



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

CSOP CHINA ULTRA SHORT TERM BOND ETF
Stock Codes: 83122 (RMB counter) and 03122 (HKD counter)
(A sub-fund of CSOP ETF Series II)

Unaudited Semi-Annual Report
FOR THE PERIOD ENDED 30 JUNE 2017



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

CONTENTS

	Page
Report of the Manager to the Unitholders	1 - 2
Condensed Statement of Financial Position	3
Condensed Statement of Comprehensive Income	4
Condensed Statement of Changes in Net Assets Attributable to Unitholders	5
Condensed Statement of Cash Flows	6
Notes to the Unaudited Condensed Financial Statements	7 - 27
Investment Portfolio (Unaudited)	28
Statement of Movements in Investment Portfolio (Unaudited)	29
Performance Record (Unaudited)	30
Management and Administration	31

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

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The CSOP China Ultra Short-Term Bond ETF (the “Sub-Fund”) seeks to track the investment results of an index composed of PRC Treasury Bonds through the RQFII investment quota that are available to international investors, as represented by the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index (the “Index”).

Sub-Fund Performance

The CSOP China Ultra Short-Term Bond ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 30 June 2017, the dealing Net Asset Value (“NAV”) per unit of the CSOP China Ultra Short-Term Bond ETF was RMB 149.98 and there were 285,000 units outstanding. The total asset under management was approximately RMB 42,744,023.88

For the period ended 30 June 2017, the NAV of CSOP China Ultra Short-Term Bond ETF RMB counter (stock code 83122) performed 0.42 % while the index performed 0.38%. The difference in performance between the NAV of the CSOP China Ultra Short-Term Bond ETF and the Index is mainly attributed to fees and expenses. In order to minimize the tracking error, the Sub-Fund also invested in policy bank bonds which have higher liquidity and better yield return. As at 30 June 2017, the duration of CSOP China Ultra Short-Term Bond ETF RMB counter (stock code 83122) was 0.94 while the index was 0.46.

Annual total return			
	From 31 December 2016 to 30 June 2017	From 31 December 2015 to 31 December 2016	Tracking Error (Annualized)
83122 NAV (div reinvests)	0.42%	0.08%	0.36%
Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index	1.51%	2.21%	

Ex-date	Record date	Payable date	Dividend per unit	Dividend paid out of net distributable income* for the month	Dividend paid out of capital
2017-04-20	2017-04-21	2017-04-26	RMB 0.9 per unit	RMB 0.9	RMB 0.00

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

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

REPORT OF THE MANAGER TO THE UNITHOLDERS (Continued)

The inception date of the Sub-Fund was 16 January 2015.

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

Exchange Liquidity

Since inception, the CSOP China Ultra Short-Term Bond ETF has attracted great investor attention from investors across the globe. The trading value of the RMB counter (stock code: 83122) remained steadily at an average daily turnover of RMB 1,500 from December 2016 to June 2017. The trading value of the HKD counter (stock code: 03122) remained steadily at an average daily turnover of HKD 21 from December 2016 to June 2017.

Portfolio Rebalance

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

Sub-Fund holdings as at 30 June 2017						
Ticker	Maturity date	YTM(%)	Modified Duration	Amount	Portfolio Percentage (%)	Index Percentage (%)
150406.IB	3/10/2018	3.91%	0.67	10,000,000.00	23.72%	1.35%
170204.IB	3/13/2018	3.79%	0.68	10,000,000.00	23.64%	2.60%
170408.IB	4/21/2018	3.91%	0.78	10,000,000.00	23.68%	1.29%
160307.IB	7/11/2019	4.05%	1.87	10,000,000.00	23.16%	0.00%
019301.IB	1/10/2018	3.37%	0.52	300,000.00	0.71%	2.03%
019540.IB	5/19/2018	3.43%	0.86	200,000.00	0.47%	4.86%
019504.IB	3/26/2018	3.42%	0.72	20,000.00	0.05%	3.37%
Total	-	-	-	-	95.43%	10.10%

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	30 June 2017 (Unaudited) <i>RMB</i>	31 December 2016 (Audited) <i>RMB</i>
ASSETS			
NON CURRENT ASSETS			
Deposit reserve		28,000	-
CURRENT ASSETS			
Investments	<i>7(c),8(a)</i>	40,195,311	59,928,880
Bank interest receivable		117	291
Interest receivable on bonds		558,887	1,329,495
Other receivable	<i>7(a)</i>	329,113	221,891
Bank balances	<i>7(c)</i>	1,214,136	3,269,739
Total assets		<u>42,325,564</u>	<u>64,750,296</u>
LIABILITIES			
CURRENT LIABILITIES			
Other accounts payable		205,705	213,510
Total liabilities		<u>205,705</u>	<u>213,510</u>
EQUITY			
Net assets attributable to unitholders	<i>4</i>	<u>42,119,859</u>	<u>64,536,786</u>

The notes on pages 7 to 27 form part of these unaudited condensed financial statements.

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2017

	<i>Notes</i>	Period from 1 January 2017 to 30 June 2017 (Unaudited) <i>RMB</i>	Period from 1 January 2016 to 30 June 2016 (Unaudited) <i>RMB</i>
INCOME			
Interest on bank deposits	7(c)	4,847	6,761
Interest on bonds		738,561	834,646
Net loss on investments	5	(54,734)	(125,556)
Other income		1,514	-
Total net income		<u>690,188</u>	<u>715,851</u>
EXPENSES			
Management fee	7(a),(b)	(132,779)	(160,754)
Transaction cost on investments		(270)	-
Audit fee		(62,494)	-
Safe custody and bank charges		(1,953)	(84)
Other operating expenses		(83,591)	(127,857)
Total operating expenses		<u>(281,087)</u>	<u>(288,695)</u>
Operating profit		<u>409,101</u>	<u>427,156</u>
Taxation	6	<u>(468)</u>	<u>(655)</u>
Total comprehensive income		<u><u>408,633</u></u>	<u><u>426,501</u></u>

The notes on pages 7 to 27 form part of these unaudited condensed financial statements.

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

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period ended 30 June 2017

	<i>Note</i>	Period from 1 January 2017 to 30 June 2017 (Unaudited) <i>RMB</i>	Period from 1 January 2016 to 30 June 2016 (Unaudited) <i>RMB</i>
Net assets attributable to unitholders at the beginning of the period		64,536,786	64,959,178
Payments on redemption of units		(22,569,060)	-
Net decrease from unit transactions		(22,569,060)	-
Distribution to unitholders	9	(256,500)	(391,500)
Total comprehensive income for the period		408,633	426,501
Net assets attributable to unitholders at the end of the period		42,119,859	64,994,179

The notes on pages 7 to 27 form part of these unaudited condensed financial statements.

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

CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30 June 2017

	Period from 1 January 2017 to 30 June 2017 (Unaudited) <i>RMB</i>	Period from 1 January 2016 to 30 June 2016 (Unaudited) <i>RMB</i>
OPERATING ACTIVITIES		
Payments for purchase of investments	(40,897,437)	(29,924,596)
Proceeds from sale of investments	60,576,272	30,011,300
Interest on bank deposits received	5,021	6,730
Interest on bonds received	1,509,169	747,129
Other income received	1,514	-
Management fee paid	(240,001)	(240,001)
Transaction costs paid	(270)	-
Taxation paid	(468)	(655)
Other operating expenses paid	(155,843)	(107,011)
Deposit reserve paid	(28,000)	-
	<hr/>	<hr/>
Net cash generated from operating activities	20,769,957	492,896
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FINANCING ACTIVITIES		
Payments on redemption of units	(22,569,060)	-
Dividend distribution paid	(256,500)	(391,500)
	<hr/>	<hr/>
Net cash used in financing activities	(22,825,560)	(391,500)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(2,055,603)	101,396
	-----	-----
Cash and cash equivalents at the beginning of the period	3,269,739	3,704,404
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	1,214,136	3,805,800
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Bank balances	1,214,136	3,805,800
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The notes on pages 7 to 27 form part of these unaudited condensed financial statements.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CSOP ETF Series II (the “Trust”) is an umbrella unit trust governed by its trust deed dated 20 January 2014, 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 30 June 2017, the Trust has three sub-funds which are CSOP China Ultra Short Term Bond ETF (the “Sub-Fund”), CSOP China 5-Year Treasury Bond ETF and CSOP WTI Oil Annual Roll December Futures ER ETF. The date of inception of the Sub-Fund was 16 January 2015. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

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

The investment objective of the Sub-Fund is to provide investment results that, before of fees and expenses, closely correspond to the performance of the underlying index, namely, Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index. In order to achieve the investment objective of the Sub-Fund, the Manager will adopt a representative sampling strategy. A representative sampling strategy involves investing in a representative sample of securities that collectively has an investment profile that reflects the profile of the index.

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

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

These condensed financial statements are prepared for the Sub-Fund only. The condensed financial statements for the other two sub-funds of the Trust have been prepared separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These condensed semi-annual financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The condensed semi-annual financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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

NOTES TO UNAUDITED CONDENSED THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in the annual financial statements.

Standard and amendments to existing standards effective 1 January 2017

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a significant impact on the Sub-Fund except for the following.

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 HKAS 7.

New standard and amendments to standards effective after 1 January 2017 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 2017, 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.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

PRC tax provision

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

Withholding Income Tax (“WIT”)

There are currently no specific tax rules or regulations on the WIT treatment for capital gains derived by foreign investors (including QFII / RQFII) from the disposal of PRC debt securities. Under the general tax provision of PRC Corporate Income Tax Law (“PRC CIT Law”), the non-PRC residents with no place of effective management, establishment or place of business in the PRC may be subject to 10% PRC WIT on the PRC-sourced income, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

In addition, interest income derived by non-PRC tax resident enterprises from the debt securities issued by PRC tax resident enterprises will be subject to 10% WIT unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties. Pursuant to the PRC tax regulations, debt securities issuers in PRC are obligated to withhold the 10% WIT for those foreign debt securities holders who receive the interest payment and thus subject to the 10% WIT. Interest income derived from government bonds issued by the Finance Bureau of the State Council and/or local government bonds approved by the State Council is exempt from PRC income tax under the PRC CIT Law and regulations.

(a) Capital gains on PRC debt securities

During the period/year ended 30 June 2017 and 31 December 2016, the Sub-Fund invests in debt securities in PRC through the RQFII program. The Manager considers that the enforcement of PRC WIT on gains derived from the PRC debt securities is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing whether the Sub-Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events. The Manager considers that its estimation may be impacted by any future clarification by the PRC State Administration of Taxation (“SAT”) and the applicability of the arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “Arrangement”), which may be materially different from what the Manager envisioned.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

PRC tax provision (Continued)

(a) Capital gains on PRC debt securities (Continued)

The Manager considered that the WIT policy for QFIIs/RQFII's investment in debt securities has not been clarified in the "Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII" (the "Notice"). On 1 April 2015, the Third Branch of Shanghai Municipal Office, SAT (the "Authority") and the Third Branch of Shanghai Bureau of Local Taxation jointly issued the Notice on Tax Issues to notify that the QFII/RQFII shall declare and handle with the tax-related issues concerning the gains from transfer of equity investment assets, including A-Shares, realized prior to 17 November 2014 to the Authority before 30 September 2015 in accordance with the relevant PRC tax law and the Notice (the "Tax Reporting"). Those QFII/RQFII's eligible for treaty relief under an applicable tax treaty should follow the requirement of Circular 124 for tax treaty application.

The Manager considers that the Tax Reporting is related to the equity investment assets, including A-Shares and given the Sub-Fund invests in debt securities since its inception on 16 January 2015, the Sub-Fund has not made the Tax Reporting up to the approval date of the financial statements.

Based on the current verbal interpretation of the SAT and the local PRC tax authorities, the authorities are of the view that capital gains derived by foreign investors from investment in PRC debt securities would not be treated as PRC sourced income and thus would not be subject to PRC WIT. However, there are no written tax regulations issued by the PRC tax authorities to confirm this interpretation. As a matter of practice, such 10% PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of these securities has not been enforced by the PRC tax authorities. Based on the aforementioned verbal interpretation and enforcement practice by the PRC tax authorities, the Manager has reassessed the provisioning approach and has continued not making PRC WIT on gains derived from the PRC debt securities of the Sub-Fund.

The Manager estimates the gross realised gains from 16 January 2015 (date of inception) to 30 June 2017 and gross unrealised gains of the Sub-Fund as at 30 June 2017 which could be exposed to PRC taxation at the rate of 10% to be RMB2,587,803 and RMB15,010 respectively (from 16 January 2015 (date of inception) to 31 December 2016: RMB2,587,803 and as at 31 December 2016 Nil respectively). The estimated potential capital gains tax exposure arisen from realised capital gain and unrealised capital gain would be RMB258,780 and RMB1,501 respectively (16 January 2015 to 31 December 2016: RMB258,780 and 31 December 2016: Nil respectively) which in aggregate represents 0.62% (31 December 2016: 0.40%) of the net assets attributable to unitholders of the Sub-Fund as at 30 June 2017. The Manager considers that the PRC WIT on capital gains from debt securities is still uncertain and has not made the provision on the gross realised capital gains derived from the debt securities in the Sub-Fund as at 30 June 2017 and 31 December 2016.

The Manager considers that the WIT provision amount (currently nil) for gross realised capital gains derived by the Sub-Fund from trading of PRC debt securities may differ significantly from the amounts that may have to be ultimately borne by the Sub-Fund. In the event a WIT is levied on gross capital gains derived from the disposal of PRC debt securities at an amount that is different from what was provided by the Sub-Fund, the Sub-Fund may incur a liability that is different from the existing tax provision, which could be significantly impact the net assets attributable to unitholders of redeemable units and consequently, the price per unit of the Sub-Fund based on the calculation of the net assets attributable to unitholders of redeemable units when distributing to the unitholders of redeemable units at such relevant time.

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

NOTES TO UNAUDITED CONDENSED THE FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

PRC tax provision (Continued)

(b) Interest income on debt securities in PRC

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

PRC WIT on accrued interest

For the debt securities disposed of during the period ended 30 June 2017 and year ended 31 December 2016, Management has not made provision on the accrued interest income of debt securities during the period and as at reporting date as they consider that:

- (i) WIT liability on interest income derived from debt securities should arise when QFIIs / RQFIIs receive the cash interest and the issuers of debt securities are technically required to withhold 10% interest income tax at the coupon payment date before distributing the interest income to the bond holder; and
- (ii) the Manager has sold the debt securities before the coupon payment dates or the maturity dates of the debt securities.

The Manager reviews the relevant PRC tax rules on the PRC debt securities from time to time. Any change in taxation imposed on RQFIIs is likely to have a subsequent impact on the required provision and accordingly the net assets attributable to unitholders of the Sub-Fund. When the SAT issues clarifications, this might ultimately result in either an increase or a decrease in the amount provided. The Manager will always act in the best interest of unitholders and will continually assess the tax provision on an on-going basis.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

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

In accordance with the provisions of the Trust’s Trust Deed dated 20 January 2014, 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.

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 are as follows:

	Period from 1 January 2017 to 30 June 2017 (Unaudited) Units	Period from 1 January 2016 to 30 June 2016 (Unaudited) Units
Number of units in issue at the beginning of the period	435,000	435,000
Units redeemed	(150,000)	-
Number of units in issue at the end of the period	285,000	435,000

Establishment costs are expensed as incurred. However, in accordance with the provisions of the Trust’s Prospectus, establishment costs are recognised in amortisation method. As at 30 June 2017 and 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 RMB624,165 (31 December 2016: RMB745,383) when compared with the methodology indicated in the Trust’s Prospectus.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

	As at 30 June 2017 (Unaudited) <i>RMB</i>	As at 31 December 2016 (Audited) <i>RMB</i>
Net assets attributable to unitholders as reported in the statement of financial position	42,119,859	64,536,786
Adjustments for unamortised establishment costs	624,165	745,383
Net asset value in accordance with the Trust's Prospectus	<u>42,744,024</u>	<u>65,282,169</u>
Net assets attributable to unitholders per unit (per statement of financial position)	<u>147.7890</u>	<u>148.3604</u>
Net assets attributable to unitholders per unit (at dealing net asset value)	<u>149.9790</u>	<u>150.0740</u>

5. NET LOSS ON INVESTMENTS

	Period from 1 January 2017 to 30 June 2017 (Unaudited) <i>RMB</i>	Period from 1 January 2016 to 30 June 2016 (Unaudited) <i>RMB</i>
Net fair value change in unrealised gain/loss in value of investments	140,424	(128,466)
Net realised (loss)/gain on sale of investments	(195,158)	2,910
	<u>(54,734)</u>	<u>(125,556)</u>

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

6. 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.

PRC withholding income tax

For the period ended 30 June 2017 and 2016, the Sub-Fund had invested in RMB denominated debt securities in PRC. Refer to Note 3 for details.

The taxation of the Sub-Fund represents:

	Period from 1 January 2017 to 30 June 2017 (Unaudited) RMB	Period from 1 January 2016 to 30 June 2016 (Unaudited) RMB
Withholding income tax on bank interest income	468	655
Taxation	<u>468</u>	<u>655</u>

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS

The following is a summary of significant related party transactions/transactions entered into during the period between the Sub-Fund and the Trustee, the Manager and 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 ended 30 June 2017 and 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, with the Sub-Fund paying all of its fees, costs and expense to the Manager. The management fee is currently charged at the rate of 0.49% per annum of the net asset value of the Sub-Fund, accrued daily and calculated as at each dealing day and payable monthly in arrears.

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

During the period ended 30 June 2017, the amount of management fee rebate from the Manager of RMB329,113 (31 December 2016: RMB221,891) was outstanding as at 30 June 2017. Such amount is recognised in the statement of financial position as “other receivables”.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

(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.

(c) Financial assets

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

	As at 30 June 2017 (Unaudited) <i>RMB</i>	As at 31 December 2016 (Audited) <i>RMB</i>
Investments		
HSBC Bank (China) Company Limited	40,195,311	59,928,880
Bank balances		
The Hongkong and Shanghai Banking Corporation Limited	111,215	40,594
HSBC Bank (China) Company Limited	1,102,921	3,229,145
	<u>1,214,136</u>	<u>3,269,739</u>

Interest income amounted to RMB4,847 (2016: RMB6,716) was earned on these bank balances for the period ended 30 June 2017 and 2016.

(d) Manager's holdings

The Manager of the Sub-Fund holds 273,770 (2016: 251,770) RMB counter units, which represents 96.06% (2016: 57.88%) of the net asset value of the Sub-Fund as at 30 June 2017 and 31 December 2016.

8. FINANCIAL RISK MANAGEMENT

The objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

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

(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.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

The Sub-Fund is designated to track the performance of the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight, are closely aligned with the characteristics of the tracked index.

As at 30 June 2017 and 31 December 2016, the Sub-Fund's investments were concentrated in the PRC bonds:

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Fair value <i>RMB</i>	% of net asset value	Fair value <i>RMB</i>	% of net asset value
Policy banks bonds	40,195,311	95.43	59,928,880	92.86
	<u>40,195,311</u>	<u>95.43</u>	<u>59,928,880</u>	<u>92.86</u>

The Sub-Fund adopts representative sampling strategy and it held 6 out of 78 (31 December 2016: 4 out of 81) constituents comprising the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index.

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

As at 30 June 2017, if the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index were to increase by 10% (31 December 2016: 10%) with all other variables held constant, this would increase the operating profit for the period/year by approximately RMB3,936,997 (31 December 2016: RMB8,679,861). Conversely, if the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index were to decrease by 10% (31 December 2016: 10%), this would decrease the operating profit for the period/year 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 30 June 2017 and 31 December 2016, the Sub-Fund invests in fixed-income investments, the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term fixed income investments and higher for longer term fixed income investments.

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

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. 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 30 June 2017

	Maturity Up to 1 year <i>RMB</i>	Maturity 1-5 years <i>RMB</i>	Maturity Over 5 years <i>RMB</i>	Non- interest Bearing <i>RMB</i>	Total <i>RMB</i>
Assets					
Investments	30,441,271	9,754,040	-	-	40,195,311
Other assets	-	-	-	888,117	888,117
Deposit reserve	-	28,000	-	-	28,000
Bank balances	1,214,136	-	-	-	1,214,136
Total assets	31,655,407	9,782,040	-	888,117	42,325,564
Liabilities					
Other liabilities	-	-	-	205,705	205,705
Total liabilities	-	-	-	205,705	205,705
Total interest sensitivity gap	31,655,407	9,782,040	-		

As at 31 December 2016

	Maturity Up to 1 year <i>RMB</i>	Maturity 1-5 years <i>RMB</i>	Maturity Over 5 years <i>RMB</i>	Non- interest Bearing <i>RMB</i>	Total <i>RMB</i>
Assets					
Investments	50,081,700	9,847,180	-	-	59,928,880
Other assets	-	-	-	1,551,677	1,551,677
Bank balances	3,269,739	-	-	-	3,269,739
Total assets	53,351,439	9,847,180	-	1,551,677	64,750,296
Liabilities					
Other liabilities	-	-	-	213,510	213,510
Total liabilities	-	-	-	213,510	213,510
Total interest sensitivity gap	53,351,439	9,847,180	-		

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

At 30 June 2017, the Sub-Fund has bank balances of RMB1,214,136 (31 December 2016: RMB3,269,739). If the interest rates had been 10 basis points (31 December 2016: 10 basis points) higher or lower with all variables held constant, net assets attributable to unitholders would have been RMB1,214 (31 December 2016: RMB3,270) higher or lower as a result of higher or lower interest income.

The Manager and Trustee monitor the interest rate risks by quantifying (a) market exposure in percentage terms; and (b) exposure in duration terms by different countries. As at 30 June 2017, the Sub-Fund has invested in interest-bearing securities of RMB40,195,311 (31 December 2016: RMB59,928,880) and the portfolio weighted average modified duration of the Sub-Fund is 0.94 (31 December 2016: 0.58).

As at 30 June 2017, 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 RMB4,082 (31 December 2016: RMB346,292), arising substantially from the increase/decrease in market values of debt securities.

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as the majority of its assets and liabilities are denominated in RMB, the Sub-Fund's functional and presentation currency. As a result, Management considers sensitivity analysis of currency risk is not necessary to be presented.

(b) Credit and counterparty risk

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

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

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

Portfolio by rating category of RMB denominated bonds:

As at 30 June 2017

Credit rating agency	Rating	RMB	% of NAV
S&P	AA-	40,195,311	95.43
		40,195,311	95.43
		40,195,311	95.43

As at 31 December 2016

Credit rating agency	Rating	RMB	% of NAV
S&P	AA-	59,928,880	92.86
		59,928,880	92.86
		59,928,880	92.86

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

The table below summarises the net exposure to the Sub-Fund's counterparty as at 30 June 2017 and 31 December 2016 together with its credit rating.

	RMB	Credit rating	Source of credit rating
As at 30 June 2017			
Custodian			
HSBC Bank (China) Company Limited ("HSBC China")	40,195,311	A1	Moody
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	111,215	A	S&P
HSBC Bank (China) Company Limited ("HSBC China")	1,102,921	A1	Moody

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

	RMB	Credit rating	Source of credit rating
As at 31 December 2016			
Custodian			
HSBC Bank (China) Company Limited ("HSBC China")	59,928,880	A1	Moody
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	40,594	A	S&P
HSBC Bank (China) Company Limited ("HSBC China")	3,229,145	A1	Moody

The maximum exposure to credit risk as at 30 June 2017 and 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 30 June 2017 and 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.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 month <i>RMB</i>	1 month to less than 3 months <i>RMB</i>	Over 3 months <i>RMB</i>	Total <i>RMB</i>
As at 30 June 2017				
Other accounts payable	-	205,705	-	205,705
Contractual cash outflow	<u>-</u>	<u>205,705</u>	<u>-</u>	<u>205,705</u>
As at 31 December 2016				
Other accounts payable	-	213,510	-	213,510
Contractual cash outflow	<u>-</u>	<u>213,510</u>	<u>-</u>	<u>213,510</u>

Units are redeemed on demand at the unitholder's option. As at 30 June 2016, there was 1 (31 December 2016: 3) unitholder holding more than 10% of the Sub-Fund's units.

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

	Less than 1 month <i>RMB</i>	1 to 12 months <i>RMB</i>	No stated maturity <i>RMB</i>	Total <i>RMB</i>
As at 30 June 2017				
Total assets	<u>41,968,451</u>	<u>329,113</u>	<u>28,000</u>	<u>42,325,564</u>
As at 31 December 2016				
Total assets	<u>64,528,205</u>	<u>221,891</u>	<u>-</u>	<u>64,750,296</u>

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. 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 30 June 2017 and 31 December 2016:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
As at 30 June 2017				
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	-	40,195,311	-	40,195,311
Total assets	-	40,195,311	-	40,195,311
As at 31 December 2016				
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	-	59,928,880	-	59,928,880
Total assets	-	59,928,880	-	59,928,880

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. 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. As at 30 June 2017 and 31 December 2016, the Sub-Fund did not hold any investments classified in level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2; include PRC government bonds and policy banks bonds.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 30 June 2017 and 31 December 2016, the Sub-Fund did not hold any investments classified in level 3.

For the period/year ended 30 June 2017 and 31 December 2016, there were no transfers between levels.

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

(e) Capital risk management

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

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

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

9. DISTRIBUTION

	Period from 1 January 2017 to 30 June 2017 (Unaudited) <i>RMB</i>	Period from 1 January 2016 to 30 June 2016 (Unaudited) <i>RMB</i>
RMB0.9 on 285,000 units on ex-dividend date 20 April 2017 paid on 26 April 2017	256,500	-
RMB0.9 on 435,000 units on ex-dividend date 21 April 2016 paid on 29 April 2016	-	391,500
Total distributions	<u>256,500</u>	<u>391,500</u>

10. FINANCIAL INSTRUMENTS BY CATEGORY

As of 30 June 2017 and 31 December 2016, 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 interest receivable and bank balances are categorised as loans and receivables and carried at amortised costs. All the financial liabilities of the Sub-Fund are carried at amortised cost.

The carrying value of the financial assets and liabilities are considered by the Manager to approximate their fair value as they are short term in nature and the effect of discounting is immaterial.

11. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

There were four (31 December 2016: six) securities that individually accounted for more than 10% but less than 30% of the net asset value of the Sub-Fund and their respective weightings of the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index as at 30 June 2017 and 31 December 2016.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

As at 30 June 2017

	Respective weighting in Index (%)	% of NAV
Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index		
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1506) (REG) 3.83% 10/03/2018	1.35	23.72
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1708) 3.61% 21/04/2018	1.29	23.68
CHINA DEVELOPMENT BANK (SER 1704) 3.2% 13/03/2018	2.60	23.64
EXPORT-IMPORT BANK CHINA (SER 1607) 2.76% 11/07/2019	N/A	23.16

As at 31 December 2016

	Respective weighting in Index (%)	% of NAV
Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index		
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1602) (REG) 2.77% 06/01/2019	N/A	15.26
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1614) 2.6% 22/04/2017	2.22	15.47
CHINA DEVELOPMENT BANK (SER 1416) (REG) 4.5% 26/06/2017	1.14	15.59
CHINA DEVELOPMENT BANK (SER 1611) 2.55% 09/05/2017	0.90	15.47
EXPORT-IMPORT BANK CHINA (SER 1410) 2.46% 18/04/2017	1.09	15.47
EXPORT-IMPORT BANK CHINA (SER 1431) (REG) 4.87% 19/05/2017	N/A	15.60

For the period ended 30 June 2017, the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index increased by 1.51% (31 December 2016: increased by 2.21%) while the net asset value per unit of Sub-Fund decreased by 0.39% (31 December 2016: decreased by 0.65%). For the period ended 30 June 2017 and 2016, the Sub-Fund paid dividend of RMB0.90 (2016: RMB 0.90) per unit, which represents 0.6% (2016: 0.6%) to initial price. For the details of dividend distribution, refer to Note 9.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

12. SOFT COMMISSION ARRANGEMENT

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

13. SEGMENT INFORMATION

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

The Manager considers that the Sub-Fund has a single operating segment which is investing in fixed income investment. The objectives of the Sub-Fund are to track the performance of the Citi Chinese Government and Policy Bank Bond 0-1 Year Select Index and invest in the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

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

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

The total of non-current assets of the Sub-Fund located in PRC is RMB28,000 (31 December 2016: Nil). The Sub-Fund has no other assets classified as non-current assets. As at 30 June 2017 and 31 December 2016, the Sub-Fund has a diversified portfolio of investments and four (31 December 2016: six) investments each account for more than 10% of the Sub-Fund's net asset value.

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

INVESTMENT PORTFOLIO (Unaudited)

As at 30 June 2017

	Holdings	Fair value RMB	% of net assets
Investments (95.43%)			
Unlisted bonds (95.43%)			
China (95.43%)			
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1506) (REG) 3.83% 10/03/2018	10,000,000	9,991,820	23.72
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1708) 3.61% 21/04/2018	10,000,000	9,974,540	23.68
CHINA DEVELOPMENT BANK (SER 1704) 3.2% 13/03/2018	10,000,000	9,956,960	23.64
CHINA GOVERNMENT BOND (SER 2301) (REG) 3.15% 10/01/2018	300,000	299,585	0.71
CHINA GOVERNMENT BOND (SER 2504) (REG) 3.22% 26/03/2018	20,000	19,967	0.05
CHINA GOVERNMENT BOND (SER 2612) 2.51% 19/05/2018	200,000	198,399	0.47
EXPORT-IMPORT BANK OF CHINA (SER 1607) 2.76% 11/07/2019	10,000,000	9,754,040	23.16
Total investments		40,195,311	95.43
Other net assets		1,924,548	4.57
Net assets attributable to unitholders at 30 June 2017		42,119,859	100.00
Total investments, at cost		40,318,192	

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

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the period from 1 January 2017 to 30 June 2017

	1 January 2017	Additions	Holdings Corporate actions	Disposals	30 June 2017
Investments					
Unlisted bonds					
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1506) (REG) 3.83% 10/03/2018	-	10,000,000	-	-	10,000,000
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1602) (REG) 2.77% 06/01/2019	10,000,000	-	-	10,000,000	-
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1614) 2.6% 22/04/2017	10,000,000	-	-	10,000,000	-
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1708) 3.61% 21/04/2018	-	10,000,000	-	-	10,000,000
CHINA DEVELOPMENT BANK (SER 1416) (REG) 4.5% 26/06/2017	10,000,000	-	-	10,000,000	-
CHINA DEVELOPMENT BANK (SER 1611) 2.55% 09/05/2017	10,000,000	-	-	10,000,000	-
CHINA DEVELOPMENT BANK (SER 1704) 3.2% 13/03/2018	-	10,000,000	-	-	10,000,000
CHINA GOVERNMENT BOND (SER 2301) (REG) 3.15% 10/01/2018	-	300,000	-	-	300,000
CHINA GOVERNMENT BOND (SER 2504) (REG) 3.22% 26/03/2018	-	20,000	-	-	20,000
CHINA GOVERNMENT BOND (SER 2611) 2.3% 05/05/2017	-	400,000	-	400,000	-
CHINA GOVERNMENT BOND (SER 2612) 2.51% 19/05/2018	-	200,000	-	-	200,000
EXPORT-IMPORT BANK OF CHINA (SER 1410) 2.46% 18/04/2017	10,000,000	-	-	10,000,000	-
EXPORT-IMPORT BANK OF CHINA (SER 1431) (REG) 4.87% 19/05/2017	10,000,000	-	-	10,000,000	-
EXPORT-IMPORT BANK OF CHINA (SER 1607) 2.76% 11/07/2019	-	10,000,000	-	-	10,000,000

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

PERFORMANCE RECORD (Unaudited)

Net asset value

	Net asset value of the Sub-Fund <i>RMB</i>	Net asset value per unit <i>RMB</i>
At the end of financial period/year dated		
30 June 2017	42,744,024	149.9790
31 December 2016	65,282,169	150.0740
31 December 2015	66,007,195	151.7407

Highest and lowest net asset value per unit

	Highest net asset value per unit <i>RMB</i>	Lowest net asset value per unit <i>RMB</i>
Financial period/year ended		
30 June 2017	150.4925	149.2665
31 December 2016	152.1510	149.2350
31 December 2015 (Since 16 January 2015 (date of inception))	152.0796	149.9980

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

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