



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

CSOP MSCI T50 ETF
(A sub-fund of CSOP ETF Series)

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2016



CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

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**CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The CSOP MSCI T50 ETF (the “CSOP T50 ETF”), a sub-fund of the CSOP ETF Series, is a unit trust authorised under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. It was launched on 26 January 2015 and commenced trading in HKD under the stock code 3021 on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 28 January 2015. The CSOP T50 ETF is benchmarked against the MSCI China and USA Internet Top 50 Equal Weighted Index (the “MSCI T50 Index”) and adopts the full-replication strategy. The Manager of the CSOP MSCI T50 ETF is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The CSOP T50 ETF is a physical ETF which invests directly in the MSCI T50 Index securities. The MSCI T50 Index (the “Index”) is compiled and published by MSCI Inc. It is an equal weighted index compiled and published by MSCI, which is designed to reflect the performance of the 50 largest USA and China internet software and services and internet retail entities selected by full market capitalization. The Index operates under clearly defined rules published by the index provider and is a tradable index.

Sub-Fund Performance

The CSOP T50 ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 30 December 2016 (last trading date), the dealing Net Asset Value (“NAV”) per unit of the CSOP T50 ETF was USD0.5020 and there were 9,000,000 units outstanding. The total asset under management was approximately USD4.5 million.

For the period from 1 January 2016 to 30 December 2016 (last trading date), the dealing NAV of CSOP T50 ETF (stock code 3021) performed -3.70% while the total return index performed -0.39%. The difference in performance between the NAV of the CSOP T50 ETF and the Index is mainly attributed to fees, expenses and market change during launch period.

Exchange Liquidity

Since inception, the CSOP T50 ETF has attracted great investor attention from investors across the globe. The trading value of the HKD counter (stock code: 3021) remained steadily at an average daily turnover of HKD0.11 million in December 2016. The trading volume for the CSOP T50 ETF reflected strong interest in the CSOP T50 ETF.

Portfolio Rebalance

The CSOP T50 ETF adopts full-replication strategy to track the Index. Since inception, the Sub-Fund has experienced eight quarterly index rebalances.

**CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the CSOP MSCI T50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 25 July 2012, as amended , for the year ended 31 December 2016.

HSBC Institutional Trust Services (Asia) Limited
28 April 2017

**CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of the CSOP MSCI T50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series, is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong and the Trust Deed dated 25 July 2012, as amended, (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of the year and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

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

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

CSOP ETF Series (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2016, the Trust has established seven sub-funds, namely, the CSOP MSCI T50 ETF, CSOP FTSE China A50 ETF, CSOP CES China A80 ETF, CSOP SZSE ChiNext ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A International ETF and CSOP S&P New China Sectors ETF.

TRUSTEE'S RESPONSIBILITIES

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund in all material respects is managed in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained,
- safeguard the property of the Sub-Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period should the Manager not managing the Sub-Fund in accordance to the Trust Deed.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of CSOP MSCI T50 ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series, set out on pages 8 to 26, which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2016, and of its financial transactions and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Sub-Fund in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP MSCI T50 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Key Audit Matters (Continued)

Key audit matters identified in our audit are summarised as follows:

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><u>Existence and valuation of investments</u></p> <p>The Sub-Fund's investments as at 31 December 2016 were mainly comprised of equities listed in Hong Kong and United States valued at USD4,327,487.</p> <p>We focused on the existence and valuation of the investments because the investments represented the principal element of the Sub-Fund's net asset value.</p> <p>Refer to note 7 to the financial statements.</p>	<p>We agreed the existence of the Sub-Fund's holdings of investments by obtaining a direct confirmation from the custodian and checking the confirmation to the Sub-Fund's records. Based on the procedures we performed, we found the Sub-Fund's holdings of investments to be in agreement with the confirmation received.</p> <p>We agreed the valuation of the Sub-Fund's investments by comparing the pricing used by the Manager to the publicly available external pricing sources as at 31 December 2016. We found no material exceptions from our testing.</p>

Other Information

The trustee and the manager (the "Management") of the Sub-Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP MSCI T50 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Responsibilities of Management for the Financial Statements

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 25 July 2012, as amended ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP MSCI T50 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Matters Under the Relevant Disclosure Provisions of the Trust Deed and the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Li, Lien.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2017

CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>USD</i>	2015 <i>USD</i>
ASSETS			
CURRENT ASSETS			
Investments	<i>6(c),7(a)</i>	4,327,487	5,856,334
Dividend receivable		61	69
Prepayment		12,248	-
Amounts due from brokers		-	71,039
Bank balances	<i>6(c)</i>	133,925	49,932
Total assets		<u>4,473,721</u>	<u>5,977,374</u>
LIABILITIES			
CURRENT LIABILITIES			
Amounts due to participating dealers		-	71,414
Management fee payable	<i>6(a)</i>	3,766	6,752
Other accounts payable		16,602	300
Total liabilities		<u>20,368</u>	<u>78,466</u>
EQUITY			
Net assets attributable to unitholders	<i>3</i>	<u>4,453,353</u>	<u>5,898,908</u>

The financial statements on pages 8 to 26 were approved by the Trustee and the Manager on 28 April 2017 and were signed on their behalf.

For and on behalf of

For and on behalf of

CSOP Asset Management Limited
as the Manager

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

The notes on pages 12 to 26 form part of these financial statements.

CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

		Year ended 31 December 2016 <i>USD</i>	Period from 26 January 2015 (date of inception) to 31 December 2015 <i>USD</i>
	<i>Notes</i>		
INCOME			
Dividend income		8,295	22,963
Interest income	6(c)	62	-
Net (loss)/gain on investments	4	(51,715)	1,375,335
Other income		480	16,932
Net foreign currency gain		-	49,993
Total net (loss)/income		<u>(42,878)</u>	<u>1,465,223</u>
EXPENSES			
Management fee	6(a),6(b)	(50,305)	(124,265)
Transaction costs on investments		(1,820)	(23,001)
Audit fee		(31,983)	-
Safe custody and bank charges		(5,205)	(3,453)
Legal and other professional fee		(1,511)	-
Establishment costs		-	(125,540)
Other operating expenses		(45,223)	(43,230)
Total operating expenses		<u>(136,047)</u>	<u>(319,489)</u>
Operating (loss)/profit		<u>(178,925)</u>	<u>1,145,734</u>
Taxation	5	(1,880)	(5,326)
Total comprehensive income		<u><u>(180,805)</u></u>	<u><u>1,140,408</u></u>

The notes on pages 12 to 26 form part of these financial statements.

CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2016

	Year ended 31 December 2016 <i>USD</i>	Period from 26 January 2015 (date of inception) to 31 December 2015 <i>USD</i>
Net assets attributable to unitholders at the beginning of the year/period	5,898,908	-
Proceeds on issue of units	-	20,873,000
Payments on redemption of units	(1,264,750)	(16,114,500)
Net (decrease)/increase from unit transactions	(1,264,750)	4,758,500
Total comprehensive income for the year/period	(180,805)	1,140,408
Net assets attributable to unitholders at the end of the year/period	4,453,353	5,898,908

The notes on pages 12 to 26 form part of these financial statements.

CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Year ended 31 December 2016 USD	Period from 26 January 2015 (date of inception) to 31 December 2015 USD
OPERATING ACTIVITIES		
Payments for purchase of investments	(2,142,369)	(27,157,731)
Proceeds from sale of investments	3,690,540	22,655,686
Dividend received	8,303	22,894
Interest received	62	-
Other income received	480	16,932
Management fee paid	(53,414)	(117,512)
Transaction costs paid	(1,820)	(23,001)
Taxation paid	(1,880)	(5,326)
Prepayment paid	(12,248)	-
Other operating expenses paid	(64,497)	(171,924)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	1,420,157	(4,779,982)
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
FINANCING ACTIVITIES		
Proceeds on issue of units	-	20,873,000
Payments on redemption of units	(1,336,164)	(16,043,086)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(1,336,164)	4,829,914
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Net increase in cash and cash equivalents	83,993	49,932
Cash and cash equivalents at the beginning of the year/period	49,932	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year/period	133,925	49,932
	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>
Analysis of balances of cash and cash equivalents		
Bank balances	133,925	49,932
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The notes on pages 12 to 26 form part of these financial statements.

**CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CSOP ETF Series (the “Trust”) is an umbrella unit trust governed by its trust deed dated 25 July 2012, as amended, (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 31 December 2016, the Trust has seven sub-funds which are CSOP MSCI T50 ETF (“the Sub-Fund”), CSOP CES China A80 ETF, CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A International ETF and CSOP S&P New China Sectors ETF. The date of inception of the Sub-Fund was 26 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 deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, the MSCI China and USA Internet Top 50 Equal Weighted Index. In order to achieve the investment objective of the Sub-Fund, the Manager will primarily use a full replication strategy by directly investing all, or substantially all, of the assets of the Sub-Fund in index securities constituting the underlying index in substantially the same weightings (i.e. proportions) as these index securities have in the underlying index. The Sub-Fund may also invest not more than 5% of its net asset value in Non-Index Securities which have investment profile that aims to reflect the profile of the underlying index.

These financial statements are prepared for the Sub-Fund only. The financial statements for CSOP CES China A80 ETF, CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A International ETF and CSOP S&P New China Sectors ETF have been prepared separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments.

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.

Standard and amendments to existing standards effective 1 January 2016

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2016 that would be expected to have a significant impact on the Sub-Fund.

**CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

New standards and amendments to standards effective after 1 January 2016 that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Sub-Fund except the following set out below:

HKFRS 9, 'Financial instruments', 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 ("OCI") 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 OCI 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. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. 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 2018 and earlier application is permitted. The Manager of the Sub-Fund is assessing the impact of HKFRS 15.

The HKICPA has issued an amendment to HKAS 7, "Statement of cash flows" introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the HKICPA's disclosure initiative, which continues to explore how financial statement disclosures can be improved. An entity shall apply those amendments to HKAS 7 for annual periods beginning on or after 1 January 2017. The Manager of the Sub-Fund is assessing the impact of HKAS7

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 MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

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 statement of comprehensive income.

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

(iv) Fair value estimation

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 MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Dividend income and interest income

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

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

(e) Distributions to unitholders

Distributions to unitholders are recognised in the 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) Transactions costs

Transactions costs are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transactions costs, when incurred, are immediately recognised in profit or loss as an expense.

(h) Expenses

Expenses are accounted for on an accrual basis.

(i) Cash and cash equivalents

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

(j) 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 primarily US listed equity investments and the performance of the Sub-Fund is measured and reported to the unitholders in USD. The Manager considers United States Dollar (“USD”) as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is the Sub-Fund’s functional and presentation currency.

**CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currencies translation (Continued)

Transactions and balances

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

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

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

(k) 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.

(l) Taxation

The Sub-Fund currently incurs withholding taxes imposed by the US Internal Revenue Service on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included as taxation in the statement of comprehensive income.

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.

**CSOP MSCI T50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Taxation (Continued)

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.

(m) Establishment costs

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

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

The Sub-Fund's capital is represented by the units in the Sub-Fund, and shown as "net assets attributable to unitholders" in the statement of financial position. Subscriptions and redemptions of units during the year/period are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies, whilst maintaining sufficient liquidity to meet redemption requests.

In accordance with the provisions of the Trust's Trust Deed dated 25 July 2012, as amended, 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(k), 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 year ended 31 December 2016 and the period from 26 January (date of inception) to 31 December 2015 are as follows:

	Year ended 31 December 2016 Units	Period from 26 January 2015 (date of inception) to 31 December 2015 Units
Number of units in issue at the beginning of the year/period	11,500,000	-
Units issued	-	41,500,000
Units redeemed	(2,500,000)	(30,000,000)
	<hr/>	<hr/>
Number of units in issue at the end of the year/period	9,000,000	11,500,000
	<hr/> <hr/>	<hr/> <hr/>

**CSOP MSCI T50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

3. NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT (Continued)

As stated in Note 2(m), establishment costs are expensed as incurred. However, in accordance with the provisions of the Trust's Prospectus, establishment costs are recognised using the amortisation method. As at 31 December 2016 and 2015, the expensing of establishment costs as stated in the financial statements resulted in a decrease of net assets attributable to unitholders of USD64,283 (2015: USD96,085) when compared with the methodology indicated in the Trust's Prospectus.

	Year ended 31 December 2016 <i>USD</i>	Period from 26 January 2015 (date of inception) to 31 December 2015 <i>USD</i>
Net assets attributable to unitholders as reported in the statement of financial position	4,453,353	5,898,908
Adjustments for unamortised establishment costs	64,283	96,085
	<hr/>	<hr/>
Net asset value in accordance with the Trust's Prospectus	4,517,636	5,994,993
	<hr/>	<hr/>
Net assets attributable to unitholders per unit (per statement of financial position)	0.4948	0.5129
	<hr/>	<hr/>
Net assets attributable to unitholders per unit (at dealing net asset value)	0.5020	0.5213
	<hr/>	<hr/>

4. NET (LOSS)/GAIN ON INVESTMENTS

	Year ended 31 December 2016 <i>USD</i>	Period from 26 January 2015 (date of inception) to 31 December 2015 <i>USD</i>
Net fair value change in unrealised gain/loss in value of investments	(63,721)	87,458
Net realised gain on sale of investments	12,006	1,287,877
	<hr/>	<hr/>
	(51,715)	1,375,335
	<hr/>	<hr/>

5. TAXATION

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as a collective investment scheme 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.

The overseas withholding tax of the Sub-Fund for the year ended 31 December 2016 and for the period from 26 January (date of inception) to 31 December 2015 represents:

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NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION (Continued)

	Year ended 31 December 2016 <i>USD</i>	Period from 26 January 2015 (date of inception) to 31 December 2015 <i>USD</i>
Withholding tax on dividend income	1,880	5,326
Taxation	<u>1,880</u>	<u>5,326</u>

6. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS

The following is a summary of significant related party transactions/transactions entered into during the year/period between the Sub-Fund and the Trustee, the Manager and the Connected Persons of the Manager. 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 year/period ended 31 December 2016 and 2015, 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 the Connected Persons of the Manager except for those disclosed below.

(a) Management fee

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

(b) Trustee fee and Registrar's fee

The Trustee's and Registrar's fee are included in the Management fee and the Manager will pay the fees of the Trustee and the Registrar out of the management fee. Refer to Note 6(a).

The Trustee shall also be entitled to be reimbursed from the Sub-Fund for all out-of-pocket expenses incurred.

(c) Financial assets

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

	2016 <i>USD</i>	2015 <i>USD</i>
Investments		
The Hongkong and Shanghai Banking Corporation Limited	<u>4,327,487</u>	<u>5,856,334</u>
Bank balances		
The Hongkong and Shanghai Banking Corporation Limited	<u>133,925</u>	<u>49,932</u>

Interest income amounted to USD62 (2015: Nil) was earned on these bank balances for the year ended 31 December 2016 and the period from 26 January 2015 (date of inception) to 31 December 2015.

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NOTES TO THE FINANCIAL STATEMENTS

7. 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 MSCI China and USA Internet Top 50 Equal Weighted 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 MSCI China and USA Internet Top 50 Equal Weighted Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked index.

As at 31 December 2016 and 2015, the Sub-Fund's investments were concentrated in the following locations and industries:

	2016		2015	
	Fair value <i>USD</i>	% of net asset value	Fair value <i>USD</i>	% of net asset value
Listed equities - by geographical region				
Hong Kong	177,069	3.97	120,023	2.03
United States	4,150,418	93.20	5,736,311	97.25
	<u>4,327,487</u>	<u>97.17</u>	<u>5,856,334</u>	<u>99.28</u>
Listed equities - by industry				
Consumer Discretionary	1,464,824	32.89	1,656,238	28.08
Information Technology	2,862,663	64.28	4,200,096	71.20
	<u>4,327,487</u>	<u>97.17</u>	<u>5,856,334</u>	<u>99.28</u>

The Sub-Fund held 50 out of 50 (2015: 50 out of 50) constituent securities comprising the MSCI China and USA Internet Top 50 Equal Weighted Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the MSCI China and USA Internet Top 50 Equal Weighted Index.

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NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

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

As at 31 December 2016 and 2015, if the MSCI China and USA Internet Top 50 Equal Weighted Index were to increase by 10% (2015: 10%) with all other variables held constant, this would increase the operating profit for the year/period by approximately USD419,442 (2015: USD575,733) Conversely, if the MSCI China and USA Internet Top 50 Equal Weighted Index were to decrease by 10% (2015: 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.

As at 31 December 2016 and 2015, interest rate risk arises only from bank balances. As the bank balances held by the Sub-Fund is short term in nature and the interest arising from these interest bearing assets are immaterial, the Manager considers that changes in their fair value and future cash flows in the event of a change in market interest rates will not be material. As a result, the Manager considers sensitivity analysis of interest rate risk is not necessary to be presented.

(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 has assets and liabilities denominated in currencies other than United States Dollar, the Sub-Fund's functional and presentation currency. The Sub-Fund is therefore exposed to currency risk, as the value of the monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The table below summarises the Sub-Fund's net exposure to different major currencies:

	As at 31 December 2016		As at 31 December 2015	
	Monetary <i>USD</i>	Non- monetary <i>USD</i>	Monetary <i>USD</i>	Non- monetary <i>USD</i>
Hong Kong Dollar	-	177,069	-	120,023

Assets and liabilities denominated in Hong Kong Dollars are not considered as subject to currency risk as it is currently pegged to the USD within a narrow range. As a result, the Manager 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.

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NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

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

All transactions in listed securities are settled or paid for upon delivery using approved and reputable brokers. 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 31 December 2016, the Sub-Fund placed bank balances of USD133,925 (2015: USD49,932) and investment balances of USD4,327,487 (2015: USD5,856,334) with The Hong Kong and Shanghai Banking Corporation Limited (“HSBC”). The S&P credit rating of HSBC is A (2015: A).

The maximum exposure to credit risk as at 31 December 2016 and 2015 is the carrying amount of the financial assets as shown on the statement of financial position.

The Manager considers that none of assets are impaired nor past due as at 31 December 2016 and 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>USD</i>	1 month to less than 3 months <i>USD</i>	Over 3 months <i>USD</i>	Total <i>USD</i>
As at 31 December 2016				
Management fee payable	3,766	-	-	3,766
Other accounts payable	-	178	16,424	16,602
Contractual cash outflow	<u>3,766</u>	<u>178</u>	<u>16,424</u>	<u>20,368</u>

**CSOP MSCI T50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	Less than 1 month <i>USD</i>	1 month to less than 3 months <i>USD</i>	Over 3 months <i>USD</i>	Total <i>USD</i>
As at 31 December 2015				
Amounts due to participating dealers	71,414	-	-	71,414
Management fee payable	6,752	-	-	6,752
Other accounts payable	-	300	-	300
Contractual cash outflow	<u>78,166</u>	<u>300</u>	<u>-</u>	<u>78,466</u>

Units are redeemed on demand at the unitholder's option. As at 31 December 2016, there were 2 (2015: 2) unitholders holding more than 10% of the Sub-Fund's units.

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

	Less than 1 month <i>USD</i>	1 to 12 months <i>USD</i>	No stated maturity <i>USD</i>	Total <i>USD</i>
As at 31 December 2016				
Total assets	<u>4,461,473</u>	<u>12,248</u>	<u>-</u>	<u>4,473,721</u>
As at 31 December 2015				
Total assets	<u>5,977,374</u>	<u>-</u>	<u>-</u>	<u>5,977,374</u>

**CSOP MSCI T50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL RISK MANAGEMENT (Continued)

(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 31 December 2016 and 2015:

	Level 1 <i>USD</i>	Level 2 <i>USD</i>	Level 3 <i>USD</i>	Total <i>USD</i>
As at 31 December 2016				
Assets				
Financial assets at fair value through profit or loss				
- Equity securities	4,327,487	-	-	4,327,487
Total assets	4,327,487	-	-	4,327,487
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
As at 31 December 2015				
Assets				
Financial assets at fair value through profit or loss				
- Equity securities	5,856,334	-	-	5,856,334
Total assets	5,856,334	-	-	5,856,334

**CSOP MSCI T50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL RISK MANAGEMENT (Continued)

(d) 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.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As at 31 December 2016 and 2015, the Sub-Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2016 and 2015, the Sub-Fund did not hold any investments classified in level 3.

There were no transfers between levels for the year ended 31 December 2016 and for the period from 26 January 2015 (date of inception) to 31 December 2015.

The assets and liabilities included in the 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.

8. FINANCIAL INSTRUMENTS BY CATEGORY

As of 31 December 2016 and 2015, other than investments as disclosed in the financial statements which are classified as financial assets at fair value through profit or loss, all financial assets including dividend receivable, amount due from brokers 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.

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NOTES TO THE FINANCIAL STATEMENTS

9. 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 year ended 31 December 2016 and period from 26 January 2015 (date of inception) to 31 December 2015.

There were no constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the MSCI China and USA Internet Top 50 Equal Weighted Index as at 31 December 2016 and 2015.

During the year ended 31 December 2016, the MSCI China and USA Internet Top 50 Equal Weighted Index decreased by 0.39% while the net asset value per unit of the Sub-Fund decreased by 3.53%.

For the period from 26 January 2015 (date of inception) to 31 December 2015, the MSCI China and USA Internet Top 50 Equal Weighted Index increased by 5.93% while the net asset value per unit of the Sub-Fund increased by 2.59%.

10. SOFT COMMISSION ARRANGEMENT

The Manager confirms that there has been no soft commission arrangements existing during the year ended 31 December 2016 and period from 26 January 2015 (date of inception) to 31 December 2015 in relation to directing transactions of the Sub-Fund through a broker or dealer.

11. 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 MSCI China and USA Internet Top 50 Equal Weighted Index and invest in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is derived from investments in securities which constitute MSCI China and USA Internet Top 50 Equal Weighted Index, the tracked index.

The Sub-Fund has no assets classified as non-current assets. As at 31 December 2016 and 2015, the Sub-Fund has a diversified portfolio of investments and no single investment accounts for more than 10% (2015: 10%) of the Sub-Fund's net asset value.

12. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 28 April 2017.

CSOP MSCI T50 ETF
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INVESTMENT PORTFOLIO (Unaudited)
As at 31 December 2016

	Holdings	Fair value USD	% of net assets
Investments (97.17%)			
Listed Equities (97.17%)			
Hong Kong (3.97%)			
COGOBUY GROUP ORD USD0.0000001	59,000	89,010	2.00
TENCENT HOLDINGS LTD ORD HKD0.00002	3,600	88,059	1.97
		<u>177,069</u>	<u>3.97</u>
USA (93.20%)			
58.COM INC ADR	2,910	81,480	1.83
AKAMAI TECHNOLOGIES INC COM USD0.01	1,372	91,485	2.05
ALIBABA GROUP HOLDING LTD ORD	975	85,615	1.92
ALPHABET INC CL A USD0.001	58	45,962	1.03
ALPHABET INC-CL C COM USD0.001	60	46,309	1.04
AMAZON.COM INC COM USD0.01	120	89,984	2.02
BAIDU INC ADR USD0.00005	554	91,083	2.05
CIMPRESS ORD USD0.001	1,070	98,023	2.20
COMSCORE INC COM USD0.001	3,055	96,477	2.17
CORNERSTONE ONDEMAND INC COM USD0.0001	2,407	101,840	2.29
COSTAR GROUP INC COM USD0.01	468	88,213	1.98
CTRIP.COM INTL LTD ADR	2,168	86,720	1.95
EBAY INC COM USD0.001	3,175	94,266	2.12
EXPEDIA INC COM USD 0.001	725	82,128	1.84
FACEBOOK INC CL A COM USD0.000006	779	89,624	2.01
GODADDY INC - CLASS A COM USD0.001	2,649	92,583	2.08
GROUPON INC COM USD0.0001	23,121	76,762	1.72
GRUBHUB INC COM USD0.0001	2,486	93,523	2.10
HSN INC COM USD0.01	2,327	79,816	1.79
IAC/INTERACTIVECORP COM USD0.01	1,358	87,985	1.98
J2 GLOBAL INC COM USD0.01	1,223	100,041	2.25
JD.COM INC ADR	3,444	87,615	1.97
LIBERTY EXPEDIA HOLDINGS INC SER A COM USD0.01	2,044	81,086	1.82
LIBERTY INTERACTIVE CORPORATIN QVC GROUP COM			
SHRS A COM USD0.01	4,324	86,394	1.94
LIBERTY VENTURES SER A COM USD0.01	2,291	84,469	1.90
LOGMEIN INC COM USD0.01	866	83,612	1.88
MERCADOLIBRE INC COM USD0.001	578	90,249	2.03
MOMO INC	4,277	78,611	1.76
NETEASE INC ADR USD0.0001	395	85,059	1.91
NETFLIX INC COM USD0.001	791	97,926	2.20
PANDORA MEDIA INC COM USD0.0001	8,034	104,763	2.35
PRICELINE GROUP INC USD0.008	60	87,964	1.97
QUNAR CAYMAN ISLANDS LIMITED-ADR	3,039	91,565	2.06
SHUTTERFLY INC COM USD0.0001	1,813	90,976	2.04
SHUTTERSTOCK INC COM USD0.01	1,837	87,294	1.96
SINA CORP COM USD0.133	1,336	81,216	1.82

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INVESTMENT PORTFOLIO (Unaudited)
As at 31 December 2016

	Holdings	Fair value USD	% of net assets
Investments (97.17%) (Continued)			
Listed equities (97.17%) (Continued)			
USA (93.20%)			
SOHU.COM INC COM USD0.001	2,615	88,622	1.99
STAMPS.COM INC COM USD0.001	813	93,211	2.09
TRIPADVISOR INC COM USD0.001	1,793	83,141	1.87
TWITTER INC COM USD0.000005	4,863	79,267	1.78
VERISIGN INC COM USD0.001	1,138	86,568	1.94
VIPSHOP HOLDINGS LTD-ADR COM USD0.0001	6,664	73,371	1.65
WAYFAIR INC CLASS A COM USD0.001	2,736	95,897	2.15
WEBMD HEALTH CORP COM USD0.01	1,698	84,170	1.89
YAHOO INC COM USD0.001	2,212	85,538	1.92
YELP INC COM USD0.000001	2,379	90,711	2.04
YY INC ADR USD0.00001	2,020	79,628	1.79
ZILLOW GROUP INC CLASS C COM NPV	2,511	91,576	2.06
		<hr/> 4,150,418	<hr/> 93.20
Total investments		4,327,487	97.17
Other net assets		<hr/> 125,866	<hr/> 2.83
Net assets attributable to unitholders at 31 December 2016		<hr/> <hr/> 4,453,353	<hr/> <hr/> 100.00
Total investments, at cost		<hr/> <hr/> 4,303,750	

CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the year ended 31 December 2016

	Holdings				31 December 2016
	1 January 2016	Additions	Corporate actions	Disposals	
Investments					
Listed equities					
Hong Kong					
COGOBUY GROUP ORD USD0.0000001	-	74,000	-	15,000	59,000
TENCENT HOLDINGS LTD ORD HKD0.00002	6,100	200	-	2,700	3,600
USA					
58.COM INC ADR	2,234	1,573	-	897	2,910
AKAMAI TECHNOLOGIES INC COM USD0.01	1,957	211	-	796	1,372
ALIBABA GROUP HOLDING LTD ORD	1,494	88	-	607	975
ALPHABET INC CL A USD0.001	75	4	-	21	58
ALPHABET INC-CL C COM USD0.001	81	4	-	25	60
AMAZON.COM INC COM USD0.01	175	13	-	68	120
BAIDU INC ADR USD0.00005	567	184	-	197	554
CIMPRESS ORD USD0.001	1,385	251	-	566	1,070
COGOBUY GROUP ORD USD0.0000001	-	74,000	-	15,000	59,000
COMMERCEHUB INC C-SER COM USD0.01	-	504	-	504	-
COMMERCEHUB INC SERIES A COM USD0.01	-	252	-	252	-
COMSCORE INC COM USD0.001	2,739	1,534	-	1,218	3,055
CORNERSTONE ONDEMAND INC COM USD0.0001	3,373	559	-	1,525	2,407
COSTAR GROUP INC COM USD0.01	558	105	-	195	468
CTRIIP.COM INTL LTD ADR	2,500	361	-	693	2,168
DEMANDWARE INC COM USD0.01	2,516	599	-	3,115	-
EBAY INC COM USD0.001	4,036	842	-	1,703	3,175
ENDURANCE INTERNATIONAL GROUP HOLDINGS INC COM USD0.0001	8,348	3,266	-	11,614	-
EXPEDIA INC COM USD 0.001	1,523	70	-	868	725
FACEBOOK INC CL A COM USD0.000006	1,076	80	-	377	779

CSOP MSCI T50 ETF
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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the year ended 31 December 2016

	Holdings				31 December 2016
	1 January 2016	Additions	Corporate actions	Disposals	
Investments (Continued)					
Listed equities (Continued)					
USA (Continued)					
FANG HOLDINGS LTD ADR (FORMERLY KNOWN AS "SOUFUN HOLDINGS LTD ADR")	16,319	8,401	-	24,720	-
GODADDY INC - CLASS A COM USD0.001	3,550	154	-	1,055	2,649
GROUPON INC COM USD0.0001	43,133	13,056	-	33,068	23,121
GRUBHUB INC COM USD0.0001	4,466	323	-	2,303	2,486
HSN INC COM USD0.01	-	2,583	-	256	2,327
IAC/INTERACTIVECORP COM USD0.01	1,865	466	-	973	1,358
J2 GLOBAL INC COM USD0.01	1,434	275	-	486	1,223
JD.COM INC ADR	4,063	463	-	1,082	3,444
LIBERTY EXPEDIA HOLDINGS INC SER A COM USD0.01	-	2,162	-	118	2,044
LIBERTY INTERACTIVE CORPORATIN QVC GROUP COM SHRS A COM USD0.01	-	4,820	-	496	4,324
LIBERTY TRIPADVISOR HOLDINGS INC	3,841	1,967	-	5,808	-
LIBERTY VENTURES SERA COM USD0.01	2,675	5,220	-	5,604	2,291
LINKEDIN CORP CL A ORD USD0.0001	466	402	-	868	-
LOGMEIN INC COM USD0.01	1,622	385	-	1,141	866
MERCADOLIBRE INC COM USD0.001	959	84	-	465	578
MOMO INC	-	4,853	-	576	4,277
NETEASE INC ADR USD0.0001	751	3	-	359	395
NETFLIX INC COM USD0.001	959	226	-	394	791
PANDORA MEDIA INC COM USD0.0001	9,173	2,704	-	3,843	8,034
PRICELINE GROUP INC USD0.008	90	4	-	34	60
QIHOO 360 TECHNOLOGY CO LTD ADR	1,856	32	-	1,888	-
QUNAR CAYMAN ISLANDS LIMITED-ADR	2,944	1,081	-	986	3,039

CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the year ended 31 December 2016

	Holdings				31 December 2016
	1 January 2016	Additions	Corporate actions	Disposals	
Investments (Continued)					
Listed equities (Continued)					
USA (Continued)					
RACKSPACE HOSTING INC COM USD0.001	4,244	900	-	5,144	-
SHUTTERFLY INC COM USD0.0001	2,537	67	-	791	1,813
SHUTTERSTOCK INC COM USD0.01	-	1,943	-	106	1,837
SINA CORP COM USD0.133	2,304	1,491	-	2,459	1,336
SOHU.COM INC COM USD0.001	2,188	1,074	-	647	2,615
STAMPS.COM INC COM USD0.001	-	860	-	47	813
TENCENT HOLDINGS LTD ORD HKD0.00002	6,100	200	-	2,700	3,600
TRIPADVISOR INC COM USD0.001	1,386	863	-	456	1,793
TWITTER INC COM USD0.000005	4,479	2,881	-	2,497	4,863
VERISIGN INC COM USD0.001	1,344	292	-	498	1,138
VIPSHOP HOLDINGS LTD- ADR COM USD0.0001	7,937	3,492	-	4,765	6,664
WAYFAIR INC CLASS A COM USD0.001	-	3,380	-	644	2,736
WEBMD HEALTH CORP COM USD0.01	2,701	502	-	1,505	1,698
WEIBO CORP SPON ORD USD0.00025	-	124	-	124	-
YAHOO INC COM USD0.001	3,517	127	-	1,432	2,212
YELP INC COM USD0.000001	4,109	1,364	-	3,094	2,379
YOUKU.COM INC ADR	4,363	-	-	4,363	-
YY INC ADR USD0.00001	1,990	789	-	759	2,020
ZILLOW GROUP INC CLASS C COM NPV	4,590	224	-	2,303	2,511

CSOP MSCI T50 ETF
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PERFORMANCE RECORD (Unaudited)

Net asset value

	Net asset value of the Sub-Fund <i>USD</i>	Net asset value per unit <i>USD</i>
At the end of financial year/period dated		
31 December 2016	4,517,636	0.5020
31 December 2015	5,994,993	0.5213

Highest and lowest net asset value per unit

	Highest net asset value per unit <i>USD</i>	Lowest net asset value per unit <i>USD</i>
Financial year/period ended		
31 December 2016	0.5585	0.3998
31 December 2015 (since 26 January 2015 (date of inception))	0.5643	0.4460

**CSOP MSCI T50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

MANAGEMENT AND ADMINISTRATION

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