



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)

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 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 31 December 2020, the dealing Net Asset Value (“NAV”) per unit of the CSOP RMB Money Market ETF was RMB154.2268 and there were 345,000 units outstanding. The total asset under management was approximately RMB 53.21 million.

During the period from 31 December 2019 to 31 December 2020, the return of the 7-Day Fixing Repo Rate was +2.20% while the net asset value per unit of the Sub-Fund increased by 1.50%. 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 31 thousand in December 2020. The trading value of the HKD counter (stock code: 3122) remained steadily at an average daily turnover of HKD101 thousand in December 2020.

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

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the CSOP RMB Money Market ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series II, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 20 January 2014, as amended, for the year ended 31 December 2020.

HSBC Institutional Trust Services (Asia) Limited
30 April 2021

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

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER’S RESPONSIBILITIES

The Manager of the CSOP RMB Money Market ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series II, is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong and the Trust Deed dated 20 January 2014, as amended, (the “Trust Deed”) to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of the year and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

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

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

CSOP ETF Series II (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2020, the Trust has established two sub-funds, namely, CSOP RMB Money Market ETF and CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF.

TRUSTEE’S RESPONSIBILITIES

The Trustee of the Sub-Fund is required to:

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP RMB MONEY MARKET ETF
(A SUB-FUND OF CSOP ETF SERIES II, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG
KONG)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of CSOP RMB Money Market ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series II, set out on pages 8 to 38, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2020, and of its financial transactions and its cash flows for the year then ended 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Sub-Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

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

Key Audit Matters (Continued)

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

Key Audit Matters	How our audit addressed the Key Audit Matters
<p data-bbox="118 533 504 566"><u>Existence of short-term deposits</u></p> <p data-bbox="118 600 644 864">As at 31 December 2020, the Sub-Fund had short-term deposits with a number of banks for an aggregate value of RMB5,700,000 and RMB47,300,000, which are presented as “Term deposits with original maturity of more than three months” and “Cash and cash equivalents”, respectively and are measured at amortised cost.</p> <p data-bbox="118 902 644 1032">We focused on the existence of the short-term deposits because the short-term deposits represented the principal element of the Sub-Fund’s net asset value.</p> <p data-bbox="118 1070 620 1104">Refer to note 9 to the financial statements.</p>	<p data-bbox="673 533 1474 600">Our work included an assessment of the key controls over the existence of the short-term deposits, which included the following:</p> <ol data-bbox="673 633 1474 999" style="list-style-type: none"> <li data-bbox="673 633 1474 831">1. We developed an understanding of the control objectives and related controls by obtaining the service organisation internal control reports provided by the trustee setting out the controls in place, and the independent service auditor’s assurance reports over the design and operating effectiveness of those controls thereon. <li data-bbox="673 869 1474 999">2. We evaluated the tests undertaken by the service auditor and the results of the tests undertaken and the opinions formed by the service auditor on the design and operating effectiveness of the controls, to the extent relevant to our audit of the Sub-Fund. <p data-bbox="673 1037 1474 1234">We tested the existence of short-term deposits by obtaining direct confirmations from the corresponding banks and agreeing the Sub-Fund’s holdings of short-term deposits to the confirmations. Based on the procedures we performed, we found the Sub-Fund’s holdings of short-term deposits to be in agreement with the confirmations received.</p>

Other Information

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

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

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

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

Other Information (Continued)

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.

Responsibilities of Management for the Financial Statements

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

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

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 20 January 2014, as amended ("Trust Deed") and the Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the Appendix E of the SFC Code.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Josephine W.T. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 April 2021

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>RMB</i>	2019 <i>RMB</i>
ASSETS			
CURRENT ASSETS			
Investments	<i>7(d),9(a)</i>	-	40,737,532
Bank interest receivable		155,597	137
Interest receivable on bonds		-	1,281,354
Deposit reserve	<i>9(a)</i>	-	28,000
Other receivable	<i>7(c)</i>	-	33,066
Term deposits with original maturity of more than three months		5,700,000	-
Cash and cash equivalents	<i>7(d),9(a)</i>	47,490,304	1,315,913
Total assets		<u>53,345,901</u>	<u>43,396,002</u>
LIABILITIES			
CURRENT LIABILITIES			
Management fee payable	<i>7(a),7(b)</i>	22,068	1,470
Other accounts payable		115,144	102,622
Total liabilities		<u>137,212</u>	<u>104,092</u>
EQUITY			
Net assets attributable to unitholders	<i>4</i>	<u>53,208,689</u>	<u>43,291,910</u>

The financial statements on pages 8 to 38 were approved by the Trustee and the Manager on 30 April 2021 and were signed on their behalf.

For and on behalf of

For and on behalf of

CSOP Asset Management Limited
as the Manager

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

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

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December 2020 RMB	Year ended 31 December 2019 RMB
	<i>Notes</i>		
INCOME			
Interest income from bank deposits	7(d)	953,288	8,229
Interest income from bonds		181,452	2,354,813
Net loss on investments	5	(611)	(1,267,142)
Net foreign currency loss		(44)	-
		<hr/>	<hr/>
Total net income		1,134,085	1,095,900
		<hr/>	<hr/>
EXPENSES			
Management fee	7(a),(b)	(227,597)	(196,582)
Transaction cost on investments		(275)	(715)
Audit fee		(26,892)	(36,229)
Safe custody and bank charges	7(f)	(3,373)	(16,343)
Legal and other professional fee		-	(14,701)
Other operating expenses	7(f)	(151,416)	(235,510)
		<hr/>	<hr/>
Total operating expenses		(409,553)	(500,080)
		<hr/>	<hr/>
Operating profit		724,532	595,820
Taxation	6	(169)	(765)
		<hr/>	<hr/>
Total comprehensive income		724,363	595,055
		<hr/> <hr/>	<hr/> <hr/>

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

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2020

	<i>Note</i>	Year ended 31 December 2020 <i>RMB</i>	Year ended 31 December 2019 <i>RMB</i>
Net assets attributable to unitholders at the beginning of the year		43,291,910	43,209,855
Proceeds on issue of units		9,192,416	-
Net increase from unit transactions		9,192,416	-
Distribution to unitholders	<i>10</i>	-	(513,000)
Total comprehensive income for the year		724,363	595,055
Net assets attributable to unitholders at the end of the year		53,208,689	43,291,910

The movements of the redeemable units for the years ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December 2020 <i>Units</i>	Year ended 31 December 2019 <i>Units</i>
Number of units in issue at the beginning of the year	285,000	285,000
Units issued	60,000	-
Number of units in issue at the end of the year	345,000	285,000

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

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Year ended 31 December 2020 <i>RMB</i>	Year ended 31 December 2019 <i>RMB</i>
OPERATING ACTIVITIES		
Payments for purchase of investments	(39,668,923)	(122,010,994)
Proceeds from sale of investments	80,405,844	120,459,295
Interest income from bank deposits received	797,828	8,158
Interest income from bonds received	1,462,806	2,372,965
Management fee paid	(206,999)	(196,588)
Transaction cost paid	(275)	(715)
Taxation paid	(169)	(765)
Proceeds from other receivables	33,066	659,213
Other operating expenses paid	(169,159)	(282,205)
Term deposits with original maturity of more than 3 months	(5,700,000)	-
Deposit reserve refunded	28,000	-
	<hr/>	<hr/>
Net cash generated from operating activities	36,982,019	1,008,364
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FINANCING ACTIVITIES		
Proceeds on issue of units	9,192,416	-
Distribution paid	-	(513,000)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	9,192,416	(513,000)
	-----	-----
Net increase in cash and cash equivalents	46,174,435	495,364
Cash and cash equivalents at the beginning of the year	1,315,913	820,549
Effect of foreign exchange rate changes	(44)	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	47,490,304	1,315,913
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Bank balances	190,304	1,315,913
Short-term deposits	47,300,000	-
	<hr/>	<hr/>
	47,490,304	1,315,913
	<hr/> <hr/>	<hr/> <hr/>

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

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

NOTES TO THE 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 31 December 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
(A SUB-FUND OF CSOP ETF SERIES II)**

NOTES TO THE 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 financial statements are prepared for the Sub-Fund only. The financial statements for the other sub-fund of the Trust have been prepared separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss.

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

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 except below.

New standards, amendments and interpretations effective after 1 January 2020 and have not been early adopted

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investments

(i) Classification

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Sub-Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

(ii) Recognition/derecognition

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

(iii) Measurement

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

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

(iv) Fair value estimation

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

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

(v) Transfers between levels of the fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investments (Continued)

(vi) Offsetting financial instruments

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

(c) Amounts due from participating dealers

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

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

(d) Amounts due to participating dealers

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

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

(e) Interest income

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

(f) Distributions to unitholders

Distributions to unitholders are recognised in the statement of changes in net assets attributable to unitholders when they are approved by the Manager. Distribution to unitholders are recognised as distributions in the statement of changes in net assets attributable to unitholder. With effect from 9 October 2019, distributions in respect of the Sub-Fund is intended to distribute annually in December having regard to the net income of the Sub-Fund after fees and costs, instead of a semi-annual basis in April and October of each year as per the current distribution policy.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other income/expense

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

(h) Expenses

Expenses are accounted for on an accrual basis.

(i) Transactions costs

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

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank, demand deposits with original maturities of three months or less and bank overdrafts.

(k) Foreign currencies translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Redeemable units

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

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

The Sub-Fund currently offers both listed class of units and unlisted classes of units. There are currently two unlisted classes of units namely, Class A and Class P. As at 31 December 2020, the Sub-Fund has only issued listed class of units.

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

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

(m) Taxation

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

Management will assess the surcharge for late payment of withholding income tax on interest income in accordance with IAS12, if any, and will make the relevant provision in the statement of financial position, if necessary.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Establishment costs

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

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 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 31 December 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 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 21.

The Manager decided to change the tax provisioning policy of the Sub-Fund and ceased 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.

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

During the years ended 31 December 2020 and 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").

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

(i) Capital gains on PRC debt securities and investment funds ("PRC Investments") (Continued)

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 31 December 2020 and gross unrealised gains of the Sub-Fund as at 31 December 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 0.59% (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 31 December 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 31 December 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.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) People's Republic of China ("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 31 December 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 31 December 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 statement of financial position. Subscriptions and redemptions of units during the year are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies, whilst maintaining sufficient liquidity to meet redemption requests.

In accordance with the provisions of the Trust Deed dated 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 FINANCIAL STATEMENTS

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

As stated in Note 2(1), redeemable units of the Sub-Fund are classified as equities and they are carried at the price based on the Sub-Fund's net asset value per unit at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

	2020 <i>Units</i>	2019 <i>Units</i>
Number of units in issue at the end of the year	345,000	285,000
	2020 <i>RMB</i>	2019 <i>RMB</i>
Net assets attributable to unitholders per unit as at 31 December (per statement of financial position)	154.2281	151.9014

Net assets attributable to unitholders per unit

As stated in Note 2(n), 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 to amortise over first five financial years. As at 31 December 2020, the expensing of establishment costs as stated in the financial statements resulted in a decrease of net assets attributable to unitholders of RMBNil (2019: RMB12,050) when compared with the methodology indicated in the Trust's Prospectus.

	2020 <i>RMB</i>	2019 <i>RMB</i>
Net assets attributable to unitholders as reported in the statement of financial position	53,208,689	43,291,910
Adjustments for unamortised establishment costs	-	12,050
Net asset value in accordance with the Trust's Prospectus	53,208,689	43,303,960

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

5. NET LOSS ON INVESTMENTS

	2020 <i>RMB</i>	2019 <i>RMB</i>
Net change in unrealised gain/loss in value of investments	1,236,569	(1,291,761)
Net realised (loss)/gain on sale of investments	(1,237,180)	24,619
	<u>(611)</u>	<u>(1,267,142)</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

For the years ended 31 December 2020 and 31 December 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 years ended 31 December 2020 and 31 December 2019 represents:

	2020 <i>RMB</i>	2019 <i>RMB</i>
Withholding income tax on bank interest income	169	765
Taxation	<u>169</u>	<u>765</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 year between the Sub-Fund and the Trustee, the Manager and the Connected Persons of the Manager. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the years ended 31 December 2020 and 31 December 2019, between the Sub-Fund and the Manager and its Connected Persons were carried out in the ordinary course of business and on normal commercial terms. To the best of the Manager’s knowledge, the Sub-Fund does not have any other transactions with the Connected Persons of the Manager except for those disclosed below.

(a) Management fee

The Sub-Fund employs a single management fee structure, 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 FINANCIAL STATEMENTS

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

(a) Management fee (Continued)

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

As at 31 December 2020, there is no receivables from the Manager (2019: RMB33,066) was recognised in the statement of financial position as "other receivables".

(d) Financial assets

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

	2020 <i>RMB</i>	2019 <i>RMB</i>
Investments		
HSBC Bank (China) Company Limited	-	40,737,532
	<u> </u>	<u> </u>
Bank balances		
The Hongkong and Shanghai Banking Corporation Limited	190,304	57,692
HSBC Bank (China) Company Limited	-	1,258,221
	<u> </u>	<u> </u>
	190,304	1,315,913
	<u> </u>	<u> </u>
Short-term deposits		
The Hongkong and Shanghai Banking Corporation Limited	6,000,000	-
	<u> </u>	<u> </u>
Deposit reserve		
HSBC Bank (China) Company Limited	-	28,000
	<u> </u>	<u> </u>

Interest income amounted to RMB8,269 (2019: RMB8,229) was earned on bank balances and short-term deposits placed with the connected person of the trustee for the years ended 31 December 2020 and 31 December 2019.

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

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

(e) Holding in the Sub-Fund

The Manager of the Sub-Fund holds 255,570 (2019: 255,570) RMB counter units, which represents 74.08% (2019: 89.67%) of the net asset value of the Sub-Fund as at 31 December 2020 and 31 December 2019. No subscription nor redemption during the year. As at 31 December 2020 and 31 December 2019, no unit was held by the Trustee and the connected persons of the Trustee and Manager.

(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 year ended 31 December 2020 and 2019, were as follows:

	2020 <i>RMB</i>	2019 <i>RMB</i>
Safe custody and bank charges	3,373	10,819
Other operating expenses	74,431	105,278

(g) Investment transactions and brokerage commission

During the year ended 31 December 2020 and 2019, the Fund has entered into transactions through the connected persons of the Manger and the Trustee for its brokerage services. Investment transactions with this entity are set out below:

	Aggregate value of purchase and Sale of investments <i>RMB</i>	% of the Fund's total aggregate value of transactions during the year <i>%</i>	Brokerage commission paid <i>RMB</i>	Average rate of commission <i>%</i>
2020	39,846,472	32.70%	-	-
2019	209,772,729	86.61%	-	-

8. TRANSACTION COST

Transaction costs are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers.

9. 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.

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

9. FINANCIAL RISK MANAGEMENT (Continued)

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 31 December 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 31 December 2020.

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

	31 December 2019	
	Fair value	% of net
	<i>RMB</i>	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.

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

9. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2020, the Sub-Fund invests in short-term deposits and as at 31 December 2019, the Sub-Fund invested 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 invests in PRC bonds, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in the PRC (including monetary policy and fiscal policy) may have an influence over the PRC's capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund. Falling market interest rates can lead to a decline in income for the Sub-Fund.

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

As at 31 December 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	-	-	-	155,597	155,597
Term deposits with original maturity of more than three months	-	5,700,000	-	-	5,700,000
Cash and cash equivalents					
- Bank balances	190,304	-	-	-	190,304
- Bank deposits	30,300,000	17,000,000	-	-	47,300,000
Total assets	<u>30,490,304</u>	<u>22,700,000</u>	<u>-</u>	<u>155,597</u>	<u>53,345,901</u>
Liabilities					
Management fee payable	-	-	-	22,068	22,068
Other accounts payable	-	-	-	115,144	115,144
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,212</u>	<u>137,212</u>
Total interest sensitivity gap	<u><u>30,490,304</u></u>	<u><u>22,700,000</u></u>	<u><u>-</u></u>		

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

9. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2019

	Maturity up to 1 year <i>RMB</i>	Maturity 1-5 years <i>RMB</i>	Maturity over 5 years <i>RMB</i>	Non- interest Bearing <i>RMB</i>	Total <i>RMB</i>
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	<u>42,081,445</u>	<u>-</u>	<u>-</u>	<u>1,314,557</u>	<u>43,396,002</u>
Liabilities					
Management fee payable	-	-	-	1,470	1,470
Other accounts payable	-	-	-	102,622	102,622
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,092</u>	<u>104,092</u>
Total interest sensitivity gap	<u><u>42,081,445</u></u>	<u><u>-</u></u>	<u><u>-</u></u>		

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

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2020, the Sub-Fund has bank balances, short-term deposits, term deposits with original maturity of more than three months and deposit reserve in total of RMB53,190,304 (2019: RMB1,343,913). If the interest rates had been 10 basis points (2019: 10 basis points) higher or lower with all variables held constant, net assets attributable to unitholders would have been RMB53,190 (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 31 December 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 31 December 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 year would amount to approximately RMB9,451, arising substantially from the increase/decrease in market values of debt securities.

(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.

As of 31 December 2019, the main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in bond securities. As of 31 December 2020, the main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in short term deposits. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

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 31 December 2020.

As at 31 December 2020

	RMB	Credit rating	Source of credit rating
Term deposits			
Agricultural Bank of China Limited Hong Kong Branch	5,700,000	P-1	Moody's
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	6,000,000	P-1	Moody's
CMB Wing Lung Bank Limited	6,700,000	P-2	Moody's
Industrial Bank Co., LTD. Hong Kong Branch	10,500,000	P-2	Moody's
Nanyang Commercial Bank Limited	2,300,000	P-2	Moody's
Shanghai Pudong Development Bank Co LTD, Hong Kong Branch	3,900,000	P-2	Moody's
China Everbright Bank Co., Ltd	10,500,000	P-2	Moody's
Bank of Shanghai Hong Kong Limited	6,200,000	P-2	Moody's
Chiyu Banking Corp Ltd, Hong Kong Branch	1,200,000	P-2	Moody's
	<u>53,000,000</u>		
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	190,304	A-	S&P

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>		

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

9. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

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

The table below summarises the amount of investments and bank balances of the Sub-Fund placed with the counterparties together with the credit rating of the relevant counterparties as at 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 31 December 2020 and 31 December 2019, deposit reserve, bank interest receivable, interest receivable on bonds, other receivable and cash and cash equivalents 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 31 December 2020 and 31 December 2019 is the carrying amount of the financial assets as shown on the statement of financial position.

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

NOTES TO THE FINANCIAL STATEMENTS

9. 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. As at 31 December 2020, the Sub-Fund invests the majority of its assets in short-term deposits that are matured in less than three months. As at 31 December 2019, the Sub-Fund invested the majority of its assets in securities that are traded in a market which can be readily disposed of.

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

	Less than 1 month <i>RMB</i>	1 month to less than 3 months <i>RMB</i>	Over 3 months <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2020				
Management fee payable	-	22,068	-	22,068
Other accounts payable	-	115,144	-	115,144
	<hr/>	<hr/>	<hr/>	<hr/>
Contractual cash outflow	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	-	137,212	-	137,212
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	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	-	104,092	-	104,092

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

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Units are redeemed on demand at the unitholder's option. As at 31 December 2020 and 31 December 2019, there were two (2019: one) unitholders holding more than 10% of the Sub-Fund's units, representing in aggregate 85.66% (2019: 89.67%) of the total Sub-Fund's units.

As at 31 December 2020, the Manager has assessed the liquidity of the instruments based on historical liquidity of similar money market instruments, by assessing the days to liquidate for such instruments. Only instruments or deposits with high liquidity are included in the portfolio of the Sub-Fund.

As at 31 December 2019, 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 31 December 2020				
Total assets	30,645,901	22,700,000	-	53,345,901
As at 31 December 2019				
Total assets	43,334,936	61,066	-	43,396,002

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

9. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation

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

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

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

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

The Sub-Fund did not hold any investments as at 31 December 2020.

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>

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

9. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

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

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

10. DISTRIBUTION

During the year 31 December 2020, the sub fund did not make any distribution.

	2020 <i>RMB</i>	2019 <i>RMB</i>
Final distribution		
Undistributed income brought forward at the beginning of the year	-	-
Total comprehensive income for the year	724,363	595,055
Interim distribution		
- RMB0.9 on 285,000 units on ex-dividend date 24 April 2019 paid on 30 April 2019	-	(256,500)
Final distribution		
- RMB0.9 on 285,000 units on ex-dividend date 24 October 2019 paid on 30 October 2019	-	(256,500)
Undistributed income transferred to net assets attributable to unitholders for the year	<u>(724,363)</u>	<u>(82,055)</u>
Undistributed income carried forward at the ending of the year	<u>-</u>	<u>-</u>

11. FINANCIAL INSTRUMENTS BY CATEGORY

As of 31 December 2020, all financial assets including bank interest receivable, term deposits with original maturity of more than three months and cash and cash equivalents are categorised as per IFRS 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.

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

NOTES TO THE FINANCIAL STATEMENTS

12. 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-Fund's total net asset value in Government and other public securities of the same issue. As at 31 December 2019, 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 year ended 31 December 2020 and 31 December 2019.

As at 31 December 2020, the Sub-Fund held term deposits collectively more than 10% of net assets value, issued by single issuer as follows.

Issuer	% of NAV
Agricultural Bank of China Limited Hong Kong Branch	10.71
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	11.28
CMB Wing Lung Bank Limited	12.59
Industrial Bank Co., LTD. Hong Kong Branch	19.73
China Everbright Bank Co., Ltd	19.73
Bank of Shanghai Hong Kong Limited	11.65

For the year ended 31 December 2020, the return of the 7-Day Fixing Repo Rate was 2.2% while the net asset value per unit of Sub-Fund increased by 1.53%.

During the period from 1 January 2019 to 8 October 2019 (the last trading date before the change of index), the FTSE Chinese Government and Policy Bank Bond 0-1 Year Select Index increased by 2.16% while the net asset value per unit of the Sub-Fund increased by 0.43%. During the period from 9 October 2019 to 31 December 2019, the return of the 7-Day Fixing Repo Rate was 0.61% while the net asset value per unit of the Sub-Fund decreased by 0.24%.

For the year ended 31 December 2020, the Sub-Fund paid dividend of RMBNil (2019: RMB1.80) per unit, which represents Nil (2019: 1.18%) to the net asset value per unit as at 31 December 2020. For the details of dividend distribution, refer to Note 10.

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

NOTES TO THE FINANCIAL STATEMENTS

13. SOFT COMMISSION ARRANGEMENT

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

14. SEGMENT INFORMATION

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

The Manager considers that 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 objectives of the Sub-Fund are 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 statement of financial position and 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 31 December 2020 and 31 December 2019, the Sub-Fund has no other assets classified as non-current assets. As at 31 December 2020, there were six 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.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 30 April 2021.

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

INVESTMENT PORTFOLIO (Unaudited)

As at 31 December 2020

	Fair value RMB	% of net asset value
Total investments at fair value	-	-
Other net assets	53,208,689	100.00
	<u>53,208,689</u>	<u>100.00</u>
Net assets attributable to unitholders at 31 December 2020		
	<u>53,208,689</u>	<u>100.00</u>
Total investments, at cost	<u>-</u>	

	Fair value RMB	% of net asset value
Daily liquid assets	8,690,304	16.33
Weekly liquid assets	24,390,304	45.84

The weighted average maturity and the weighted average life of the portfolio of the Fund are 28.87 days and 28.87 days respectively.

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

For the year ended 31 December 2020

	Holdings				31 December 2020
	1 January 2020	Additions	Corporate actions	Disposals	
Investments					
Quoted bonds					
BANK OF BEIJING CO LTD (SER NCD) (REG) 0% 14/01/2020	10,000,000	-	-	10,000,000	-
BANK OF COMMUNICATIONS (SER NCD) (REG) 0% 02/01/2020	10,000,000	-	-	10,000,000	-
BANK OF HANGZHOU CO LTD (SER NCD) (REG) 0% 11/01/2020	10,000,000	-	-	10,000,000	-
BANK OF NINGBO (SER NCD) (REG) 0% 08/01/2020	10,000,000	-	-	10,000,000	-
CHINA GOVERNMENT BOND (SER 2901) (REG) 2.31% 17/01/2020	2,000,000	-	-	2,000,000	-
CHINA MINSHENG BKG CORP (SER NCD) (REG) 0% 19/02/2020	-	10,000,000	10,000,000	-	-
CHINA ZHESHANG BANK (SER NCD) (REG) 0% 11/03/2020	-	10,000,000	10,000,000	-	-
INDUSTRIAL BANK CO LTD (SER NCD) (REG) 0% 26/03/2020	-	10,000,000	10,000,000	-	-
PING AN BANK CO LTD (SER NCD) (REG) 0% 20/02/2020	-	10,000,000	10,000,000	-	-

**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 year dated		
31 December 2020	53,208,689	154.2281
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 year/period ended		
31 December 2020	154.2268	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
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Service Agent

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Hong Kong

Listing Agent

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Directors of the Manager

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

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