate their fair value.

**CSOP FTSE CHINA A50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE**

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Trade Funds (the "ETF Guidelines"), the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the underlying index, except where the weightings are exceeded as a result of changes in the composition of the underlying index and the excess is only transitional and temporary in nature.

The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the period from 23 August 2012 (date of inception) to 31 December 2012.

There were no constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the FTSE China A50 Index as at 31 December 2012.

During the period from 23 August 2012 (date of inception) to 31 December 2012, the FTSE China A50 Index increased by 15.09% while the net asset value per unit of the Sub-Fund increased by 13.41%.

**11. SOFT COMMISSION ARRANGEMENT**

The Manager confirms that there has been no soft commission arrangements existing during the period in relation to directing transactions of the Sub-Fund through a broker or dealer.

**12. SEGMENT INFORMATION**

The Manager makes the strategic resource allocations on behalf of the Sub-Fund and has determined the operating segments based on the reports reviewed which are used to make strategic decisions.

The Manager considers that the Sub-Fund has a single operating segment which is investing in securities. The objectives of the Sub-Fund are to track the performance of the FTSE China A50 Index and invest in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the Statement of Financial Position and Statement of Comprehensive Income.

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is derived from investments in PRC securities which constitute FTSE China A50 Index, the tracked index.

The Sub-Fund has no assets classified as non-current assets. The Sub-Fund has a diversified portfolio of investments and no single investment accounts for more than 10% of the Sub-Fund's net asset value.

**13. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Trustee and the Manager on 29 April 2013.

**CSOP FTSE CHINA A50 ETF**  
**(A SUB-FUND OF CSOP ETF SERIES)**

**INVESTMENT PORTFOLIO (Unaudited)**

*As at 31 December 2012*

	Holdings	Fair value RMB	% of net assets
<b>Investments (101.00%)</b>			
<b>Listed Equities (101.00%)</b>			
<b>China (101.00%)</b>			
AGRICULTURAL BANK OF CHINA A SHS ORD CNY1	136,108,679	381,104,301	2.27
AIR CHINA LTD A SHR ORD CNY1	11,015,266	66,091,596	0.39
ALUMINUM CORPORATION OF CHINA LTD A SHS ORD NPV	25,340,129	129,994,862	0.78
ANHUI CONCH CEMENT COMPANY LTD SHS A ORD CNY1	10,579,081	195,184,044	1.16
BANK OF CHINA LTD A SHS ORD CNY1	51,735,672	151,068,162	0.90
BANK OF COMMUNICATIONS LTD A SHRS ORD CNY1	129,771,254	641,069,995	3.82
BAOSHAN IRON & STEEL CO LTD CL A ORD CNY1	34,738,864	169,873,045	1.01
CHINA CITIC BANK CORP A SHRS ORD CNY1	31,697,828	135,983,682	0.81
CHINA COAL ENERGY CO ORD SHS A ORD CNY1	12,103,372	94,648,369	0.56
CHINA COMMUNICATIONS CONSTRUCTION CO LTD A SHS ORD NPV	7,767,700	41,168,810	0.25
CHINA CONSTRUCTION BANK A SHS ORD CNY1	63,677,451	292,916,275	1.75
CHINA EVERBRIGHT BANK CO LTD A ORD CNY1	53,474,200	163,096,310	0.97
CHINA LIFE INSURANCE CO A SHS ORD NPV	9,638,620	206,266,468	1.23
CHINA MERCHANTS BANK A SHR ORD CNY1	87,718,060	1,206,123,325	7.19
CHINA MINSHENG BANKING CO LTD A SHR ORD CNY1	112,017,501	880,457,558	5.25
CHINA OILFIELD SERVICES LTD A SHS ORD CNY1	3,915,286	64,210,690	0.38
CHINA PACIFIC INSURANCE GROUP A SHR ORD CNY1	16,659,106	374,829,885	2.23
CHINA PETROLEUM & CHEMICAL CORP CL A ORD CNY1	32,364,612	223,963,115	1.34
CHINA RAILWAYS CONSTRUCTION CORP A SHS ORD CNY1	20,355,400	119,486,198	0.71
CHINA SHENHUA ENERGY CO LTD A SHS ORD CNY1	11,994,904	304,070,816	1.81
CHINA SHIPBUILDING INDUSTRY CO LTD A SHR ORD CNY1	29,096,547	138,790,529	0.83
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD A SHR ORD CNY1	79,348,786	309,460,265	1.85
CHINA UNITED NETWORK COMMUNICATIONS LTD A SHRS ORD CNY1	56,064,042	196,224,147	1.17
CHINA VANKE CO LTD A SHR ORD CNY1	63,978,328	647,460,679	3.86
CHINA YANGTZE POWER CO LTD CL A ORD CNY1	32,731,372	224,864,526	1.34
CITIC SECURITIES CO LTD A SHR ORD CNY1	48,792,547	651,868,428	3.89
DAQIN RAILWAY CO LTD A SHS ORD CNY1	39,128,217	264,506,747	1.58
GF SECURITIES CO LTD A SHR ORD CNY1	11,742,270	181,065,803	1.08
GREE ELECTRIC APPLIANCES INC OF ZHUHAI A SHS ORD CNY1	14,916,929	380,381,690	2.27
HAITONG SECURITIES CO LTD CL A ORD CNY1	40,194,413	411,992,733	2.46
HUANENG POWER INTERNATIONAL INC A SHS ORD CNY1	9,720,256	69,402,628	0.41
HUAXIA BANK CO LTD A SHR ORD CNY1	18,117,217	187,513,196	1.12
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD A SHS ORD CNY1	104,048,372	431,800,744	2.57

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**INVESTMENT PORTFOLIO (Unaudited) (continued)**  
*As at 31 December 2012*

	Holdings	Fair value RMB	% of net assets
<b>Investments (101.00%) (continued)</b>			
<b>Listed equities (101.00%) (continued)</b>			
<b>China (101.00%) (continued)</b>			
INDUSTRIAL BANK CO LTD A SHR ORD CNY1	53,560,407	893,923,193	5.33
INNER MONGOLIA BAOTOU STEEL RARE-EARTH HI TECH CO LTD A SHR ORD CNY1	8,007,725	299,889,301	1.79
JIANGSU YANGHE BREWERY JOINT-STOCK CO LTD A SHS ORD CNY1	1,071,248	100,022,426	0.60
JIANGXI COPPER CO LTD A SHRS ORD CNY1	5,488,874	130,964,534	0.78
KWEICHOW MOUTAI CO LTD A SHR ORD CNY1	2,745,996	573,968,084	3.42
NEW CHINA LIFE INSURANCE CO LTD A SHRS ORD NPV	4,137,353	119,238,514	0.71
PETROCHINA CO LTD A SHRS CNY1	26,767,470	241,977,929	1.44
PING AN BANK CO LTD A SHR ORD CNY1	16,938,713	271,358,182	1.62
PING AN INSURANCE (GROUP) CO OF CHINA LTD A SHR ORD CNY1	31,649,783	1,433,418,672	8.55
POLY REAL ESTATE GROUP CO LTD A SHR ORD CNY1	35,399,508	481,433,309	2.87
SAIC MOTOR CORP LTD A SHR ORD CNY1	21,871,770	385,818,023	2.30
SANY HEAVY INDUSTRY CO LTD A ORD CNY1	25,106,175	265,874,393	1.59
SHANGHAI PUDONG DEVELOPMENT BANK CO LTD A SHR ORD CNY1	92,508,295	917,682,286	5.47
WULIANGYE YIBIN CO LTD A SHS ORD CNY1	12,550,272	354,294,179	2.11
YANZHOU COAL MINING CO LTD A SHRS ORD CNY1	2,544,455	46,385,415	0.28
ZIJIN MINING GROUP CO LTD A SHR ORD CNY0.1	52,250,529	200,119,526	1.19
ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO LTD A SHR ORD CNY1	31,124,130	286,653,237	1.71
<b>Total investments</b>		16,939,960,824	101.00
<b>Other net liabilities</b>		(167,129,143)	(1.00)
<b>Net assets attributable to unitholders at 31 December 2012</b>		<u>16,772,831,681</u>	<u>100.00</u>
<b>Total investments, at cost</b>		<u>14,883,737,177</u>	

**CSOP FTSE CHINA A50 ETF**  
**(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)**  
*For the period from 23 August 2012 (date of inception) to 31 December 2012*

	Holdings				
	23 August 2012 (date of inception)	Additions	Corporate action	Disposals	31 December 2012
<b>Investments</b>					
<b>Listed equities</b>					
AGRICULTURAL BANK OF CHINA A SHS ORD CNY1	-	141,413,579	-	5,304,900	136,108,679
AIR CHINA LTD A SHR ORD CNY1	-	11,404,466	-	389,200	11,015,266
ALUMINUM CORPORATION OF CHINA LTD A SHS ORD NPV	-	26,367,929	-	1,027,800	25,340,129
ANHUI CONCH CEMENT COMPANY LTD SHS A ORD CNY1	-	10,972,881	-	393,800	10,579,081
BANK OF CHINA LTD A SHS ORD CNY1	-	53,787,372	-	2,051,700	51,735,672
BANK OF COMMUNICATIONS LTD A SHRS ORD CNY1	-	145,896,054	-	16,124,800	129,771,254
BAOSHAN IRON & STEEL CO LTD CL A ORD CNY1	-	36,131,564	-	1,392,700	34,738,864
CHINA CITIC BANK CORP A SHRS ORD CNY1	-	32,913,128	-	1,215,300	31,697,828
CHINA COAL ENERGY CO ORD SHS A ORD CNY1	-	12,583,872	-	480,500	12,103,372
CHINA COMMUNICATIONS CONSTRUCTION CO LTD A SHS ORD NPV	-	8,084,100	-	316,400	7,767,700
CHINA CONSTRUCTION BANK A SHS ORD CNY1	-	66,112,151	-	2,434,700	63,677,451
CHINA EVERBRIGHT BANK CO LTD A ORD CNY1	-	55,528,700	-	2,054,500	53,474,200
CHINA LIFE INSURANCE CO A SHS ORD NPV	-	10,100,220	-	461,600	9,638,620
CHINA MERCHANTS BANK A SHR ORD CNY1	-	91,166,360	-	3,448,300	87,718,060
CHINA MINSHENG BANKING CO LTD A SHR ORD CNY1	-	116,383,201	-	4,365,700	112,017,501
CHINA OILFIELD SERVICES LTD A SHS ORD CNY1	-	4,062,786	-	147,500	3,915,286
CHINA PACIFIC INSURANCE GROUP A SHR ORD CNY1	-	17,372,506	-	713,400	16,659,106
CHINA PETROLEUM & CHEMICAL CORP CL A ORD CNY1	-	33,684,212	-	1,319,600	32,364,612
CHINA RAILWAYS CONSTRUCTION CORP A SHS ORD CNY1	-	20,355,400	-	-	20,355,400

**CSOP FTSE CHINA A50 ETF**  
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**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (continued)**  
*For the period from 23 August 2012 (date of inception) to 31 December 2012*

	Holdings				31 December 2012
	23 August 2012 (date of inception)	Additions	Corporate action	Disposals	
<b>Investments (continued)</b>					
<b>Listed equities (continued)</b>					
CHINA SHENHUA ENERGY CO LTD A SHS ORD CNY1	-	12,540,304	-	545,400	11,994,904
CHINA SHIPBUILDING INDUSTRY CO LTD A SHR ORD CNY1	-	30,238,147	-	1,141,600	29,096,547
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD A SHR ORD CNY1	-	82,477,186	-	3,128,400	79,348,786
CHINA UNITED NETWORK COMMUNICATIONS LTD A SHRS ORD CNY1	-	58,264,542	-	2,200,500	56,064,042
CHINA VANKE CO LTD A SHR ORD CNY1	-	66,453,228	-	2,474,900	63,978,328
CHINA YANGTZE POWER CO LTD CL A ORD CNY1	-	34,050,072	-	1,318,700	32,731,372
CITIC SECURITIES CO LTD A SHR ORD CNY1	-	50,658,147	-	1,865,600	48,792,547
DAQIN RAILWAY CO LTD A SHS ORD CNY1	-	40,630,517	-	1,502,300	39,128,217
GF SECURITIES CO LTD A SHR ORD CNY1	-	12,188,270	-	446,000	11,742,270
GREE ELECTRIC APPLIANCES INC OF ZHUHAI A SHS ORD CNY1	-	14,916,929	-	-	14,916,929
HAITONG SECURITIES CO LTD CL A ORD CNY1	-	41,790,913	-	1,596,500	40,194,413
HUANENG POWER INTERNATIONAL INC A SHS ORD CNY1	-	10,133,456	-	413,200	9,720,256
HUAXIA BANK CO LTD A SHR ORD CNY1	-	18,759,717	-	642,500	18,117,217
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD A SHS ORD CNY1	-	108,101,472	-	4,053,100	104,048,372
INDUSTRIAL BANK CO LTD A SHR ORD CNY1	-	55,644,907	-	2,084,500	53,560,407
INNER MONGOLIA BAOTOU STEEL RARE-EARTH HI TECH CO LTD A SHR ORD CNY1	-	8,315,125	-	307,400	8,007,725
JIANGSU YANGHE BREWERY JOINT-STOCK CO LTD A SHS ORD CNY1	-	1,181,748	-	110,500	1,071,248

**CSOP FTSE CHINA A50 ETF  
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**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (continued)**  
*For the period from 23 August 2012 (date of inception) to 31 December 2012*

	Holdings				
	3 August 2012 (date of inception)	Additions	Corporate action	Disposals	31 December 2012
<b>Investments (continued)</b>					
<b>Listed equities (continued)</b>					
JIANGXI COPPER CO LTD A SHRS ORD CNY1	-	5,690,674	-	201,800	5,488,874
KWEICHOW MOUTAI CO LTD A SHR ORD CNY1	-	2,845,396	-	99,400	2,745,996
NEW CHINA LIFE INSURANCE CO LTD A SHRS ORD NPV	-	4,162,953	-	25,600	4,137,353
PETROCHINA CO LTD A SHRS CNY1	-	27,807,370	-	1,039,900	26,767,470
PING AN BANK CO LTD A SHR ORD CNY1	-	17,539,013	-	600,300	16,938,713
PING AN INSURANCE (GROUP) CO OF CHINA LTD A SHR ORD CNY1	-	32,895,483	-	1,245,700	31,649,783
POLY REAL ESTATE GROUP CO LTD A SHR ORD CNY1	-	36,672,008	-	1,272,500	35,399,508
SAIC MOTOR CORP LTD A SHR ORD CNY1	-	22,745,370	-	873,600	21,871,770
SANY HEAVY INDUSTRY CO LTD A ORD CNY1	-	26,032,675	-	926,500	25,106,175
SHANGHAI ELECTRIC GRP CO LTD-A ORD NPV	-	6,088,280	-	6,088,280	-
SHANGHAI INTERNATIONAL PORT GR LTD A SHR ORD CNY 1	-	15,624,408	-	15,624,408	-
SHANGHAI PUDONG DEVELOPMENT BANK CO LTD A SHR ORD CNY1	-	96,084,295	-	3,576,000	92,508,295
SUNING APPLIANCE CO LTD A SHR ORD CNY1	-	13,284,250	-	13,284,250	-
WULIANGYE YIBIN CO LTD A SHS ORD CNY1	-	13,009,572	-	459,300	12,550,272
YANZHOU COAL MINING CO LTD A SHRS ORD CNY1	-	2,683,755	-	139,300	2,544,455
ZIJIN MINING GROUP CO LTD A SHR ORD CNY0.1	-	54,292,229	-	2,041,700	52,250,529
ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO LTD A SHR ORD CNY1	-	32,344,930	-	1,220,800	31,124,130



**CSOP FTSE CHINA A50 ETF**  
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**PERFORMANCE RECORD (Unaudited)**

**Net asset value**

	Net asset value of the Sub-Fund <i>RMB</i>	Net asset value per unit <i>RMB</i>
At the end of financial period dated		
31 December 2012	16,772,831,681	8.2890

**Highest and lowest net asset value per unit**

	Highest net asset value per unit <i>RMB</i>	Lowest net asset value per unit <i>RMB</i>
Financial period ended		
31 December 2012 (Since 23 August 2012 (date of inception))	8.2890	6.9571

**CSOP FTSE CHINA A50 ETF**  
**(A SUB-FUND OF CSOP ETF SERIES)**

**MANAGEMENT AND ADMINISTRATION**

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Hong Kong

**Adviser**

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