

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(Stock Code: 2812)  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

Reports and Financial Statements  
For the year ended 31 March 2020

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020

<u>CONTENTS</u>	<u>PAGE(S)</u>
MANAGEMENT AND ADMINISTRATION	1
REPORT OF THE MANAGER TO THE UNITHOLDERS	2
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	3
STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE	4
INDEPENDENT AUDITOR'S REPORT	5 - 9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF COMPREHENSIVE INCOME	11
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	12
STATEMENT OF CASH FLOWS	13
NOTES TO THE FINANCIAL STATEMENTS	14 - 32
INVESTMENT PORTFOLIO (UNAUDITED)	33 - 34
STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)	35

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

CONTENTS - continued

PAGE(S)

PERFORMANCE OF THE UNDERLYING INDEX AND THE SUB-FUND (UNAUDITED)	36
PERFORMANCE RECORD (UNAUDITED)	37
UNDERLYING INDEX CONSTITUENT STOCKS DISCLOSURE (UNAUDITED)	38

**SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)**

**MANAGEMENT AND ADMINISTRATION**

**MANAGER**

Samsung Asset Management  
(Hong Kong) Limited  
4513-14, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**TRUSTEE**

Cititrust Limited  
50/F, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**ADMINISTRATOR AND CUSTODIAN**

Citibank, N.A., Hong Kong Branch  
50/F, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**LISTING AGENT**

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

**LEGAL COUNSEL TO THE MANAGER**

Simmons & Simmons  
30/F, One Taikoo Place  
979 King's Road  
Hong Kong

**DIRECTORS OF THE MANAGER**

CHOI Sungjin  
KIM Minseok (appointed on 15 November 2019)  
PARK Sungjin (appointed on 15 November 2019)  
EUI Suk Hong (resigned on 13 March 2020)  
KIM Yousang (resigned on 15 November 2019)

**CONVERSION AGENT OR SERVICE  
AGENT**

HK Conversion Agency Services Limited  
8th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**REGISTRAR**

Tricor Investor Services Limited  
22/F, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**AUDITOR**

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**PARTICIPATING DEALERS**

*Please refer to the Manager's website  
([www.samsungetf.com.hk](http://www.samsungetf.com.hk)) for the latest lists of  
Market Makers and Participating Dealers for  
each of the Products.*

**SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS**

The Samsung ETFs Trust II ("the Trust") is an umbrella unit trust established under Hong Kong law by a trust deed dated 17 May 2018 ("the Trust Deed") between Samsung Asset Management (Hong Kong) Limited ("the Manager") and Cititrust Limited ("the Trustee"). The Trust has a sub-fund which is an exchange traded fund.

**Samsung CSI China Dragon Internet ETF**

The units of the Samsung CSI China Dragon Internet ETF ("the Sub-Fund") are listed on The Stock Exchange of Hong Kong Limited and commenced trading in Hong Kong dollars under stock code 2812 on 20 June 2018. The Sub-Fund is a passively-managed exchange traded fund ("ETF") falling under Chapter 8.6 of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission.

The Sub-Fund is a physical ETF which invests directly in the constituent securities of the CSI Global China Internet Index (the "Index"). The Index is a free float market capitalisation weighted index which is designed to track the overall performance of Chinese companies which are listed (in the PRC or overseas) and whose primary business or businesses are focused on internet and internet-related technology. As at 31 March 2020, it comprised 30 constituent stocks and Tencent Holding, Alibaba Group Holding, and Meituan Dianping were the top 3 holdings of the Index and the Sub-Fund.

As at 31 March 2020, net asset value per unit of the Sub-fund was HK\$11.9884, and there were 8,400,000 units outstanding. The net asset value was HKD100,702,896.

For and on behalf of  
Samsung Asset Management (Hong Kong) Limited

31 July 2020

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

REPORT OF THE TRUSTEE

TO THE UNITHOLDERS OF  
SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

We hereby confirm that, in our opinion, the Manager of the Samsung CSI China Dragon Internet ETF (the "Sub-Fund") has, in all material respects, managed the Sub-Fund in accordance with the provisions of the trust deed dated 17 May 2018, as amended and restated by the trust deed dated 31 December 2019, for the year ended 31 March 2020.

For and on behalf of  
Cititrust Limited

31 July 2020

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of Samsung CSI China Dragon Internet ETF (the "Sub-Fund") is required by the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission and the trust deed dated 17 May 2018 (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that year and of the transactions for the year then ended. In preparing these financial statements, the Manager is required to:

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

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

Samsung ETFs Trust II (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 March 2020, the Trust has established with one sub-fund, Samsung CSI China Dragon Internet ETF.

TRUSTEE'S RESPONSIBILITIES

The Trustee of the Sub-Fund is required to:

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

## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

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### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Samsung CSI China Dragon Internet ETF (the "Sub-Fund"), a sub-fund of Samsung ETFs Trust II (the "Trust"), set out on pages 10 to 32, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended 31 March 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund of the Trust as at 31 March 2020, and of its financial performance and its cash flows for the year ended 31 March 2020 in accordance with International Financial Reporting Standards ("IFRSs").

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Sub-Fund of the Trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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



## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II) - continued

### **Report on the Audit of the Financial Statements** - continued

#### **Key Audit Matters** - continued

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b><i>Existence, completeness and valuation of financial assets at fair value through profit or loss</i></b>	
<p>We identified the existence, completeness and valuation of financial assets at fair value through profit or loss as a key audit matter due to their significance to the financial statements.</p> <p>As described in note 10 to the financial statements, the Sub-Fund's financial assets at fair value through profit or loss amounting to HK\$100,110,424 as at 31 March 2020 were comprised of listed equity instruments.</p>	<p>Our procedures in relation to existence, completeness and valuation of financial assets at fair value through profit or loss included:</p> <ul style="list-style-type: none"><li>• Checking the details of the financial assets at fair value through profit or loss against the independent confirmations from the custodian; and</li><li>• Checking the fair values of financial assets at fair value through profit or loss to independent and publicly available pricing sources.</li></ul>

#### **Other Information**

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II) - continued

### **Report on the Audit of the Financial Statements** - continued

#### **Responsibilities of Manager, Trustee and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, the Manager and Trustee of the Sub-Fund are responsible for assessing the ability of the Sub-Fund of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and Trustee either intend to liquidate the Sub-Fund of the Trust or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sub-Fund's financial reporting process.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 17 May 2018 (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Chapter 5 of Section II of the SFC Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II) - continued

### **Report on the Audit of the Financial Statements** - continued

#### **Auditor's Responsibilities for the Audit of the Financial Statements** - continued

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Sub-Fund of the Trust.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II) - continued

**Report on the Audit of the Financial Statements** - continued

**Auditor's Responsibilities for the Audit of the Financial Statements** - continued

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tong, Mei Yin.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
31 July 2020

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)<sup>#</sup>

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020

	<u>NOTES</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	10	100,110,424	107,903,124
Prepayments		11,250	11,250
Bank balances	4	760,451	521,919
Total assets		<u>100,882,125</u>	<u>108,436,293</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Management fee payable	4	64,822	61,998
Trustee fee payable	4	9,970	9,540
Accrued expenses and other payables		200,393	168,953
Total liabilities		<u>275,185</u>	<u>240,491</u>
Net assets attributable to unitholders	8	<u>100,606,940</u>	<u>108,195,802</u>
Representing:			
Total number of units in issue	8	<u>8,400,000</u>	<u>9,000,000</u>
Net assets value per unit	8	<u>11.9770</u>	<u>12.0218</u>

# As defined in note 1 to the financial statements

The financial statements on pages 10 to 32 were approved by the Manager and the Trustee on 31 July 2020 and are signed on their behalf by:

\_\_\_\_\_  
MANAGER  
SAMSUNG ASSET MANAGEMENT  
(HONG KONG) LIMITED

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)<sup>#</sup>

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2020

	<u>NOTES</u>	1.4.2019 to 31.3.2020 HK\$	13.6.2018 to 31.3.2019 HK\$
<b>INCOME</b>			
Dividend income		331,227	92,718
Bank interest income	4	1,363	644
Net losses on financial assets at fair value through profit or loss		(1,396,991)	(27,719,800)
Net foreign exchange losses		(46,400)	(43,410)
Net loss		<u>(1,110,801)</u>	<u>(27,669,848)</u>
<b>EXPENSES</b>			
Management fee	4	(704,773)	(541,919)
Trustee fee	4	(164,490)	(45,321)
Safe custody and bank charges		(5,505)	(3,575)
Establishment cost		(438,359)	(403,176)
Audit fee		(102,641)	(67,535)
Accounting and professional fees		(243,045)	(195,272)
Brokerage and other transaction fees		(71,594)	(178,562)
Other operating expenses		(162,913)	(82,417)
		<u>(1,893,320)</u>	<u>(1,517,777)</u>
LOSS BEFORE TAX		(3,004,121)	(29,187,625)
WITHHOLDING INCOME TAX EXPENSES	5	(5,181)	(1,870)
LOSS AFTER TAX AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR/PERIOD		<u>(3,009,302)</u>	<u>(29,189,495)</u>

# As defined in note 1 to the financial statements

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)<sup>#</sup>

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 31 MARCH 2020

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	<u>NOTE</u>	HK\$
Balance as at 13 June 2018 (date of commencement of operations)		-
Loss after tax and total comprehensive expense for the period		<u>(29,189,495)</u>
Subscription of units	8	147,689,982
Redemption of units	8	<u>(10,304,685)</u>
		<u>137,385,297</u>
Balance as at 31 March 2019		108,195,802
Loss after tax and total comprehensive expense for the year		<u>(3,009,302)</u>
Subscription of units	8	24,000,823
Redemption of units	8	<u>(28,580,383)</u>
		<u>(4,579,560)</u>
Balance as at 31 March 2020		<u><u>100,606,940</u></u>

# As defined in note 1 to the financial statements

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SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)<sup>#</sup>

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2020

	NOTE	1.4.2019 to 31.3.2020 HK\$	13.6.2018 to 31.3.2019 HK\$
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(3,004,121)	(29,187,625)
Adjustments for:			
Dividend income		(331,227)	(92,718)
Bank interest income		(1,363)	(644)
Operating cash flow before movements in working capital		(3,336,711)	(29,280,987)
Decrease (increase) in financial assets at fair value through profit or loss		7,792,700	(107,903,124)
Increase in prepayments		-	(11,250)
Increase in management fee payable		2,824	61,998
Increase in trustee fee payable		430	9,540
Increase in accrued expenses and other payables		31,440	168,953
Cash generated from (used in) operations		4,490,683	(136,954,870)
Dividend income net of withholding tax received		326,046	90,848
Bank interest income received		1,363	644
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>		<b>4,818,092</b>	<b>(136,863,378)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from subscription of units		24,000,823	147,689,982
Payment on redemption of units		(28,580,383)	(10,304,685)
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>		<b>(4,579,560)</b>	<b>137,385,297</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>238,532</b>	<b>521,919</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD</b>		<b>521,919</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>		<b>760,451</b>	<b>521,919</b>
Analysis of balances of cash and cash equivalents:			
Bank balances	4	760,451	521,919

<sup>#</sup> As defined in note 1 to the financial statements



SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020

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1. GENERAL

Samsung CSI China Dragon Internet ETF (the "Sub-Fund"), sub-fund of Samsung ETFs Trust II (the "Trust"), is established under a trust deed dated 17 May 2018 (the "Trust Deed"), and governed by the laws of Hong Kong. The Trust and the Sub-Fund are authorised under Section 104 of the Hong Kong Securities and Futures Ordinance (the "SFO") and the Sub-Fund is falling under Chapter 8.6 of the Hong Kong Code on Unit Trusts and Mutual Funds (the "SFC Code").

The date of commencement of operations of the Sub-Fund is 13 June 2018. The Sub-Fund has been listed on The Stock Exchange of Hong Kong Limited since 20 June 2018.

The investment activities of the Trust are managed by Samsung Asset Management (Hong Kong) Limited (the "Manager") and the trustee of the Trust is delegated to Cititrust Limited (the "Trustee").

The financial statements of the Sub-Fund are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Sub-Fund. The Manager considers HKD as the currency that most faithfully represents the primary economic environment in which the Sub-Fund operates and the economic effects of the underlying transactions, events and conditions.

The financial statements of the Sub-Fund cover from 1 April 2019 to 31 March 2020, which are not entirely comparable with the comparative amounts for the period from 13 June 2018 (date of commencement of operations) to 31 March 2019.

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the CSI Global China Internet Index (the "Index").

The Manager will primarily use a full replication strategy through investing directly in constituent stocks of the Index in substantially the same weightings in which they are included in the Index. The Sub-Fund may invest in (including but not limited to) the following PRC-related securities: A-Shares, H-Shares, N-Shares, P-Chips and Red Chips. The Sub-Fund will invest in A-Shares included in the Index through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively the "Stock Connect"). The Manager may invest up to 100% of the Net Asset Value of the Sub-Fund through the Stock Connect. The Sub-Fund may also invest in money market funds and in cash deposits for cash management purposes although such investments are not anticipated to exceed 5% of the net asset value of the Sub-Fund.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatory effective for the current year

In the current year, the Sub-Fund has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year:

IFRS 16	Leases
IFRIC - Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 - 2017 Cycle

The application of the new and amendments to IFRS in the current year has had no material impact on the Sub-Fund's financial performance and positions for the current and prior year/period and/or on the disclosures set out in these financial statements.

New and amendments to IFRSs and interpretation in issue but not yet effective

The Sub-Fund has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to IFRS 16	Covid-19-Related Rent Concessions <sup>6</sup>
Amendments to IFRS 3	Definition of a Business <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>4</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>5</sup>
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>5</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform <sup>4</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 - 2020 <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>6</sup> Effective for annual periods beginning on or after 1 June 2020

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Manager and the Trustee of the Sub-Fund anticipate that the application of these new and amendments to IFRSs will have no material impact on the financial statements of the Sub-Fund for the foreseeable future and/or on the disclosures set out in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Sub-Fund have been prepared in accordance with IFRSs, the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code issued by the Hong Kong Securities and Futures Commission.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Sub-Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Sub-Fund becomes a party to the contractual provisions of the instruments.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income and dividend income which are derived from the Sub-Fund's ordinary course of business are presented as revenue.

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets of the Sub-Fund are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Sub-Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

*Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Financial assets at FVTPL*

Financial assets of the Sub-Fund that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net losses on financial assets at fair value through profit or loss" line item.

Dividends on equity instruments are recognised in profit or loss when the Sub-Fund's right to receive the dividends is established.

*Impairment of financial assets*

The Sub-Fund recognises a loss allowance for expected credit loss ("ECL") on financial assets including bank balances which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Sub-Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For bank balances, the Sub-Fund measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Sub-Fund recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Sub-Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Sub-Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(i) Significant increase in credit risk - continued

Irrespective of the outcome of the above assessment, the Sub-Fund presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Sub-Fund has reasonable and supportable information that demonstrates otherwise.

The Sub-Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Sub-Fund considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Sub-Fund, in full.

Irrespective of the above, the Sub-Fund considers that default has occurred when a financial asset is more than 90 days past due unless the Sub-Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(iv) Write-off policy

The Sub-Fund writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Sub-Fund's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Sub-Fund in accordance with the contract and the cash flows that the Sub-Fund expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Sub-Fund recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

*Derecognition of financial assets*

The Sub-Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial liabilities and equity**

Debts and units issued by the Sub-Fund are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity. Puttable financial instruments include contractual obligations for the Sub-Fund to repurchase or redeem the related instruments for cash or another financial asset on exercise of the put. As an exception to the definition of financial liability, a unit which includes such obligation is classified as equity if the unit has all the following features:

- it entitles the holder to a pro rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinated to all other classes of instruments have identical features;
- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund over the life of the instrument.

In addition to the redeemable units meeting all of the above conditions, the Sub-Fund must have no other financial instrument or contract that has:

- total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund; and
- the effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Fund's redeemable units meet these conditions and are classified as equity. Units issued by the Sub-Fund are recognised at the proceeds received, net of direct issue costs, if any.

*Other financial liabilities*

Other financial liabilities including management fee payable, trustee fee payable and other payables are subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liabilities*

The Sub-Fund derecognises financial liabilities when, and only when, the Sub-Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in banks and bank deposits with original maturities of three months or less.

Expenses

All expenses are recognised in statement of comprehensive income on an accrual basis.

Establishment costs

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

Distributions to unitholders

Distributions to unitholders are recognised as liabilities in the statement of financial position in the period in which the distributions are approved by the Manager.

Subscriptions and redemptions

Subscriptions and redemptions of units are recognised on the dealing date on which the subscription application or redemption application is received and accepted.

Foreign currencies

Foreign currency transactions during the year are translated into the functional currency of the Sub-Fund at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency of the Sub-Fund at the foreign exchange rates ruling at the reporting date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

4. TRANSACTIONS WITH THE RELATED PARTIES/CONNECTED PERSON

For disclosure purpose of note 4 to the financial statements, parties are considered to be related if one party provides key management personnel services to the other party or to the parent of the other party.

The following is a summary of significant related party balances/transactions entered into during the year ended 31 March 2020 and the period ended 31 March 2019 between the Sub-Fund, the Manager (also a connected person), the Trustee and Citibank, N.A., the holding company of the Trustee. Connected persons is defined in the SFC Code. All transactions entered into during the year ended 31 March 2020 and the period ended 31 March 2019 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 significant transactions with its related parties/connected person except for those disclosed below.

Management fee

The Manager is entitled to receive a management fee at 0.65% (13.6.2018 to 31.3.2019: 0.65%) per annum on the net assets value of the Sub-Fund. The management fee is calculated and accrued as at each dealing day and payable in monthly in arrears. The management fee for the year ended 31 March 2020 and the period ended and 31 March 2019 and the management fee payable as at 31 March 2020 and 31 March 2019 are as follows:

	1.4.2019 to 31.3.2020 HK\$	13.6.2018 to 31.3.2019 HK\$
Management fee	704,773	541,919
Management fee payable	<u>64,822</u>	<u>61,998</u>

Trustee fee

The Trustee is entitled to receive a trustee fee at 0.10% (13.6.2018 to 31.3.2019: 0.10%) per annum on the net assets value of the Sub-Fund, subject to a monthly minimum of USD2,000. The trustee fee is calculated and accrued as at each dealing day and payable in monthly in arrears. The monthly minimum fee will not be applied for the first 24 months and the trustee fees for the first 6 months will be waived.

The trustee fee for the year ended 31 March 2020 and period ended 31 March 2019 and the trustee fee payable as at 31 March 2020 and 31 March 2019 are as follows:

	1.4.2019 to 31.3.2020 HK\$	13.6.2018 to 31.3.2019 HK\$
Trustee fee	164,490	45,321
Trustee fee payable	<u>9,970</u>	<u>9,540</u>

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

4. TRANSACTIONS WITH THE RELATED PARTIES/CONNECTED PERSON - continued

Bank balances

All the cash at banks were maintained with a group company of the Trustee, i.e. Citibank N.A. ("Citibank"), which carry interests at normal commercial rates. The bank balances of the Sub-Fund held with Citibank as at 31 March 2020 and 31 March 2019 and the interest income earned on these bank balances during the year ended 31 March 2020 and the period ended 31 March 2019 are as follows:

	1.4.2019 to 31.3.2020 HK\$	13.6.2018 to 31.3.2019 HK\$
Bank balances	760,451	521,919
Bank interest income	1,363	644

5. TAXATION

No provision for Hong Kong Profits Tax has been made for the Sub-Fund as it is authorised as a collective investment scheme under Section 104 of the SFO and is therefore exempt from profits tax under Section 26A(1A) of the Inland Revenue Ordinance of Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax, withholding tax at the rate of 10% was charged on certain dividend income received during the year/period.

6. SOFT COMMISSION ARRANGEMENTS

The Manager confirms that there has been no soft commission arrangements existing during the year ended 31 March 2020 and the period ended 31 March 2019 in relation to directing transactions of the Sub-Fund through a broker or dealer.

7. INVESTMENT LIMITATIONS 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:

- (a) the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the tracked index; and
- (b) the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the tracked index, except where weightings are exceeded as a result of changes in the composition of the tracked index and the excess is only transitional and temporary in nature.

Constituent securities that account for more than 10% of the net asset value of the Sub-Fund as at year end are disclosed in the "Underlying index constituent stocks disclosure (unaudited)" on page 40.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

8. UNITS ISSUED AND REDEEMED

	1.4.2019 to <u>31.3.2020</u> HK\$	13.6.2018 to <u>31.3.2019</u> HK\$
Number of units in issue at beginning of the year/period	9,000,000	-
Units issued	1,800,000	9,900,000
Units redeemed	<u>(2,400,000)</u>	<u>(900,000)</u>
Number of units in issue at end of the year/period	<u>8,400,000</u>	<u>9,000,000</u>
	1.4.2019 to <u>31.3.2020</u> HK\$	13.6.2018 to <u>31.3.2019</u> HK\$
Subscription of units	24,000,823	147,689,982
Redemption of units	<u>(28,580,383)</u>	<u>(10,304,685)</u>
Net (redemption) subscription of units at end of the year/period	<u>(4,579,560)</u>	<u>137,385,297</u>

As disclosed in note 3 to the financial statements, establishment costs are expensed as incurred. However, establishment costs of the Sub-Fund are required to be amortised over the first five financial years according to the provisions of the Trust's prospectus. Accordingly, the net assets attributable to unitholders reported in the financial statements was different from the net assets attributable to unitholders calculated under the accounting basis indicated in the Trust's prospectus. A reconciliation of the net assets attributable to unitholders is provided below:

	1.4.2019 to <u>31.3.2020</u> HK\$	13.6.2018 to <u>31.3.2019</u> HK\$
Net assets attributable to unitholders as reported in the statement of financial position	100,606,940	108,195,802
Adjustment for unamortised costs	<u>258,112</u>	<u>338,924</u>
Net assets value calculated under accounting basis indicated in the Trust's prospectus	<u>100,865,052</u>	<u>108,534,726</u>
Net assets attributable to unitholders per units as reported in statement of financial position	<u>11.9770</u>	<u>12.0218</u>
Net assets attributable to unitholders per unit calculated under accounting basis indicated in the Trust's prospectus	<u>12.0077</u>	<u>12.0594</u>

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

9. DISTRIBUTIONS TO UNITHOLDERS

The Manager may in its absolute discretion distribute income to unitholders at such time or times as it may determine in each financial year or determine that no distribution shall be made in any financial year. The amount to be distributed to unitholders, if any, will be derived from the Sub-Fund's net income, fees and costs.

For the year ended 31 March 2020 and period ended 31 March 2019, no distributions were made to the unitholders of the Sub-Fund.

10. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Categories of financial instruments

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Financial asset</b>		
FVTPL	100,110,424	107,903,124
Amortised cost	<u>760,451</u>	<u>521,919</u>
<b>Financial liabilities</b>		
Amortised cost	<u>78,545</u>	<u>75,119</u>

The Sub-Fund maintains the investment portfolio as dictated by its respective investment management strategy. The Sub-Fund's investment objectives are disclosed in note 1 to the financial statements and the Sub-Fund's investment portfolio mainly comprises equity investments.

The Sub-Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in the investments in the Sub-Fund. Unitholders should note that additional information in respect of risks associated with financial instruments in the Sub-Fund can be found in the Trust's prospectus.

The assets allocation is determined by the Manager who manages and monitors the composition of the assets to achieve the investment objectives.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Sub-Fund are discussed below.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

10. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Sub-Fund is designated to track the performance of the Index, and therefore the exposure to market price risk in the Sub-Fund will be substantially the same as the tracked index. Market price risk is managed by the Manager on an ongoing basis in accordance with the investment objectives of the Sub-Fund.

*Sensitivity analysis*

As at 31 March 2020 and 31 March 2019, if the market prices of the equity instruments had been 10% higher and all other variables were held constant, the loss for the year of the Sub-Fund would have been decreased by approximately:

	1.4.2019 to <u>31.3.2020</u> HK\$	13.6.2018 to <u>31.3.2019</u> HK\$
Decrease in loss after tax for the year/period	<u>(10,011,000)</u>	<u>(10,790,000)</u>

If the market prices of the equity instruments had been 10% lower and all other variables were held constant, there would be an equal and opposite impact on the Sub-Fund's loss for the year.

Interest rate risk

Interest rate risk arises from changes in interest rates which may affect the values of interest bearing assets and liabilities and therefore result in potential gain or loss to the Sub-Fund. The Sub-Fund's interest rate risk is managed on an ongoing basis by the Manager.

As at 31 March 2020 and 31 March 2019, the majority of the Sub-Fund's financial assets and financial liabilities are non-interest bearing. Therefore, the Manager considers that the interest rate risk is minimal.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

10. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The functional currency of the Sub-Fund is HKD. It is exposed to currency risk primarily through recognised financial assets or liabilities that are denominated in United States Dollars ("USD") and Renminbi ("RMB"). The following table details the exposure to currency risk of the Sub-Fund at the end of the reporting period. For presentation purposes, the amounts of the exposure are in HKD.

	<u>2020</u> HK\$	<u>2019</u> HK\$
Net assets exposed to USD	59,320,962	69,760,154
Net assets exposed to RMB	<u>8,133,846</u>	<u>7,046,828</u>

In view of the HKD pegged system to the USD, the Manager considers that the currency risk exposure is insignificant and no foreign currency sensitivity analysis is presented accordingly.

As at 31 March 2020, if RMB strengthened/weakened against HKD by 5% with all other variables being constant, the loss for the year/period of the Sub-Fund would have been decreased/increased by approximately HK\$407,000 (2019:HK\$352,000).

Credit risk and impairment assessment

The Sub-Fund's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Credit risk arising from transactions with brokers relates to transactions awaiting settlements and deposits placed in brokers. The risk relating to unsettled transactions and deposits placed in brokers is considered low due to the short settlement period and high credit ratings of brokers assigned by international credit rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with a bank and a broker with high credit ratings, the Sub-Fund do not have any other significant concentration of credit risk.

All of the cash held by the Sub-Fund are deposited with a bank. Bankruptcy or insolvency of the banks may cause the Sub-Fund's rights with respect to the cash at banks to be delayed or limited. As the bank has a credit rating of A3 or higher as determined by a well-known international credit rating agency, the Manager considers that the credit risk is minimal.



10. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Credit risk and impairment assessment - continued

Substantially all of the assets of the Sub-Fund are held by Cititrust Limited (the "Custodian"). Bankruptcy or insolvency of the Custodian may cause the Sub-Fund's rights with respect to assets held by the Custodian to be delayed or limited. The Manager monitors the credit quality and financial position of the Custodian on an ongoing basis. The Custodian is a group company of the Citibank, which has a credit rating of A3 as determined by a well-known international credit rating agency. As such, the Manager considers the credit risk is considered insignificant.

For the year ended 31 March 2020 and period ended 31 March 2019, the Manager considers that no impairment was made on the Sub-Fund's financial assets carried at amortised cost as the ECL is immaterial.

Liquidity risk

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in meeting obligations arising from its respective financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Sub-Fund. The Sub-Fund is exposed to daily liquidity risk on redemption of units.

The Sub-Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and deposits placed in brokers to meet their liquidity requirements in the short and longer term.

The Sub-Fund's investments are considered to have insignificant exposure to liquidity risk as they are all readily realisable under normal market conditions.

As at 31 March 2020 and 31 March 2019, the Sub-Fund's financial liabilities are repayable on demand and due within three months.

Capital management

The Sub-Fund's capital as at the end of the reporting period is represented by their net assets attributable to unitholders.

The Sub-Fund's objective in managing the capital is to ensure a stable and strong base to maximise returns to all unitholders, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Sub-Fund in accordance with the Sub-Fund's investment objectives and policies stated in the offering documents. Under certain circumstance, the Manager may suspend the issuance and redemption of units of the Sub-Fund as currently disclosed in the Trust's prospectus.

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

10. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Fair value

The financial instruments held by the Sub-Fund are measured at their fair values on the reporting date. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Fair values can usually be reliably determined within a reasonable range of estimates.

**Valuation of financial instruments**

The accounting policy of the Sub-Fund on fair value measurements is detailed in the significant accounting policies in note 3 to the financial statements.

In estimating the fair value, the Sub-Fund uses market-observable data to the extent it is available.

The following analyses the Sub-Fund's investments measured at FVTPL on the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised.

*At 31 March 2020*

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Listed equity instruments	<u>100,110,424</u>	<u>-</u>	<u>-</u>	<u>100,110,424</u>

*At 31 March 2019*

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Listed equity instruments	<u>107,903,124</u>	<u>-</u>	<u>-</u>	<u>107,903,124</u>

For the year ended 31 March 2020 and period ended 31 March 2019, there were no transfers of financial instruments between fair value hierarchy levels. The fair values of above financial assets are based on quoted market prices in an active market at the end of reporting period.

As at 31 March 2020 and 31 March 2019, except for financial assets at fair value through profit or loss as disclosed in the financial statements, all other financial assets and financial liabilities are carried at amortised cost. The carrying values of all other financial assets and liabilities carried at amortised cost are considered by the Manager to approximate to their fair values.

11. 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 is a single operating segment which is investments in equity instruments. The investment objectives of the Sub-Fund are disclosed in note 1 to the financial statements.

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

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund has no non-current assets.

12. SUBSEQUENT EVENTS

The Manager has evaluated the impact of all events that have occurred subsequent to the date of these financial statements through 31 July 2020, and have determined that there were no subsequent events requiring adjustment to or disclosure in the financial statements except for the continued effects of the outbreak of the coronavirus ("COVID-19"). The Manager views that the extent of the COVID-19 has no significant negative impact on the financial performance of the Sub-Fund.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Manager and the Trustee on 31 July 2020.

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SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 MARCH 2020

	<u>Holding shares/units</u>	<u>Market value HK\$</u>	<u>% of total net assets attributable to unitholders</u>
<b>Listed equities (99.51%)</b>			
<b>China</b>			
360 Security Technology Inc	11,200	231,702	0.23
East Money Information Co Ltd	156,800	2,750,310	2.74
Giant Network Group Co Ltd	16,800	304,958	0.30
Hithink RoyalFlush Information Network Co Ltd	5,600	664,628	0.66
Mango Excellent Media Co Ltd	16,800	800,307	0.80
Perfect World Co Ltd/China	14,000	727,510	0.72
Suning.com Co Ltd	109,200	1,077,633	1.07
Wangsu Science & Technology Co Ltd	56,000	477,357	0.47
Wuhu Sanqi Interactive Entertainment Network Technology Group Co Ltd	30,800	<u>1,099,328</u>	1.09
		<u>8,133,733</u>	
<b>Hong Kong</b>			
China Literature Ltd	11,760	362,208	0.36
Meituan Dianping	117,600	11,013,240	10.95
Tencent Holdings Ltd	44,520	16,926,504	16.82
Xiaomi Corp	417,200	<u>4,355,568</u>	4.33
		<u>32,657,520</u>	

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

INVESTMENT PORTFOLIO (UNAUDITED) - continued  
AS AT 31 MARCH 2020

	<u>Holding shares/units</u>	<u>Market value HK\$</u>	<u>% of total net assets attributable to unitholders</u>
<b>Listed equities (99.51%)</b>			
<b>United States</b>			
58.com Inc	3,024	1,142,052	1.13
Alibaba Group Holding Ltd	9,604	14,478,512	14.39
Autohome Inc	1,708	940,298	0.93
Baidu Inc	10,080	7,875,439	7.83
HUYA Inc	1,904	250,169	0.25
iQIYI Inc	8,428	1,162,897	1.16
JD.com Inc	33,768	10,601,253	10.54
JOYY Inc	1,876	774,517	0.77
Momo Inc	4,816	809,735	0.81
NetEase Inc	2,240	5,573,086	5.54
Pinduoduo Inc	13,468	3,761,527	3.74
SINA Corp/China	2,016	497,577	0.50
TAL Education Group	13,692	5,652,816	5.62
Tencent Music Entertainment Group	9,464	738,022	0.73
Trip.com Group Ltd	16,072	2,921,525	2.90
Vipshop Holdings Ltd	13,552	1,636,695	1.63
Weibo Corp	1,960	503,051	0.50
		<u>59,319,171</u>	
<b>Total investments</b>		100,110,424	99.51
<b>Other net assets</b>		<u>496,516</u>	0.49
<b>Net assets attributable to unitholders</b>		<u>100,606,940</u>	100.00
<b>Total investments, at cost</b>		<u>111,263,517</u>	

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)  
FOR THE YEAR ENDED 31 MARCH 2020

<u>Investments</u>	Holdings as at 1 April <u>2019</u>	<u>Additions</u>	<u>Disposals</u>	Holdings as at 31 March <u>2020</u>
<b>Listed equities</b>				
<b>China</b>				
360 Security Technology Inc	15,000	2,400	6,200	11,200
China Reform Health Management and Services Group Co Ltd	27,000	-	27,000	-
East Money Information Co Ltd	135,000	81,600	59,800	156,800
Giant Network Group Co Ltd	21,000	3,600	7,800	16,800
Hithink Royalflush Information Network Co Ltd	-	7,200	1,600	5,600
Mango Excellent Media Co Ltd	-	21,600	4,800	16,800
Perfect World Co Ltd/China	15,000	6,000	7,000	14,000
Suning.com Co Ltd	-	149,400	40,200	109,200
Wangsu Science & Technology Co Ltd	54,000	24,000	22,000	56,000
Wuhu Sanqi Interactive Entertainment Network Technology Group Co Ltd	24,000	18,600	11,800	30,800
<b>Hong Kong</b>				
China Literature Ltd	15,000	2,520	5,760	11,760
Meituan Dianping	142,200	33,900	58,500	117,600
Tencent Holdings Ltd	45,000	16,440	16,920	44,520
Xiaomi Corp	528,000	89,400	200,200	417,200
<b>United States</b>				
58.com Inc	3,840	648	1,464	3,024
Alibaba Group Holding Ltd	11,760	2,058	4,214	9,604
Autohome Inc	2,160	366	818	1,708
Baidu Inc	9,930	4,170	4,020	10,080
Ctrip.com International Ltd	20,160	-	20,160	-
HUYA Inc	2,250	408	754	1,904
iQIYI Inc	10,710	1,806	4,088	8,428
JD.com Inc	31,800	13,746	11,778	33,768
JOYY Inc	-	2,412	536	1,876
Momo Inc	6,060	1,032	2,276	4,816
NetEase Inc	2,880	480	1,120	2,240
Pinduoduo Inc	16,380	2,886	5,798	13,468
SINA Corp/China	2,640	432	1,056	2,016
TAL Education Group	14,670	4,374	5,352	13,692
Tencent Music Entertainment Group	-	24,258	14,794	9,464
Trip.com Group Ltd	-	20,664	4,592	16,072
Vipshop Holdings Ltd	17,160	2,904	6,512	13,552
Weibo Corp	2,460	420	920	1,960
YY Inc	1,860	330	2,190	-

SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

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PERFORMANCE OF THE UNDERLYING INDEX AND THE SUB-FUND (UNAUDITED)  
FOR THE YEAR ENDED 31 MARCH 2020

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<b>Sub-Fund</b>	Performance	
	<u>2020</u>	<u>2019</u>
Samsung CSI China Dragon Internet ETF	-2.15%	-22.31%
<b>Index</b>		
CSI Global China Internet Index	-0.73%	-21.58%

Source: Unit-prices are provided by Cititrust Limited. The performance information of Samsung CSI China Dragon Internet ETF which is calculated with reference to the unit-prices is provided by the Manager. Index information is provided by China Securities Index.11

Investors should note that all investment involves risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

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SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)

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PERFORMANCE RECORD (UNAUDITED)  
FOR THE YEAR ENDED 31 MARCH 2020

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(a) Price record (Net assets value per unit)

	<u>Lowest</u> HK\$	<u>Highest</u> HK\$
Year ended 31 March 2020	9.9033	13.9929
Period ended 31 March 2019	9.4830	15.9885

Note: The net assets value per unit is calculated under the accounting basis indicated in the Trust's prospectus.

(b) Net assets value

	<u>Net asset value</u> HK\$
As at 31 March 2020	100,606,940
As at 31 March 2019	<u>108,195,802</u>

(c) Net assets value per unit

	<u>Net asset</u> <u>value per unit</u> HK\$
As at 31 March 2020	11.9770
As at 31 March 2019	<u>12.0218</u>

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**SAMSUNG CSI CHINA DRAGON INTERNET ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST II)**

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**UNDERLYING INDEX CONSTITUENT STOCKS DISCLOSURE (UNAUDITED)  
AS AT 31 MARCH 2020**

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The following are those constituent stocks that accounted for more than 10% of the weighting of the CSI Global China Internet Index.

<b>Constituent stock</b>	<b>Weighting of the Index (%)</b>
Tencent Holdings Ltd	16.88%
Alibaba Group Holding Ltd	14.46%
Meituan Dianping	11.00%
JD.com Inc	10.59%

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