



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

CSOP CES CHINA A80 ETF
Stock Codes: 83137 (RMB counter) and 03137 (HKD counter)
(A sub-fund of CSOP ETF Series)

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2018

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

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**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The CSOP CES China A80 ETF (the “CSOP A80 ETF”), a sub-fund of the CSOP ETF Series, is an unit trust authorised under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. It was launched on 27 August 2013 and commenced trading in RMB under the stock code 83137 on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 23 September 2013; following the SEHK’s dual counter model, the CSOP A80 ETF started trading in HKD under the stock code 03137 on the SEHK on 23 September 2013. The CSOP A80 ETF is benchmarked against the CES China A80 Index (the “A80 Index”) and adopts the full-replication strategy. The manager and RQFII Holder of the CSOP A80 ETF is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The CSOP A80 ETF is a physical ETF which invests directly in the A80 Index securities through the RQFII quotas of the Manager. Under current regulations in the People’s Republic of China (“PRC”), foreign investors can invest in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFII or a RQFII from the China Securities Regulatory Commission (“CSRC”) and have been granted quota(s) by the State Administration of Foreign Exchange (“SAFE”) to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC’s domestic securities markets. Meanwhile, from 17 November 2014, foreign investors can trade eligible stocks listed in Shanghai Stock Exchange through Shanghai-Hong Kong Stock Connect. And from 5 December 2016, foreign investors can trade eligible stocks listed in Shenzhen Stock Exchange through Shenzhen-Hong Kong Stock Connect. The Manager has obtained RQFII status and the total RQFII quotas obtained by the Manager amount to RMB 46.1 billion as of 31 December 2018.

The A80 Index is compiled and published by China Securities Index Co., Ltd. It comprises the top 80 A-Share companies from both the Shanghai and Shenzhen markets by market capitalisation. The A80 Index operates under clearly defined rules published by the index provider and is a tradable index.

Capital Gains Tax (“CGT”) Treatment

Rules governing taxes on capital gains derived by QFIIs or RQFIIs from the trading of PRC Securities (including China A-Shares) was announced on 14 November 2014. According to the rules, investors are not required to pay capital gain tax from 17 November 2014. Therefore, the Manager did not make any provision on withholding tax after November 17, 2014.

Termination

The Manager has announced the termination of the CSOP A80 ETF on 16 November 2017 and the last day for dealings in the units of the CSOP A80 ETF on the SEHK is 18 December 2017. Therefore, from 19 December 2017, CSOP A80 ETF would cease to track the Index, and would not be able to meet its investment objective of tracking the performance of Index.

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the CSOP CES China A80 ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 25 July 2012, as amended, for the year ended 31 December 2018.

HSBC Institutional Trust Services (Asia) Limited
29 April 2019

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER’S RESPONSIBILITIES

The Manager of the CSOP CES China A80 ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series, is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong and the Trust Deed dated 25 July 2012, as amended, (the “Trust Deed”) to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of the year and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

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

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

CSOP ETF Series (the “Trust”) is an umbrella unit trust governed by its Trust Deed. As at 31 December 2018, the Trust has established seven sub-funds, namely, CSOP CES China A80 ETF, CSOP China CSI 300 Smart ETF, CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF, CSOP MSCI China A Inclusion Index ETF (Formerly known as CSOP MSCI China A International ETF), ICBC CSOP S&P New China Sectors ETF and CSOP Hong Kong Dollar Money Market ETF. CSOP MSCI T50 ETF was terminated on 29 June 2018 and CSOP Hong Kong Dollar Money Market ETF was launched on 29 June 2018.

TRUSTEE’S RESPONSIBILITIES

The Trustee of the Sub-Fund is required to:

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

**INDEPENDENT AUDITOR’S REPORT
TO THE UNITHOLDERS OF CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of CSOP CES China A80 ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series, set out on pages 8 to 29, which comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2018, and of its financial transactions and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Basis for Opinion

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

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

Independence

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

Emphasis of Matter

We draw your attention to Notes 1 and 2 to the financial statements, which state that the Manager has decided to terminate the Sub-Fund. As a result, the financial statements have not been prepared on a going concern basis of accounting, and are prepared in accordance with the basis set out in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

**INDEPENDENT AUDITOR’S REPORT
TO THE UNITHOLDERS OF CSOP CES CHINA A80 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Key Audit Matters (Continued)

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

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><u>Existence and valuation of investments</u></p> <p>The Sub-Fund’s investment as at 31 December 2018 was mainly comprised of a listed equity of a company in the People’s Republic of China, valued at zero, which have been suspended from trading as at 31 December 2018.</p> <p>We focused on the existence and valuation of the investment because the investment represented the principal element of the Sub-Fund’s financial position. In addition, we also focused on the valuation of listed equity which have been suspended from trading as at 31 December 2018 because the judgment made by the Manager in determining their fair values involved a high degree of subjectivity.</p> <p>Refer to Note 8 to the financial statements.</p>	<p>We agreed the existence of the Sub-Fund’s holdings of investment by obtaining a direct confirmation from the custodian and checking the confirmation to the Sub-Fund’s records. Based on the procedures we performed, we found the Sub-Fund’s holdings of investment to be in agreement with the confirmation received.</p> <p>For investment which has been suspended from trading as at the year end, we assessed the appropriateness of the valuation methodology adopted by the Manager. We also assessed the judgment made in determining the valuation of such investment by considering factors which may impact their fair values, including the duration of the suspension period, the relevant market information and news of such suspended listed equity, the price movement of comparable listed equities/index during the suspension period and if applicable, the market prices of such suspended listed equity upon resumption of trading after year end.</p> <p>Based on the procedures we performed, we found the judgment made by the Manager in determining the valuation of the investment to be supported by available evidence.</p>

Other Information

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP CES CHINA A80 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP CES CHINA A80 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

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

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2019

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	2018 <i>RMB</i>	2017 <i>RMB</i>
ASSETS			
NON-CURRENT ASSETS			
Deposit reserve		-	14,000
		-----	-----
CURRENT ASSETS			
Investments	<i>7(c),8(a)</i>	-	53,054
Interest receivable		-	87
Other receivable	<i>7(d)</i>	4,554	-
Bank balances	<i>7(c)</i>	31,350	6,260,501
		-----	-----
		35,904	6,313,642
		-----	-----
Total assets		35,904	6,327,642
		=====	=====
LIABILITIES			
CURRENT LIABILITIES			
Management fee payable	<i>7(a),(b)</i>	6,255	6,428
Other accounts payable		157	30,889
		-----	-----
		6,412	37,317
		-----	-----
Total liabilities		6,412	37,317
		=====	=====
EQUITY			
Net assets attributable to unitholders	<i>4</i>	29,492	6,290,325
		=====	=====

The financial statements on pages 8 to 29 were approved by the Trustee and the Manager on 29 April 2019 and were signed on their behalf.

For and on behalf of

For and on behalf of

CSOP Asset Management Limited
as the Manager

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

The accompanying notes form an integral part of these financial statements.

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December 2018 RMB	Year ended 31 December 2017 RMB
INCOME			
Dividend income		80	141,372
Interest income	7(c)	992	292
Net (loss)/gain on investments	5	(23,838)	1,550,993
Other income		-	18,150
		<hr/>	<hr/>
Total net (loss)/income		(22,766)	1,710,807
		<hr/>	<hr/>
EXPENSES			
Management fee	7(a),(b)	-	(52,520)
Transaction costs on investments		(55)	(18,579)
Safe custody and bank charges		-	(18,512)
Other operating expenses		-	(85,172)
Reversal of audit fee provision		-	74,363
		<hr/>	<hr/>
Total operating expenses		(55)	(100,420)
		<hr/>	<hr/>
Operating (loss)/profit		(22,821)	1,610,387
		<hr/>	<hr/>
Taxation	6	(12)	(14,436)
		<hr/>	<hr/>
Total comprehensive income		(22,833)	1,595,951
		<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2018

	<i>Note</i>	Year ended 31 December 2018 <i>RMB</i>	Year ended 31 December 2017 <i>RMB</i>
Net assets attributable to unitholders at the beginning of the year		6,290,325	7,286,634
		-----	-----
Payments on redemption of units		-	(2,592,260)
		-----	-----
Net decrease from unit transactions		-	(2,592,260)
		-----	-----
Distribution to unitholders	9	(6,238,000)	-
		-----	-----
Total comprehensive income for the year		(22,833)	1,595,951
		-----	-----
Net assets attributable to unitholders at the end of the year		29,492	6,290,325
		=====	=====

The accompanying notes form an integral part of these financial statements.

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Year ended 31 December 2018 <i>RMB</i>	Year ended 31 December 2017 <i>RMB</i>
OPERATING ACTIVITIES		
Payments for purchase of investments	-	(570,732)
Proceeds from sale of investments	29,216	9,567,195
Dividend income received	80	141,372
Interest income received	1,079	211
Other income received	-	18,150
Management fee paid	(173)	(52,653)
Transaction costs paid	(55)	(18,579)
Taxation paid	(12)	(14,436)
Other operating expenses paid	(35,286)	(240,671)
Deposit reserve received	14,000	-
	<hr/>	<hr/>
Net cash generated from operating activities	8,849	8,829,857
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
FINANCING ACTIVITIES		
Payments on redemption of units	-	(2,592,260)
Distribution paid	(6,238,000)	-
	<hr/>	<hr/>
Net cash used in financing activities	(6,238,000)	(2,592,260)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net (decrease)/increase in cash and cash equivalents	(6,229,151)	6,237,597
Cash and cash equivalents at the beginning of the year	6,260,501	22,904
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	31,350	6,260,501
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Analysis of balances of cash and cash equivalents		
Bank balances	31,350	6,260,501
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The accompanying notes form an integral part of these financial statements.

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CSOP ETF Series (the “Trust”) is an umbrella unit trust governed by its trust deed dated 25 July 2012, as amended (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 31 December 2018, the Trust has seven sub-funds which are CSOP CES China A80 ETF (the “Sub-Fund”), CSOP China CSI 300 Smart ETF, CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF, CSOP MSCI China A Inclusion Index ETF (formerly known as CSOP MSCI China A International ETF), ICBC CSOP S&P New China Sectors ETF and CSOP Hong Kong Dollar Money Market ETF. The sub-funds of the Trust, CSOP MSCI T50 ETF was terminated on 29 June 2018 and CSOP Hong Kong Dollar Money Market ETF was launched on 29 June 2018. The date of inception of the Sub-Fund was 27 August 2013. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited. The Manager announced the termination of the Sub-Fund on 16 November 2017 and the last day for dealings in the units of the Sub-Fund was 18 December 2017.

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, CES China A80 Index (the “Underlying Index”). In order to achieve the investment objective of the Sub-Fund, the Manager will adopt a full replication strategy by directly investing all, or substantially all, of the assets of the Sub-Fund in index securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these index securities have in the Underlying Index. The Manager may also use a representative sampling strategy in exceptional circumstances.

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

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

These financial statements are prepared for the Sub-Fund only. The financial statements for CSOP China CSI 300 Smart ETF, CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF, CSOP MSCI China A Inclusion Index ETF (Formerly known as CSOP MSCI China A International ETF), ICBC CSOP S&P New China Sectors ETF and CSOP Hong Kong Dollar Money Market ETF have been prepared separately.

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION (Continued)

Termination of the Sub-Fund

Pursuant to the Announcement and Notice to the unitholders of the Sub-Fund dated 16 November 2017 released by the Manager, it proposed cessation of trading, termination, voluntary deauthorisation and delisting and the waivers from compliance of certain provision of the Code on Unit Trusts and Mutual Funds of the Sub-Fund for the period from 19 December 2017 (“Announcement and Notice dated 16 November 2017”). As the net asset value of the Sub-Fund was less than RMB100 million, the Manager by means of a resolution of the board of directors of the Manager dated 15 November 2017 decided to terminate the Sub-Fund and voluntarily seek deauthorisation and delisting. The last trading day of the units of the Sub-Fund was on 18 December 2017. Pursuant to the Announcement and Notice dated 16 November 2017, the Manager bears all costs and expenses associated with the termination of the Sub-Fund from the date of the Announcement and Notice up to the termination date of the Sub-Fund. The proposed termination, voluntary deauthorisation and delisting of the Sub-Fund will be subject to the approval of the Hong Kong Securities and Futures Commission and The Stock Exchange of Hong Kong Limited. As a result, the financial statements of the Sub-Fund for the years ended 31 December 2018 and 31 December 2017 have not been prepared on a going concern basis.

The Sub-Fund has settled an interim distribution of RMB6,238,000 to the unitholders on 22 January 2018. Refer to Note 9 for details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss.

As referred to Note 1, the Manager has decided to terminate the Sub-Fund. As a result, the financial statements of the Sub-Fund for the years ended 31 December 2018 and 31 December 2017 have not been prepared on a going concern basis. The Trustee and the Manager have assessed that the values of all assets and liabilities of the Sub-Fund at the reporting date approximate their net realisable value, and therefore no changes to accounting policies or adjustments have been made in the financial statements of the Sub-Fund in order to reflect the fact that it will be able to realise its assets or to extinguish its liabilities in the normal course of business.

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

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Standards and amendments to existing standards effective 1 January 2018

HKFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in HKAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. HKFRS 9 also introduces a new expected credit loss (ECL) impairment model.

HKFRS 9 has been applied retrospectively by the Sub-Fund and did not result in a change to the classification or measurement of financial instruments as outlined in Note 2(b). The Sub-Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

HKFRS 15 'Revenue from Contracts with Customers' became effect for annual period beginning on or after 1 January 2018. It addresses the recognition of revenue and replaces HKAS 18 'Revenue' and HKAS 11 'Construction Contracts'.

HKFRS 15 has been applied retrospectively by the Sub-Fund. The Sub-Fund does not have revenue from contracts with customers and only incurs gains and income from investments. There was no material impact on the financial statements of the Sub-Fund on adoption of HKFRS 15.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Sub-Fund.

New standards and amendments to standards effective after 1 January 2018 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 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investments

(i) Classification

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

(ii) Recognition/derecognition

Purchases and sales of investments are accounted for on the trade date basis – the date on which the Sub-Fund commits to purchase or sell the investments. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Investments are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

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

(iv) Fair value estimation

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

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

(v) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

**CSOP CES CHINA A80 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investments (Continued)

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(c) Amounts due from participating dealers

Amounts due from participating dealers represent the subscription receivable from the participating dealers at the end of the reporting year. The amounts are non-interest bearing and repayable on demand.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Sub-Fund shall measure the loss allowance on amounts due from participating dealers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the participating dealers, probability that the participating dealers will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by Management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(d) Amounts due to participating dealers

Amounts due to participating dealers represent the redemption payable to the participating dealers at the end of the reporting year. The amounts are non-interest bearing and repayable on demand.

These amounts are recognised initially at fair value and subsequently measured at amortised cost.

(e) Dividend income and interest income

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

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

(f) Distributions to unitholders

Distributions to unitholders are recognised in the statement of changes in net assets attributable to unitholders when they are approved by the Manager.

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other income/expense

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

(h) Transactions costs

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

(i) Expenses

Expenses are accounted for on an accrual basis.

(j) Cash and cash equivalents

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

(k) Foreign currencies translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The Sub-Fund invests in A-Shares in the PRC and the performance of the Sub-Fund is measured and reported to the unitholders in RMB. The Manager considers Renminbi as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Sub-Fund’s functional and presentation currency.

Transactions and balances

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

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

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

(l) Redeemable units

The Sub-Fund issues redeemable units, which are redeemable at the holder’s option. These units represent puttable financial instruments of the Sub-Fund. The Sub-Fund classifies its puttable financial instruments as equity in accordance with HKAS 32 (Amendment), “Financial instruments: Presentation” as those puttable financial instruments meet all the following criteria.

- the puttable financial instruments entitle the holder to a pro-rata share of net asset value;

**CSOP CES CHINA A80 ETF
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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Redeemable units (Continued)

- the puttable financial instruments are the most subordinated units in issue and unit features are identical;
- there are no contractual obligations to deliver cash or another financial asset; and
- the total expected cash flows from the puttable financial instrument over its life are based substantially on the profit or loss of the Sub-Fund.

Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

In accordance with the Prospectus of the Sub-Fund, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions of the Sub-Fund.

(m) Taxation

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

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Establishment costs

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

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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.

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the fair value of securities that are suspended from trading which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

**CSOP CES CHINA A80 ETF
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NOTES TO THE FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

Fair value of securities that are suspended from trading

As at 31 December 2018 and 2017, there were listed equities which have been suspended for trading mainly due to business restructuring. Management made its judgement in determining the fair values of these investments and involved a higher degree of subjectivity. Management judgement in determining the fair values of the suspended investments includes factors such as the duration of suspension period, the relevant market information and news of the suspended listed equities, the price movement of comparable listed equities/index during the suspension period and, if applicable, the market prices of the suspended listed equities upon resumption of trading after year end.

As at 31 December 2017, the Sub-Fund held three listed equities of RMB53,054, represented 0.84% of the net asset value of the Sub-Fund were suspended for trading and they were classified as level 3. Two of these suspended investments held by the Sub-Fund had resumed trading during the year ended 31 December 2018. Having considered the factors above, Management has based on their best estimation and concluded using the latest available price before suspension as the fair value of one investment which amounted to RMB20,816 as at 31 December 2017. Management has applied appropriate models and assumptions to determine the fair value of two suspended equity investments at RMB32,238. Refer to Note 8(d).

As at 31 December 2018, one listed equity investment was continued to be suspended for trading. Management has based on their best estimation and marked down the fair value of such investment from RMB18,672 to zero and it remains to be classified as level 3. Refer to Note 8(d).

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

In accordance with the provisions of the Trust Deed dated 25 July 2012, as amended, and the Prospectus of the Sub-Fund, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculations.

As stated in Note 2(l), redeemable units of the Sub-Fund are classified as equity and they are carried at the redemption amount that would be payable at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

The movements of the redeemable units for the years ended 31 December 2018 and 2017 are as follows:

	2018 Units	2017 Units
Number of units in issue at the beginning of the year	200,000	300,000
Units redeemed	-	(100,000)
Number of units in issue at the end of the year	<u>200,000</u>	<u>200,000</u>

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NOTES TO THE FINANCIAL STATEMENTS

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

	2018 <i>RMB</i>	2017 <i>RMB</i>
Net assets attributable to unitholders per unit as at 31 December (per statement of financial position)	0.1475	31.4516

5. NET (LOSS)/GAIN ON INVESTMENTS

	2018 <i>RMB</i>	2017 <i>RMB</i>
Net change in unrealised gain/loss in value of investments	73,978	(1,409,427)
Net realised (loss)/gain on sale of investments	(97,816)	2,960,420
	<u>(23,838)</u>	<u>1,550,993</u>

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 tax

The Sub-Fund invests in A-Shares listed in the PRC and is subjected to 10% withholding tax on dividend income derived from A-Shares. Withholding tax was charged on dividend income received from A-Shares during the year.

The taxation of the Sub-Fund for the years ended 31 December 2018 and 2017 represents:

	2018 <i>RMB</i>	2017 <i>RMB</i>
Withholding tax on dividend income	8	14,407
Withholding tax on interest income	4	29
Taxation	<u>12</u>	<u>14,436</u>

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NOTES TO THE FINANCIAL STATEMENTS

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS

The following is a summary of significant related party transactions and transactions entered into during the year 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 and Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the years ended 31 December 2018 and 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 Manager is entitled to receive a management fee, currently at the rate of 0.89% per annum of the net asset value of the Sub-Fund, inclusive of Trustee fee and Registrar’s fee, accrued daily and calculated as at each dealing day and payable monthly in arrears. During the year ended 31 December 2018, the Sub-Fund did not incur any management fees. Refer to Note 1.

(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 the Registrar out of the management fee. Refer to Note 7(a).

The Trustee shall also be entitled to be reimbursed from the Sub-Fund for all out-of-pocket expenses incurred. During the year ended 31 December 2018, there was no out-of-pocket expenses reimbursed to the Trustee by the Sub-Fund.

(c) Financial assets

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

	2018 <i>RMB</i>	2017 <i>RMB</i>
Investments		
HSBC Bank (China) Company Limited (Note)	-	53,054
	<hr/>	<hr/>
Bank balances		
The Hongkong and Shanghai Banking Corporation Limited	18,027	6,260,448
HSBC Bank (China) Company Limited	13,323	53
	<hr/>	<hr/>
	31,350	6,260,501
	<hr/>	<hr/>

Note: As at 31 December 2018, one suspended listed equity security with zero fair value was held with HSBC Bank (China) Company Limited.

Interest income amounted to RMB992 (2017: RMB292) was earned on these bank balances for the year ended 31 December 2018.

(d) Amount receivable from the Manager

During the year ended 31 December 2018, the Sub-Fund paid expenses of HK\$4,554 in relation to its termination and such amount will be reimbursed by the Manager and is recognised as “Other receivable” in the statement of financial position as at 31 December 2018. Refer to Note 1.

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NOTES TO THE FINANCIAL STATEMENTS

8. 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 performance of the Underlying 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 Underlying Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked index.

As referred to Note 1, the Manager has decided to terminate the Sub-Fund and the last trading day of the units of the Sub-Fund was on 18 December 2017. The Sub-Fund would cease to track the Underlying Index, and would not be able to meet its investment objective of tracking the performance of the Underlying Index.

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

	2018		2017	
	Fair value <i>RMB</i>	% of net asset value	Fair value <i>RMB</i>	% of net asset value
Listed equities in PRC – by industry				
Consumer services	-	-	20,816	0.33
Financials	-	-	13,566	0.21
Technology	-	-	18,672	0.30
	<u>-</u>	<u>-</u>	<u>53,054</u>	<u>0.84</u>

**CSOP CES CHINA A80 ETF
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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

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

As at 31 December 2018, the Sub-Fund only has one investment in listed equity which has been suspended for trading. The Manager considers that changes in the fair value in the event of market price will not be material. As a result the Manager considers sensitivity analysis of market price risk is not necessary to be presented. Refer to Note 8(d).

As at 31 December 2017, if the CES China A80 Index were to increase by 10% with all other variables held constant, this would increase the operating profit for the year by approximately RMB5,362. Conversely, if the CES China A80 Index were to decrease by 10%, this would decrease the operating profit for the 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 31 December 2018 and 2017, interest rate risk arises only from bank balances. As the bank balances held by the Sub-Fund is short term in nature and interest arising from these interest bearing assets are immaterial, the Manager considers that changes in their fair value and future cash flows in the event of a change in market interest rates will not be material. As a result, the Manager considers sensitivity analysis of interest rate risk is not necessary to be presented.

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund 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, 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.

As at 31 December 2018, the Sub-Fund placed bank balances of RMB18,027 (2017: RMB6,260,448) with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), which is the custodian of the Sub-Fund. The S&P credit rating of HSBC is A (2017: A).

**CSOP CES CHINA A80 ETF
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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

As at 31 December 2018, the Sub-Fund placed bank balances of RMB13,323 (2017: RMB53) and investments of RMBNil (2017: RMB53,054) with HSBC Bank (China) Company Limited (“HSBC China”), which is the PRC custodian of the Sub-Fund. The Moody’s credit rating of HSBC China is A1 (2017: A1).

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2018 and 31 December 2017, deposit reserve, interest receivable, other receivable and bank balances are held with counterparties with credit rating and are due to be settled within 1 month. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

The maximum exposure to credit risk as at 31 December 2018 and 2017 is the carrying amount of the financial assets as shown on the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

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

	Less than 1 month <i>RMB</i>	1 month to less than 3 months <i>RMB</i>	Over 3 months <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2018				
Management fee payable	-	-	6,255	6,255
Other accounts payable	-	-	157	157
Contractual cash outflow	-	-	6,412	6,412
As at 31 December 2017				
Management fee payable	125	-	6,303	6,428
Other accounts payable	-	12,732	18,157	30,889
Contractual cash outflow	125	12,732	24,460	37,317

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Units are redeemed on demand at the unitholder's option. As at 31 December 2018, there were 2 (2017: 2) unitholders holding more than 10% of the Sub-Fund's units.

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

	Less than 1 month <i>RMB</i>	1 to 12 months <i>RMB</i>	No stated maturity <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2018				
Total assets	31,350	4,554	-	35,904
As at 31 December 2017				
Total assets	6,274,067	87	53,488	6,327,642

(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 that the Sub-Fund can access at the measurement date (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.

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets (by class) measured at fair value at 31 December 2018 and 2017:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2018				
Assets				
Investments				
- Equity securities	-	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December 2017				
Assets				
Investments				
- Equity securities	-	-	53,054	53,054
Total assets	<u>-</u>	<u>-</u>	<u>53,054</u>	<u>53,054</u>

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As at 31 December 2018 and 2017, the Sub-Fund did not hold any investments classified in level 2.

As at 31 December 2017, three listed equity investments held by the Sub-Fund amounted to RMB53,054 represented 0.84% of the net asset value of the Sub-Fund, were suspended for trading and all were due to their business restructuring. These suspended investments were classified as level 3. Two of the suspended investments as at 31 December 2017 had resumed trading during the year ended 31 December 2018.

As at 31 December 2018, one listed equity investment was continued to be suspended for trading. Management has based on their best estimation and marked down the fair value of such investment from RMB18,672 to zero and it remains to be classified at level 3.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or do not trade.

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8. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

The following table presents the movements in level 3 investment of the Sub-Fund for the years ended 31 December 2018 and 2017:

	31 December 2018 <i>RMB</i>	31 December 2017 <i>RMB</i>
Opening balance	53,054	53,046
Sales	-	-
Transfer from level 1 to level 3	-	21,628
Transfer from level 2 to level 3	-	84,220
Transfer from level 3 to level 1	(34,382)	(53,046)
Net losses recognised in statement of comprehensive income	(18,672)	(52,794)
Closing balance	<u>-</u>	<u>53,054</u>
Change in unrealised gains or losses for level 3 assets held at year end and included in the statement of comprehensive income at the end of the year	<u>(18,672)</u>	<u>(52,794)</u>

The following table presents level 3 investment of the Sub-Fund as at 31 December 2018:

<u>Type of security</u>	<u>Reason for suspension</u>	<u>% of NAV</u>
Listed equity	Business restructuring	0%

The following table presents level 3 investment of the Sub-Fund as at 31 December 2017:

<u>Type of security</u>	<u>Reason for suspension</u>	<u>% of NAV</u>
Listed equity	Business restructuring	0.84%

The assets and liabilities included in the statement of financial position, other than investments, 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.

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NOTES TO THE FINANCIAL STATEMENTS

9. DISTRIBUTION

	2018 <i>RMB</i>	2017 <i>RMB</i>
Interim distribution		
RMB31.19 per unit on 200,000 units (2017: Nil)	<u>6,238,000</u>	<u>-</u>

Pursuant to Announcement and Notice dated 22 January 2018, the Manager has proposed an interim distribution of RMB6,238,000 of RMB31.19 per unit shall be paid to those investors who remain in the Sub-Fund as of 22 December 2017. The amount of interim distribution of RMB6,238,000 was settled on 22 January 2018.

There was no distribution for the year ended 31 December 2017.

10. FINANCIAL INSTRUMENTS BY CATEGORY

As of 31 December 2018 and 2017, 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 deposit reserve, interest receivable, other receivable and bank balances are categorised as and carried at amortised cost. 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

The SFC Code allows the Sub-Fund to invest in constituent securities issued by a single issuer for more than 10% of the Sub-Fund's net asset value provided that the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the Index and the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the Index (except as a result of changes in the composition of the Index and the excess is transitional and temporary in nature). The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the year ended 31 December 2017.

As 31 December 2018, the Sub-Fund had one investment with fair value marked down to zero. The Manager has obtained waiver from strict compliance with certain provisions of the Code on Unit Trusts and Mutual Funds for the period from 19 December 2017, the trading cessation date of the Sub-Fund, to the deauthorisation date.

There were no constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the CES China A80 Index as at 31 December 2018 and 2017.

During the year ended 31 December 2017, the CES China A80 price return index increased by 31.82% while the net asset value per unit of Sub-Fund increased by 29.49%.

The Manager has announced the termination of the Sub-Fund on 16 November 2017 and the last day for dealings in the units of the Sub-Fund is 18 December 2017. Therefore, from 19 December 2017, the Sub-Fund would cease to track the Index, and would not be able to meet its investment objective of tracking the performance of Index.

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NOTES TO THE FINANCIAL STATEMENTS

12. SOFT COMMISSION ARRANGEMENT

The Manager has entered into soft commission arrangements for the years ended 31 December 2018 and 2017 with a broker under which certain goods and services used to support investment decision making are obtained from third parties and are paid for by the brokers in consideration of transactions of the Sub-Fund directed to the brokers.

These may include, for example, research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services; clearing, registrar and custodial services and investment-related publication; computer hardware and software incidental to the above goods and services.

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 securities. The objectives of the Sub-Fund are to track the performance of the CES China A80 Index and invest in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

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

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is derived from investments in PRC securities which constitute CES China A80 Index, the tracked index.

The total of non-current assets of the Sub-Fund located in PRC is RMBNil (2017: RMB14,000). The Sub-Fund has no other assets classified as non-current assets.

As at 31 December 2018, no single investment accounts for more than 10% of the Sub-Fund's net asset value. As at 31 December 2017, the Sub-Fund had a diversified portfolio of investments and no single investment accounts for more than 10% of the Sub-Fund's net asset value.

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 29 April 2019.

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INVESTMENT PORTFOLIO (Unaudited)

As at 31 December 2018

	Holdings	Fair value RMB	% of net assets
Investments (0.00%)			
Listed equities (0.00%)			
China (0.00%)			
BEIJING XINWEI TELECOM TECHNOLOGY GROUP CO LTD A SHS ORD CNY1	1,858	-	-
Total investments		-	-
Other net assets		29,492	100.00
Net assets attributable to unitholders at 31 December 2018		29,492	100.00
Total investments, at cost		47,557	

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)
For the year ended 31 December 2018

	Holdings				
	1 January 2018	Additions	Corporate actions	Disposals	31 December 2018
Investments					
Listed equities					
BEIJING XINWEI TELECOM TECHNOLOGY GROUP CO LTD A SHS ORD CNY1	1,600	-	258	-	1,858
LESHI INTERNET INFORMATION & TECHNOLOGY (BEIJING) CO LTD A SHR	3,400	-	-	3,400	-
WANDA FILM HOLDING CO LTD A SHRS ORD CNY1 (FORMERLY KNOWN AS WANDA CINEMA LINE CO LTD ORD CNY1)	400	-	200	600	-

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PERFORMANCE RECORD (Unaudited)

	Dealing net asset value of the Sub-Fund <i>RMB</i>	Dealing net asset value per unit <i>RMB</i>
At the end of financial year/period dated		
31 December 2018 (Note)	29,492	0.1475
31 December 2017	6,290,325	31.4516
31 December 2016	7,650,799	25.5027

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 year/period ended		
31 December 2018 (Note)	N/A	N/A
31 December 2017	33.4511	25.4301
31 December 2016	28.5780	23.0384
31 December 2015	43.2883	24.6799
31 December 2014	31.8820	17.9974
31 December 2013 (since 27 August 2013 (date of inception))	22.0972	19.8677

Note: As refer to Note 1, the Manager announced the termination of the Sub-Fund on 16 November 2017 and the last day for dealings in the units of the Sub-Fund was 18 December 2017. The net asset value and net asset value per unit of the Sub-Fund as at 31 December 2018 were calculated based on the HKFRS.

**CSOP CES CHINA A80 ETF
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MANAGEMENT AND ADMINISTRATION

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Custodian

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Limited
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PRC Custodian

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