



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

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

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

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

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

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

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

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

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

The Sub-Fund Performance

The CSOP WTI Oil Annual Roll December Futures ER ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 28 June 2019 (last trading date), the dealing Net Asset Value (“NAV”) per unit of the CSOP WTI Oil Annual Roll December Futures ER ETF was USD 1.0497 and there were 1,800,000 units outstanding. The total asset under management was approximately USD 1.89 million.

For the period ended 28 June 2019, the dealing NAV of CSOP WTI Oil Annual Roll December Futures ER ETF performed 17.96% while the index performed 19.52%. The difference in performance between the NAV of the CSOP WTI Oil Annual Roll December Futures ER ETF and the Index is mainly attributed to fees and expenses. YTD Price return of the HKD counter (stock code 3135) was 19.65%.

Exchange Liquidity

Since inception, the CSOP WTI Oil Annual Roll December Futures ER ETF has attracted great investor attention from investors across the globe. The trading value of the HKD counter (stock code: 3135) remained steadily at an average daily turnover of HKD 59.78 thousand in June 2019.

Portfolio Rebalance

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

**CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
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CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

| | <i>Notes</i> | 30 June 2019 (Unaudited) <i>USD</i> | 31 December 2018 (Audited) <i>USD</i> |
|---|------------------|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Investments | <i>7(d),8(a)</i> | - | 249,647 |
| Interest receivable | | 110 | 30 |
| Margin deposit | <i>10</i> | 582,326 | 939,040 |
| Other receivables | <i>7(c)</i> | 5,706 | 6,988 |
| Bank balances | <i>7(d)</i> | 1,648,456 | 1,078,729 |
| Total assets | | <u>2,236,598</u> | <u>2,274,434</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Derivative financial instruments | <i>8(a),8(f)</i> | 375,370 | 707,270 |
| Management fee payable | <i>7(a),(b)</i> | 2,040 | 57 |
| Other accounts payable | | 6,824 | 16,487 |
| Total liabilities | | <u>384,234</u> | <u>723,814</u> |
| EQUITY | | | |
| Net assets attributable to unitholders | <i>4</i> | <u>1,852,364</u> | <u>1,550,620</u> |

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

**CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER 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>USD</i> | Period from 1 January 2018 to 30 June 2018 (Unaudited) <i>USD</i> |
|--|-----------------|---|---|
| INCOME | | | |
| Interest income | <i>7(d)</i> | 10,831 | 22,701 |
| Net gain on investments and derivative financial instruments | <i>5</i> | 314,283 | 1,631,021 |
| Other income | | 4,631 | - |
| Total net income | | <u>329,745</u> | <u>1,653,722</u> |
| EXPENSES | | | |
| Management fee | <i>7(a),(b)</i> | (9,346) | (43,441) |
| Transaction costs on investments | | (4) | (39) |
| Audit fee | | (992) | (5,188) |
| Safe custody and bank charges | | (29) | (102) |
| Legal and other professional fee | | (4,770) | - |
| License fee | | (374) | (1,816) |
| Other operating expenses | | (12,486) | (9,816) |
| Total operating expenses | | <u>(28,001)</u> | <u>(60,402)</u> |
| Total comprehensive income | | <u><u>301,744</u></u> | <u><u>1,593,320</u></u> |

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

**CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER 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

| | Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>USD</i> | Period from 1 January 2018 to 30 June 2018 (Unaudited) <i>USD</i> |
|--|---|---|
| Net assets attributable to unitholders at the beginning of the period | 1,550,620 | 8,676,028 |
| | ----- | ----- |
| Payments on redemption of units | - | (664,081) |
| | ----- | ----- |
| Net decrease from unit transactions | - | (664,081) |
| | ----- | ----- |
| Total comprehensive income for the period | 301,744 | 1,593,320 |
| | ----- | ----- |
| Net assets attributable to unitholders at the end of the period | 1,852,364 | 9,605,267 |
| | ===== | ===== |

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

**CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER 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) USD | Period from 1 January 2018 to 30 June 2018 (Unaudited) USD |
|--|--|--|
| OPERATING ACTIVITIES | | |
| Proceeds from sale of investments | 232,030 | 2,823,824 |
| Interest income received | 10,751 | 22,590 |
| Other income received | 4,631 | - |
| Management fee paid | (375) | (43,160) |
| Transaction costs paid | (4) | (39) |
| Other receivables | (5,706) | - |
| Other operating expenses paid | (28,314) | (17,468) |
| Margin deposit | 356,714 | 1,339,705 |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 569,727 | 4,125,452 |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| FINANCING ACTIVITIES | | |
| Payments on redemption of units | - | (664,081) |
| | <hr/> | <hr/> |
| Net cash used in financing activities | - | (664,081) |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Net increase in cash and cash equivalents | 569,727 | 3,461,371 |
| Cash and cash equivalents at the beginning of the period | 1,078,729 | 4,861,046 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period | 1,648,456 | 8,322,417 |
| | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Analysis of balances of cash and cash equivalents | | |
| Bank balances | 1,648,456 | 8,322,417 |
| | <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 WTI OIL ANNUAL ROLL DECEMBER FUTURES ER 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 a trust deed dated 20 January 2014, as amended, (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 30 June 2019, the Trust has three sub-funds which are CSOP WTI Oil Annual Roll December Futures ER 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 China Ultra Short-Term Bond ETF. The date of inception of the Sub-Fund was 10 May 2016. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

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

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, BofA Merrill Lynch Commodity index eXtra CLA Index (the “underlying index”). In order to achieve the investment objective of the Sub-Fund, the Manager will adopt a full replication strategy through investing directly in December month WTI Futures Contracts so as to give the Sub-Fund the performance of the underlying index. Specifically, the Sub-Fund will invest in current year December month WTI Futures Contracts before rolling in every October, in next year December month WTI Futures Contracts after rolling in every October, and in both current year and next year December month WTI Futures Contracts during the Roll Period in every October.

These financial statements are prepared for the Sub-Fund only. The financial statements for 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 period ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The preparation of condensed financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (together the “Management”) to exercise their judgment in the process of applying the Sub-Fund’s accounting policies.

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

Standard and amendments to existing standards effective 1 January 2019

There are no other 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.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 31 December 2018. In determining the fair value of such investments, the Management exercises judgment 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 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.

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.

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.

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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 (Continued)

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 | 1,800,000 | 8,400,000 |
| Units issued | - | - |
| Units redeemed | - | (600,000) |
| | <hr/> | <hr/> |
| Number of units in issue at the end of the period | <u>1,800,000</u> | <u>7,800,000</u> |
| | As at 30 June 2019 (Unaudited) USD | As at 31 December 2018 (Audited) USD |
| Net assets attributable to unitholders per unit (per statement of financial position) | <u>1.0291</u> | <u>0.8615</u> |

5. NET GAIN ON INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

| | Period from 1 January 2019 to 30 June 2019 (Unaudited) USD | Period from 1 January 2018 to 30 June 2018 (Unaudited) USD |
|--|--|--|
| Net fair value change in unrealised gain/loss in value of investments | 330,431 | 1,499,663 |
| Net realised (loss)/gain on sale of investments | (16,148) | 131,358 |
| | <hr/> | <hr/> |
| | <u>314,283</u> | <u>1,631,021</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.

There was no overseas withholding tax of the Sub-Fund for the period ended 30 June 2019.

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NOTES TO THE UNAUDITED CONDENSED 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 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 between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with the Connected Persons of the Manager except for those disclosed below.

(a) Management fee

The Sub-Fund employs a single management fee structure, currently at the rate of 0.99% per annum of the net asset value of the Sub-Fund, accrued daily and calculated as at each dealing day and payable monthly in arrears.

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

(b) Trustee fee and Registrar's fee

The Trustee fee and Registrar's fee are included in the management fee and the Manager will pay the fees of the Trustee and Registrar out of the management fee. Refer to Note 7(a).

The Trustee shall also be entitled to be reimbursed from Sub-Fund for all out-of-pocket expenses incurred.

(c) Amount receivable from the Manager

During the period ended 30 June 2019, there is an amount receivables from the Manager of USD4,631 (31 December 2018: USD 6,988) recognized 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) USD | As at 31 December 2018 (Audited) USD |
|---|---|---|
| Investments | | |
| The Hongkong and Shanghai Banking Corporation Limited | - | 249,647 |
| | <u> </u> | <u> </u> |
| Bank balances | | |
| The Hongkong and Shanghai Banking Corporation Limited | 1,648,456 | 1,078,729 |
| | <u> </u> | <u> </u> |

Interest income amounted to USD9,571 (31 December 2018:USD33,709) was earned on these bank balances for the period ended 30 June 2019.

**CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
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NOTES TO THE UNAUDITED CONDENSED 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 daily performance of the BofA Merrill Lynch Commodity index eXtra CLA Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

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

(a) Market risk

(i) Market price risk

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

The Sub-Fund is designated to track the performance of the BofA Merrill Lynch Commodity index eXtra CLA Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked index.

As at 30 June 2019 and 31 December 2018, the Sub-Fund's investments were concentrated in United States of America ("US") treasury bills and US oil futures:

| | <u>30 June 2019 (Unaudited)</u> | | <u>31 December 2018 (Audited)</u> | |
|----------------------------------|---------------------------------|----------------|-----------------------------------|----------------|
| | Fair value | % of net | Fair value | % of net |
| | <i>USD</i> | asset value | <i>USD</i> | asset value |
| Quoted debt securities | | | | |
| - Treasury Bills – United States | - | - | 249,647 | 16.10 |
| Listed derivatives | | | | |
| - Oil Futures – United States | (375,370) | (20.26) | (707,270) | (45.61) |
| | <u>(375,370)</u> | <u>(20.26)</u> | <u>(457,623)</u> | <u>(29.51)</u> |

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

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 BofA Merrill Lynch Commodity index eXtra CLA 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 USD36,801 (31 December 2018: USD45,196). Conversely, if the BofA Merrill Lynch Commodity index eXtra CLA 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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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

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

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>USD</i> | Maturity 1-5 years <i>USD</i> | Maturity Over 5 years <i>USD</i> | Non- interest Bearing <i>USD</i> | Total <i>USD</i> |
|---|---|-------------------------------------|---|---|---------------------|
| Assets | | | | | |
| Interest receivable | - | - | - | 110 | 110 |
| Bank balances | 1,648,456 | - | - | - | 1,648,456 |
| Margin deposit | 582,326 | - | - | - | 582,326 |
| Other receivables | - | - | - | 5,706 | 5,706 |
| Total assets | 2,230,782 | - | - | 5,816 | 2,236,598 |
| Liabilities | | | | | |
| Derivative financial instruments | - | - | - | 375,370 | 375,370 |
| Management fee payable | - | - | - | 2,040 | 2040 |
| Other accounts payable | - | - | - | 6,824 | 6824 |
| Total liabilities | - | - | - | 384,234 | 384,234 |
| Total interest sensitivity gap | 2,230,782 | - | - | | |

**CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

ii) Interest rate risk (Continued)

As at 31 December 2018

| | Maturity Up to 1 year USD | Maturity 1-5 years USD | Maturity Over 5 years USD | Non- interest Bearing USD | Total USD |
|---|------------------------------------|------------------------------|------------------------------------|------------------------------------|------------------|
| Assets | | | | | |
| Investments | 249,647 | - | - | - | 249,647 |
| Interest receivable | - | - | - | 30 | 30 |
| Bank balances | 1,078,729 | - | - | - | 1,078,729 |
| Margin deposit | 939,040 | - | - | - | 939,040 |
| Other receivables | - | - | - | 6,988 | 6,988 |
| Total assets | 2,267,416 | - | - | 7,018 | 2,274,434 |
| Liabilities | | | | | |
| Derivative financial instruments | - | - | - | 707,270 | 707,270 |
| Management fee payable | - | - | - | 57 | 57 |
| Other accounts payable | - | - | - | 16,487 | 16,487 |
| Total liabilities | - | - | - | 723,814 | 723,814 |
| Total interest sensitivity gap | 2,267,416 | - | - | | |

At 30 June 2019, the Sub-Fund has bank balances and margin deposit of USD2,230,782 (31 December 2018: USD2,017,769). 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 USD2,231 (31 December 2018: USD2,018) higher or lower as a result of higher or lower interest income.

The Manager and the 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 not invested in interest-bearing securities (31 December 2018: USD249,647) and the portfolio weighted average modified duration of the Sub-Fund is 0.01 as of 31 December 2018.

As at 30 June 2019, there was no US treasury bills held by the Sub-Fund.

As at 31 December 2018, 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 USD26 arising substantially from the increase/decrease in market values of treasury bills.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

(b) Credit and counterparty risk

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

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

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

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

The Sub-Fund has not invested in any US treasury bills as at 30 June 2019.

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

Portfolio by rating category of US treasury bills:

As at 31 December 2018

| Credit rating agency | Rating | USD | % of NAV |
|-----------------------------|---------------|-------------|-----------------|
| S&P | A+ | 249,647 | 16.10 |
| | | <hr/> | <hr/> |
| | | 249,647 | 16.10 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The Manager has assessed the credit quality of the US treasury bills based on the nature of the issuers and the historical information about the issuers' default rates. The Sub-Fund is also exposed to credit and counterparty risk on its investments, derivative financial instruments, bank balances and margin deposits.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

The table below summarises the amounts of investments and derivative financial instruments 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.

| | USD | Credit rating | Source of credit rating |
|---|-----------|---------------|-------------------------|
| As at 30 June 2019 | | | |
| Derivative financial instruments | | | |
| BNP Paribas | (375,370) | A+ | S&P |
| Bank balances | | | |
| The Hongkong and Shanghai Banking Corporation Limited | 1,648,456 | A | S&P |
| Margin deposit | | | |
| BNP Paribas | 582,326 | A+ | S&P |
| As at 31 December 2018 | | | |
| Investments and derivative financial instruments | | | |
| The Hongkong and Shanghai Banking Corporation Limited | 249,647 | A | S&P |
| BNP Paribas | (707,270) | A | S&P |
| Bank balances | | | |
| The Hongkong and Shanghai Banking Corporation Limited | 1,078,729 | A | S&P |
| Margin deposit | | | |
| BNP Paribas | 939,040 | A | S&P |

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, interest receivables, margin deposits, other receivables and bank balances are held with counterparties with high 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 30 June 2019 and 31 December 2018 is the carrying amount of the financial assets as shown on the statement of financial position.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(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>USD</i> | 1 month to less than 3 months <i>USD</i> | Over 3 months <i>USD</i> | Total <i>USD</i> |
|----------------------------------|------------------------------------|--|--------------------------------|---------------------|
| As at 30 June 2019 | | | | |
| Derivative financial instruments | 375,370 | - | - | 375,370 |
| Management fee payable | 2,040 | - | - | 2,040 |
| Other accounts payable | - | 385 | 6,439 | 6,824 |
| Contractual cash outflow | <u>377,410</u> | <u>385</u> | <u>6,439</u> | <u>384,234</u> |

| | Less than 1 month <i>USD</i> | 1 month to less than 3 months <i>USD</i> | Over 3 months <i>USD</i> | Total <i>USD</i> |
|----------------------------------|------------------------------------|--|--------------------------------|---------------------|
| As at 31 December 2018 | | | | |
| Derivative financial instruments | 707,270 | - | - | 707,270 |
| Management fee payable | 57 | - | - | 57 |
| Other accounts payable | - | 1,207 | 15,280 | 16,487 |
| Contractual cash outflow | <u>707,327</u> | <u>1,207</u> | <u>15,280</u> | <u>723,814</u> |

Units are redeemed on demand at the unitholder's option. As at 30 June 2019, there were 3 (31 December 2018: 3) unitholders holding more than 10% of the Sub-Fund's units.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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>USD</i> | 1 to 12 months <i>USD</i> | No stated maturity <i>USD</i> | Total <i>USD</i> |
|-------------------------------|------------------------------------|---------------------------------|-------------------------------------|---------------------|
| As at 30 June 2019 | | | | |
| Total assets | 1,654,272 | - | 582,326 | 2,236,598 |
| As at 31 December 2018 | | | | |
| Total assets | 1,335,394 | - | 939,040 | 2,274,434 |

(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 UNAUDITED CONDENSED 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 30 June 2019 and 31 December 2018:

| | Level 1 <i>USD</i> | Level 2 <i>USD</i> | Level 3 <i>USD</i> | Total <i>USD</i> |
|----------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| As at 30 June 2019 | | | | |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| - Futures contract | 375,370 | - | - | 375,370 |
| Total liabilities | <u>375,370</u> | <u>-</u> | <u>-</u> | <u>375,370</u> |
| | Level 1 <i>USD</i> | Level 2 <i>USD</i> | Level 3 <i>USD</i> | Total <i>USD</i> |
| As at 31 December 2018 | | | | |
| Assets | | | | |
| Investments | | | | |
| - Treasury bill | - | 249,647 | - | 249,647 |
| Total assets | <u>-</u> | <u>249,647</u> | <u>-</u> | <u>249,647</u> |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| -Futures contract | 707,270 | - | - | 707,270 |
| Total liabilities | <u>707,270</u> | <u>-</u> | <u>-</u> | <u>707,270</u> |

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

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

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

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

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

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

(e) Capital risk management

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

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

(f) Derivative financial instruments

Futures contracts

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

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

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

As at 30 June 2019

| Name of the futures | Expiration date | Number of contracts | Notional amount USD | Position | Fair value USD |
|-----------------------|------------------|---------------------|------------------------|----------|-------------------|
| WTI Crude Oil Futures | 31 December 2019 | 32 | 1,855,360 | Long | (375,370) |

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(f) Derivative financial instruments (Continued)

As at 31 December 2018

| Name of the futures | Expiration date | Number of contracts | Notional amount USD | Position | Fair value USD |
|-----------------------|------------------|---------------------|------------------------|----------|-------------------|
| WTI Crude Oil Futures | 31 December 2019 | 33 | 1,596,540 | Long | (707,270) |

9. DISTRIBUTION

There is no distribution during the period ended 30 June 2019 and 30 June 2018.

10. MARGIN DEPOSIT

Margin deposits represents cash deposits with brokers which are pledged as collateral against open futures contracts. Refer to Note 8(b).

11. FINANCIAL INSTRUMENTS BY CATEGORY

As of 30 June 2019 and 31 December 2018, other than investments and derivative financial instruments as disclosed in the financial statements which are classified as the financial assets at fair value through profit or loss, all financial assets including interest receivable, margin deposit and bank balances are categorised as per IFRS 9 and carried at amortised costs. All the financial liabilities of the Sub-Fund are carried at amortised cost.

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

12. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

There was nil (31 December 2018: 1) government security that individually accounted for more than 10% but less than 30% of the net asset value of the Sub-Fund as at 30 June 2019. There was 1 (31 December 2018: 1) futures contract that individually accounted for more than 10% of the net asset value of the Sub-Fund as at 30 June 2019.

As at 30 June 2019

| | Fair Value USD | % of net assets |
|-----------------------------------|-------------------|-----------------|
| United States of America | | |
| WTI CRUDE FUTURE 31 December 2019 | (375,370) | (20.26%) |

As at 31 December 2018

| | Fair Value USD | % of net assets |
|-----------------------------------|-------------------|-----------------|
| United States of America | | |
| TREASURY BILL UCP 24 January 2019 | 249,647 | 16.10% |
| WTI CRUDE FUTURE 31 December 2019 | (707,270) | (45.61%) |

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

For the period ended 30 June 2019, the BofA Merrill Lynch Commodity index eXtra CLA Index increased by 19.52% (year ended 31 December 2018: decreased by 14.10%) while the net asset value per unit of Sub-Fund increased by 19.45% (year ended 31 December 2018: decreased by 16.59%).

13. 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.

14. SEGMENT INFORMATION

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

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

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the 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 US Oil futures contracts securities which constitute the BofA Merrill Lynch Commodity index eXtra CLA Index, the tracked index.

The Sub-Fund has no assets classified as non-current assets. As at 30 June 2019 and 31 December 2018, the Sub-Fund has invested in one futures contract (31 December 2018: one) and nil US treasury bills (31 December 2018: one) which account for more than 10% of the Sub-Fund.

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INVESTMENT PORTFOLIO (Unaudited)

As at 30 June 2019

| | | | Fair value | % of net |
|---|------------------------|------------------|-------------------|-----------------|
| | | | USD | Assets |
| Investments (-20.26%) | | | | |
| Derivatives (-20.26%) | Expiration Date | | | |
| United States of America (-20.26%) | | | | |
| Listed futures (-20.26%) | | <i>Contracts</i> | | |
| WTI CRUDE FUTURE DEC19 31 December 2019 | 31 December 2019 | 32 | (375,370) | (20.26) |
| Total derivatives | | | <u>(375,370)</u> | <u>(20.26)</u> |
| Total investments and derivative financial instruments | | | (375,370) | (20.26) |
| Other net assets | | | <u>2,227,734</u> | <u>120.26</u> |
| Net assets attributable to unitholders at 30 June 2019 | | | <u>1,852,364</u> | <u>100.00</u> |
| Total investments and derivative financial instruments, at cost | | | <u>-</u> | |

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the period ended 30 June 2019

| | Holdings | | | | 30 June 2019 |
|---|-------------------|-----------|----------------------|-----------|-----------------|
| | 1 January 2019 | Additions | Corporate actions | Disposals | |
| Investments | | | | | |
| Quoted debt securities | | | | | |
| TREASURY BILL UCP 24 JANUARY 2019 | 250,000 | - | - | 250,000 | - |
| Listed futures | | | | | |
| WTI CRUDE FUTURE DEC19 31 DECEMBER 2019 | 33 | - | - | 1 | 32 |

**CSOP WTI OIL ANNUAL ROLL DECEMBER FUTURES ER ETF
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PERFORMANCE RECORD (Unaudited)

Net asset value

| | Dealing net asset value of the Sub-Fund <i>USD</i> | Dealing net asset value per unit <i>USD</i> |
|--------------------------------------|--|---|
| At the end of financial period dated | | |
| 30 June 2019 | 1,889,381 | 1.0497 |
| 31 December 2018 | 1,597,502 | 0.8875 |
| 31 December 2017 | 8,777,669 | 1.0450 |
| 31 December 2016 | 15,593,723 | 1.0396 |

Highest and lowest net asset value per unit

| | Highest net asset value per unit <i>USD</i> | Lowest net asset value per unit <i>USD</i> |
|--|---|--|
| Financial period ended | | |
| 30 June 2019 | 1.1723 | 0.9108 |
| 31 December 2018 | 1.3557 | 0.8316 |
| 31 December 2017 | 1.0502 | 0.7883 |
| 31 December 2016 (since 10 May 2016 (date of inception)) (Note) | 1.0449 | 0.8303 |

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

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 USD37,017 (31 December 2018: USD46,882) when compared with the methodology indicated in the Trust's Prospectus.

| | As at 30 June 2019 (Unaudited) <i>USD</i> | As at 31 December 2018 (Audited) <i>USD</i> |
|--|--|--|
| Net assets attributable to unitholders as reported in the statement of financial position | 1,852,364 | 1,550,620 |
| Adjustments for unamortised establishment costs | 37,017 | 46,882 |
| Net asset value in accordance with the Trust's Prospectus | <u>1,889,381</u> | <u>1,597,502</u> |

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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

Service Agent

HK Conversion Agency Services Limited
1st Floor, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

Listing Agent

Oriental Patron Asia Limited
27th Floor, Two Exchange Square
8 Connaught Place
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

Simmons & Simmons
30th Floor, One Taikoo Place
979 King's Road
Hong Kong

Auditor

PricewaterhouseCoopers
21st Floor, Edinburgh Tower
15 Queen's Road Central
Hong Kong



www.csopasset.com

Telephone: (852) 3406 5688

2801-2803, Two Exchange Square, 8 Connaught Place, Central, Hong Kong