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

CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A sub-fund of CSOP ETF Series II)

Reports and Financial Statements
FOR THE PERIOD FROM
10 MAY 2016 (DATE OF INCEPTION) TO
31 DECEMBER 2016

CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II)

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CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II)

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The CSOP WTI Oil Annual Roll December Futures ER ETF (or the “Sub-Fund”), a sub-fund of the CSOP ETF Series II (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 20 January 2014, as amended, between CSOP Asset Management Limited 南方東英資產管理有限公司 and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”). It was launched on 10 May 2016 and commenced trading in HKD under the stock code 3135 on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 12 May 2016. The Sub-Fund is benchmarked against the BofA Merrill Lynch Commodity index eXtra CLA Index (Excess Return) (“Excess Return” does not mean any additional return on the Sub-Fund’s performance) (the “Index”) and adopts the full-replication strategy. The Manager is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited.

The CSOP WTI Oil Annual Roll December Futures ER ETF is a futures-based ETF which invests directly in December month WTI Futures Contracts so as to give the Sub-Fund the performance of the Index. Specifically, the Sub-Fund will invest in current year December month WTI Futures Contracts before rolling in every October, in next year December month WTI Futures Contracts after rolling in every October, and in both current year and next year December month WTI Futures Contracts during the Roll Period in every October.

The Index is compiled and published by Merrill Lynch, Pierce, Fenner & Smith Incorporated (“BofA Merrill Lynch”). The return of the Index is calculated based on the change in price levels of the constituent December month WTI Futures Contracts. The Index operates under clearly defined rules published by the index provider and is a tradable index.

Sub-Fund Performance

The CSOP WTI Oil Annual Roll December Futures ER ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 31 December 2016, the dealing Net Asset Value (“NAV”) per unit of the CSOP WTI Oil Annual Roll December Futures ER ETF was USD1.0396 and there were 15,000,000 units outstanding. The total asset under management was approximately USD15.5 million.

For the period from 10 May 2016 (date of inception) to 30 December 2016 (last trading date), the dealing NAV of CSOP WTI Oil Annual Roll December Futures ER ETF performed 12.29% while the Excess Return Index performed 12.99%. The difference in performance between the NAV of the CSOP WTI Oil Annual Roll December Futures ER ETF and the Index is mainly attributed to fees and expenses. In the secondary market, YTD Price return of the HKD counter (stock code 3135) was 8.59% (percentage change between the last traded price as at 12 May 2016 (listing date) and 30 Dec 2016 (last trading date)).

Exchange Liquidity

Since inception, the CSOP WTI Oil Annual Roll December Futures ER ETF has attracted great investor attention from investors across the globe. The trading value of the HKD counter (stock code: 3135) remained steadily at an average daily turnover of HKD1.40 million in December 2016. The trading volume for the CSOP WTI Oil Annual Roll December Futures ER ETF reflected strong interest in the CSOP WTI Oil Annual Roll December Futures ER ETF.

Portfolio Rebalance

The CSOP WTI Oil Annual Roll December Futures ER ETF adopts full-replication strategy to track the Index. Since inception, the Sub-Fund has experienced one annually index rebalance.

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the CSOP WTI Oil Annual Roll December Futures ER ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series II, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 20 January 2014, as amended, for the period from 10 May 2016 (date of inception) to 31 December 2016.

HSBC Institutional Trust Services (Asia) Limited
28 April 2017

CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II)

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of the CSOP WTI Oil Annual Roll December Futures ER ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series II, 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 20 January 2014, 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 period and of the transactions for the period from 10 May 2016 (date of inception) to 31 December 2016. 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 II (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2016, the Trust has established three sub-funds, namely, CSOP WTI Oil Annual Roll December Futures ER ETF, CSOP China 5-Year Treasury Bond ETF and CSOP China Ultra Short Term Bond 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 WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II, 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 WTI Oil Annual Roll December Futures ER ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series II, set out on pages 8 to 28, which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the period from 10 May 2016 (date of inception) to 31 December 2016;
- the statement of changes in net assets attributable to unitholders for the period from 10 May 2016 (date of inception) to 31 December 2016;
- the statement of cash flows for the period from 10 May 2016 (date of inception) to 31 December 2016; 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 disposition of the Sub-Fund as at 31 December 2016, and of its financial transactions and its cash flows for the period from 10 May 2016 (date of inception) to 31 December 2016 in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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.

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**
<u>Existence and valuation of investments</u> The Sub-Fund's investments as at 31 December 2016 were mainly comprised of US treasury bills and futures contracts in long positions listed in the United States of America, valued at USD3,996,569 and USD1,884,960 respectively. 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. Refer to note 7 to the financial statements.	We agreed the existence of the Sub-Fund's holdings of investments by obtaining direct confirmations from the custodians and checking the confirmations 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 confirmations received. 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.

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.

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 IFRSs issued by the IASB, 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 20 January 2014, 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 IASs 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 ISAs, 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.

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

- 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.
- 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 WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 USD
ASSETS		
CURRENT ASSETS		
Investments	*6(c),7(a)*	3,996,569
Derivative financial instruments	*7(a),7(f)*	1,884,960
Interest receivable		13
Margin deposit	*8*	289,440
Bank balances	*6(c)*	9,334,263
Total assets		15,505,245
LIABILITIES		
CURRENT LIABILITIES		
Management fee payable	*6(a)*	16,000
Other accounts payable		32,710
Total liabilities		48,710
EQUITY		
Net assets attributable to unitholders	*3*	15,456,535

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

For and on behalf of

CSOP Asset Management Limited
as the Manager

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

The notes on pages 12 to 28 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the period from 10 May 2016 (date of inception) to 31 December 2016

	Notes	Period from 10 May 2016 (date of inception) to 31 December 2016 *USD*
INCOME		
Interest income	*6(c)*	5,330
Net gain on investments and derivative financial instruments	*4*	4,130,376
Total net income		4,135,706
EXPENSES		
Management fee	*6(a),(b)*	(186,826)
Transaction costs of investments		(9,725)
Audit fee		(30,000)
Legal and other professional fee		(5,083)
Establishment costs		(160,074)
License fee		(11,140)
Other operating expenses		(1,002)
Total operating expenses		(403,850)
FINANCE COSTS		
Interest expenses		(23,122)
Total comprehensive income		3,708,734

The notes on pages 12 to 28 form part of these financial statements

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 10 May 2016 (date of inception) to 31 December 2016

	Period from 10 May 2016 (date of inception) to 31 December 2016 *USD*
Net assets attributable to unitholders at the beginning of the period	-
Proceeds on issue of units	47,831,251
Payments on redemption of units	(36,083,450)
Net increase from unit transactions	11,747,801
Total comprehensive income for the period	3,708,734
Net assets attributable to unitholders at the end of the period	15,456,535

The notes on pages 12 to 28 form part of these financial statements

CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II)

STATEMENT OF CASH FLOWS

For the period from 10 May 2016 (date of inception) to 31 December 2016

	Period from 10 May 2016 (date of inception) to 31 December 2016 *USD*
OPERATING ACTIVITIES	
Payments for purchase of investments	(4,994,207)
Proceeds from sale of investments	3,243,054
Interest received	5,317
Management fee paid	(168,613)
Transaction costs paid	(9,725)
Other operating expenses paid	(176,802)
Margin deposit	(289,440)
Net cash used in operating activities	(2,390,416)
FINANCING ACTIVITIES	
Proceeds on issue of units	47,831,251
Payments on redemption of units	(36,083,450)
Interest paid	(23,122)
Net cash generated from financing activities	11,724,679
Net increase in cash and cash equivalents	9,334,263
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	9,334,263
Analysis of balances of cash and cash equivalents	
Bank balances	9,334,263

The notes on pages 12 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CSOP ETF Series II (the "Trust") is an umbrella unit trust governed by its a trust deed dated 20 January 2014, 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 three sub-funds which are CSOP WTI Oil Annual Roll December Futures ER ETF (the "Sub-Fund"), CSOP China 5-Year Treasury Bond ETF and CSOP China Ultra Short Term Bond ETF. The date of inception of the Sub-Fund was 10 May 2016. 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, BofA Merrill Lynch Commodity index eXtra CLA Index (the "underlying index"). In order to achieve the investment objective of the Sub-Fund, the Manager will adopt a full replication strategy through investing directly in December month WTI Futures Contracts so as to give the Sub-Fund the performance of the underlying index. Specifically, the Sub-Fund will invest in current year December month WTI Futures Contracts before rolling in every October, in next year December month WTI Futures Contracts after rolling in every October, and in both current year and next year December month WTI Futures Contracts during the Roll Period in every October.

These financial statements are prepared for the Sub-Fund only. The financial statements for CSOP China 5-Year Treasury Bond ETF and CSOP China Ultra Short Term Bond 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 period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). 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 IFRS 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.

<u>New standard and amendments to standards effective after 10 May 2016 (date of inception) that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund</u>

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 10 May 2016 (date of inception), 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

New standard and amendments to standards effective after 10 May 2016 (date of inception) that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund (Continued)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 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 IAS 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. IFRS 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 IAS 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 IFRS 9's full impact.

IFRS 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 IAS 18 'Revenue' and IAS 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 IFRS 15.

The IASB has issued an amendment to IAS 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 IASB's disclosure initiative, which continues to explore how financial statement disclosures can be improved. An entity shall apply those amendments to IAS 7 for annual periods beginning on or after 1 January 2017. The Manager of the Sub-Fund is assessing the impact of IAS 7.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial Instruments

(i) Classification

The Sub-Fund classifies its investments and derivative financial instruments 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) 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 and financial liabilities that are not traded in an active market (for example, over-the-counter debt securities) is determined by using broker quotes or valuation techniques.

Investments in treasury bills and listed futures contracts are valued using the last trading market prices.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial Instruments (Continued)

(vi) Derivatives

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated as hedges. The Sub-Fund does not classify any derivatives as hedges in a hedging relationship.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Sub-Fund's documented investment strategy.

The Sub-Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of net assets when the Sub-Fund currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Amounts due from/to participating dealers

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

(d) Interest income

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

(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) 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.

(g) Expenses

Expenses are accounted for on an accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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. Cash and cash equivalents exclude margin deposits as they are restricted from investment purpose.

(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 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.

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".

(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 IAS 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation

No provision for Hong Kong profits tax has been made as the Sub-Fund is authorised as a collective investment scheme constituted as a unit trust 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 Sub-Fund may incur withholding taxes imposed by other jurisdictions 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.

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.

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 period from 10 May 2016 (date of inception) to 31 December 2016 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 20 January 2014, 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(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.

NOTES TO THE FINANCIAL STATEMENTS

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

The movements of the redeemable units for the period from 10 May 2016 (date of inception) to 31 December 2016 are as follows:

	Period from 10 May 2016 (date of inception) to 31 December 2016 units
Number of units in issue at the beginning of the period	-
Units issued	8,600,000
Units redeemed	(14,100,000)
Units subdivided on 17 October 2016 (Note)	20,500,000
Number of units in issue at the end of the period	15,000,000

As stated in Note 2(l), 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, the expensing of establishment costs as stated in the financial statements resulted in a decrease of net assets attributable to unitholders of USD137,188 when compared with the methodology indicated in the Trust's Prospectus.

	Period from 10 May 2016 (date of inception) to 31 December 2016 *USD*
Net assets attributable to unitholders as reported in the statement of financial position	15,456,535
Adjustments for unamortised establishment costs	137,188
Net asset value in accordance with the Trust's Prospectus	15,593,723
Net assets attributable to unitholders per unit 31 December (per statement of financial position)	1.0304
Net assets attributable to unitholders per unit 31 December (at dealing net asset value)	1.0396

Note: Pursuant to the Change of the Trading Board Lot Size and Unit Subdivision Announcement dated 15 September 2016, effective from 17 October 2016, the Management has determined that each of the existing units in the Sub-Fund be subdivided into six subdivided units. The minimum size for creation and redemption of units by the participating dealers of the Sub-Fund will be increased to 600,000 subdivided units from 100,000 units. The subdivided Units will rank pari passu in all respects with each other and the unit subdivision will not result in any change in the relative rights of the unitholders.

NOTES TO THE FINANCIAL STATEMENTS

4. NET GAIN ON INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

	Period from 10 May 2016 (date of inception) to 31 December 2016 *USD*
Net fair value change in unrealised gain/loss in value of investments	1,886,163
Net realised gain on sale of investments	2,244,213
	4,130,376

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.

There was no overseas withholding tax of the Sub-Fund for the period from 10 May 2016 (date of inception) to 31 December 2016.

6. 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 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 period 10 May 2016 (date of inception) to 31 December 2016 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 Sub-Fund employs a single management fee structure, currently at the rate of 0.99% per annum of the net asset value of the Sub-Fund, accrued daily and calculated as at each dealing day and payable monthly in arrears.

The management fee includes, but are not limited to, the manager's fee, the trustee's fee, the custodian's fee, the registrar's fee and the service agent's fee. The management fee does not include brokerage and transaction costs such as the fees and charges relating to the investment and realising the investments and extraordinary items such as litigation expenses.

(b) Trustee fee and Registrar's fee

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

6. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS (Continued)

(c) Financial assets

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

	2016
	USD
Investments	
The Hongkong and Shanghai Banking Corporation Limited	3,996,569
Bank balances	
The Hongkong and Shanghai Banking Corporation Limited	9,334,263

Interest income amounted to USD4,471 was earned on these bank balances for the period from 10 May 2016 (date of inception) to 31 December 2016.

7. FINANCIAL RISK MANAGEMENT

The objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the Daily performance of the BofA Merrill Lynch Commodity index eXtra CLA 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 BofA Merrill Lynch Commodity index eXtra CLA 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.

7. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

As at 31 December 2016, the Sub-Fund's investments were concentrated in United States of America ("US") treasury bills and US oil futures:

	2016	
	Fair value *USD*	% of net asset value
Quoted debt securities		
- Treasury Bills – United States	3,996,569	25.86
Listed derivatives		
- Oil Future – United States	1,884,960	12.19
	5,881,529	38.05

The Sub-Fund held 1 out of 1 constituent security comprising the BofA Merrill Lynch Commodity index eXtra CLA Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the BofA Merrill Lynch Commodity index eXtra CLA Index.

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

As at 31 December 2016, if the BofA Merrill Lynch Commodity index eXtra CLA Index were to increase by 10% with all other variables held constant, this would increase the operating profit for the period by approximately USD1,558,032. Conversely, if the BofA Merrill Lynch Commodity index eXtra CLA Index were to decrease by 10%, this would decrease the operating profit for the period by an equal amount.

(ii) Interest rate risk

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

As at 31 December 2016, the Sub-Fund invests in debt securities, the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term debt securities and higher for longer term debt securities.

As the Sub-Fund invests in US treasury bills, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in the US (including monetary policy and fiscal policy) may have an influence over the US'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.

7. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

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 31 December 2016

	Maturity Up to 1 year *USD*	Maturity 1-5 years *USD*	Maturity Over 5 years *USD*	Non-interest Bearing *USD*	Total *USD*
Assets					
Investments	3,996,569	-	-	-	3,996,569
Derivative financial instruments	-	-	-	1,884,960	1,884,960
Other assets	-	-	-	13	13
Bank balances	9,334,263	-	-	-	9,334,263
Margin deposit	289,440	-	-	-	289,440
Total assets	13,620,272	-	-	1,884,973	15,505,245
Liabilities					
Other liabilities	-	-	-	48,710	48,710
Total liabilities	-	-	-	48,710	48,710
Total interest sensitivity gap	13,620,272	-	-		

At 31 December 2016, the Sub-Fund has bank balances and margin deposit of USD9,623,703. 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 USD9,624 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 31 December 2016, the Sub-Fund has invested in interest-bearing securities of USD3,996,569 and the portfolio weighted average modified duration of the Sub-Fund is 0.05.

As at 31 December 2016, 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 USD1,925, arising substantially from the increase/decrease in market values of treasury bills.

(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 USD, the Sub-Fund's functional and presentation currency. As a result, the Manager considers sensitivity analysis of currency risk is not necessary to be presented.

7. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk

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

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

All transactions in listed securities are settled or paid for upon delivery using approved and reputable brokers. 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 US treasury bills. 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 US treasury bills:

As at 31 December 2016

Credit rating agency	Rating	USD	% of NAV
S&P	AA+	3,996,569	25.86
		3,996,569	25.86

The Manager has assessed the credit quality of the US treasury bills 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.

The table below summarises the net exposure to the Sub-Fund's counterparty as at 31 December 2016 together with its credit rating.

As at 31 December 2016	USD	Credit rating	Source of credit rating
Custodian			
The Hongkong and Shanghai Banking Corporation Limited	3,996,569	A	S&P
BNP Paribas	1,884,960	A	S&P
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited	9,334,263	A	S&P
Margin deposit			
BNP Paribas	289,440	A	S&P

7. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

The maximum exposure to credit risk as at 31 December 2016 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.

(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 *USD*	1 month to less than 3 months *USD*	Over 3 months *USD*	Total *USD*
As at 31 December 2016				
Management fee payable	16,000	-	-	16,000
Other accounts payable	-	4,645	28,065	32,710
Contractual cash outflow	16,000	4,645	28,065	48,710

Units are redeemed on demand at the unitholder's option. As at 31 December 2016, there was 1 unitholder holding more than 10% of the Sub-Fund's units.

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

	Less than 1 month *USD*	1 to 12 months *USD*	No stated maturity *USD*	Total *USD*
As at 31 December 2016				
Total assets	15,215,792	13	289,440	15,505,245

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:

	Level 1 *USD*	Level 2 *USD*	Level 3 *USD*	Total *USD*
As at 31 December 2016				
Assets				
Financial assets at fair value through profit or loss				
- Treasury bill	-	3,996,569	-	3,996,569
- Futures contract	1,884,960	-	-	1,884,960
Total assets	1,884,960	3,996,569	-	5,881,529

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 futures contracts. 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, the Sub-Fund classified US Treasury Bills within level 2.

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

For the period from 10 May 2016 (date of inception) to 31 December 2016, there were no transfers between levels.

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.

(f) Derivative financial instruments

Futures contracts

Futures contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in future contract values are marked to market daily. Futures contracts have lower credit risk because the counterparties are futures exchanges.

7. FINANCIAL RISK MANAGEMENT (Continued)

(f) Derivative financial instruments (Continued)

Futures contracts (Continued)

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted price. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Sub-Funds. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain present limits. If prices fluctuate during a single day's trading beyond those limits, the Sub-Funds could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

The following futures contracts were unsettled at the date of statement of financial position:

As at 31 December 2016

Name of the futures	Expiration date	Number of contracts	Notional amount *USD*	Position	Fair value *USD*
WTI Crude Oil Futures	20 November 2017	272	15,520,320	Long	1,884,960

8. MARGIN DEPOSIT

Margin deposits represents cash deposits with brokers which are pledged as collateral against open future contracts. Refer to Note 7(b).

9. FINANCIAL INSTRUMENTS BY CATEGORY

As of 31 December 2016, other than investments and derivative financial instruments 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, margin deposit 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.

10. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

There was 1 government security that individually accounted for more than 10% but less than 30% of the net asset value of the Sub-Fund as at 31 December 2016. There was 1 futures contract that individually accounted for more than 10% but less than 20% of the net asset value of the Sub-Fund as at 31 December 2016.

10. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (Continued)

As at 31 December 2016

	Fair Value USD	% of assets
United States of America		
TREASURY BILL ZCP 9 March 2017	3,996,569	25.86%
WTI CRUDE FUTURE DEC17 20 November 2017	1,884,960	12.19%

For the period from 10 May 2016 (date of inception) to 31 December 2016, the BofA Merrill Lynch Commodity index eXtra CLA Index increased by 12.99% while the net asset value per unit of Sub-Fund increased by 11.30%.

11. SOFT COMMISSION ARRANGEMENT

The Manager confirms that there have been no soft commission arrangements existing during the period from 10 May 2016 (date of inception) to 31 December 2016 in relation to directing transactions of the Sub-Fund through a broker or dealer.

12. SEGMENT INFORMATION

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

The Manager considers that the Sub-Fund has a single operating segment which is investing in futures contracts. The objectives of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the BofA Merrill Lynch Commodity index eXtra CLA 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 US Oil futures contracts securities which constitute the BofA Merrill Lynch Commodity index eXtra CLA Index, the tracked index.

The Sub-Fund has no assets classified as non-current assets. During the period from 10 May 2016 (date of inception) to 31 December 2016, there was 1 investment which accounted for more than 10% of the Sub-Fund's income. As at 31 December 2016, the Sub-Fund has invested in a single futures contract and US treasury bills which each account for more than 10% of the Sub-Fund's net asset value.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 28 April 2017.
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CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II)

INVESTMENT PORTFOLIO (Unaudited)
As at 31 December 2016

			Fair value USD	% of net Assets
Investments (38.05%)				
Debt securities (25.86%)		*Holdings*		
United States of America (25.86%)				
TREASURY BILL ZCP 9 March 2017		4,000,000	3,996,569	25.86
Total debt securities			3,996,569	25.86
Derivatives (12.19%)	**Expiration Date**			
United States of America (12.19%)				
Oil futures (12.19%)		*Contracts*		
WTI CRUDE FUTURE DEC17 20 November 2017	20 November 2017	272	1,884,960	12.19
Total derivatives			1,884,960	12.19
Total investments and derivative financial instruments			5,881,529	38.05
Other net assets			9,575,006	61.95
Net assets attributable to unitholders at 31 December 2016			15,456,535	100.00
Total cost of investments and derivative financial instruments			3,995,366	

CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the period form 10 May 2016 (date of inception) to 31 December 2016

	Holdings				
	10 May 2016 (date of inception)	**Additions**	**Corporate actions**	**Disposals**	**31 December 2016**
Investments					
Debt securities					
TREASURY BILL ZCP 09 March 2017	-	5,000,000	-	(1,000,000)	4,000,000
Derivatives					
WTI CRUDE FUTURE DEC17 20 November 2017	-	898	-	(626)	272
WTI CRUDE FUTURE DEC 16 21 November 2016	-	1,014	-	(1,014)	-

PERFORMANCE RECORD (Unaudited)

Net asset value

	Net asset value of the Sub-Fund *USD*	Net asset value per unit *USD*
At the end of financial period dated		
31 December 2016	15,593,723	1.0396

Highest and lowest net asset value per unit

	Highest net asset value per unit *USD*	Lowest net asset value per unit *USD*
Financial period ended		
31 December 2016 (since 10 May 2016 (date of inception))	1.0449	0.8303

Note: Pursuant to the Change of the Trading Board Lot Size and Unit Subdivision Announcement dated 15 September 2016, effective from 17 October 2016, the Management has determined that each of the existing units in the Sub-Fund be subdivided into six subdivided units. The net asset value per unit disclosed was adjusted to reflect the units subdivision.

CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
(A SUB-FUND OF CSOP ETF SERIES II)

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