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

CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
Stock Code: 03135
(A sub-fund of CSOP ETF Series II)

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

CSOP
ASSET MANAGEMENT

CONTENTS

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 between CSOP Asset Management Limited 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 “Trustee”).

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 30 June 2017, the dealing Net Asset Value (“NAV”) per unit of the CSOP WTI Oil Annual Roll December Futures ER ETF was USD 0.8521 and there were 21,600,000 units outstanding. The total asset under management was approximately USD 18.4 million.

For the period ended 30 June 2017, the dealing NAV of CSOP WTI Oil Annual Roll December Futures ER ETF performed -18.04% while the index performed -17.54%. 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 -19.04%.

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 HKD 1.8 million in June 2017. 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.

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) *USD*	31 December 2016 (Audited) *USD*
ASSETS			
CURRENT ASSETS			
Investments	*6(c),7(a)*	7,883,427	3,996,569
Derivative financial instruments	*7(a),7(f)*	-	1,884,960
Interest receivable		30	13
Margin deposit	*9*	4,087,947	289,440
Bank balances	*6(c)*	7,152,384	9,334,263
Total assets		19,123,788	15,505,245
LIABILITIES			
CURRENT LIABILITIES			
Derivative financial instruments	*7(a),7(f)*	803,340	-
Management fee payable	*6(a)*	7,174	16,000
Other accounts payable		28,157	32,710
Total liabilities		838,671	48,710
EQUITY			
Net assets attributable to unitholders	*3*	18,285,117	15,456,535

The notes on pages 6 to 21 form part of these unaudited condensed financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2017

	Notes	Period from 1 January 2017 to 30 June 2017 (Unaudited) *USD*
INCOME		
Interest income	*6(c)*	6,862
Net loss on investments and derivative financial instruments	*4*	(2,676,649)
Total net loss		(2,669,787)
EXPENSES		
Management fee	*6(a),(b)*	(73,600)
Audit fee		(14,901)
Safe custody and bank charges		(470)
Legal and other professional fee		(800)
License fee		(4,254)
Other operating expenses		(5,149)
Total operating expenses		(99,174)
Total comprehensive income		(2,768,961)

The notes on pages 6 to 21 form part of these unaudited condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period ended 30 June 2017

	Period from 1 January 2017 to 30 June 2017 (Unaudited) *USD*
Net assets attributable to unitholders at the beginning of the period	15,456,535
Proceeds on issue of units	5,597,543
Net increase from unit transactions	5,597,543
Total comprehensive income for the period	(2,768,961)
Net assets attributable to unitholders at the end of the period	18,285,117

The notes on pages 6 to 21 form part of these unaudited condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS
For the period ended 30 June 2017

	Period from 1 January 2017 to 30 June 2017 (Unaudited) *USD*
OPERATING ACTIVITIES	
Payments for purchase of investments	(17,869,727)
Proceeds from sale of investments	13,994,520
Interest received	6,845
Management fee paid	(78,639)
Other operating expenses paid	(33,914)
Margin deposit	(3,798,507)
Net cash used in operating activities	(7,779,422)
FINANCING ACTIVITIES	
Proceeds on issue of units	5,597,543
Net cash generated from financing activities	5,597,543
Net decrease in cash and cash equivalents	(2,181,879)
Cash and cash equivalents at the beginning of the period	9,334,263
Cash and cash equivalents at the end of the period	7,152,384
Analysis of balances of cash and cash equivalents	
Bank balances	7,152,384

The notes on pages 6 to 21 form part of these unaudited condensed financial statements.

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 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 condensed financial statements are prepared for the Sub-Fund only. The condensed 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 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 International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed semi-annual financial statements should be read in conjunction with the annual financial statements for the period ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of condensed 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.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards 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:

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.

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.

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 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
Number of units in issue at the beginning of the period	15,000,000
Units issued	6,600,000
Number of units in issue at the end of the period	21,600,000

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

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 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 USD119,560 (31 December 2016: USD137,188) when compared with the methodology indicated in the Trust's Prospectus.

	As at 30 June 2017 (Unaudited) *USD*	As at 31 December 2016 (Unaudited) *USD*
Net assets attributable to unitholders as reported in the statement of financial position	18,285,117	15,456,535
Adjustments for unamortised establishment costs	119,560	137,188
Net asset value in accordance with the Trust's Prospectus	18,404,677	15,593,723
Net assets attributable to unitholders per unit (per statement of financial position)	0.8465	1.0304
Net assets attributable to unitholders per unit (at dealing net asset value)	0.8521	1.0396

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

4. NET LOSS ON INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

	Period from 1 January 2017 to 30 June 2017 (Unaudited) *USD*
Net fair value change in unrealised gain/loss in value of investments	(2,684,815)
Net realised gain on sale of investments	8,166
	(2,676,649)

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 1 January 2017 to 30 June 2017.

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 ended 30 June 2017 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:

	As at 30 June 2017 (Unaudited) *USD*	As at 31 December 2016 (Audited) *USD*
Investments		
The Hongkong and Shanghai Banking Corporation Limited	7,883,427	3,996,569
Bank balances		
The Hongkong and Shanghai Banking Corporation Limited	7,152,384	9,334,263

Interest income amounted to USD3,113 was earned on these bank balances for the period ended 30 June 2017.

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 30 June 2017 and 31 December 2016, the Sub-Fund's investments were concentrated in United States of America ("US") treasury bills and US oil futures:

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Fair value *USD*	% of net asset value	Fair value *USD*	% of net asset value
Quoted debt securities				
- Treasury Bills – United States	7,883,427	43.11	3,996,569	25.86
Listed derivatives assets				
- Oil Future – United States	-	-	1,884,960	12.19
Listed derivatives liabilities				
- Oil Future – United States `	(803,340)	(4.39)	-	-
	7,080,087	38.72	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 30 June 2017, if the BofA Merrill Lynch Commodity index eXtra CLA 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 USD1,740,504 (31 December 2016: USD1,558,032). Conversely, if the BofA Merrill Lynch Commodity index eXtra CLA 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 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 30 June 2017

	Maturity Up to 1 year *USD*	Maturity 1-5 years *USD*	Maturity Over 5 years *USD*	Non-interest Bearing *USD*	Total *USD*
Assets					
Investments	7,883,427	-	-	-	7,883,427
Other assets	-	-	-	30	30
Bank balances	7,152,384	-	-	-	7,152,384
Margin deposit	4,087,947	-	-	-	4,087,947
Total assets	19,123,758	-	-	30	19,123,788
Liabilities					
Derivative financial instruments	-	-	-	803,340	803,340
Other liabilities	-	-	-	35,331	35,331
Total liabilities	-	-	-	838,671	838,671
Total interest sensitivity gap	19,123,758	-	-		

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	-	-		

7. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

At 30 June 2017, the Sub-Fund has bank balances and margin deposit of USD11,240,331 (31 December 2016: USD9,623,703). 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 USD11,240 (31 December 2016: 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 30 June 2017, the Sub-Fund has invested in interest-bearing securities of USD7,883,427 (31 December 2016: USD3,996,569) and the portfolio weighted average modified duration of the Sub-Fund is 0.09 (31 December 2016: 0.05).

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 USD7,237 (31 December 2016: 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.

(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.

7. 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 US treasury bills:

As at 30 June 2017

Credit rating agency	Rating	USD	% of NAV
S&P	AA+	7,883,427	43.11
		7,883,427	43.11

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 30 June 2017 and 31 December 2016 together with its credit rating.

	USD	Credit rating	Source of credit rating
As at 30 June 2017			
Custodian			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	7,883,427	A	S&P
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	7,152,384	A	S&P
Margin deposit			
BNP Paribas	4,087,947	A	S&P

7. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

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

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.

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 30 June 2017				
Derivative financial instrument	803,340	-	-	803,340
Management fee payable	7,174	-	-	7,174
Other accounts payable	-	7,661	20,496	28,157
Contractual cash outflow	810,514	7,661	20,496	838,671

7. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	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 30 June 2016, there was 1 (31 December 2016: 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 30 June 2017				
Total assets	15,035,811	30	4,087,947	19,123,788

	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 30 June 2017 and 31 December 2016:

	Level 1 *USD*	Level 2 *USD*	Level 3 *USD*	Total *USD*
As at 30 June 2017				
Assets				
Financial assets at fair value through profit or loss				
- Treasury bill	-	7,883,427	-	7,883,427
Total assets	-	7,883,427	-	7,883,427
Liabilities				
Financial assets at fair value through profit or loss				
- Futures contract	803,340	-	-	803,340
	803,340	-	-	803,340

7. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (continued)

	Level 1	Level 2	Level 3	Total
	USD	*USD*	*USD*	*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

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 30 June 2017 and 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 30 June 2017 and 31 December 2016, the Sub-Fund did not hold any investments classified in level 3.

For the period ended 30 June 2017, 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.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

7. FINANCIAL RISK MANAGEMENT (Continued)

(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.

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 30 June 2017

Name of the futures	Expiration date	Number of contracts	Notional amount *USD*	Position	Fair value *USD*
WTI Crude Oil Futures	20 November 2017	390	18,349,500	Long	(803,340)

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. DISTRIBUTION

There is no distribution during the period ended 30 June 2017.

9. MARGIN DEPOSIT

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

10. FINANCIAL INSTRUMENTS BY CATEGORY

As of 30 June 2017 and 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.

10. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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 was no (31 December 2016: 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 30 June 2017. There was no (31 December 2016: 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 30 June 2017.

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 ended 30 June 2017, the BofA Merrill Lynch Commodity index eXtra CLA Index decreased by 17.54% (period from 10 May 2016 (date of inception) to 31 December 2016: 12.99%) while the net asset value per unit of Sub-Fund decreased by 17.85% (period from 10 May 2016 (date of inception) to 31 December 2016: 11.30%).

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 futures contracts. The objectives of the Sub-Fund are 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 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 US Oil futures contracts securities which constitute the BofA Merrill Lynch Commodity index eXtra CLA Index, the tracked index.

As at 30 June 2017, the Sub-Fund has invested in a single futures contract and US treasury bills which each do not account for more than 10% of the Sub-Fund's net asset value.

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.

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

INVESTMENT PORTFOLIO (Unaudited)
As at 30 June 2017

			Fair value USD	% of net Assets
Investments (38.72%)				
Debt securities (43.11%)		*Holdings*		
United States of America (43.11%)				
TREASURY BILL 0% 17 August 2017		1,600,000	1,598,190	8.74
TREASURY BILL UCP 14 September 2017		1,600,000	1,596,917	8.73
TREASURY BILL UCP 16 November 2017		1,600,000	1,593,653	8.72
TREASURY BILL UCP 26 October 2017		1,600,000	1,594,761	8.72
TREASURY BILL ZCP 6 July 2017		1,500,000	1,499,906	8.20
Total debt securities			7,883,427	43.11
Derivatives (-4.39%)	**Expiration Date**			
United States of America (-4.39%)				
Oil futures (-4.39%)		*Contracts*		
WTI CRUDE FUTURE DEC17 20 November 2017	20 November 2017	390	(803,340)	(4.39)
Total derivatives			(803,340)	(4.39)
Total investments and derivative financial instruments			7,080,087	38.72
Other net assets			11,205,030	61.28
Net assets attributable to unitholders at 30 June 2017			18,285,117	100.00
Total cost of investments and derivative financial instruments			7,878,739	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the period ended 30 June 2017

	Holdings				
	1 January 2017	**Additions**	**Corporate actions**	**Disposals**	**30 June 2017**
Investments					
Debt securities					
TREASURY BILL 0% 17 August 2017	-	1,600,000	-	-	1,600,000
TREASURY BILL UCP 11 May 2017	-	2,000,000	-	2,000,000	-
TREASURY BILL UCP 14 September 2017	-	1,600,000	-	-	1,600,000
TREASURY BILL UCP 16 November 2017	-	1,600,000	-	-	1,600,000
TREASURY BILL UCP 26 October 2017	-	1,600,000	-	-	1,600,000
TREASURY BILL UCP 9 February 2017	-	3,000,000	-	3,000,000	-
TREASURY BILL ZCP 6 April 2017	-	3,000,000	-	3,000,000	-
TREASURY BILL ZCP 6 July 2017	-	1,500,000	-	-	1,500,000
TREASURY BILL ZCP 8 June 2017	-	2,000,000	-	2,000,000	-
TREASURY BILL ZCP 9 March 2017	4,000,000	-	-	4,000,000	-
Derivatives					
WTI CRUDE FUTURE DEC17 20 November 2017	272	119	-	1	390

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		
30 June 2017	18,404,677	0.8521
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		
30 June 2017	1.0502	0.7883
31 December 2016 (since 10 May 2016 (date of inception)) (Note)	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.

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