



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

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

Unaudited Semi-Annual Report  
FOR THE PERIOD ENDED 30 JUNE 2019



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

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

**REPORT OF THE MANAGER TO THE UNITHOLDERS**

Introduction

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

The Sub-Fund performance

The CSOP China Ultra Short-Term Bond ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 28 June 2018 (last trading date), the dealing Net Asset Value (“NAV”) per unit of the CSOP China Ultra Short-Term Bond ETF was RMB152.2379 and there were 285,000 units outstanding. The total asset under management was approximately RMB43.39 million.

As at 28 June 2019, the NAV of CSOP China Ultra Short-Term Bond ETF RMB counter (stock code 83122) performed -0.96% while the Index performed 1.41%. The difference in performance between the NAV of the CSOP China Ultra Short-Term Bond ETF and the Index is mainly attributed to fees and expenses, including tax on dividends and Capital Gain Tax withholding. In order to minimize the tracking error, the Sub-Fund also invested in policy bank bonds which have higher liquidity and better yield return. As at 28 June 2019, the duration of CSOP China Ultra Short-Term Bond ETF RMB counter (stock code 83122) was 0.31 while the Index was 0.55.

<b>Annual total return</b>			
	From 31 December 2018 to 28 June 2019	From 1 January 2018 to 28 December 2018 (last trading date)	Tracking Error (Annualized)
83122 NAV (div reinvests)	-0.96%	2.40%	0.41%
FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index	1.41%	4.10%	

Ex-Date	Record Date	Payable Date	Dividend Per Unit	Dividend Paid Out of Net Distributable Income* for the month	Dividend Paid Out of Capital
2019-04-24	2019-04-25	2019-04-30	RMB 0.9 per share	RMB 0.8	RMB 0.1

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

**CSOP CHINA ULTRA SHORT-TERM BOND ETF  
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**REPORT OF THE MANAGER TO THE UNITHOLDERS (Continued)**

The inception date of the Fund was 16 January 2015.

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

**Exchange Liquidity**

The trading value of the RMB counter (stock code: 83122) remained steadily at an average daily turnover of RMB327 thousands in June 2019. The trading value of the HKD counter (stock code: 03122) remained steadily at an average daily turnover of HKD13 thousands in June 2019.

**Portfolio Rebalance**

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

<b>Fund Holdings</b>						
<b>Ticker</b>	<b>Maturity date</b>	<b>YTM (%)</b>	<b>Modified Duration</b>	<b>Amount</b>	<b>Portfolio Percentage (%)</b>	<b>Index Percentage (%)</b>
019600.SH	8/16/2019	2.11	0.13	10,000	0.02%	3.95%
020292.SH	10/14/2019	2.21	0.29	10,000	0.02%	0.31%
180026.IB	11/22/2019	2.28	0.39	10,000,000	23.13%	2.04%
180216.IB	11/9/2019	2.45	0.36	10,000,000	23.12%	0.47%
180312.IB	9/17/2019	2.21	0.21	10,000,000	23.16%	1.39%
180410.IB	11/12/2019	2.35	0.36	10,000,000	23.14%	2.16%
<b>Total</b>	-	-	-	-	92.59%	10.32%

**CSOP CHINA ULTRA SHORT-TERM BOND ETF  
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**CONDENSED STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2019*

	<i>Notes</i>	30 June 2019 (Unaudited) <i>RMB</i>	31 December 2018 (Audited) <i>RMB</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Deposit reserve		28,000	28,000
<b>CURRENT ASSETS</b>			
Investments	<i>7(d),8(a)</i>	40,048,818	40,452,975
Bank interest receivable		162	66
Interest receivable on bonds		714,596	1,299,506
Amounts due from brokers		10,326,904	-
Other receivable	<i>7(c)</i>	123,342	692,279
Bank balances	<i>7(d)</i>	2,244,409	820,549
		<u>53,458,231</u>	<u>43,265,375</u>
<b>Total assets</b>		<u>53,486,231</u>	<u>43,293,375</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Amounts due to brokers		10,148,120	-
Management fee payable	<i>7(a),7(b)</i>	1,426	1,476
Other accounts payable		82,091	82,044
<b>Total liabilities</b>		<u>10,231,637</u>	<u>83,520</u>
<b>EQUITY</b>			
<b>Net assets attributable to unitholders</b>	<i>4</i>	<u>43,254,594</u>	<u>43,209,855</u>

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

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

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

*For the period ended 30 June 2019*

	<i>Notes</i>	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>	Period from 1 January 2018 to 30 June 2018 (Unaudited) <i>RMB</i>
<b>INCOME</b>			
Interest income from bank deposits	7(d)	4,036	1,492
Interest income from bonds		569,902	794,620
Net (loss)/gain on investments	5	(23,968)	156,376
Other income		-	(100)
<b>Total net income</b>		<u>549,970</u>	<u>952,388</u>
<b>EXPENSES</b>			
Management fee	7(a),(b)	(97,561)	(104,982)
Transaction cost on investments		(206)	(218)
Audit fee		(14,473)	(16,876)
Safe custody and bank charges		(8,237)	(1,154)
Legal and other professional fee		(8,555)	-
Other operating expenses		(119,339)	(102,575)
<b>Total operating expenses</b>		<u>(248,371)</u>	<u>(225,805)</u>
Operating profit		<u>301,599</u>	<u>726,583</u>
<b>Taxation</b>	6	(360)	(135)
<b>Total comprehensive income</b>		<u><u>301,239</u></u>	<u><u>726,448</u></u>

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

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

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

*For the period ended 30 June 2019*

	<i>Note</i>	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>	Period from 1 January 2018 to 30 June 2018 (Unaudited) <i>RMB</i>
Net assets attributable to unitholders at the beginning of the period		43,209,855	42,447,898
Distribution to unitholders	9	(256,500)	(256,500)
Total comprehensive income for the period		301,239	726,448
<b>Net assets attributable to unitholders at the end of the period</b>		<b>43,254,594</b>	<b>42,917,846</b>

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

**CONDENSED STATEMENT OF CASH FLOWS**

*For the period ended 30 June 2019*

	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>	Period from 1 January 2018 to 30 June 2018 (Unaudited) <i>RMB</i>
<b>OPERATING ACTIVITIES</b>		
Payments for purchase of investments	(29,949,778)	(41,053,345)
Proceeds from sale of investments	30,151,183	40,475,435
Interest income from bank deposits received	3,940	1,500
Interest income from bonds received	1,154,812	1,076,904
Other income	-	(100)
Management fee paid	(97,611)	(240,001)
Transaction cost paid	(206)	(218)
Taxation paid	(360)	(135)
Other receivables	568,937	-
Other operating expenses paid	(150,557)	(114,136)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>1,680,360</b>	<b>145,904</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>FINANCING ACTIVITIES</b>		
Distribution paid	(256,500)	(256,500)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(256,500)</b>	<b>(256,500)</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase/(decrease) in cash and cash equivalents	1,423,860	(110,596)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash and cash equivalents at the beginning of the period	820,549	585,342
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	2,244,409	474,746
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	2,244,409	474,746
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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



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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

CSOP ETF Series II (the “Trust”) is an umbrella unit trust governed by its trust deed dated 20 January 2014, as amended, (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 30 June 2019, the Trust has three sub-funds which are CSOP China Ultra Short-Term Bond ETF (the “Sub-Fund”), CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF (Formerly known as CSOP China 5-Year Treasury Bond ETF) and CSOP WTI Oil Annual Roll December Futures ER ETF. The date of inception of the Sub-Fund was 16 January 2015. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

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

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

Under current regulations in the People’s Republic of China (“PRC”), foreign investors can invest only in the domestic debt securities market through certain 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 debt securities markets.

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

These condensed semi-annual financial statements for the six months ended 30 June 2019 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 year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in the annual financial statements.

Standard and amendments to existing standards effective 1 January 2019

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the financial statements of the Sub-Fund.

New standards and amendments to standards effective after 1 January 2019 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 2019, 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.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

**(a) Fair value of unlisted investments**

The Sub-Fund holds a number of quoted debt securities that are valued by reference to broker quotes as at 30 June 2019 and 31 December 2018. In determining the fair value of such investments, the Management exercises judgement and estimates on the quantity and quality of pricing sources used. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. As such, broker quotes do not necessarily indicate the price at which the security could actually be traded as at 30 June 2019 and 31 December 2018. Actual transacted prices may differ from the quotes provided by the brokers. The Management considers that in the absence of any other reliable market sources, the broker quotes available to them reflect the best estimate of fair value.

**(b) People's Republic of China ("PRC") tax provision**

Under the general tax provision of PRC Corporate Income Tax Law ("PRC CIT Law"), the non-PRC residents with no place of effective management, establishment or place of business in the PRC may be subject to 10% PRC withholding income tax ("WIT") on the PRC-sourced income, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

In addition, the non-PRC residents with interest income derived from the debt securities will be subject to 10% WIT. Pursuant to the PRC CIT Law, debt securities issuers in the PRC are obligated to withhold the 10% PRC WIT on interest income for those foreign debt securities holders. However, interest income derived from government bonds issued by the State Council's finance departments and/or local government bonds approved by the State Council is exempt from PRC WIT under the PRC CIT Law.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

**(b) PRC tax provision (Continued)**

Furthermore, according to the notice Caishui [2016] No.36 ("Circular 36"), Value-Added Tax ("VAT") at 6% shall be levied on the difference between the selling and buying prices of those marketable securities starting from 1 May 2016. The gains derived by QFIIs/RQFIIs and through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from trading of marketable securities (including A-shares and other PRC listed securities) are exempted from VAT in the PRC under Circular 36 and other prevailing VAT regulations. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT. However, the prevailing VAT regulations do not specifically exempt VAT on interest received by QFIIs/RQFIIs. Hence, interest income derived by QFIIs/RQFIIs from non-government bonds (including corporate bonds) technically should be subject to 6% VAT. In addition, if VAT is applicable, local surtaxes including Urban Maintenance and Construction Tax (currently at the rate ranging from 1% to 7%), Education Surcharge (currently at the rate of 3%) and Local Education Surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities (the "VAT related taxes").

Exemption of PRC WIT and VAT effective from 7 November 2018

On 7 November 2018, the Ministry of Finance and the PRC State Administration of Taxation ("SAT") jointly issued a notice Caishui [2018] No.108 ("Circular 108") which stipulates that foreign institutional investors are temporarily exempted from PRC WIT and VAT in respect of bond interest income received for three years from 7 November 2018.

The Sub-Fund did not make any provision on VAT from 1 May 2016 to 7 November 2018 as the Manager considers that the potential PRC VAT exposure was immaterial. Refer to Page 11. The Manager decides to change the tax provisioning policy of the Sub-Fund and cease to make provisions for PRC WIT on the interest income received from PRC non-government bonds for three years from 7 November 2018.

**(i) Capital gains on PRC debt securities**

During the period/year ended 30 June 2019 and 31 December 2018, the Sub-Fund invests in PRC debt securities in PRC through the RQFII program. The Manager considers that the enforcement of PRC tax on gains derived from the PRC debt securities is uncertain as at the date of approval of these financial statements.

The Manager considered that the WIT policy for QFIIs'/RQFIIs' investment in debt securities has not been clarified in the "Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII" (the "Notice"). On 1 April 2015, the Third Branch of Shanghai Municipal Office, SAT (the "Authority") and the Third Branch of Shanghai Bureau of Local Taxation jointly issued the Notice on Tax Issues to notify that the QFII/RQFII shall declare and handle with the tax-related issues concerning the gains from transfer of equity investment assets, including A-Shares, realised prior to 17 November 2014 to the Authority before 30 September 2015 in accordance with the relevant PRC tax law and the Notice (the "Tax Reporting"). Those QFIIs/RQFIIs eligible for treaty relief under an applicable tax treaty should follow the requirement of Circular 124 for tax treaty application during the Tax Reporting. Tax treaty application shall follow Public Notice [2015] No. 60 after 1 November 2015.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

**(b) PRC tax provision (Continued)**

**(i) Capital gains on PRC debt securities (Continued)**

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

Based on the current verbal interpretation of the SAT and the local PRC tax authorities, the authorities are of the view that capital gains derived by foreign investors from investment in PRC debt securities would not be treated as PRC-sourced income and thus would not be subject to PRC WIT. However, there are no written tax regulations issued by the PRC tax authorities to confirm this interpretation. As a matter of practice, such 10% PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of these PRC debt securities has not been strictly enforced by the PRC tax authorities. The Manager has considered the applicability of the arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion to the Sub-Fund and assessed that the probability of such tax being levied up to the approval date of the financial statements of the Sub-Fund is reasonably low. Based on all the aforementioned factors, the Manager has reassessed the provisioning approach and has continued not making PRC WIT provision on gains derived from the PRC debt securities of the Sub-Fund.

The Manager estimates the gross realised gains from 16 January 2015 (date of inception) to 30 June 2019 and gross unrealised gains of the Sub-Fund as at 30 June 2019 which could be exposed to PRC WIT at the rate of 10% to be RMB2,709,594 (from 16 January 2015 (date of inception) to 31 December 2018: RMB2,696,344) and RMB11,645 (As at 31 December 2018: RMB35,060) respectively. The estimated potential capital gain tax exposure arising from gross realised capital gain and gross unrealised capital gain would be RMB270,959 and RMB1,165 respectively which in aggregate represents 0.63% (As at 31 December 2018: RMB269,634 and RMB3,506 respectively which in aggregate represents 0.63%) of the net assets attributable to unitholders of the Sub-Fund as at 30 June 2019. The Manager considers that the PRC WIT on capital gains from PRC debt securities is still uncertain and has not made the provision on the gross realised capital gains derived from PRC debt securities in the Sub-Fund as at 30 June 2019 and 31 December 2018.

The Manager has exercised its judgment when assessing whether the Sub-Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

**(b) PRC tax provision (Continued)**

(ii) Interest income on bonds issued by PRC tax residents

The Management considers that the PRC WIT treatment on accrued interest arising from PRC non-government bonds from 16 January 2015 (date of inception) to 6 November 2018 and the enforcement of VAT and the VAT related taxes from 1 May 2016 to 6 November 2018 is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

PRC WIT

For the PRC bonds disposed of during the year, Management has not made provision on the accrued interest income of PRC bonds during the year and as at reporting date as they consider that:

- (i) the issuers of PRC bonds are required to withhold 10% WIT at the coupon payment date before distributing the interest income to the bond holder; and
- (ii) the Manager has sold the PRC bonds before the coupon payment dates or the maturity dates of the PRC bonds.

PRC VAT and related taxes

As at 30 June 2019 and 31 December 2018, the Manager did not consider that the potential PRC VAT exposure arising from the Sub-Fund's accumulated interest income received from PRC non-government bonds from 1 May 2016 to 6 November 2018 to be material.

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

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

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

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

In accordance with the provisions of the Trust 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.

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.

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 2019 to 30 June 2019 (Unaudited) Units	Period from 1 January 2018 to 30 June 2018 (Unaudited) Units
Number of units in issue at the beginning of the period	285,000	285,000
Number of units in issue at the end of the period	<u>285,000</u>	<u>285,000</u>
	As at 30 June 2019 (Unaudited) <i>RMB</i>	As at 31 December 2018 (Audited) <i>RMB</i>
Net assets attributable to unitholders per unit (per statement of financial position)	<u>151.7705</u>	<u>151.6135</u>

**CSOP CHINA ULTRA SHORT-TERM BOND ETF  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**5. NET (LOSS)/GAIN ON INVESTMENTS**

	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>	Period from 1 January 2018 to 30 June 2018 (Unaudited) <i>RMB</i>
Net change in unrealised gain/loss in value of investments	(37,535)	143,645
Net realised gain on sale of investments	13,567	12,731
	<u>(23,968)</u>	<u>156,376</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 withholding income tax

For the period ended 30 June 2019 and 2018, the Sub-Fund had invested in RMB denominated debt securities in PRC. Refer to Note 3 for details.

The taxation of the Sub-Fund for the period ended 30 June 2019 and 30 June 2018 represents:

	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>	Period from 1 January 2018 to 30 June 2018 (Unaudited) <i>RMB</i>
Withholding income tax on bank interest income	360	135
Taxation	<u>360</u>	<u>135</u>

**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 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 2019 and 2018, 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.

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

**(a) Management fee**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expense to the Manager. The management fee is currently charged at the rate of 0.49% per annum of the net asset value of the Sub-Fund, accrued daily and calculated as at each dealing day and payable monthly in arrears.

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

**(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 7(a).

**(c) Amount receivable from the Manager**

During the period ended 30 June 2019, there is an amount receivables from the Manager of RMB123,342 (31 December 2018: RMB692,279) recognised in the statement of financial position as "other receivables".

**(d) Financial assets**

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

	As at 30 June 2019 (Unaudited) <i>RMB</i>	As at 31 December 2018 (Audited) <i>RMB</i>
<b>Investments</b>		
HSBC Bank (China) Company Limited	40,048,818	40,452,975
	<hr/>	<hr/>
<b>Bank balances</b>		
The Hongkong and Shanghai Banking Corporation Limited	153,790	37,890
HSBC Bank (China) Company Limited	2,090,619	782,659
	<hr/>	<hr/>
	2,244,409	820,549
	<hr/>	<hr/>

Interest income amounted to RMB4,036 (2018: RMB1,492) was earned on these bank balances for the period ended 30 June 2019.

**(e) Manager's holdings**

The Manager of the Sub-Fund holds 250,570 (2018: 273,770) RMB counter units, which represents 87.92% (2018: 96.06%) of the net asset value of the Sub-Fund as at 30 June 2019 and 31 December 2018.



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**8. FINANCIAL RISK MANAGEMENT**

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

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

**(a) Market risk**

**(i) Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

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

As at 30 June 2019 and 31 December 2018, the Sub-Fund's investments were concentrated in the PRC bonds:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Fair value	% of net	Fair value	% of net
	<i>RMB</i>	asset value	<i>RMB</i>	asset value
<b>Quoted debt securities</b>				
Policy banks bonds	30,026,005	69.42	40,075,690	92.75
PRC Government bonds	10,012,923	23.15	377,285	0.87
Treasury Bills - China	9,890	0.02	-	-
	<u>40,048,818</u>	<u>92.59</u>	<u>40,452,975</u>	<u>93.62</u>

The Sub-Fund adopts representative sampling strategy and it held 6 out of 73 (31 December 2018: 6 out of 80) constituents comprising the FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index.

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

As at 30 June 2019, if the FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index were to increase by 10% (31 December 2018: 10%) with all other variables held constant, this would increase the operating profit for the period/year by approximately RMB10,429,821 (31 December 2018: RMB2,858,785). Conversely, if the FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index were to decrease by 10% (31 December 2018: 10%), this would decrease the operating profit for the period/year by an equal amount.

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**8. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Market risk (Continued)**

(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 2019 and 31 December 2018, the Sub-Fund invests in fixed-income investments, the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term fixed income investments and higher for longer term fixed income investments.

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

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 2019**

	Maturity Up to 1 year <i>RMB</i>	Maturity 1-5 years <i>RMB</i>	Maturity Over 5 years <i>RMB</i>	Non- interest Bearing <i>RMB</i>	Total <i>RMB</i>
<b>Assets</b>					
Investments	40,048,818	-	-	-	40,048,818
Bank interest receivable	-	-	-	162	162
Interest receivable on bonds	-	-	-	714,596	714,596
Other receivable	-	-	-	123,342	123,342
Deposit reserve	28,000	-	-	-	28,000
Amounts due from brokers	-	-	-	10,326,904	10,326,904
Bank balances	2,244,409	-	-	-	2,244,409
<b>Total assets</b>	<b>42,321,227</b>	<b>-</b>	<b>-</b>	<b>11,165,004</b>	<b>53,486,231</b>
<b>Liabilities</b>					
Amounts due to brokers	-	-	-	10,148,120	10,148,120
Management fee payable	-	-	-	1,426	1,426
Other accounts payable	-	-	-	82,091	82,091
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,231,637</b>	<b>10,231,637</b>
<b>Total interest sensitivity gap</b>	<b>42,321,227</b>	<b>-</b>	<b>-</b>		

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**8. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Market risk (Continued)**

(ii) Interest rate risk (Continued)

**As at 31 December 2018**

	Maturity Up to 1 year <i>RMB</i>	Maturity 1-5 years <i>RMB</i>	Maturity Over 5 years <i>RMB</i>	Non- interest Bearing <i>RMB</i>	Total <i>RMB</i>
<b>Assets</b>					
Investments	40,452,975	-	-	-	40,452,975
Bank interest receivable	-	-	-	66	66
Interest receivable on bonds	-	-	-	1,299,506	1,299,506
Other receivable	-	-	-	692,279	692,279
Deposit reserve	28,000	-	-	-	28,000
Bank balances	820,549	-	-	-	820,549
<b>Total assets</b>	<b>41,301,524</b>	<b>-</b>	<b>-</b>	<b>1,991,851</b>	<b>43,293,375</b>
<b>Liabilities</b>					
Management fee payable	-	-	-	1,476	1,476
Other accounts payable	-	-	-	82,044	82,044
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,520</b>	<b>83,520</b>
<b>Total interest sensitivity gap</b>	<b>41,301,524</b>	<b>-</b>	<b>-</b>		

At 30 June 2019, the Sub-Fund has bank balances and deposit reserve in total of RMB2,272,409 (31 December 2018: RMB848,549). If the interest rates had been 10 basis points (31 December 2018: 10 basis points) higher or lower with all variables held constant, net assets attributable to unitholders would have been RMB2,272 (31 December 2018: RMB849) 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 2019, the Sub-Fund has invested in interest-bearing securities of RMB40,048,818 (31 December 2018: RMB40,452,975) and the portfolio weighted average modified duration of the Sub-Fund is 0.31 (31 December 2018: 0.19).

As at 30 June 2019, 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 RMB124,151 (31 December 2018: RMB76,861), arising substantially from the increase/decrease in market values of debt securities.

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**8. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Market risk (Continued)**

(iii) Currency risk

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

**(b) Credit and counterparty risk**

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

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

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

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

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**8. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit and counterparty risk (Continued)**

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

**Portfolio by rating category of RMB denominated bonds:**

**As at 30 June 2019**

<b>Credit rating agency</b>	<b>Rating</b>	<b>RMB</b>	<b>% of NAV</b>
S&P	A+	40,048,818	92.59
		40,048,818	92.59
		40,048,818	92.59

**As at 31 December 2018**

<b>Credit rating agency</b>	<b>Rating</b>	<b>RMB</b>	<b>% of NAV</b>
S&P	A+	40,452,975	93.62
		40,452,975	93.62
		40,452,975	93.62

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

The table below summarises the amount of investments and bank balances of the Sub-Fund placed with the counterparties together with the credit rating of the relevant counterparties as at 30 June 2019 and 31 December 2018.

	<b>RMB</b>	<b>Credit rating</b>	<b>Source of credit rating</b>
<b>As at 30 June 2019</b>			
<b>Investments</b>			
HSBC Bank (China) Company Limited ("HSBC China")	40,048,818	A1	Moody's
<b>Bank balances</b>			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	153,790	A	S&P
HSBC Bank (China) Company Limited ("HSBC China")	2,090,619	A1	Moody's

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**8. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit and counterparty risk (Continued)**

	RMB	Credit rating	Source of credit rating
<b>As at 31 December 2018</b>			
<b>Investments</b>			
HSBC Bank (China) Company Limited ("HSBC China")	40,452,975	A1	Moody's
<b>Bank balances</b>			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	37,890	A	S&P
HSBC Bank (China) Company Limited ("HSBC China")	782,659	A1	Moody's

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 30 June 2019 and 31 December 2018, deposit reserve, bank interest receivable, interest receivable on bonds, other receivable, amounts due from brokers and bank balances are held with counterparties with high credit ratings 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 30 June 2019 and 31 December 2018 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.

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**8. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Liquidity risk (Continued)**

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

	Less than 1 month <i>RMB</i>	1 month to less than 3 months <i>RMB</i>	Over 3 months <i>RMB</i>	Total <i>RMB</i>
<b>As at 30 June 2019</b>				
Amounts due to brokers	10,148,120	-	-	10,148,120
Management fee payable	-	1,426	-	1,426
Other accounts payable	340	81,751	-	82,091
<b>Contractual cash outflow</b>	<u>10,148,460</u>	<u>83,177</u>	<u>-</u>	<u>10,231,637</u>
<b>As at 31 December 2018</b>				
Management fee payable	-	1,476	-	1,476
Other accounts payable	-	82,044	-	82,044
<b>Contractual cash outflow</b>	<u>-</u>	<u>83,520</u>	<u>-</u>	<u>83,520</u>

Units are redeemed on demand at the unitholder's option. As at 30 June 2019, there was one (31 December 2018: one) unitholder holding more than 10% of the Sub-Fund's units.

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

	Less than 1 month <i>RMB</i>	1 to 12 months <i>RMB</i>	No stated maturity <i>RMB</i>	Total <i>RMB</i>
<b>As at 30 June 2019</b>				
Total assets	<u>53,334,889</u>	<u>123,342</u>	<u>28,000</u>	<u>53,486,231</u>
<b>As at 31 December 2018</b>				
Total assets	<u>42,573,096</u>	<u>692,279</u>	<u>28,000</u>	<u>43,293,375</u>

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**8. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Fair value estimation**

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities 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.

The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets (by class) measured at fair value at 30 June 2019 and 31 December 2018:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
<b>As at 30 June 2019</b>				
<b>Assets</b>				
Investments				
- Debt securities	-	40,048,818	-	40,048,818
<b>Total assets</b>	<u>-</u>	<u>40,048,818</u>	<u>-</u>	<u>40,048,818</u>
<b>As at 31 December 2018</b>				
<b>Assets</b>				
Investments				
- Debt securities	-	40,452,975	-	40,452,975
<b>Total assets</b>	<u>-</u>	<u>40,452,975</u>	<u>-</u>	<u>40,452,975</u>



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**8. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Fair value estimation (Continued)**

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Sub-Fund does not adjust the quoted price for these instruments. As at 30 June 2019 and 31 December 2018, the Sub-Fund did not hold any investments classified in level 1.

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

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 30 June 2019 and 31 December 2018, the Sub-Fund did not hold any investments classified in level 3.

For the period/year ended 30 June 2019 and 31 December 2018, there were no transfers between levels.

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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**9. DISTRIBUTION**

	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>	Period from 1 January 2018 to 30 June 2018 (Unaudited) <i>RMB</i>
RMB0.9 on 285,000 units on ex-dividend date 25 April 2018 paid on 2 May 2018	-	256,500
RMB0.9 on 285,000 units on ex-dividend date 24 April 2019 paid on 30 April 2019	256,500	-
Total distributions	<u>256,500</u>	<u>256,500</u>

**10. FINANCIAL INSTRUMENTS BY CATEGORY**

As of 30 June 2019 and 31 December 2018, 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, bank interest receivable, interest receivable on bonds, other receivables, amounts due from brokers and bank balances are categorised as per IFRS 9 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).

Pursuant to the SFC Code, it allows the Sub-Fund to invest up to 30% of Sub-Fund's total net asset value in Government and other public securities of the same issue. As at 30 June 2019 and 31 December 2018, the Sub-Fund invests in four (31 December 2018: four) government and other public securities that individually accounted for more than 10% but less than 30% of the net asset value of the Sub-Fund as at 30 June 2019 and 31 December 2018.

The Manager and the Trustee have confirmed that the Sub-Fund has complied with the above limits during the period/year ended 30 June 2019 and 31 December 2018.

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

**As at 30 June 2019**

	Respective weighting in Index (%)	% of NAV
<b>FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index</b>		
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1810) (REG) 2.6% 12/11/2019	2.16%	23.14%
CHINA DEVELOPMENT BANK (SER 1816) (REG) 2.62% 09/11/2019	0.47%	23.12%
CHINA GOVERNMENT BOND (SER 1826) (REG) 2.41% 22/11/2019	2.04%	23.13%
EXPORT-IMPORT BANK CHINA (SER 1812) (REG) 3% 17/09/2019	1.39%	23.16%

**As at 31 December 2018**

	Respective weighting in Index (%)	% of NAV
<b>FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index</b>		
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1804) (REG) 4.1% 07/03/2019	2.37%	23.20%
CHINA DEVELOPMENT BANK (SER 1801) (REG) 4.14% 29/01/2019	2.04%	23.17%
CHINA DEVELOPMENT BANK (SER 1809) (REG) 3.32% 10/07/2019	2.34%	23.23%
EXPORT-IMPORT BANK CHINA (SER 1801) 4.2% 10/01/2019	0.79%	23.15%

For the period ended 30 June 2019, the FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index increased by 1.41% (31 December 2018: increased by 4.10%) while the net asset value per unit of Sub-Fund increased by 0.10% (31 December 2018: increased by 1.80%). For the period ended 30 June 2019 and 31 December 2018, the Sub-Fund paid dividend of RMB0.9 (30 June 2018: RMB0.9) per unit, which represents 0.6% (30 June 2018: 0.6%) to the net asset value per unit as at 30 June 2019. For the details of dividend distribution, refer to Note 9.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**12. SOFT COMMISSION ARRANGEMENT**

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

**13. SEGMENT INFORMATION**

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

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

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

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

The total of non-current assets of the Sub-Fund located in PRC is RMB28,000 (31 December 2018: RMB28,000). The Sub-Fund has no other assets classified as non-current assets. As at 30 June 2019, the Sub-Fund has a diversified portfolio of investments and four (31 December 2018: four) investments each account for more than 10% of the Sub-Fund's net asset value.

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

**INVESTMENT PORTFOLIO (Unaudited)**

*As at 30 June 2019*

	<b>Holdings</b>	<b>Fair value RMB</b>	<b>% of net assets</b>
<b>Investments (92.59%)</b>			
<b>Quoted bonds (92.57%)</b>			
<b>China (92.57%)</b>			
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1810) (REG) 2.6% 12/11/2019	10,000,000	10,007,145	23.14
CHINA DEVELOPMENT BANK (SER 1816) (REG) 2.62% 09/11/2019	10,000,000	10,002,810	23.12
CHINA GOVERNMENT BOND (SER 1826) (REG) 2.41% 22/11/2019	10,000,000	10,002,915	23.13
CHINA GOVERNMENT BOND (SER 2818) (REG) 2.79% 16/08/2019	10,000	10,008	0.02
EXPORT-IMPORT BANK CHINA (SER 1812) (REG) 3% 17/09/2019	10,000,000	10,016,050	23.16
		<u>40,038,928</u>	<u>92.57</u>
<b>Money markets (0.02%)</b>			
<b>China (0.02%)</b>			
CHINA TREASURY BILL (SER 2915) (REG ) ZCP 14/10/2019	10,000	<u>9,890</u>	<u>0.02</u>
<b>Total investments</b>		40,048,818	92.59
<b>Other net assets</b>		<u>3,205,776</u>	<u>7.41</u>
<b>Net assets attributable to unitholders at 30 June 2019</b>		<u><u>43,254,594</u></u>	<u><u>100.00</u></u>
<b>Total investments, at cost</b>		<u><u>40,029,389</u></u>	

**CSOP CHINA ULTRA SHORT-TERM BOND ETF  
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**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)**

*For the period ended 30 June 2019*

	<b>Holdings</b>				
	<b>Corporate</b>				
	<b>1 January 2019</b>	<b>Additions</b>	<b>actions</b>	<b>Disposals</b>	<b>30 June 2019</b>
<b>Investments</b>					
<b>Quoted bonds</b>					
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1804) (REG) 4.1% 07/03/2019	10,000,000	-	-	10,000,000	-
AGRICULTURAL DEVELOPMENT BANK CHINA (SER 1810) (REG) 2.6% 12/11/2019	-	10,000,000	-	-	10,000,000
CHINA DEVELOPMENT BANK (SER 1801) (REG) 4.14% 29/01/2019	10,000,000	-	-	10,000,000	-
CHINA DEVELOPMENT BANK (SER 1809) (REG) 3.32% 10/07/2019	10,000,000	-	-	10,000,000	-
CHINA DEVELOPMENT BANK (SER 1816) (REG) 2.62% 09/11/2019	-	10,000,000	-	-	10,000,000
CHINA GOVERNMENT BOND (SER 1826) (REG) 2.41% 22/11/2019	-	10,000,000	-	-	10,000,000
CHINA GOVERNMENT BOND (SER 2712) 3.62% 15/06/2019	-	20,000	-	20,000	-
CHINA GOVERNMENT BOND (SER 2803) 3.38% 01/02/2019	367,000	-	-	367,000	-
CHINA GOVERNMENT BOND (SER 2818) (REG) 2.79% 16/08/2019	10,000	-	-	-	10,000
EXPORT-IMPORT BANK CHINA (SER 1801) 4.2% 10/01/2019	10,000,000	-	-	10,000,000	-
EXPORT-IMPORT BANK CHINA (SER 1812) (REG) 3% 17/09/2019	-	10,000,000	-	-	10,000,000
<b>Money markets</b>					
CHINA TREASURY BILL (SER 2915) (REG ) ZCP 14/10/2019	-	10,000	-	-	10,000

**CSOP CHINA ULTRA SHORT-TERM BOND ETF  
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**PERFORMANCE RECORD (Unaudited)**

**Net asset value**

	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 period/year dated		
30 June 2019	43,389,870	152.2452
31 December 2018	43,466,349	152.5135
31 December 2017	42,948,836	150.6977

**Highest and lowest net asset value per unit**

	Highest net asset value per unit <i>RMB</i>	Lowest net asset value per unit <i>RMB</i>
Financial period/year ended		
30 June 2019	152.9863	151.9675
31 December 2018	153.1178	150.7842
31 December 2017	151.0231	149.2665
31 December 2016	152.1510	149.2350
31 December 2015 (Since 16 January 2015 (date of inception))	152.0796	149.9980

**Net assets attributable to unitholders per unit**

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 2019, the expensing of establishment costs as stated in the financial statements resulted in a decrease of net assets attributable to unitholders of RMB135,276 (31 December 2018: RMB256,494) when compared with the methodology indicated in the Trust's Prospectus.

	As at 30 June 2019 (Unaudited) <i>RMB</i>	As at 31 December 2018 (Audited) <i>RMB</i>
Net assets attributable to unitholders as reported in the statement of financial position	43,254,594	43,209,855
Adjustments for unamortised establishment costs	135,276	256,494
Net asset value in accordance with the Trust's Prospectus	<u>43,389,870</u>	<u>43,466,349</u>

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

**MANAGEMENT AND ADMINISTRATION**

**Manager and RQFII Holder**

CSOP Asset Management Limited  
Suite 2801 - 2803, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Trustee and Registrar**

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

**Custodian**

The Hongkong and Shanghai Banking Corporation  
Limited  
1 Queen's Road Central  
Hong Kong

**PRC Custodian**

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**Service Agent**

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**Listing Agent**

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Central, Hong Kong

**Directors of the Manager**

Chen Ding  
Gaobo Zhang  
Xiaosong Yang  
Xiuyan Liu  
Yi Zhou  
Zhiwei Liu  
Zhongping Cai

**Legal Adviser to the Manager**

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**Auditor**

PricewaterhouseCoopers  
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