



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

CSOP RMB MONEY MARKET ETF
Stock Codes: 83122 (RMB counter) and 03122 (HKD counter)
(A sub-fund of CSOP ETF Series II)

Unaudited Semi-Annual Report
FOR THE PERIOD ENDED 30 JUNE 2020



**CSOP RMB MONEY MARKET ETF
(A SUB-FUND OF CSOP ETF SERIES II)**

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**CSOP RMB MONEY MARKET ETF
(A SUB-FUND OF CSOP ETF SERIES II)**

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The CSOP RMB Money Market ETF (the “Sub-Fund”), which was named CSOP China Ultra Short-Term Bond ETF before 9 October 2019, is a passive exchange traded fund and it aims to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the benchmark, namely, the 7-Day Fixing Repo Rate (FR007) (the “Benchmark”).

The Sub-Fund Performance

As of 30 June 2020, the dealing Net Asset Value (“NAV”) per unit of the CSOP RMB Money Market ETF was RMB152.9562 and there were 295,000 units outstanding. The total asset under management was approximately RMB45.12 million as at 30 June 2020.

For the period ended 30 June 2020, the return of the 7-Day Fixing Repo Rate was 0.99% while the net asset value per unit of the Sub-Fund decreased by 0.67%. The difference in performance between the NAV of the CSOP RMB Money Market ETF and the Index/ benchmark is mainly attributed to fees and expenses.

Exchange Liquidity

The trading value of the RMB counter (stock code: 83122) remained steadily at an average daily turnover of RMB 8 thousand in June 2020. The trading value of the HKD counter (stock code: 3122) remained steadily at an average daily turnover of HKD 65 thousand in June 2020.

Portfolio Rebalance

The CSOP RMB Money Market ETF adopts daily portfolio rebalance.

**CSOP RMB MONEY MARKET ETF
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CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) <i>RMB</i>	31 December 2019 (Audited) <i>RMB</i>
ASSETS			
CURRENT ASSETS			
Investments	<i>7(d),8(a)</i>	-	40,737,532
Bank interest receivable		77,284	137
Interest receivable on bonds		-	1,281,354
Deposit reserve		-	28,000
Other receivable	<i>7(c)</i>	5,217	33,066
Cash and cash equivalents	<i>7(d)</i>	45,134,800	1,315,913
Total assets		<u>45,217,301</u>	<u>43,396,002</u>
LIABILITIES			
CURRENT LIABILITIES			
Management fee payable	<i>7(a),7(b)</i>	18,114	1,470
Other accounts payable		76,900	102,622
Total liabilities		<u>95,014</u>	<u>104,092</u>
EQUITY			
Net assets attributable to unitholders	<i>4</i>	<u>45,122,287</u>	<u>43,291,910</u>

Note: Semi-annual reports have applied the same accounting policies and methods of computation as are applied in the annual reports of the Fund.

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

**CSOP RMB MONEY MARKET ETF
(A SUB-FUND OF CSOP ETF SERIES II)**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2020

	<i>Notes</i>	Period from 1 January 2020 to 30 June 2020 (Unaudited) <i>RMB</i>	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>
INCOME			
Interest income from bank deposits	<i>7(d)</i>	311,624	4,036
Interest income from bonds		181,453	569,902
Net loss on investments	<i>5</i>	(611)	(23,968)
Total net income		<u>492,466</u>	<u>549,970</u>
EXPENSES			
Management fee	<i>7(a), (b)</i>	(103,251)	(97,561)
Transaction cost on investments		(275)	(206)
Audit fee		(6,971)	(14,473)
Safe custody and bank charges	<i>7(f)</i>	(3,373)	(8,237)
Legal and other professional fee		-	(8,555)
Other operating expenses	<i>7(f)</i>	(75,442)	(119,339)
Total operating expenses		<u>(189,312)</u>	<u>(248,371)</u>
Operating profit		<u>303,154</u>	<u>301,599</u>
Taxation	<i>6</i>	<u>(169)</u>	<u>(360)</u>
Total comprehensive income		<u><u>302,985</u></u>	<u><u>301,239</u></u>

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

**CSOP RMB MONEY MARKET 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 2020

	<i>Notes</i>	Period from 1 January 2020 to 30 June 2020 (Unaudited) <i>RMB</i>	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>
Net assets attributable to unitholders at the beginning of the period		43,291,910	43,209,855
Proceeds on issue of units	4	1,527,392	-
Net increase from unit transactions		<u>1,527,392</u>	<u>-</u>
Distribution to unitholders	9	-	(256,500)
Total comprehensive income for the period		<u>302,985</u>	<u>301,239</u>
Net assets attributable to unitholders at the end of the period		<u><u>45,122,287</u></u>	<u><u>43,254,594</u></u>

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

**CSOP RMB MONEY MARKET ETF
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CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30 June 2020

	Period from 1 January 2020 to 30 June 2020 (Unaudited) RMB	Period from 1 January 2019 to 30 June 2019 (Unaudited) RMB
OPERATING ACTIVITIES		
Payments for purchase of investments	(39,668,923)	(29,949,778)
Proceeds from sale of investments	80,405,844	30,151,183
Interest income from bank deposits received	234,477	3,940
Interest income from bonds received	1,462,807	1,154,812
Management fee paid	(86,607)	(97,611)
Transaction cost paid	(275)	(206)
Taxation paid	(169)	(360)
Other receivables	27,849	568,937
Other operating expenses paid	(111,508)	(150,557)
Deposit reserve refunded	28,000	-
Net cash generated from operating activities	<u>42,291,495</u>	<u>1,680,360</u>
FINANCING ACTIVITIES		
Proceeds on issue of units	1,527,392	-
Distribution paid	-	(256,500)
Net cash generated from/(used in) financing activities	<u>1,527,392</u>	<u>(256,500)</u>
Net increase in cash and cash equivalents	<u>43,818,887</u>	<u>1,423,860</u>
Cash and cash equivalents at the beginning of the period	<u>1,315,913</u>	<u>820,549</u>
Cash and cash equivalents at the end of the period	<u><u>45,134,800</u></u>	<u><u>2,244,409</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances	134,800	2,244,409
Short-term deposits	45,000,000	-
	<u>45,134,800</u>	<u>2,244,409</u>

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

**CSOP RMB MONEY MARKET ETF
(A SUB-FUND OF CSOP ETF SERIES II)**

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CSOP ETF Series II (the “Trust”) is an umbrella unit trust governed by its trust deed dated 20 January 2014, as amended, (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 30 June 2020, the Trust has two sub-funds which are CSOP RMB Money Market ETF (the “Sub-Fund”) and CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF. The date of inception of the Sub-Fund was 16 January 2015. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

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

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Benchmark, namely, the 7-Day Fixing Repo Rate (FR007).

Change of Investment Objective and Investment Strategy

Prior to 9 October 2019, the investment objective of the Sub-Fund was to provide investment results that, before fees and expenses, closely corresponded to the performance of the underlying index, namely, FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index (“Index”). In order to achieve the investment objective of the Sub-Fund, the Manager adopted a representative sampling strategy. A representative sampling strategy involves investing in a representative sample of securities that collectively has an investment profile that reflects the profile of the Index.

Effective from 9 October 2019, the Sub-Fund has changed the investment objective to providing performance that closely corresponds to the 7-Day Fixing Repo Rate (FR007) (the “New Benchmark”).

In order to provide performance that closely corresponds to the performance of the New Benchmark, the investment strategy of the Sub-Fund has changed. Manager invests all, or substantially all, of the assets of the Sub-Fund in RMB-denominated and settled short-term deposits and high quality money market instruments including onshore and offshore debt securities, which are issued by Eligible Financial Institutions (including their group companies), governments, quasi-governments, international organisations, corporates and financial institutions (other than Eligible Financial Institutions), including Treasury Bonds and Policy Bank Bonds, and commercial papers, super and short-term commercial paper, certificates of deposits and commercial bills. For the purpose of this Sub-Fund, an “Eligible Financial Institution” is a financial institution which has a credit rating as Baa3 or above by Moody's Investor Services Inc. or BBB- or above by Standard & Poor's Corporation or similar rating by other recognised rating agencies.

In early 2020, the Sub-Fund used to invest substantially in onshore negotiable certificates of deposits (the “NCDs”). The Manager has noticed that onshore NCDs has experienced greater volatility due the changes in short-term interest rates, which has affected the NAV of the Sub-Fund. To the best interest of investors, the Manager considered RMB time deposits as a more suitable investment instrument in that circumstance. However, there has been operational difficulties to access onshore RMB time deposits during the epidemic period, thus with effective from 19 February 2020, the Manager began to invest in offshore RMB time deposits. This is a deviation from the investment strategy as disclosed in the offering documents of the Sub-Fund.

**CSOP RMB MONEY MARKET ETF
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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION (Continued)

Under current regulations in the People's Republic of China ("PRC"), foreign investors can invest in the domestic debt securities market through certain qualified foreign institutional investors that have obtained status as a Qualified Foreign Institutional Investor ("QFII") or a Renminbi Qualified Foreign Institutional Investor ("RQFII") from the China Securities Regulatory Commission ("CSRC") and have been granted quota(s) by the State Administration of Foreign Exchange ("SAFE") of the PRC to remit foreign freely convertible currencies (in the case of a QFII) and Chinese Renminbi ("RMB") (in the case of a RQFII) into the PRC for the purpose of investing in the PRC's domestic debt securities markets.

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

These condensed financial statements are prepared for the Sub-Fund only. The condensed financial statements for the other Sub-Fund of the Trust has 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 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed semi-annual financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in the annual financial statements.

Standards and amendments to existing standards effective 1 January 2020

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Sub-Fund.

New standards, amendments and interpretations effective after 1 January 2020 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 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

**CSOP RMB MONEY MARKET ETF
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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Fair value of unlisted investments

As at 30 June 2020, the Sub-Fund did not hold any quoted debt securities. The Sub-Fund holds a number of quoted debt securities that are valued by reference to broker quotes as at 31 December 2019. In determining the fair value of such investments, the Management exercises judgement and estimates on the quantity and quality of pricing sources used. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. As such, broker quotes do not necessarily indicate the price at which the security could actually be traded as at 31 December 2019. Actual transacted prices may differ from the quotes provided by the brokers. The Management considers that in the absence of any other reliable market sources, the broker quotes available to them reflect the best estimate of fair value.

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

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

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

**CSOP RMB MONEY MARKET ETF
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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Furthermore, according to the notice Caishui [2016] No.36 ("Circular 36"), Value-Added Tax ("VAT") at 6% shall be levied on the difference between the selling and buying prices of those marketable securities starting from 1 May 2016. In addition, if VAT is applicable, local surtaxes including Urban Maintenance and Construction Tax (currently at the rate ranging from 1% to 7%), Education Surcharge (currently at the rate of 3%) and Local Education Surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities (the "VAT related taxes"). The gains derived by QFIIs/RQFIIs and through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from trading of marketable securities (including A-shares and other PRC listed securities) are exempted from VAT in the PRC under Circular 36 and other prevailing VAT regulations. According to Caishui [2016] No. 70, gains derived by approved foreign investors from the trading of RMB denominated debt securities in the China Interbank Bond Market should be exempt from PRC VAT. There are no specific VAT rules on Bond Connect, by making reference to the above circular and other related prevailing tax regulations, it is anticipated that gains derived by foreign investors from the trading of PRC bonds through "Northbound Trading" should also not be subject to PRC VAT. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

Exemption of PRC WIT and VAT effective from 7 November 2018

On 7 November 2018, the Ministry of Finance and the PRC State Taxation Administration ("STA") jointly issued a notice Caishui [2018] No.108 ("Circular 108") which stipulates that foreign institutional investors are temporarily exempted from PRC WIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021.

The Sub-Fund did not make any provision on VAT from 1 May 2016 to 7 November 2018 as the Manager considers that the potential PRC VAT exposure was immaterial. Refer to Page 10.

The Manager decides to change the tax provisioning policy of the Sub-Fund and cease to make provisions for PRC WIT and VAT (plus the VAT related taxes) on the interest income received from PRC non-government bonds from 7 November 2018 to 6 November 2021.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) PRC tax provision (Continued)

(i) Capital gains on PRC debt securities and investment funds (“PRC Investments”)

During the year ended 31 December 2019, the Sub-Fund invests in PRC debt securities in PRC through the RQFII program. The Manager considers that the enforcement of PRC tax on gains derived from the PRC debt securities is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing whether the Sub-Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events.

The Manager considered that the WIT policy for QFIIs/RQFIIs' investment in debt securities has not been clarified in the "Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII" (the "Notice").

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

The Manager estimates the gross realised gains from 16 January 2015 (date of inception) to 30 June 2020 and gross unrealised gains of the Sub-Fund as at 30 June 2020 which could be exposed to PRC WIT at the rate of 10% to be RMB3,159,533 (from 16 January 2015 (date of inception) to 31 December 2019: RMB2,802,557) and RMBnil (As at 31 December 2019: RMB178,160) respectively. The estimated potential capital gain tax exposure arising from gross realised capital gain and gross unrealised capital gain would be RMB315,953 and RMBnil respectively which in aggregate represents 0.70% (As at 31 December 2019: RMB280,256 and RMB17,816 respectively which in aggregate represents 0.69%) of the net assets attributable to unitholders of the Sub-Fund as at 30 June 2020. The Manager considers that the PRC WIT on capital gains from PRC debt securities is still uncertain and has not made the provision on the gross realised capital gains and gross unrealised capital gains derived from PRC debt securities in the Sub-Fund as at 30 June 2020 and 31 December 2019.

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

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) PRC tax provision (Continued)

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

The Management considers that the PRC WIT treatment on accrued interest of PRC non-government bonds holding by the Sub-Fund as at 30 June 2020 derived from 16 January 2015 (date of inception) to 6 November 2018 (prior to WIT exemption under Circular 108) and the enforcement of VAT and the VAT related taxes from 1 May 2016 to 6 November 2018 (prior to VAT exemption under Circular 108) is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

PRC WIT

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

- (i) the issuers of PRC bonds are required to withhold 10% WIT at the coupon payment date before distributing the interest income to the bond holder; and
- (ii) the PRC bonds purchased during the period from 1 May 2016 to 6 November 2018 were sold by the Manager before the coupon payment dates or the maturity dates of the PRC bonds.

PRC VAT and related taxes

As at 30 June 2020 and 31 December 2019, the Manager did not consider that the potential PRC VAT exposure arising from the Sub-Fund's accumulated interest income received from PRC non-government bonds from 1 May 2016 to 6 November 2018 (prior to VAT exemption under Circular 108) to be material.

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

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.

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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)

Establishment costs are expensed as incurred. However, in accordance with the provisions of the Trust's Prospectus, establishment costs are recognised using the amortisation method.

Redeemable units of the Sub-Fund are classified as equity and they are carried at the redemption amount that would be payable at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

The movements of the redeemable units are as follows:

	Period from 1 January 2020 to 30 June 2020 (Unaudited) Units	Period from 1 January 2019 to 30 June 2019 (Unaudited) Units
Number of units in issue at the beginning of the period	285,000	285,000
Units issued	10,000	-
	<hr/>	<hr/>
Number of units in issue at the end of the period	<u>295,000</u>	<u>285,000</u>
	As at 30 June 2020 (Unaudited) RMB	As at 31 December 2019 (Audited) RMB
Net assets attributable to unitholders per unit (per statement of financial position)	<u>152.9569</u>	<u>151.9014</u>

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 2020, the expensing of establishment costs as stated in the financial statements resulted in a decrease of net assets attributable to unitholders of RMBnil (31 December 2019: RMB12,050) when compared with the methodology indicated in the Trust's Prospectus.

	As at 30 June 2020 (Unaudited) RMB	As at 31 December 2019 (Audited) RMB
Net assets attributable to unitholders as reported in the statement of financial position	45,122,287	43,291,910
Adjustments for unamortised establishment costs	-	12,050
	<hr/>	<hr/>
Net asset value in accordance with the Trust's Prospectus	<u>45,122,287</u>	<u>43,303,960</u>

**CSOP RMB MONEY MARKET ETF
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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

5. NET LOSS ON INVESTMENTS

	Period from 1 January 2020 to 30 June 2020 (Unaudited) <i>RMB</i>	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>
Net change in unrealised gain/loss in value of investments	1,236,569	(37,535)
Net realised (loss)/gain on sale of investments	(1,237,180)	13,567
	<u>(611)</u>	<u>(23,968)</u>

6. 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 Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

PRC withholding income tax

During the period ended 30 June 2020 and 30 June 2019, the Sub-Fund had invested in RMB denominated debt securities in PRC. Refer to Note 3 for details.

The taxation of the Sub-Fund for the period ended 30 June 2020 and 30 June 2019 represents:

	Period from 1 January 2020 to 30 June 2020 (Unaudited) <i>RMB</i>	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>
Withholding income tax on bank interest income	169	360
Taxation	<u>169</u>	<u>360</u>

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS

The following is a summary of significant related party transactions and transactions entered into during the period between the Sub-Fund and the Trustee, the Manager and the Connected Persons of the Manager. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code"). All transactions entered into during the period ended 30 June 2020 and 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.

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

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

(a) Management fee

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

(b) Trustee fee and Registrar's fee

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

(c) Amount receivable from the Manager

During the period ended 30 June 2020, there is no any amount receivables from the Manager (31 December 2019: RMB33,066) was recognised in the statement of financial position as "other receivables".

(d) Financial assets

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

	As at 30 June 2020 (Unaudited) <i>RMB</i>	As at 31 December 2019 (Audited) <i>RMB</i>
Investments		
HSBC Bank (China) Company Limited	-	40,737,532
	<hr/> <hr/>	<hr/> <hr/>
Bank balances		
The Hongkong and Shanghai Banking Corporation Limited	134,711	57,692
HSBC Bank (China) Company Limited	89	1,258,221
	<hr/> <hr/>	<hr/> <hr/>
	134,800	1,315,913
	<hr/> <hr/>	<hr/> <hr/>
Deposit reserve		
HSBC Bank (China) Company Limited	-	28,000
	<hr/> <hr/>	<hr/> <hr/>

Interest income amounted to RMB2,999 (2019: RMB4,036) was earned on these bank balances for the period ended 30 June 2020.

(e) Manager's holdings

The Manager of the Sub-Fund holds 255,570 (2019: 255,570) RMB counter units, which represents 86.63% (2019: 89.67%) of the net asset value of the Sub-Fund as at 30 June 2020 and 31 December 2019.

**CSOP RMB MONEY MARKET ETF
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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

(f) Other respective amounts paid to the Trustee and its connected persons

The other respective amounts paid to the Trustee and its connected persons for the period ended 30 June 2020 and 2019 were as follows:

	Period from 1 January 2020 to 30 June 2020 (Unaudited) <i>RMB</i>	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>
Safe custody and bank charges	3,373	2,713
Other operating expenses	38,174	50,586

8. FINANCIAL RISK MANAGEMENT

Prior to 9 October 2019, the objective of the Sub-Fund was to provide investment results that, before fees and expenses, closely corresponded to the performance of the FTSE Chinese Government, and Policy Bank Bond 0-1 Year Select Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

Effective from 9 October 2019, the objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the benchmark, namely, the 7-Day Fixing Repo Rate (FR007) ("Benchmark").

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.

Effective from 9 October 2019, the Sub-Fund is designated to closely correspond to the performance of the benchmark, namely, the 7-Day Fixing Repo Rate (FR007). Prior to 9 October 2019, the Sub-Fund was designated to track the performance of the FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index. Therefore, the exposures to market risk in the Sub-Fund will be substantially the same as the performance of the benchmark/tracked index. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight, are closely aligned with the characteristics of the benchmark/tracked index.

As at 30 June 2020, the Sub-Fund did not hold any investments and it only invested into short-term deposits. As a result, the Sub-Fund was not exposed to market risk as at 30 June 2020.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk (continued)

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

	<u>31 December 2019 (Audited)</u>	
	Fair value <i>RMB</i>	% of net asset value
Quoted debt securities		
PRC Government bonds	2,001,172	4.62
PRC corporate bonds	38,736,360	89.48
	<u>40,737,532</u>	<u>94.10</u>

(ii) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

As at 30 June 2020, the Sub-Fund invests in short-term deposits and as at 31 December 2019, the Sub-Fund invests in fixed-income investments, and 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 short-term deposits and shorter term fixed income investments and higher for long-term deposits and longer term fixed income investments.

Prior to the 26 March 2020, as the Sub-Fund invested in PRC bonds, the Sub-Fund was additionally subject to policy risk as changes in macro-economic policies in the PRC (including monetary policy and fiscal policy) may have an influence over the PRC's capital markets and affected 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.

**CSOP RMB MONEY MARKET ETF
(A SUB-FUND OF CSOP ETF SERIES II)**

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The table below summarises the Sub-Fund's exposure to interest rate risks. It includes the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

As at 30 June 2020

	Maturity Less than 1 moth <i>RMB</i>	Maturity 1-3 months <i>RMB</i>	Maturity Over 3 months <i>RMB</i>	Non- interest Bearing <i>RMB</i>	Total <i>RMB</i>
Assets					
Bank interest receivable	-	-	-	77,284	77,284
Other receivable	-	-	-	5,217	5,217
Cash and cash equivalents					
- Bank balances	134,800	-	-	-	134,800
- Bank deposits	23,000,000	22,000,000	-	-	45,000,000
Total assets	23,134,800	22,000,000	-	82,501	45,217,301
Liabilities					
Management fee payable	-	-	-	18,114	18,114
Other accounts payable	-	-	-	76,900	76,900
Total liabilities	-	-	-	95,014	95,014
Total interest sensitivity gap	23,134,800	22,000,000	-		

**CSOP RMB MONEY MARKET 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 2019

	Maturity Up to 1 year RMB	Maturity 1-5 years RMB	Maturity Over 5 years RMB	Non- interest Bearing RMB	Total RMB
Assets					
Investments	40,737,532	-	-	-	40,737,532
Bank interest receivable	-	-	-	137	137
Interest receivable on bonds	-	-	-	1,281,354	1,281,354
Other receivable	-	-	-	33,066	33,066
Deposit reserve	28,000	-	-	-	28,000
Bank balances	1,315,913	-	-	-	1,315,913
Total assets	42,081,445	-	-	1,314,557	43,396,002
Liabilities					
Management fee payable	-	-	-	1,470	1,470
Other accounts payable	-	-	-	102,622	102,622
Total liabilities	-	-	-	104,092	104,092
Total interest sensitivity gap	42,081,445	-	-		

At 30 June 2020, the Sub-Fund has bank balances and short-term deposits in total of RMB45,134,800. At 31 December 2019, the Sub-Fund had bank balances and deposit reserve in total of RMB1,343,913. If the interest rates had been 10 basis points (31 December 2019: 10 basis points) higher or lower with all variables held constant, net assets attributable to unitholders would have been RMB45,134 (31 December 2019: RMB1,344) higher or lower as a result of higher or lower interest income.

The Manager and Trustee monitor the interest rate risks by quantifying (a) market exposure in percentage terms; and (b) exposure in duration terms by different countries. As at 30 June 2020, the Sub-Fund did not invest in interest-bearing securities. As at 31 December 2019, the Sub-Fund has invested in interest-bearing securities of RMB40,737,532 and the portfolio weighted average modified duration of the Sub-Fund was 0.02.

As at 30 June 2020, the Sub-Fund did not invest in interest-bearing securities. As at 31 December 2019, should the relevant interest rates have lowered/risen by 100 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the period would amount to approximately RMB9,451, arising substantially from the increase/decrease in market values of debt securities.

**CSOP RMB MONEY MARKET ETF
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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 RMB, the Sub-Fund's functional and presentation currency. As a result, Management considers sensitivity analysis of currency risk is not necessary to be presented.

(b) Credit and counterparty risk

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

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

The Sub-Fund places bank balances with reputable financial institutions. In addition, prior to 26 March 2020, all transactions in PRC bonds are settled or paid for upon delivery using approved and reputable brokers. As such, the Manager does not consider the Sub-Fund to be exposed to significant credit and counterparty risk.

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

The table below summarises the amount of Short-term deposits and bank balance of the Sub-Fund placed with the counterparties together with the credit rating of the relevant counterparties as at 30 June 2020.

As at 30 June 2020	RMB	Short-term credit rating	Source of credit rating
Short-term deposits			
Bank of Shanghai Hong Kong Limited	9,000,000	P-2	Moody's
China Everbright Bank Co., Ltd	8,700,000	P-2	Moody's
Chiyu Banking Corp Ltd, Hong Kong Branch	7,300,000	P-2	Moody's
CMB Wing Lung Bank Limited	8,200,000	P-2	Moody's
Industrial Bank Co., LTD. Hong Kong Branch	6,900,000	P-2	Moody's
Maybank, HK Branch	2,000,000	P-2	Moody's
Shanghai Pudong Development Bank co LTD, Hong Kong Branch	2,900,000	P-2	Moody's
	<u>45,000,000</u>		

**CSOP RMB MONEY MARKET ETF
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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

As at 30 June 2020	RMB	Short-term credit rating	Source of credit rating
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	134,711	A-	S&P
HSBC Bank (China) Company Limited ("HSBC China")	89	A1	Moody's
	<u>134,800</u>		

The table below summarises the credit rating of the investment portfolio issued by credit rating agencies as at 31 December 2019.

Portfolio by rating category of RMB denominated bonds:

As at 31 December 2019

	RMB	% of NAV	Credit rating	Source of credit rating
Quoted bonds				
CHINA GOVERNMENT BOND (SER 2901) (REG) 2.31% 17/01/2020	2,001,172	4.62	A+	S&P
BANK OF COMMUNICATIONS (SER NCD) (REG) 0% 02/01/2020	9,674,340	22.35	A-	S&P
BANK OF BEIJING CO LTD (SER NCD) (REG) 0% 14/01/2020	9,691,530	22.39	AAA	Lianhe/Shanghai Brilliance
BANK OF HANGZHOU CO LTD (SER NCD) (REG) 0% 11/01/2020	9,684,700	22.37	AAA	China Chengxin
BANK OF NINGBO (SER NCD) (REG) 0% 08/01/2020	9,685,790	22.37	AAA	China Chengxin
	<u>40,737,532</u>	<u>94.10</u>		

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

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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 amount of investments and bank balances of the Sub-Fund placed with the counterparties together with the credit rating of the relevant counterparties as at 31 December 2019.

	RMB	Credit rating	Source of credit rating
As at 31 December 2019			
Investments			
HSBC Bank (China) Company Limited ("HSBC China")	40,737,532	A1	Moody's
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	57,692	A	S&P
HSBC Bank (China) Company Limited ("HSBC China")	1,258,221	A1	Moody's
Deposit reserve			
HSBC Bank (China) Company Limited ("HSBC China")	28,000	A1	Moody's

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. As at 30 June 2020 and 31 December 2019, deposit reserve, bank interest receivable, interest receivable on bonds, other receivable and bank balances are held with counterparties with high credit ratings and are due to be settled within 1 month. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

The maximum exposure to credit risk as at 30 June 2020 and 31 December 2019 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 short-term deposits that are matured in less than three months.

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

	Less than 1 month <i>RMB</i>	1 month to less than 3 months <i>RMB</i>	Over 3 months <i>RMB</i>	Total <i>RMB</i>
As at 30 June 2020				
Management fee payable	-	18,114	-	18,114
Other accounts payable	-	76,900	-	76,900
	<hr/>	<hr/>	<hr/>	<hr/>
Contractual cash outflow	-	95,014	-	95,014
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 31 December 2019				
Management fee payable	-	1,470	-	1,470
Other accounts payable	-	102,622	-	102,622
	<hr/>	<hr/>	<hr/>	<hr/>
Contractual cash outflow	-	104,092	-	104,092
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Units are redeemed on demand at the unitholder's option. As at 30 June 2020, there was one (31 December 2019: one) unitholder holding more than 10% of the Sub-Fund's units.

**CSOP RMB MONEY MARKET ETF
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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 debt securities that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month <i>RMB</i>	1 to 12 months <i>RMB</i>	No stated maturity <i>RMB</i>	Total <i>RMB</i>
As at 30 June 2020				
Total assets	27,012,084	18,205,217	-	45,217,301
As at 31 December 2019				
Total assets	43,334,936	61,066	-	43,396,002

(d) Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Sub-Fund can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Sub-Fund did not hold any investments as at 30 June 2020.

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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 31 December 2019:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2019				
Assets				
Investments				
- Debt securities	-	40,737,532	-	40,737,532
Total assets	<u>-</u>	<u>40,737,532</u>	<u>-</u>	<u>40,737,532</u>

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

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

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

For the year ended 31 December 2019, there were no transfers between levels.

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

(e) Capital risk management

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

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

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

9. DISTRIBUTION

	Period from 1 January 2020 to 30 June 2020 (Unaudited) <i>RMB</i>	Period from 1 January 2019 to 30 June 2019 (Unaudited) <i>RMB</i>
RMB0.9 on 285,000 units on ex-dividend date 24 April 2019 paid on 30 April 2019	-	256,500
Total distributions	-	256,500

10. FINANCIAL INSTRUMENTS BY CATEGORY

As of 30 June 2020, all financial assets including bank interest receivable, other receivables and cash and cash equivalents are categorised as per HKFRS 9 and carried at amortised costs. All the financial liabilities of the Sub-Fund are carried at amortised cost.

As of 31 December 2019, other than investments as disclosed in the financial statements which are classified as financial assets at fair value through profit or loss, all financial assets including deposit reserve, bank interest receivable, interest receivable on bonds, other receivables and bank balances are categorised as and carried at amortised cost. All the financial liabilities of the Sub-Fund are carried at amortised cost.

11. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

Changes of the investment limitation

Prior to 9 October 2019, the SFC Code allows the Sub-Fund to invest in constituent securities issued by a single issuer for more than 10% of the Sub-Fund's net asset value provided that the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the Index and the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the Index (except as a result of changes in the composition of the Index and the excess is transitional and temporary in nature).

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

Effective from 9 October 2019, the aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity will not exceed 10% of the total Net Asset Value of the Sub-Fund except:

- (i) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or
- (ii) in the case of Government and other public securities, up to 30% may be invested in the same issue; or
- (iii) in respect of any deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size;

The Manager and the Trustee have confirmed that the Sub-Fund has complied with the above limits during the period/year ended 30 June 2020 and 31 December 2019.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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

As at 30 June 2020, the Sub-Fund held short-term deposits collectively more than 10% of net assets value, issued by single issuer as follows.

Issuer	% NAV
Bank of Shanghai Co Ltd	19.95
China Everbright Bank Co., Ltd	19.28
Chiyu Banking Corp Ltd, Hong Kong Branch	16.18
CMB Wing Lung Bank Limited	18.17
Industrial Bank Co., LTD. Hong Kong Branch	15.29

For the period ended 30 June 2020, the return of the 7-Day Fixing Repo Rate was 0.99% (31 December 2019: 0.61%) while the net asset value per unit of the Sub-Fund increased by 0.69% (31 December 2019: decreased by 0.24%).

For the period ended 30 June 2020, the Sub-Fund paid dividend of RMBNil (30 June 2019: RMB0.9) per unit, which represents Nil (30 June 2019: 0.6%) to the net asset value per unit as at 30 June 2020. For the details of dividend distribution, refer to Note 9.

12. SOFT COMMISSION ARRANGEMENT

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

13. SEGMENT INFORMATION

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

The Manager considers that operating segment of the Sub-Fund is investing in RMB denominated and settled short term deposits, high quality money market instruments, RMB denominated and settled fixed rate bonds, commercial papers, super and short term commercial paper, certificates of deposits and commercial bills. Prior to 9 October 2019, the objectives of the Sub-Fund are to track the performance of the FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index and invest in the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index. Effective from 9 October 2019, 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 benchmark, namely, the 7-Day Fixing Repo Rate (FR007), which is the tracked benchmark.

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 RMB-denominated and settled short-term deposits, high quality money market instruments including onshore and offshore debt securities and PRC bonds including PRC Government and policy bank bonds which constitute 7-Day Fixing Repo Rate (FR007), the tracked benchmark.

As at 30 June 2020 and 31 December 2019, the Sub-Fund has no other assets classified as non-current assets. As at 30 June 2020 there were five issuers of short-term deposit accounts for more than 10% of the Sub-Fund's net asset value. As at 31 December 2019, the Sub-Fund has a diversified portfolio of investments, including four investments, each accounting for more than 10% of the Sub-Fund's net asset value.

**CSOP RMB MONEY MARKET ETF
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INVESTMENT PORTFOLIO (Unaudited)

As at 30 June 2020

	Fair value RMB	% of net asset value
Total investments at fair value	-	-
Other net assets	45,122,287	100.00
Net assets attributable to unitholders at 30 June 2020	<u>45,122,287</u>	<u>100.00</u>
Total investments, at cost	<u>-</u>	

	Fair value RMB	% of net asset value
Daily liquid assets	6,134,711	13.60
Weekly liquid assets	18,134,711	40.19

The weighted average maturity and the weighted average life of the portfolio of the Fund are 34.62 days and 34.62 days respectively.

**CSOP RMB MONEY MARKET ETF
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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the period ended 30 June 2020

There were no security movements during the period from 1 January 2020 to 30 June 2020.

**CSOP RMB MONEY MARKET ETF
(A SUB-FUND OF CSOP ETF SERIES II)**

PERFORMANCE RECORD (Unaudited)

Net asset value

	Dealing net asset value of the Sub-Fund* <i>RMB</i>	Dealing net asset value per unit <i>RMB</i>
At the end of financial period/year dated		
30 June 2020	45,122,287	152.9569
31 December 2019	43,303,960	151.9437
31 December 2018	43,466,349	152.5135

Highest and lowest net asset value per unit

	Highest net asset value per unit <i>RMB</i>	Lowest net asset value per unit <i>RMB</i>
Financial period/year ended		
30 June 2020	152.9562	151.9390
31 December 2019	152.9863	151.6345
31 December 2018	153.1178	150.7842
31 December 2017	151.0231	149.2665
31 December 2016	152.1510	149.2350
31 December 2015 (Since 16 January 2015 (date of inception))	152.0796	149.9980

**The dealing net asset value of the Sub-Fund disclosed is calculated in accordance with the Trust's Prospectus.*

**CSOP RMB MONEY MARKET ETF
(A SUB-FUND OF CSOP ETF SERIES II)**

MANAGEMENT AND ADMINISTRATION

Manager and RQFII Holder

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

Trustee and Registrar

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

Custodian

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

PRC Custodian

HSBC Bank (China) Company Limited
33rd Floor, HSBC Building
Shanghai ifc, 8 Century Avenue
Pudong, Shanghai, China 200120

Service Agent

HK Conversion Agency Services Limited
2/F, Infinitus Plaza
199 Des Voeux Road 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
30/F, One Taikoo Place
979 King's Road
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
Hong Kong



www.csopasset.com

Telephone: (852) 3406 5688

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