



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

**CSOP CHINA ULTRA SHORT TERM BOND ETF**  
(A sub-fund of CSOP ETF Series II)

Semi-Annual Report  
FOR THE PERIOD FROM  
16 JANUARY 2015 (DATE OF INCEPTION) TO 30 JUNE 2015

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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**CSOP China Ultra Short-Term Bond ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS**

Introduction

The CSOP China Ultra Short-Term Bond ETF (the “Sub-Fund”) seeks to track the investment results of an index composed of PRC Treasury Bonds through the RQFII investment quota that are available to international investors, as represented by the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index(the “Index”). The Sub-Fund adopts a representative sampling strategy to achieve its investment objective. However the Sub-Fund may also invest in other PRC Government and Policy Bank Bonds that are not included in the Index, provided that the sample closely reflects the overall characteristics of the Index which the Manager believes will help the Sub-Fund achieve its investment objective. These investments will be onshore investments in the PRC. Under normal circumstances and market conditions, the Sub-Fund aims to invest at least 95% of its assets and the Sub-Fund will not hold more than 10% of its assets in cash in any event.

Fund Performance

The CSOP China Ultra Short-Term Bond ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 30 June 2015, the Net Asset Value (“NAV”) per unit of the CSOP China Ultra Short-Term Bond ETF was RMB 151.5125 and there were 4,185,000 units outstanding. The total asset under management was approximately RMB 634,079,993.

As at 30 June 2015, the NAV of CSOP China Ultra Short-Term Bond ETF RMB counter (stock code 83122) performed 1.61 % while the index performed 2.05%. The difference in performance between the NAV of the CSOP China Ultra Short-Term Bond ETF and the Index is mainly attributed to fees and expenses, including tax on dividends and CGT withholding. In order to minimize the tracking error, the Sub-Fund also invested in policy bank bonds which have higher liquidity and better yield return. As at 30 June 2015, the duration of CSOP China Ultra Short-Term Bond ETF RMB counter (stock code 83122) was 0.45 while the index was 0.45.

Annual total return			
	From 20 January 2015		
	to 30 June 2015	2014	Tracking Error (Annual)
83122 NAV (div reinvests)	1.61%	-	0.28%
Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index	2.05%	-	

Ex-Date	Record Date	Payable Date	Dividend Per Unit	Dividend Paid Out of Net Distributable Income* for the month	Dividend Paid Out of Capital
2015-4-22	2015-4-23	2015-4-30	RMB 0.9 per unit	RMB 0.9	RMB 0.0

\*“Net distributable income” means the net investment income (i.e. dividend income and interest income net of fees and expenses) attributable to the relevant share class and may also include net realised gains (if any) based on unaudited management accounts. However, “net distributable income” does not include net unrealised gains.

**CSOP China Ultra Short-Term Bond ETF  
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**REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)**

The inception date of the Fund was 16 January 2015.

Past performance is no guarantee of future results. Performance results do not reflect the deduction of taxes that a shareholder would pay on fund distributions or on the redemption or sale of fund shares.

**Exchange Liquidity**

Since inception, the CSOP China Ultra Short-Term Bond ETF has attracted great investor attention from investors across the globe. The trading value of the RMB counter (stock code: 83122) remained steadily at an average daily turnover of RMB 166,604 from January 2015 to June 2015. The trading value of the HKD counter (stock code: 03122) remained steadily at an average daily turnover of HKD 35,023 from January 2015 to June 2015. The trading volume for the CSOP China Ultra Short-Term Bond ETF reflected strong interest in the CSOP China Ultra Short-Term Bond ETF.

**Portfolio Rebalance**

The CSOP China Ultra Short-Term Bond ETF adopts sampling strategy to track the Index.

<b>Fund Holdings (As at 30 June 2015)</b>						
<b>Ticker</b>	<b>Maturity date</b>	<b>YTM(%)</b>	<b>Modified Duration</b>	<b>Amount</b>	<b>Portfolio Percentage (%)</b>	<b>Index Percentage (%)</b>
050214.IB	2015-08-02	1.92%	0.1312	80,000,000	12.62%	0.00%
140302.IB	2017-02-10	3.20%	1.5572	50,000,000	8.14%	0.00%
140438.IB	2017-07-16	3.45%	1.8890	30,000,000	4.84%	0.00%
140443.IB	2015-08-21	1.95%	0.1829	80,000,000	12.65%	1.69%
140444.IB	2015-09-02	1.88%	0.2156	100,000,000	15.82%	1.11%
140357.IB	2015-09-10	1.85%	0.2373	10,000,000	1.58%	0.78%
140223.IB	2015-09-15	1.90%	0.2509	120,000,000	19.00%	1.69%
140230.IB	2015-12-04	2.25%	0.4663	100,000,000	15.85%	1.75%
150403.IB	2016-02-27	2.52%	0.6918	40,000,000	6.35%	1.98%
<b>Total</b>	-	-	-	-	96.85%	9.00%

**CSOP China Ultra Short-Term Bond ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2015*

	<i>Notes</i>	30 June 2015 (Unaudited) <i>RMB</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Investments	7(c),8(a)	614,132,550
Bank interest receivable		100
Interest receivable on bonds		18,475,825
Bank balances	7(c)	1,779,899
		<hr/>
<b>Total assets</b>		<b>634,388,374</b>
		<hr/> <hr/>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Management fee payable	7(a)	203,255
Establishment costs payable		50,609
Other accounts payable		54,517
		<hr/>
<b>Total liabilities</b>		<b>308,381</b>
		<hr/> <hr/>
<b>EQUITY</b>		
<b>Net assets attributable to unitholders</b>	<b>4</b>	<b>634,079,993</b>
		<hr/> <hr/>

*The notes on pages 7 to 25 form part of these unaudited condensed financial statements.*

**CSOP China Ultra Short-Term Bond ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

*For the period from 16 January 2015 (date of inception) to 30 June 2015*

	<i>Notes</i>	Period from 16 January 2015 (date of inception) to 30 June 2015 (Unaudited) <i>RMB</i>
<b>INCOME</b>		
Interest on bank deposits		37,811
Interest on bonds		19,897,464
Net gain on investments	5	2,670,021
Other income	2(f)	256,213
		<hr/>
<b>Total net income</b>		<b>22,861,509</b>
		<hr style="border-top: 1px dashed black;"/>
<b>EXPENSES</b>		
Management fee	7(a)	(1,944,073)
Trustee fee	7(b)	(498,726)
Safe custody and bank charges		(2,401)
Legal and other professional fee		(358,132)
Other operating expenses		(238,578)
		<hr/>
<b>Total operating expenses</b>		<b>(3,041,910)</b>
		<hr style="border-top: 1px dashed black;"/>
Operating profit		19,819,599
		<hr style="border-top: 1px dashed black;"/>
Taxation	6	(3,781)
		<hr style="border-top: 1px dashed black;"/>
		<hr style="border-top: 1px dashed black;"/>
<b>Total comprehensive income</b>		<b>19,815,818</b>
		<hr style="border-top: 3px double black;"/>

*The notes on pages 7 to 25 form part of these unaudited condensed financial statements.*

**CSOP China Ultra Short-Term Bond ETF**  
**(A SUB-FUND OF CSOP ETF SERIES II)**

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
*For the period from 16 January 2015 (date of inception) to 30 June 2015*

	<i>Note</i>	Period from 16 January 2015 (date of inception) to 30 June 2015 (Unaudited) <i>RMB</i>
Net assets attributable to unitholders at the beginning of the period		-
		-----
Proceeds on issue of units		1,392,921,690
Payments on redemption of units		(771,111,015)
		-----
Net increase from unit transactions		621,810,675
Distribution to unitholders	9	(7,546,500)
Total comprehensive income for the period		19,815,818
		-----
<b>Net assets attributable to unitholders at the end of the period</b>		<b>634,079,993</b>
		=====

*The notes on pages 7 to 25 form part of these unaudited condensed financial statements.*

**CSOP China Ultra Short-Term Bond ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**CONDENSED STATEMENT OF CASH FLOWS**

*For the period from 16 January 2015 (date of inception) to 30 June 2015*

	Period from 16 January 2015 (date of inception) to 30 June 2015 (Unaudited) <i>RMB</i>
<b>OPERATING ACTIVITIES</b>	
Payments for purchase of investments	(1,481,118,193)
Proceeds from sale of investments	869,655,664
Interest on deposits received	37,711
Interest on bonds received	1,421,639
Other income received	256,213
Management fee paid	(1,740,817)
Taxation paid	(3,781)
Other operating expenses paid	(992,712)
	<hr/>
<b>Net cash used in operating activities</b>	<b>(612,484,276)</b>
	-----
<b>FINANCING ACTIVITIES</b>	
Proceeds on issue of units	1,392,921,690
Payments on redemption of units	(771,111,015)
Dividend distribution paid	(7,546,500)
	<hr/>
<b>Net cash generated from financing activities</b>	<b>614,264,175</b>
	-----
Net increase in cash and cash equivalents	1,779,899
	-----
Cash and cash equivalents at the beginning of the period	-
	<hr/>
Cash and cash equivalents at the end of the period	1,779,899
	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>	
Bank balances	1,779,899
	<hr/> <hr/>

*The notes on pages 7 to 25 form part of these unaudited condensed financial statements.*



**CSOP CHINA ULTRA SHORT TERM 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 2015, the Trust has two Sub-Funds which are CSOP China Ultra Short Term Bond ETF (the “Sub-Fund”) and CSOP China 5-Year Treasury Bond ETF. The date of inception of the Sub-Fund was 16 January 2015. 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, Citi Chinese Government and Policy Bank Bond 0-1 Year Select 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 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 Sub-Fund. 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 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.

These condensed financial statements are prepared for the Sub-Fund only. The condensed financial statements for CSOP China 5-Year Treasury Bond ETF have been prepared separately.

**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 16 January 2015 (date of inception) to 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**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.

New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2015 and have not been early adopted by the Sub-Fund.

HKFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. HKFRS 9 will be effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Manager of the Sub-Fund is yet to assess HKFRS 9’s full impact.

HKFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 ‘Revenue’ and HKAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Manager of the Sub-Fund is assessing the impact of HKFRS 15.

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

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**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**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Sub-Fund utilises the last traded market price for both listed financial assets and liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets that are not traded in an active market (for example, over the counter derivatives) is determined by using broker quotes or valuation techniques.

**(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.

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

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

**(d) Interest income**

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

**(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/expense**

Other income/expense mainly represents the difference between the proceeds received from/paid to participating dealers and cost of investment purchased/sold.

**(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 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 ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**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 ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these condensed financial statements in conformity with HKFRS requires the Manager to make estimates and assumptions that affect the amounts reported in the condensed 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. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 year are outlined below.

**PRC tax provision**

In preparing these condensed 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.

Under the general tax provision of PRC Corporate Income Tax Law ("PRC CIT Law"), the non-PRC residents with the gains derived from the sale of PRC securities will be subject to 10% PRC capital gain tax. In addition, the non-PRC residents with interest income derived from the debt securities will be subject to 10% withholding interest income tax. Pursuant to the PRC CIT Law, debt securities issuers in PRC are obligated to withhold the 10% interest income tax for those debt securities holders who are subject to the interest income tax in the PRC. However, interest income derived from government bonds is exempt from PRC withholding income tax ("WIT") under the PRC CIT Law.

**(a) Capital gains on PRC Investments**

Notice issued on 14 November 2014

On 14 November 2014, the Ministry of Finance of the PRC (the "MoF"), the State Administration of Taxation of the PRC (the "SAT") and the China Securities Regulatory Commission (the "CSRC") jointly issued the "Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII" ("the "Notice").

According to the Notice, amongst other things:

QFIIs and RQFIIs, which do not have an establishment or place of business in the PRC or have an establishment or place in the PRC but the income so derived in the PRC is not effectively connected with such establishment, will be temporarily exempt from corporate income tax on gains derived from the transfer of PRC equity investment assets (including China A-Shares) effective from 17 November 2014.

The Manager considered that the withholding tax policy for investment in debt securities has not been clarified in the Notice. The Manager has assessed the withholding tax provisioning approach and considered the assessment on the Sub-Fund's PRC taxation position for investment in PRC Investments remains unchanged as the Notice has not addressed the withholding tax policy for investment in debt securities. As such, the Sub-Fund has not provided WIT provision on the gross realised gains for the period from 16 January 2015 (date of inception) to 30 June 2015 and gross unrealised gains as at 30 June 2015 derived from the PRC Investments of the Sub-Fund.

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

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

**(a) Capital gains on PRC Investments (continued)**

The Manager considers that the capital gains tax provision amount for gross realised capital gains derived by the Sub-Fund from trading of PRC Investments 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 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 of redeemable units and consequently, the price per unit of the Sub-Fund based on the calculation of the net assets attributable to unitholders of redeemable units when distributing to the unitholders of redeemable units at such relevant time.

**(b) Interest income on debt securities in PRC**

The Manager considers that the enforcement of PRC withholding tax on interest income arising from debt securities is uncertain as at the date of approval of these condensed financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

For the debt securities disposed of during the period, the Manager has not made provision on the accrued interest income of debt securities during the period and as at the reporting date as they consider that:

- (i) the issuers of debt securities are required to withhold 10% interest income tax at the coupon payment date before distributing the interest income to the bond holder; and
- (ii) the Management intends to sell the debt securities before the coupon payment dates or the maturity dates of the debt securities.

The Manager estimates that for the period from 16 January 2015 (date of inception) to 30 June 2015, the Sub-Fund accumulated interest income derived from disposal of RMB denominated corporate bonds of RMB19,897,464 which could be exposed to 10% PRC withholding tax of approximately RMB1,989,746. For the period 16 January 2015 (date of inception) to 30 June 2015, the Sub-Fund had made no provision for the interest income from PRC Investments.

The Manager reviews the relevant PRC tax rules on the PRC Investments from time to time, including the likelihood of the Sub-Fund benefiting from double tax treaty agreements between Hong Kong and PRC for Hong Kong tax residents. Any change in taxation imposed on RQFIIs is likely to have a subsequent impact on the required provision and accordingly the net assets attributable to unitholders of the Sub-Fund. 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.

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**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 Market as the Manager may consider in the circumstances to provide fair criterion 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 16 January 2015 (date of inception) to 30 June 2015 are as follows:

	Period from 16 January 2015 (date of inception) to 30 June 2015 (Unaudited)
Number of units in issue at the beginning of the period	-
Units issued	9,285,000
Units redeemed	(5,100,000)
	<hr/>
Number of units in issue at the end of the period	4,185,000
	<hr/> <hr/>
	30 June 2015
	<i>RMB</i>
	(Unaudited)
Net assets attributable to unitholders per unit at 30 June 2015	151.5125
	<hr/> <hr/>



**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

**5. NET GAIN ON INVESTMENTS**

	Period from 16 January 2015 (date of inception) to 30 June 2015 <i>RMB</i> (Unaudited)
Net fair value change in unrealised gain/loss in value of investments	2,003,542
Net realised gain on sale of investments	666,479
	<hr/>
	2,670,021
	<hr/> <hr/>

**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

For the period from 16 January 2015 (date of inception) to 30 June 2015, the Sub-Fund had invested in RMB denominated debt securities in PRC. Refer to Note 3 for details.

The taxation of the Sub-Fund for the period from 16 January 2015 (date of inception) to 30 June 2015 represents:

	Period from 16 January 2015 (date of inception) to 30 June 2015 <i>RMB</i> (Unaudited)
Withholding tax on bank interest income	3,781
	<hr/>
Taxation	3,781
	<hr/> <hr/>

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

**6. TAXATION (continued)**

The movement in provision for taxation during the period from 16 January 2015 (date of inception) to 30 June 2015 is as follows:

	30 June 2015 <i>RMB</i> (Unaudited)
At the beginning of the period	-
Taxation charged to the condensed statement of comprehensive income for the period	3,781
Tax paid	(3,781)
	<hr/>
At the end of the period	-
	<hr/> <hr/>

**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.

**CSOP CHINA ULTRA SHORT TERM 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 (continued)**

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

The Trustee is entitled to receive a trustee fee per annum of the net asset value of the Sub-Fund, which accrued and payable 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 RMB 40,000.

	Trustee fee percentage per annum
For first RMB5 billion	0.10%
For next RMB5 billion	0.08%
Thereafter	0.06%

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 2015 RMB (Unaudited)
<b>Investments</b>	
HSBC Bank (China) Company Limited	614,132,550
<b>Bank balances</b>	
The Hongkong and Shanghai Banking Corporation Limited	421,758
HSBC Bank (China) Company Limited	1,358,141
	<u>1,779,899</u>

**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 Citi Chinese Government and Policy Bank Bond 0-1 Year Select 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.

**CSOP CHINA ULTRA SHORT TERM 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**

**(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 Citi Chinese Government and Policy Bank Bond 0-1 Year Select 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 2015, the Sub-Fund's investments were concentrated in the PRC bonds:

	30 June 2015	
	Fair value RMB	% of net asset value
Policy banks bonds	614,132,550	96.85
	<u>614,132,550</u>	<u>96.85</u>

The Sub-Fund held 6 out of 65 constituents comprising the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index.

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

As at 30 June 2015, if the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index were to increase by 10% with all other variables held constant, this would increase the operating profit for the period by approximately RMB61,413,255. Conversely, if the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index were to decrease by 10%, this would decrease the operating profit for the period by an equal amount.

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)**

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

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

**(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 30 June 2015, the Sub-Fund invests in fixed-income investments, 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, 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 summarises the Sub-Fund's exposure to interest rate risks. It includes the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

**As at 30 June 2015**

	Maturity Up to 1 year <i>RMB</i>	Maturity 1-5 years <i>RMB</i>	Maturity Over 5 years <i>RMB</i>	Non- interest bearing <i>RMB</i>	Total <i>RMB</i>
<b>Assets</b>					
Investments	531,844,430	82,288,120	-	-	614,132,550
Other assets	-	-	-	18,475,925	18,475,925
Bank balances	1,779,899	-	-	-	1,779,899
<b>Total assets</b>	<b>533,624,329</b>	<b>82,288,120</b>	<b>-</b>	<b>18,475,925</b>	<b>634,388,374</b>
<b>Liabilities</b>					
Other liabilities	-	-	-	308,381	308,381
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>308,381</b>	<b>308,381</b>
<b>Total interest sensitivity gap</b>	<b>533,624,329</b>	<b>82,288,120</b>	<b>-</b>		

At 30 June 2015, the Sub-Fund has bank balances of RMB1,779,899. If the interest rates had been 10 basis points higher or lower with all variables held constant, net assets attributable to unitholders would have been RMB1780 higher or lower as a result of higher or lower interest income.

The Manager and Trustee monitor the interest rate risks by quantifying (a) market exposure in percentage terms; and (b) exposure in duration terms by different countries. As at 30 June 2015, the Sub-Fund has invested in interest-bearing securities of RMB614,132,550 and the portfolio weighted average modified duration of the Sub-Fund is 0.44.

**CSOP CHINA ULTRA SHORT TERM 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 2015, should the relevant interest rates have lowered/risen by 100 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the period would amount to approximately RMB2,092,463.98, arising substantially from the increase/decrease in market values of debt securities

**(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. As a result, Management considers sensitivity analysis of currency risk is not necessary to be presented.

**(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.

The main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in bond securities. The Sub-Fund does not have explicit restrictions on the minimum credit ratings of securities it may hold. The Manager will actively manage the portfolio of the Sub-Fund. In case of credit rating downgrading, the Manager will adjust the positions in the portfolio using its credit analysis and rating systems that are designed to manage credit risks.

The table below summarises the credit rating of the investment portfolio issued by credit rating agencies:

**Portfolio by rating category of RMB denominated bonds:**

**As at 30 June 2015**

<b>Credit rating agency</b>	<b>Rating</b>	<b>RMB</b>	<b>% of NAV</b>
S&P	AA-	614,132,550	96.85
		<u>614,132,550</u>	<u>96.85</u>

The Manager has assessed the credit quality of the RMB denominated bonds based on the nature of the issuers and the historical information about the issuers' default rates. The Sub-Fund is also exposed to credit and counterparty risk on cash and cash equivalents.

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)**

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

**(b) Credit and counterparty risk (continued)**

The table below summarises the net exposure to the Sub-Fund's counterparty as at 30 June 2015 together with its credit rating.

	RMB	Credit rating	Source of credit rating
<b>Custodian</b>			
HSBC Bank (China) Company Limited ("HSBC China")	614,132,550	A1	Moody
<b>Bank balances</b>			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	421,758	A	S&P
HSBC Bank (China) Company Limited ("HSBC China")	1,358,141	A1	Moody

The maximum exposure to credit risk as at 30 June 2015 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 2015.

**(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 30 June 2015</b>				
Management fee payable	203,255	-	-	203,255
Establishment costs payable	-	-	50,609	50,609
Other accounts payable	-	54,517	-	54,517
<b>Contractual cash outflow</b>	<b>203,255</b>	<b>54,517</b>	<b>50,609</b>	<b>308,381</b>

Units are redeemed on demand at the unitholder's option. As at 30 June 2015, there was 1 unitholder holding more than 10% of the Sub-Fund's units.

**CSOP CHINA ULTRA SHORT TERM 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 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 2015</b>				
Total assets	634,388,374	-	-	634,388,374

**(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.

The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets (by class) measured at fair value at 30 June 2015:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
<b>As at 30 June 2015</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
-Debt securities	-	614,132,550	-	614,132,550
<b>Total assets</b>	-	614,132,550	-	614,132,550



**CSOP CHINA ULTRA SHORT TERM BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)**

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

**(e) Fair value estimation (continued)**

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 2015, 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 2015, the Sub-Fund did not hold any investments classified in level 3.

For the period from 16 January 2015 (date of inception) to 30 June 2015, there were no transfers between levels.

The assets and liabilities included in the condensed statement of financial position, other than financial assets and liabilities at fair value through profit or loss, are carried at amortised cost; their carrying value are approximation of fair value. There are no other assets and liabilities not carried at fair value but for which fair value is disclosed.

**(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.

**9. DISTRIBUTION**

	Period from 16 January 2015 (date of inception) to 30 June 2015 <i>RMB</i>
RMB0.9 on 8,385,000 units paid on 30 April 2015	7,546,500
Total distributions	<u>7,546,500</u>

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)**

**10. FINANCIAL INSTRUMENTS BY CATEGORY**

As of 30 June 2015, 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 16 January 2015 (date of inception) to 30 June 2015.

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 Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index as at 30 June 2015.

	Weighting in index (%) As at 30 June 2015
<b>Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index</b>	
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1443) (REG) 4.3% 21/08/2015	1.69
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1444) (REG) 4.4% 02/09/2015	1.11
CHINA DEVELOPMENT BANK (SER 1423) (REG) 4.19% 15/09/2015	1.69
CHINA DEVELOPMENT BANK (SER 1430) (REG) 3.75% 04/12/2015	1.75

During the period from 20 January 2015, date of listing of the Sub-Fund, to 30 June 2015, the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index increased by 2.05% while the net asset value per unit of Sub-Fund increased by 1.01% and pay dividend RMB0.9 per unit, about 0.6% to initial price. For the details of dividend distribution, refer to Note 9.

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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

**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 fixed income investment. The objectives of the Sub-Fund are to track the performance of the Citi Chinese Government and Policy Bank Bond 0-1 Year Select 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.

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is derived from investments in PRC bonds including PRC Government and Policy Bank Bonds which constitute Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index, the tracked index.

The Sub-Fund has no assets classified as non-current assets. As at 30 June 2015, the Sub-Fund has a diversified portfolio of investments and five investment accounts for more than 10% of the Sub-Fund's net asset value.

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
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**INVESTMENT PORTFOLIO (Unaudited)**

*As at 30 June 2015*

	<b>Holdings</b>	<b>Fair value RMB</b>	<b>% of net assets</b>
<b>Investments (96.85%)</b>			
<b>Unlisted Bonds (96.85%)</b>			
<b>China (96.85%)</b>			
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1438) (REG) 4.72% 16/07/2017	30,000,000	30,671,970	4.84
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1443) (REG) 4.3% 21/08/2015	80,000,000	80,214,240	12.65
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1444) (REG) 4.4% 02/09/2015	100,000,000	100,352,200	15.82
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1503) (REG) 3.68% 27/02/2016	40,000,000	40,243,640	6.35
CHINA DEVELOPMENT BANK (SER 0514) (REG) 3.42% 02/08/2015	80,000,000	80,029,840	12.62
CHINA DEVELOPMENT BANK (SER 1423) (REG) 4.19% 15/09/2015	120,000,000	120,483,120	19.00
CHINA DEVELOPMENT BANK (SER 1430) (REG) 3.75% 04/12/2015	100,000,000	100,484,100	15.85
EXPORT-IMPORT BANK OF CHINA (SER 1402) (REG) 5.44% 10/02/2017	50,000,000	51,616,150	8.14
EXPORT-IMPORT BANK OF CHINA (SER 1457) (REG) 4.2564% 10/09/2015	10,000,000	10,037,290	1.58
<b>Total investments</b>		614,132,550	96.85
<b>Other net assets</b>		19,947,443	3.15
<b>Net assets attributable to unitholders at 30 June 2015</b>		<u>634,079,993</u>	
<b>Total investments, at cost</b>		<u>612,129,008</u>	

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
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**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)**

*For the period from 16 January 2015 (date of inception) to 30 June 2015*

	Holdings				30 June 2015
	16 January 2015 (date of inception)	Additions	Corporate actions	Disposals	
<b>Investments</b>					
<b>Unlisted Bonds</b>					
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1436) (REG) 4.45% 05/06/2015	-	140,000,000	-	140,000,000	-
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1430) (REG) 4.75% 16/04/2015	-	10,000,000	-	10,000,000	-
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1437) (REG) 4.13% 11/06/2015	-	90,000,000	-	90,000,000	-
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1438) (REG) 4.72% 16/07/2017	-	30,000,000	-	-	30,000,000
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1443) (REG) 4.3% 21/08/2015	-	80,000,000	-	-	80,000,000
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1444) (REG) 4.4% 02/09/2015	-	100,000,000	-	-	100,000,000
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1503) (REG) 3.68% 27/02/2016	-	40,000,000	-	-	40,000,000
CHINA DEVELOPMENT BANK (SER 0514) (REG) 3.42% 02/08/2015	-	80,000,000	-	-	80,000,000
CHINA DEVELOPMENT BANK (SER 1229) (REG) 3.39%	-	100,000,000	-	100,000,000	-
CHINA DEVELOPMENT BANK (SER 1413) (REG) 4.09% 09/06/2015	-	140,000,000	-	140,000,000	-
CHINA DEVELOPMENT BANK (SER 1418) (REG S) 4.21% 10/07/2015	-	100,000,000	-	100,000,000	-
CHINA DEVELOPMENT BANK (SER 1423) (REG) 4.19% 15/09/2015	-	120,000,000	-	-	120,000,000

**CSOP CHINA ULTRA SHORT TERM BOND ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (continued)**  
*For the period from 16 January 2015 (date of inception) to 30 June 2015*

	Holdings				30 June 2015
	16 January 2015 (date of inception)	Additions	Corporate actions	Disposals	
<b>Investments (continued)</b>					
<b>Unlisted Bonds (continued)</b>					
CHINA DEVELOPMENT BANK (SER 1430) (REG) 3.75% 04/12/2015	-	220,000,000	-	120,000,000	100,000,000
CHINA GOVERNMENT BOND (SER 1501) (REG) 3.14% 15/01/2016	-	40,000,000	-	40,000,000	-
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 1417) (REG)	-	20,000,000	-	20,000,000	-
EXPORT-IMPORT BANK OF CHINA (SER 1457) (REG) 4.2564% 10/09/2015	-	50,000,000	-	40,000,000	10,000,000
EXPORT-IMPORT BANK OF CHINA (SER 1474) (REG) 0% 04/05/2015	-	50,000,000	-	50,000,000	-
EXPORT-IMPORT BANK OF CHINA (SER 1477) 0% 02/06/2015	-	20,000,000	-	20,000,000	-

**CSOP CHINA ULTRA SHORT TERM BOND 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		
30 June 2015	634,079,993	151.5125

**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 2015 (Since 16 January 2015 (date of inception))	151.5907	149.9980

**CSOP CHINA ULTRA SHORT TERM 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  
1st Floor, One & Two Exchange Square  
8 Connaught Place  
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  
Liangyu Gao  
Haipeng Li  
Xiaosong Yang (resigned on 31 March 2015)  
Zhongping Cai  
Zengtao Wu (appointed on 15 April 2015)

**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  
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