

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

**CSOP CHINA 5-YEAR TREASURY BOND ETF**  
(A sub-fund of CSOP ETF Series II)

Semi-Annual Report  
FOR THE PERIOD FROM  
17 FEBRUARY 2014 (DATE OF INCEPTION) TO 30 JUNE 2014



**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS**

Introduction

The CSOP China 5-Year Treasury Bond ETF (the “Sub-Fund”) , a sub-fund of the CSOP ETF Series II, an umbrella unit trust established under Hong Kong law by a trust deed dated 20 January 2014 between CSOP Asset Management Limited and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”). It was commenced trading in RMB under the stock code 83199 on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 19 February 2014; following the SEHK’s dual counter model, the China 5-Year Treasury Bond ETF started trading in HKD under the stock code 3199 on the SEHK on 19 February 2014. The CSOP China 5-Year Treasury Bond ETF is benchmarked against the China Bond 5-year Treasury Bond Index (the “Index”) and adopts the full-replication strategy. The Manager and RQFII Holder of the China Bond 5-year Treasury Bond ETF is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The CSOP China 5-Year Treasury Bond ETF is a physical ETF which invests directly in RMB denominated and settled PRC treasury bonds that are issued by the Ministry of Finance of the PRC and distributed within the PRC (the “PRC Treasury Bonds”) through the Manager’s status as a Renminbi qualified foreign institutional investor (“RQFII”). 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 been granted, on behalf of the Sub-Fund, an initial RQFII quota of RMB2 billion for the purposes of direct investment into the PRC.

The Index comprises fixed-rate interest bearing PRC Treasury Bonds that has a term to maturity of over 4 years and less than 7 years. The Index was launched on 25 January 2013 with a base level of 100 on 31 December 2007. As at 17 January 2014, the Index had a total capitalization of RMB1, 298.8 billion and 48 constituents. The Index is a total return index.

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 China 5-Year Treasury Bond 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 China 5-Year Treasury Bond ETF may be affected. The Manager reasonably believes the current provision is adequate and will monitor the situation closely.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
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**REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)**

Fund Performance

The CSOP China 5-Year Treasury Bond ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 30 June 2014, the Net Asset Value (“NAV”) per unit of the CSOP China 5-Year Treasury Bond ETF was RMB 20.09 and there were 96,000,000 units outstanding. The total asset under management was approximately RMB 2,024,418,848.

As at 30 June 2014, the NAV of CSOP China 5-Year Treasury Bond ETF RMB counter (stock code 83199) performed 1.10% while the index performed 3.23%. The difference in performance between the NAV of the CSOP China 5-Year Treasury Bond ETF and the Index is mainly attributed to dividends, fees and expenses, including tax on dividends and CGT withholding. YTD Price return of the RMB counter (stock code 83199) was 1.22%.

Exchange Liquidity

Since inception, the CSOP China 5-Year Treasury Bond ETF has attracted great investor attention from investors across the globe. The trading value of the RMB counter (stock code: 83199) remained steadily at an average daily turnover of RMB 5.06 million in June 2014. The trading value of the HKD counter (stock code: 03199) remained steadily at an average daily turnover of HKD 5.01 million in June 2014. The trading volume for the CSOP China 5-Year Treasury Bond ETF reflected strong interest in the CSOP China 5-Year Treasury Bond ETF.

Portfolio Rebalance

The CSOP China 5-Year Treasury Bond ETF adopts full-replication strategy to track the Index. Since inception, the Sub-Fund has experienced two quarterly index rebalances.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2014*

	<i>Notes</i>	30 June 2014 (Unaudited) <i>RMB</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Investments	7(c),8(a)	1,964,562,810
Bank interest receivable		2,289
Interest receivable on bonds		39,422,778
Bank balances	7(c)	21,596,558
		-----
<b>Total assets</b>		<b>2,025,584,435</b>
		=====
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Provision for taxation	6	229
Management fee payable	7(a)	269,491
Other accounts payable		895,867
		-----
<b>Total liabilities</b>		<b>1,165,587</b>
		=====
<b>EQUITY</b>		
<b>Net assets attributable to unitholders</b>	4	<b>2,024,418,848</b>
		=====

*The notes on pages 7 to 23 form part of these unaudited condensed financial statements.*

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

*For the period from 17 February 2014 (date of inception) to 30 June 2014*

	<i>Notes</i>	Period from 17 February 2014 (date of inception) to 30 June 2014 (Unaudited) <i>RMB</i>
<b>INCOME</b>		
Interest on bank deposits		40,114
Interest on bonds		22,803,334
Net gain on investments	5	31,560,241
Other income	2(f)	299,789
<b>Total net income</b>		<u>54,703,478</u>
<b>EXPENSES</b>		
Management fee	7(a)	(2,121,496)
Trustee fee	7(b)	(544,158)
Safe custody and bank charges		(1,920)
Other operating expenses		(805,745)
<b>Total operating expenses</b>		<u>(3,473,319)</u>
Operating profit		<u>51,230,159</u>
Taxation	6	<u>(4,011)</u>
<b>Total comprehensive income</b>		<u><u>51,226,148</u></u>

*The notes on pages 7 to 23 form part of these unaudited condensed financial statements.*

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

*For the period from 17 February 2014 (date of inception) to 30 June 2014*

	Period from 17 February 2014 (date of inception) to 30 June 2014 (Unaudited) RMB
Net assets attributable to unitholders at the beginning of the period	-
	-----
Proceeds on issue of units	1,978,892,700
Distribution to unitholders	(5,700,000)
	-----
Net increase from unit transactions	1,973,192,700
	-----
Total comprehensive income for the period	51,226,148
	-----
<b>Net assets attributable to unitholders at the end of the period</b>	<b>2,024,418,848</b>
	=====

*The notes on pages 7 to 23 form part of these unaudited condensed financial statements.*

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
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**CONDENSED STATEMENT OF CASH FLOWS**

*For the period from 17 February 2014 (date of inception) to 30 June 2014*

	Period from 17 February 2014 (date of inception) to 30 June 2014 (Unaudited) <i>RMB</i>
<b>OPERATING ACTIVITIES</b>	
Payments for purchase of investments	(2,038,662,864)
Proceeds from sale of investments	105,660,295
Interest on deposits received	37,825
Interest on bonds received	(16,619,444)
Other income received	299,789
Management fee paid	(1,852,005)
Taxation paid	(3,782)
Other operating expenses paid	(455,956)
	<hr/>
<b>Net cash used in operating activities</b>	<b>(1,951,596,142)</b>
	-----
<b>FINANCING ACTIVITIES</b>	
Proceeds on issue of units	1,978,892,700
Dividend distribution paid	(5,700,000)
	<hr/>
<b>Net cash generated from financing activities</b>	<b>1,973,192,700</b>
	-----
Net increase in cash and cash equivalents	21,596,558
Cash and cash equivalents at the beginning of the period	-
	<hr/>
Cash and cash equivalents at the end of the period	21,596,558
	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>	
Bank balances	21,596,558
	<hr/> <hr/>

*The notes on pages 7 to 23 form part of these unaudited condensed financial statements.*



**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

CSOP ETF Series II (the “Trust”) is an umbrella unit trust governed by its trust deed dated 20 January 2014 (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. As at 30 June 2014, the Trust has one Sub-Fund which is CSOP China 5-Year Treasury Bond ETF (the “Sub-Fund”). The date of inception of the Sub-Fund was 17 February 2014. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

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 Sub-Fund is to provide investment results that, before of fees and expenses, closely correspond to the performance of the underlying index, namely, China Bond 5-year Treasury Bond Index. In order to achieve the investment objective of the Sub-Fund, the Manager will adopt a representative sampling strategy. A representative sampling strategy involves investing in a representative sample of securities that collectively has an investment profile that reflects the profile of the index.

Under current regulations in the People’s Republic of China (“PRC”), foreign investors can invest only in the domestic securities market through certain 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 Manager has obtained RQFII status and has been granted, on behalf of the Sub-Fund, an RQFII quota of RMB2 billion. To the extent that the Manager has, on behalf of the Sub-Fund, utilised its entire RQFII quota, the Manager may, subject to any applicable regulations, apply for an increase of the RQFII quota and will make an announcement on its website of its application for additional quota and upon receiving additional quota.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

These condensed semi-annual financial statements for period from 17 February 2014 (date of inception) to 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED 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 and amendments to existing standards effective 1 January 2014

Amendments to HKAS 32, “Offsetting financial assets and financial liabilities” is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the offsetting criteria in HKAS 32 and address inconsistencies in their application. This includes clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to have a significant impact on the Sub-Fund’s financial position or performance.

New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2014 and have not been early adopted

A number of new standards, amendments to standards and interpretations are issued but not effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these condensed 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”, 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 mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, early application of HKFRS 9 is permitted. The standard is not expected to have a significant 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.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)**

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

**(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 Condensed 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 Condensed Statement of Comprehensive Income in the period in which they arise.

(iv) Fair value estimation

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.

(v) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

**(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) Interest income**

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

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

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

**(e) Distributions to unitholders**

Distributions to unitholders are recognised in the Condensed Statement of Changes in Net Assets Attributable to Unitholders when they are approved by the Manager.

**(f) Other income**

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

**(g) Expenses**

Expenses are accounted for on an accrual basis.

**(h) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with original maturities of three months or less and bank overdrafts.

**(i) 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 PRC bonds including PRC Treasury Bonds 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 Condensed 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 Condensed Statement of Comprehensive Income within “net gain/(loss) on investments”.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)**

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

**(j) Redeemable units**

The Sub-Fund issues redeemable units, which are redeemable at the holder's option represents puttable financial instruments of the Sub-Fund. The Sub-Fund classifies its puttable financial instruments as equity in accordance with HKAS 32 (Amendment), "Financial instruments: Presentation" as those puttable financial instruments meet all the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net asset value;
- the puttable financial instruments are the most subordinated units in issue and unit features are identical;
- there are no contractual obligations to deliver cash or another financial asset; and
- the total expected cash flows from the puttable financial instrument over its life are based substantially on the profit or loss of the Sub-Fund.

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.

In accordance with the Prospectus of the Sub-Fund, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and redemptions of the Sub-Fund.

**(k) Taxation**

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

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

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(l) Establishment costs**

Establishment costs are recognised as an expense in the period in which they are incurred.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)**

**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.

**PRC tax provision**

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 PRC bonds 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 PRC bonds by RQFIIs. The Manager considers that the enforcement of PRC tax on gains on PRC bonds 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 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 considers 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 and the applicability of double tax treaty between Hong Kong and China for Hong Kong tax residents, which may be materially different from what the Manager envisioned.

The Manager considers that the capital gains tax provision amount may differ significantly from the amounts that may have to be 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. The Manager will always act in the best interest of unitholders and will continually assess the tax provision on an on-going basis.

Interest income on debt securities

Under the PRC CIT Law, interests derived from government bonds issued by the in-charge Finance Bureau of the State Council (which include the PRC Treasury Bonds) are exempt from PRC WIT. The Manager intends to not made provision on the accrued interest income of debt securities during the period.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)**

**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 Condensed Statement of Financial Position. Subscriptions and redemptions of units during the period are shown in the Condensed 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 Trust's Trust Deed dated 20 January 2014, and the Prospectus of the Sub-Fund, 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(j), 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.

The movements of the redeemable units for the period from 17 February 2014 (date of inception) to 30 June 2014 are as follows:

	Period from 17 February 2014 (date of inception) to 30 June 2014 (Unaudited)
Number of units in issue at the beginning of the period	-
Units issued	96,000,000
Units redeemed	-
	<hr/>
Number of units in issue at the end of the period	96,000,000
	<hr/> <hr/>
	30 June 2014 <i>RMB</i> (Unaudited)
Net assets attributable to unitholders per unit at 30 June 2014	21.0877
	<hr/> <hr/>

**5. NET GAIN ON INVESTMENTS**

	Period from 17 February 2014 (date of inception) to 30 June 2014 <i>RMB</i> (Unaudited)
Net fair value change in unrealised gain/loss in value of investments	31,236,606
Net realised gain on sale of investments	323,635
	<hr/>
	31,560,241
	<hr/> <hr/>

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**NOTES TO THE UNAUDITED CONDENSED 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 tax

The Sub-Fund is subjected to 10% withholding tax on interest income derived from PRC bank deposit. A 10% withholding tax may also be payable on the gains derived from the sale of PRC bonds by QFIIs as described in Note 3 above.

The taxation of the Sub-Fund for the period from 17 February 2014 (date of inception) to 30 June 2014 represents:

	Period from 17 February 2014 (date of inception) to 30 June 2014 <i>RMB</i> (Unaudited)
Withholding tax on bank interest income	4,011
	<hr/>
Taxation	4,011
	<hr/> <hr/>

The movement in provision for taxation during the period from 17 February 2014 (date of inception) to 30 June 2014 is as follows:

	30 June 2014 <i>RMB</i> (Unaudited)
At the beginning of the period	-
Taxation charged to the condensed statement of comprehensive income for the period	4,011
Tax paid	(3,782)
	<hr/>
At the end of the period	229
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**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

**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 0.49% 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.

Fees and expenses taken into account in determining the Sub-Fund’s management fee include, but are not limited to, the manager’s fee, the trustee’s fee, the custodian’s fee, the PRC custodian’s fee, the registrar’s fee, the service agent’s fee, the fees and expenses of the Auditor, service agents, ordinary legal and out-of-pocket expenses incurred by the Trustee or the Manager, and the costs and expenses of licensing indices used in connection with the Sub-Fund. The Manager may also pay a distribution fee to any distributor or sub-distributor of the Sub-Fund out of the management fee. A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

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

The Trustee is entitled to receive a transaction fee of RMB12,000 per application for each creation application and redemption application.

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

**(c) Financial assets**

The investments and bank balances of the Sub-Fund held with related parties of the Trustee are:

	30 June 2014
	<i>RMB</i>
<b>Investments</b>	(Unaudited)
HSBC Bank (China) Company Limited	1,964,562,810
<b>Bank balances</b>	
The Hongkong and Shanghai Banking Corporation Limited	191,528
HSBC Bank (China) Company Limited	21,405,030
	<u>21,596,558</u>

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

**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 China Bond 5-year Treasury Bond 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 invests.

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 China Bond 5-year Treasury Bond 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, are closely aligned with the characteristics of the tracked index.

As at 30 June 2014, the Sub-Fund's investments were concentrated in the PRC bonds:

	30 June 2014	
	Fair value RMB	% of net asset value
PRC government bonds	1,685,805,130	83.27
Policy banks bonds	278,757,680	13.77
	<u>1,964,562,810</u>	<u>97.04</u>

The Sub-Fund held 11 out of 52 constituents comprising the China Bond 5-year Treasury Bond Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the China Bond 5-year Treasury Bond Index.

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

As at 30 June 2014, if the China Bond 5-year Treasury Bond Index were to increase by 10% with all other variables held constant, this would increase the operating profit for the period by approximately RMB196,456,281. Conversely, if the China Bond 5-year Treasury Bond Index were to decrease by 10%, this would decrease the operating 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.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

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

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

**(ii) Interest rate risk (continued)**

As at 30 June 2014, the Sub-Fund invests in fixed-income securities, the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term fixed income investments and higher for longer term fixed income investments.

As the Sub-Fund invests in PRC bonds including PRC Treasury Bonds, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in the PRC (including monetary policy and fiscal policy) may have an influence over the PRC's capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund. Falling market interest rates can lead to a decline in income for the Sub-Fund.

The table below summarizes the Sub-Fund's exposure to interest rate risks. It includes the Sub-Fund's assets and liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

**As at 30 June 2014**

	Up to 1 year <i>RMB</i>	1-5 years <i>RMB</i>	Over 5 years <i>RMB</i>	Non- interest bearing <i>RMB</i>	Total <i>RMB</i>
<b>Assets</b>					
Investments	-	645,165,680	1,319,397,130	-	1,964,562,810
Other assets	-	-	-	39,425,067	39,425,067
Bank balances	21,596,558	-	-	-	21,596,558
<b>Total assets</b>	<u>21,596,558</u>	<u>633,796,820</u>	<u>1,330,765,990</u>	<u>39,425,067</u>	<u>2,025,584,435</u>
<b>Liabilities</b>					
Other liabilities	-	-	-	1,165,587	1,165,587
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,587</u>	<u>1,165,587</u>
<b>Total interest sensitivity gap</b>	<u>21,596,558</u>	<u>633,796,820</u>	<u>1,330,765,990</u>		

As at 30 June 2014, should interest rates have lowered/risen by 25 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the period would amount to approximately RMB24,321,495, arising substantially from the increase/decrease in market values of debt securities.

The Manager has used their view of what would be a "reasonable possible shift" in the market interest rates to estimate the change for use in the interest rate risk sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in basis points are revised annually depending on the Manager's current view of market interest rate sensitivity and other relevant factors.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

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

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

**(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 the majority of its assets and liabilities are denominated in RMB, the Sub-Fund's functional and presentation currency. Therefore, no sensitivity analysis has been disclosed for these bank balances.

**(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 PRC bonds are settled or paid for upon delivery using approved and reputable brokers. In addition, 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 30 June 2014, the Sub-Fund placed bank balances of RMB191,528 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 30 June 2014, the Sub-Fund placed bank balances of RMB21,405,030 and investments of RMB1,964,562,810 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 maximum exposure to credit risk as at 30 June 2014 is the carrying amount of the financial assets as shown on the Condensed Statement of Financial Position.

The Manager considers that none of assets are impaired nor past due as at 30 June 2014.

**(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.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

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

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

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 30 June 2014</b>				
Management fee payable	-	269,491	-	269,491
Other accounts payable	-	895,867	-	895,867
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Contractual cash outflow</b>	<b>-</b>	<b>1,165,358</b>	<b>-</b>	<b>1,165,358</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Units are redeemed on demand at the unitholder's option. As at 30 June 2014, there was 1 unitholder 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 1 month <i>RMB</i>	1 to 12 months <i>RMB</i>	No stated maturity <i>RMB</i>	Total <i>RMB</i>
<b>As at 30 June 2014</b>				
Total assets	2,025,584,435	-	-	2,025,584,435
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**(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).

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

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

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

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.

The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets (by class) measured at fair value at 30 June 2014:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
<b>As at 30 June 2014</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	1,964,562,810	-	1,964,562,810
<b>Total assets</b>	<u>-</u>	<u>1,964,562,810</u>	<u>-</u>	<u>1,964,562,810</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. As at 30 June 2014, the Sub-Fund did not hold any investments classified in level 1.

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, include PRC government bonds and Policy banks bonds.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 30 June 2014, the Sub-Fund did not hold any investments classified in level 3.

For the period from 17 February 2014 (date of inception) to 30 June 2014, there were no transfers between levels.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**NOTES TO THE UNAUDITED CONDENSED 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 assets and liabilities (by class) not measured at fair value at 30 June 2014 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 30 June 2014</b>				
<b>Assets</b>				
Bank interest receivable	-	2,289	-	2,289
Interest receivable on bonds	-	39,422,778	-	39,422,778
Bank balances	21,596,558	-	-	21,596,558
<b>Total</b>	<u>21,596,558</u>	<u>39,425,067</u>	<u>-</u>	<u>61,021,625</u>
<b>Liabilities</b>				
Management fee payable	-	269,491	-	269,491
Other accounts payable	-	895,867	-	895,867
<b>Total</b>	<u>-</u>	<u>1,165,358</u>	<u>-</u>	<u>1,165,358</u>

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 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 as currently disclosed in the Prospectus of the Sub-Fund.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

**9. DISTRIBUTION**

During the period from 17 February 2014 (date of inception) to 30 June 2014, there was RMB5,700,000 distribution paid by the Sub-Fund.

**10. FINANCIAL INSTRUMENTS BY CATEGORY**

As of 30 June 2014, 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 interest receivable and bank balances are categorised as loans and receivables and carried at amortised costs. All the financial liabilities of the Sub-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 as they are short term in nature and the effect of discounting is immaterial.

**11. 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 17 February 2014 (date of inception) to 30 June 2014.

There were four constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the China Bond 5-year Treasury Bond Index as at 30 June 2014.

During the period from 19 February 2014, date of listing of the Sub-Fund, to 30 June 2014, the China Bond 5-year Treasury Bond Index increased by 3.74% while the net asset value per unit of Sub-Fund increased by 2.90% and pay dividend 0.10 per share, about 0.49% to initial price.

**12. 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.

**13. 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 China Bond 5-year Treasury Bond 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 Condensed Statement of Financial Position and Condensed Statement of Comprehensive Income.



**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

**13. SEGMENT INFORMATION (continued)**

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is derived from investments in PRC bonds including PRC Treasury Bonds which constitute China Bond 5-year Treasury Bond Index, the tracked index.

The Sub-Fund has no assets classified as non-current assets. As at 30 June 2014, the Sub-Fund has a diversified portfolio of investments and four investment accounts for more than 10% of the Sub-Fund's net asset value.

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**INVESTMENT PORTFOLIO (Unaudited)**

*As at 30 June 2014*

	Holdings	Fair value RMB	% of net assets
<b>Investments (97.04%)</b>			
<b>Listed Bonds (97.04%)</b>			
<b>China (97.04%)</b>			
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1409) (REG) 5.55% 20/02/2021	70,000,000	72,375,030	3.58
CHINA (GOVT OF) BOND (SER 1303) (REG) 3.42% 24/01/2020	30,000,000	29,075,520	1.44
CHINA (GOVT OF) BOND (SER 1308) (REG) 3.29% 18/04/2020	70,000,000	67,098,150	3.31
CHINA (GOVT OF) BOND (SER 1320) (REG) 4.07% 17/10/2020	220,000,000	220,348,920	10.88
CHINA (GOVT OF) BOND (SER 1403) (REG) 4.44% 16/01/2021	310,000,000	318,740,140	15.74
CHINA DEVELOPMENT BANK (SER 1402) (REG) 5.75% 14/01/2019	100,000,000	103,965,800	5.14
CHINA GOVERNMENT BOND (SER 1210) (REG) 3.14% 07/06/2019	150,000,000	145,337,700	7.18
CHINA GOVERNMENT BOND (SER 1216) (REG) 3.25% 06/09/2019	180,000,000	174,993,120	8.64
CHINA GOVERNMENT BOND (SER 1315) (REG) 3.46% 11/07/2020	230,000,000	222,330,420	10.98
CHINA GOVERNMENT BOND (SER 1323) (REG) 4.13% 07/11/2018	100,000,000	101,141,700	5.00
CHINA GOVERNMENT BOND (SER 1401) (REG) 4.47% 07/01/2019	40,000,000	41,024,280	2.03
CHINA GOVERNMENT BOND (SER 1406) (REG) 4.33% 03/04/2021	210,000,000	214,435,830	10.59
CHINA GOVERNMENT BOND (SER 1408) (REG) 4.04% 24/04/2019	150,000,000	151,279,350	7.47
EXPORT-IMPORT BANK OF CHINA (SER 1402) (REG) 5.44% 10/02/2017	50,000,000	51,036,700	2.52
EXPORT-IMPORT BANK OF CHINA (SER 1403) (REG) 5.48% 28/01/2019	50,000,000	51,380,150	2.54
<b>Total investments</b>		1,964,562,810	97.04
<b>Other net assets</b>		59,856,038	2.96
<b>Net assets attributable to unitholders at 30 June 2014</b>		<u>2,024,418,848</u>	100.00
<b>Total investments, at cost</b>		<u>1,931,507,380</u>	

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)**

*For the period from 17 February 2014 (date of inception) to 30 June 2014*

	<b>Holdings</b>				<b>30 June 2014</b>
	<b>17 February 2014 (date of inception)</b>	<b>Additions</b>	<b>Corporate actions</b>	<b>Disposals</b>	
<b>Investments</b>					
<b>Listed Bonds</b>					
AGRICULTURAL					
DEVELOPMENT BANK OF					
CHINA (SER 1409) (REG)					
5.55% 20/02/2021	-	70,000,000	-	-	70,000,000
CHINA (GOVT OF) BOND (SER	-	30,000,000	-	-	30,000,000
1303) (REG) 3.42% 24/01/2020					
CHINA (GOVT OF) BOND (SER	-	70,000,000	-	-	70,000,000
1308) (REG) 3.29% 18/04/2020					
CHINA (GOVT OF) BOND (SER	-	220,000,000	-	-	220,000,000
1320) (REG) 4.07% 17/10/2020					
CHINA (GOVT OF) BOND (SER	-	310,000,000	-	-	310,000,000
1403) (REG) 4.44% 16/01/2021					
CHINA DEVELOPMENT BANK	-	100,000,000	-	-	100,000,000
(SER 1402) (REG) 5.75%					
14/01/2019					
CHINA GOVERNMENT BOND	-	150,000,000	-	-	150,000,000
(SER 1210) (REG) 3.14%					
07/06/2019					
CHINA GOVERNMENT BOND	-	180,000,000	-	-	180,000,000
(SER 1216) (REG) 3.25%					
06/09/2019					
CHINA GOVERNMENT BOND	-	110,000,000	-	110,000,000	-
(SER 1313) (REG) 3.09%					
30/05/2018					
CHINA GOVERNMENT BOND	-	230,000,000	-	-	230,000,000
(SER 1315) (REG) 3.46%					
11/07/2020					
CHINA GOVERNMENT BOND	-	100,000,000	-	-	100,000,000
(SER 1323) (REG) 4.13%					
07/11/2018					

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (continued)**

*For the period from 17 February 2014 (date of inception) to 30 June 2014*

	Holdings				30 June 2014
	17 February 2014 (date of inception)	Additions	Corporate actions	Disposals	
<b>Investments (continued)</b>					
<b>Listed Bonds (continued)</b>					
CHINA GOVERNMENT BOND (SER 1401) (REG) 4.47% 07/01/2019	-	40,000,000	-	-	40,000,000
CHINA GOVERNMENT BOND (SER 1406) (REG) 4.33% 03/04/2021	-	210,000,000	-	-	210,000,000
CHINA GOVERNMENT BOND (SER 1408) (REG) 4.04% 24/04/2019	-	150,000,000	-	-	150,000,000
EXPORT-IMPORT BANK OF CHINA (SER 1402) (REG) 5.44% 10/02/2017	-	50,000,000	-	-	50,000,000
EXPORT-IMPORT BANK OF CHINA (SER 1403) (REG) 5.48% 28/01/2019	-	50,000,000	-	-	50,000,000

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**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		
30 June 2014	2,024,418,848	21.0877

**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		
30 June 2014 (Since 17 February 2014 (date of inception))	21.0938	20.4899

**CSOP CHINA 5-YEAR TREASURY BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**MANAGEMENT AND ADMINISTRATION**

**Manager and RQFII Holder**

CSOP Asset Management Limited  
Suite 2801 - 2803, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Trustee and Registrar**

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

**Custodian**

The Hongkong and Shanghai Banking Corporation  
Limited  
1 Queen's Road Central  
Hong Kong

**PRC Custodian**

HSBC Bank (China) Company Limited  
33rd Floor, HSBC Building  
Shanghai ifc, 8 Century Avenue  
Pudong, Shanghai, China 200120

**Service Agent**

HK Conversion Agency Services Limited  
2nd Floor, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

**Listing Agent**

Oriental Patron Asia Limited  
27th Floor, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

**Directors of the Manager**

Benoit Descourtieux  
Chen Ding  
Gaobo Zhang  
Haipeng Li  
Liangyu Gao  
Xiaosong Yang  
Zhongping Cai

**Legal Adviser to the Manager**

Simmons & Simmons  
13th Floor, One Pacific Place  
88 Queensway  
Hong Kong

**Auditor**

PricewaterhouseCoopers  
21st Floor, Edinburgh Tower  
15 Queen's Road Central  
Hong Kong