



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

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND  
INDEX ETF**

**Stock Codes: 83199 (RMB counter), 03199 (HKD counter)**  
**(A sub-fund of CSOP ETF Series II)**

Reports and Financial Statements  
FOR THE YEAR ENDED 31 DECEMBER 2020



**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

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**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS**

Introduction

CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF (the “Sub-Fund”) seeks to track the investment results of the Bloomberg Barclays China Treasury + Policy Bank Index (the “Index”). The Sub-Fund will invest directly in RMB denominated and settled fixed-rate bonds issued by the Ministry of Finance of the PRC, the China Development Bank, the Agricultural Development Bank of China or the Export-Import Bank of China and distributed within the PRC (the “Treasury Bonds and Policy Bank Bonds”) through the Manager’s status as a Renminbi qualified foreign institutional investor (“RQFII”), and/or via the initiative for mutual bond market access between Hong Kong and Mainland China (“Bond Connect”). Effective from 24 June 2019, the Sub-Fund has changed its underlying index from ChinaBond 5-year Treasury Bond Index to track the Bloomberg Barclays China Treasury + Policy Bank Index.

The Sub-Fund Performance

The CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As at 31 December 2020, the dealing Net Asset Value (“NAV”) per unit of the Sub-Fund was RMB102.3574 and there were 1,810,000 units outstanding. The total asset under management was approximately RMB 185.3 million.

During the period from 1 January 2020 to 31 December 2020, the NAV of the Sub-Fund RMB counter (stock code 83199) performed 2.21% while the index performed 3.03%. The difference in performance between the NAV of the Sub-Fund and the index is mainly attributed to fees and expenses. As at 31 December 2020, the duration of CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF RMB counter (stock code 83199) was 5.60 while the index was 5.59.

	Annual total return	Rolling 1 year Tracking Error (Annual)
83199 NAV (div reinvests) (From 1 January 2020 to 31 December 2020)	-1.28%	0.67%
Bloomberg Barclays China Treasury + Policy Bank Index (From 1 January 2020 to 31 December 2020)	3.03%	

Ex-Date	Record Date	Payable Date	Dividend Per Unit	Dividend Paid Out of Net Distributable Income* for the month	Dividend Paid Out of Capital
2020-01-20	2020-01-21	2020-01-24	RMB 0.9 per share	RMB 0.00	RMB 0.90
2020-04-21	2020-04-22	2020-04-27	RMB 0.9 per share	RMB 0.60	RMB 0.30
2020-07-20	2020-07-21	2020-07-27	RMB 0.9 per share	RMB 0.30	RMB 0.60
2020-10-22	2020-10-23	2020-10-29	RMB 0.9 per share	RMB 0.00	RMB 0.90

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS (CONTINUED)**

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

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

**Exchange Liquidity**

The trading value of the RMB counter (stock code: 83199) has an average daily turnover of RMB 92 thousand in December 2020. The trading value of the HKD counter (stock code: 03199) has an average daily turnover of HKD 0.11 million in December 2020.

**Portfolio Rebalance**

The CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF adopts sampling strategy to track the Index.

<b>Fund Holdings</b>						
<b>Ticker</b>	<b>Maturity date</b>	<b>YTM(%)</b>	<b>Modified Duration</b>	<b>Amount</b>	<b>Portfolio Percentage (%)</b>	<b>Index Percentage (%)</b>
120013	8/2/2042	3.67	14.26	5,000,000	2.87	0.11
140017	8/11/2034	3.43	10.14	9,000,000	5.52	0.11
160210	4/5/2026	3.26	4.74	10,000,000	5.37	0.87
180028	12/6/2025	2.91	4.56	2,000,000	1.10	0.77
180205	2/9/2028	3.41	5.88	2,500,000	1.47	0.84
180310	3/26/2028	3.43	6.00	5,000,000	2.94	0.37
190004	4/11/2024	2.84	3.05	12,000,000	6.54	1.04
190008	6/24/2069	3.88	21.62	4,000,000	2.25	0.40
190011	8/8/2022	2.72	1.55	13,000,000	7.02	0.99
190203	2/1/2024	3.05	2.85	15,000,000	8.15	0.66
190215	9/20/2029	3.59	7.46	6,000,000	3.20	0.89
190310	5/20/2029	3.62	7.04	5,000,000	2.74	0.74
190403	4/3/2022	2.80	1.20	10,000,000	5.42	0.27
190407	7/17/2022	2.86	1.49	10,000,000	5.42	0.36
190408	7/19/2026	3.35	4.96	10,000,000	5.47	0.53
200003	3/5/2023	2.80	2.08	5,000,000	2.67	0.74

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS (CONTINUED)**

<b>Fund Holdings</b>						
<b>Ticker</b>	<b>Maturity date</b>	<b>YTM(%)</b>	<b>Modified Duration</b>	<b>Amount</b>	<b>Portfolio Percentage (%)</b>	<b>Index Percentage (%)</b>
200004	3/16/2050	3.77	17.82	6,000,000	3.02	0.87
200007	5/25/2070	3.80	22.21	1,000,000	0.53	0.37
200008	6/4/2027	3.15	5.77	17,000,000	9.01	1.18
200009	7/2/2023	2.83	2.40	4,000,000	2.13	0.95
200013	10/22/2025	2.92	4.46	2,000,000	1.08	0.55
200208	6/22/2025	3.18	4.13	4,000,000	2.13	0.33
200210	6/18/2030	3.58	8.04	15,000,000	7.77	0.90
200303	4/7/2023	2.97	2.17	5,000,000	2.65	0.33
<b>Total</b>	-	-	-	-	96.47%	15.17%

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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 Bloomberg Barclays China Treasury + Policy Bank Bond Index 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 BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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 Bloomberg Barclays China Treasury + Policy Bank Bond Index 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 & 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 Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF and CSOP RMB Money Market 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 BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK  
BOND INDEX 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 Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series II, set out on pages 11 to 40, 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 BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK  
BOND INDEX 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:

<b>Key Audit Matters</b>	<b>How our audit addressed the Key Audit Matters</b>
<p><u>Existence and valuation of investments</u></p> <p>The Sub-Fund’s investments as at 31 December 2020 were mainly comprised of quoted debt securities of the government and companies in the People’s Republic of China (“PRC”), valued at RMB181,795,677.</p> <p>We focused on the existence and valuation of the investments because the investments represented the principal element of the Sub-Fund’s net asset value as at 31 December 2020.</p> <p>Refer to note 9 to the financial statements.</p>	<p>Our work included an assessment of the key controls over the existence and valuation of the investments, which included the following:</p> <ol style="list-style-type: none"> <li>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> <li>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.</li> </ol> <p>We tested the existence of by obtaining direct confirmations from the custodians and agreeing the Sub-Fund’s holdings of investments to the confirmations. Based on the procedures we performed, we found the Sub-Fund’s holdings of investments to be in agreement with the confirmations received.</p> <p>We agreed the valuation of the Sub-Fund’s investments and derivative financial instruments by comparing the pricing used by the Sub-Fund to external pricing sources as at 31 December 2020. We found no material exceptions from our testing.</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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK  
BOND INDEX ETF (CONTINUED)  
(A SUB-FUND OF CSOP ETF SERIES II, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK  
BOND INDEX 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)**

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.
- 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK  
BOND INDEX ETF (CONTINUED)  
(A SUB-FUND OF CSOP ETF SERIES II, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

**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 BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Investments	7(c),9(a)	181,795,677	165,977,058
Bank interest receivable		72	126
Interest receivable on bonds		3,275,414	3,159,609
Bank balances	7(c),9(a)	581,271	118,753
<b>Total assets</b>		<u>185,652,434</u>	<u>169,255,546</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Management fee payable	7(a),7(b)	69,337	64,710
Other accounts payable		316,287	182,753
<b>Total liabilities</b>		<u>385,624</u>	<u>247,463</u>
<b>EQUITY</b>			
Net assets attributable to unitholders	4	<u>185,266,810</u>	<u>169,008,083</u>

The financial statements on pages 11 to 40 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 BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

	<i>Notes</i>	Year ended 31 December 2020 <i>RMB</i>	Year ended 31 December 2019 <i>RMB</i>
<b>INCOME</b>			
Interest income from bank deposits	7(c)	8,980	25,998
Interest income from bonds		5,399,162	4,793,863
Net (loss)/gain on investments	5	(194,319)	86,093
Other income		30,068	40,286
<b>Total net income</b>		<u>5,243,891</u>	<u>4,946,240</u>
<b>EXPENSES</b>			
Management fee	7(a),7(b)	(778,659)	(694,136)
Transaction costs on investments		(1,690)	(2,090)
Audit fee		(38,820)	(61,473)
Safe custody and bank charges	7(e)	(66,784)	(58,766)
Legal and other professional fee		-	(252,176)
Other operating expenses	7(e)	(298,161)	(424,490)
<b>Total operating expenses</b>		<u>(1,184,114)</u>	<u>(1,493,131)</u>
Operating profit		4,059,777	3,453,109
Taxation	6	(577)	(2,226)
<b>Total comprehensive income</b>		<u><u>4,059,200</u></u>	<u><u>3,450,883</u></u>

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

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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		169,008,083	120,177,166
Proceeds on issue of units	<i>4</i>	83,392,512	186,759,606
Payments on redemption of units	<i>4</i>	(64,892,985)	(136,834,572)
Net increase from unit transactions		18,499,527	49,925,034
Distribution to unitholders	<i>10</i>	(6,300,000)	(4,545,000)
Total comprehensive income for the year		4,059,200	3,450,883
<b>Net assets attributable to unitholders at the end of the year</b>		<b>185,266,810</b>	<b>169,008,083</b>

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	1,630,000	1,150,000
Units issued	810,000	1,800,000
Units redeemed	(630,000)	(1,320,000)
Number of units in issue at the end of the year	1,810,000	1,630,000

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

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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>
<b>OPERATING ACTIVITIES</b>		
Payments for purchase of investments	(133,912,766)	(469,695,907)
Proceeds from sale of investments	117,899,828	416,489,812
Interest income from bank deposits received	9,034	26,373
Interest income from bonds received	5,283,357	3,744,352
Other income received	30,068	40,286
Management fee paid	(774,032)	(680,064)
Transaction costs paid	(1,690)	(2,090)
Taxation paid	(577)	(2,226)
Other operating expenses paid	(270,231)	(800,670)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(11,737,009)</b>	<b>(50,880,134)</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>FINANCING ACTIVITIES</b>		
Proceeds on issue of units	83,392,512	186,759,606
Payments on redemption of units	(64,892,985)	(139,959,444)
Dividend distribution paid	(6,300,000)	(4,545,000)
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>12,199,527</b>	<b>42,255,162</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase/(decrease) in cash and cash equivalents	462,518	(8,624,972)
Cash and cash equivalents at the beginning of the year	118,753	8,743,725
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	581,271	118,753
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	581,271	118,753
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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



# **CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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 Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF (the “Sub-Fund”) and CSOP RMB Money Market ETF. The date of inception of the Sub-Fund was 17 February 2014. 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.

With effect from 24 June 2019, the name of the Sub-Fund has been changed from CSOP China 5-Year Treasury Bond ETF to CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF.

Effective from 31 March 2020, USD trading counter 9199 was terminated.

#### Change of underlying index

Prior to 24 June 2019, the Sub-Fund was designated to track the performance of the ChinaBond 5-year Treasury Bond Index (the “Previous Index”) which is compiled and published by China Central Depository & Clearing Co., Ltd. The Previous Index comprises fixed-rate interest bearing Treasury Bonds that has a term to maturity of over 4 years and less than 7 years. The Index operates under clearly defined rules published by the index provider and is a tradable index.

Effective from 24 June 2019, the Sub-Fund has changed its underlying index from ChinaBond 5-year Treasury Bond Index to Bloomberg Barclays China Treasury + Policy Bank Index. The Bloomberg Barclays China Treasury + Policy Bank Index (the “Index”) is compiled and published by Bloomberg Index Services Limited. The Index aims to reflect the performance of fixed rate onshore RMB-denominated Treasury Bonds and Policy Bank Bonds listed on the PRC inter-bank bond market. The Index operates under clearly defined rules published by the index provider and is a tradable index.

Effective from 24 June 2019, the investment objective of the Sub-Fund is to provide investment results that, before of deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, Bloomberg Barclays China Treasury + Policy Bank Index. Prior to 24 June 2019, the investment objective of the Sub-Fund was to provide investment results that, before of fees and expenses, closely correspond to the performance of the underlying index, namely the ChinaBond 5-year Treasury Bond Index. In order to achieve the investment objective of the Sub-Fund, the Manager will continue adopt a representative sampling strategy. A representative sampling strategy involves investing in a representative sample of securities that collectively has an investment profile that reflects the profile of the index.

Under current regulations in the People’s Republic of China (“PRC”), foreign investors can invest 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.

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION (Continued)**

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.

Standard and amendments to existing standards effective 1 January 2020

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

New standards, amendments and interpretations effective after 1 January 2020 that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 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.

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**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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(b) Investments (Continued)**

**(vi) Structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual agreements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Sub-Fund considers its investment in investment funds to be investment in unconsolidated structured entities. The investment funds are managed by the Manager who apply various investment strategies to accomplish the respective investment objectives of the investment funds. The investment funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportional stake in the respective Sub-Fund's net assets. The Sub-Fund holds redeemable units in the investment funds.

The Sub-Fund's investments in unconsolidated structured entities are shown as financial assets at fair value through profit and loss. The change in fair value of investment funds is included in the statement of comprehensive income in "Net loss on investments and derivative financial instruments".

**(c) 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.

**(d) 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(e) 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.

**(f) Interest income**

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

**(g) 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. Distributions to unitholders are recognised as distributions in the statement of changes in net assets attributable to unitholders.

**(h) 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.

**(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) Expenses**

Expenses are accounted for on an accrual basis.

**(k) 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.

**(l) 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 RMB 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(l) Foreign currencies translation (Continued)**

Transactions and balances (Continued)

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 gain on investments”.

**(m) 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.

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.

**(n) 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(n) Taxation (Continued)**

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.

**(o) 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 the debt securities and the tax exposure which are dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

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

The Sub-Fund holds a number of quoted debt securities that are valued by reference to broker quotes as at 31 December 2020 and 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 2020 and 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.

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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 is 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 the potential PRC VAT exposure was immaterial. Refer to Page 24.

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 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 Investments 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.



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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)**

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

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

The Manager estimates the gross realised gains from 17 February 2014 (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 RMB228,656,891 (from 17 February 2014 (date of inception) to 31 December 2019: RMB227,742,356) and RMB689,456 (As at 31 December 2019: RMB1,167,791) respectively. The estimated potential capital gain tax exposure arising from gross realised capital gain and gross unrealised capital gain would be RMB22,865,689 and RMB68,946 respectively which in aggregate represents 12.38% (As at 31 December 2019: RMB22,774,236 and RMB116,779 respectively which in aggregate represents 13.54%) 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 2019.

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

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**NOTES TO THE 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 17 February 2014 (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.

As stated in Note 2(m), redeemable units of the Sub-Fund are classified as equity 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

	2020 <i>Units</i>	2019 <i>Units</i>
Number of units in issue at the end of the year	1,810,000	1,630,000
	2020 RMB	2019 RMB
Net assets attributable to unitholders per unit as at 31 December (per statement of financial position)	102.3574	103.6859

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

	Year ended 31 December 2020 <i>RMB</i>	Year ended 31 December 2019 <i>RMB</i>
Net change in unrealised gain/loss on investments	(923,608)	(664,419)
Net realised gain on sale of investments	729,289	750,512
	(194,319)	86,093

**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 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 2019 represents:

	Year ended 31 December 2020 <i>RMB</i>	Year ended 31 December 2019 <i>RMB</i>
Withholding income tax on bank interest income	577	2,226
Taxation	577	2,226

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**NOTES TO THE FINANCIAL STATEMENTS**

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

The following is a summary of significant related party transactions and transactions entered into during the 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 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.

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.

During the year ended 31 December 2020, the Sub-Fund invested in CSOP RMB Money Market ETF, an exchange traded fund managed by the Manager. The Manager has waived the portion of the management fee charged on the Sub-Fund’s holding in CSOP RMB Money Market ETF.

**(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).

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(c) Financial assets**

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

	2020 <i>RMB</i>	2019 <i>RMB</i>
<b>Investments</b>		
The Hongkong and Shanghai Banking Corporation Limited	3,084,536	2,010,200
HSBC Bank (China) Company Limited	178,711,141	163,966,858
	181,795,677	165,977,058
<b>Bank balances</b>		
The Hongkong and Shanghai Banking Corporation Limited	228,912	62,572
HSBC Bank (China) Company Limited	352,359	56,181
	581,271	118,753

Interest income amounted to RMB8,980 (2019: RMB25,998) was earned on bank balances placed with the connected persons of the Trustee for the year ended 31 December 2020.

**(d) Holding in the Sub-Fund**

As at 31 December 2020 and 31 December 2019, no unit was held by the Trustee, Manager and their connected persons.

**(e) 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	66,784	37,501
Other operating expenses	92,523	128,183

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(f) 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 Manager and the Trustee for its brokerage services. Investment transactions with this entity are set out below:

	Aggregate value of purchase and Sale of investments	% of the Fund's total aggregate value of transactions during the year	Brokerage commission paid	Average rate of commission
2020	248,752,689	98.78%	-	-
2019	876,075,410	98.87%	-	-

**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**

Effective from 24 June 2019, the objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Bloomberg Barclays China Treasury + Policy Bank Index. Prior to 24 June 2019, the investment objective of the Sub-Fund was to provide investment results that, before of fees and expenses, closely correspond to the performance of the underlying index, namely the ChinaBond 5-year Treasury Bond Index. Effective from 24 June 2019, the Sub-Fund has changed its underlying index from ChinaBond 5-year Treasury Bond Index to Bloomberg Barclays China Treasury + Policy Bank Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

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

**(a) Market risk**

**(i) Market price risk**

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

Prior to 24 June 2019, the Sub-Fund was designated to track the performance of the ChinaBond 5-year Treasury Bond Index. Effective from 24 June 2019, the Sub-Fund has changed its underlying index from ChinaBond 5-year Treasury Bond Index to Bloomberg Barclays China Treasury + Policy Bank Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index in each of the relevant period. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight, are closely aligned with the characteristics of the tracked index.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

**(i) Market price risk (Continued)**

As at 31 December 2020 and 2019, the Sub-Fund's investments were concentrated in the PRC bonds:

	2020		2019	
	Fair value <i>RMB</i>	% of net asset value	Fair value <i>RMB</i>	% of net asset value
<b>Listed investment fund:</b>				
Hong Kong	3,084,536	1.66	-	-
<b>Quoted debt securities:</b>				
PRC Government bonds	81,030,262	43.74	88,044,697	52.10
Policy banks bonds	97,680,879	52.73	75,922,161	44.92
<b>RMB denominated investment fund</b>	-	-	2,010,200	1.19
	181,795,677	98.13	165,977,058	98.21

The Sub-Fund adopts representative sampling strategy and it held 24 out of 311 (31 December 2019: 15 out of 333) constituent investments comprising the Bloomberg Barclays China Treasury + Policy Bank Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the Barclays China Treasury + Policy Bank Index.

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

As at 31 December 2020, if the Bloomberg Barclays China Treasury + Policy Bank Index were to increase by 10% with all other variables held constant, this would increase the operating profit for the period by approximately RMB17,693,425 (2019: RMB21,790,695). Conversely, if the Bloomberg Barclays China Treasury + Policy Bank Index were to decrease by 10%, this would decrease the operating profit for the year by an equal amount.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

(a) Market risk (Continued)

(ii) Interest rate risk

The Manager manages the Sub-Fund by ensuring that the Sub-Fund replicates the underlying index movements effectively based on market exposures as well as duration risk across the yield curve.

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

As at 31 December 2020 and 2019, the Sub-Fund invests in fixed-income securities 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 shorter term fixed income investments and higher for longer term fixed income investments.

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

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

**As at 31 December 2020**

	Maturity up to 1 year <i>RMB</i>	Maturity 1-5 years <i>RMB</i>	Maturity over 5 years <i>RMB</i>	Non- interest bearing <i>RMB</i>	Total <i>RMB</i>
<b>Assets</b>					
Investments	-	82,093,162	96,617,979	3,084,536	181,795,677
Bank interest receivable	-	-	-	72	72
Interest receivable on bonds	-	-	-	3,275,414	3,275,414
Bank balances	581,271	-	-	-	581,271
<b>Total assets</b>	<u>581,271</u>	<u>82,093,162</u>	<u>96,617,979</u>	<u>6,360,022</u>	<u>185,652,434</u>
<b>Liabilities</b>					
Management fee payable	-	-	-	69,337	69,337
Other accounts payable	-	-	-	316,287	316,287
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,624</u>	<u>385,624</u>
<b>Total interest sensitivity gap</b>	<u>581,271</u>	<u>82,093,162</u>	<u>96,617,979</u>		



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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>
<b>Assets</b>					
Investments	-	85,491,072	78,475,786	2,010,200	165,977,058
Bank Interest receivable	-	-	-	126	126
Interest receivable on bonds	-	-	-	3,159,609	3,159,609
Bank balances	118,753	-	-	-	118,753
<b>Total assets</b>	<b>118,753</b>	<b>85,491,072</b>	<b>78,475,786</b>	<b>5,169,935</b>	<b>169,255,546</b>
<b>Liabilities</b>					
Management fee payable	-	-	-	64,710	64,710
Other accounts payable	-	-	-	182,753	182,753
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>247,463</b>	<b>247,463</b>
<b>Total interest sensitivity gap</b>	<b>118,753</b>	<b>85,491,072</b>	<b>78,475,786</b>		

At 31 December 2020, the Sub-Fund has bank balances of RMB581,271 (2019: RMB118,753). 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 RMB581 (2019: RMB119) 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 has invested in interest-bearing securities of RMB178,711,141 (2019: RMB163,966,858) and the portfolio weighted average modified duration of the Sub-Fund is 5.60 (2019: 5.56).

As at 31 December 2020 and 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 RMB10,007,824 (2019: RMB9,116,557), arising substantially from the increase/decrease in market values of debt securities.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

(iii) Currency risk

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

**(b) Credit and counterparty risk**

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

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

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

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

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

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

**As at 31 December 2020**

Credit rating agency	Rating	RMB	% of NAV
S&P	A+	178,711,141	96.47
		<u>178,711,141</u>	<u>96.47</u>

**As at 31 December 2019**

Credit rating agency	Rating	RMB	% of NAV
S&P	A+	163,966,858	97.02
		<u>163,966,858</u>	<u>97.02</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

The investment fund held by the Sub-Fund of RMB3,084,536 (2019: RMB2,010,200) as at 31 December 2020 is not subject to credit rating and do not have credit rating issued by local credit rating agencies. There is no indication to the Manager that the financial assets are impaired as at 31 December 2020.

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 2020 and 2019.

<b>As at 31 December 2020</b>	RMB	Credit rating	Source of credit rating
<b>Investments</b>			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	3,084,536	A-	S&P
HSBC Bank (China) Company Limited ("HSBC China")	178,711,141	A1	Moody's
<b>Bank balances</b>			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	228,912	A-	S&P
HSBC Bank (China) Company Limited ("HSBC China")	352,359	A1	Moody's
<b>As at 31 December 2019</b>			
	RMB	Credit rating	Source of credit rating
<b>Investments</b>			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	2,010,200	A	S&P
HSBC Bank (China) Company Limited ("HSBC China")	163,966,858	A1	Moody's
<b>Bank balances</b>			
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	62,572	A	S&P
HSBC Bank (China) Company Limited ("HSBC China")	56,181	A1	Moody's

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

The maximum exposure to credit risk as at 31 December 2020 and 2019 is the carrying amount of the financial assets as shown on the statement of financial position.

**(c) Liquidity risk**

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

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

	Less than 1 month <i>RMB</i>	1 month to less than 3 months <i>RMB</i>	Over 3 months <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2020</b>				
Management fee payable	69,337	-	-	69,337
Other accounts payable	-	316,287	-	316,287
<b>Contractual cash outflow</b>	<b>69,337</b>	<b>316,287</b>	<b>-</b>	<b>385,624</b>
<b>As at 31 December 2019</b>				
Management fee payable	64,710	-	-	64,710
Other accounts payable	170	182,583	-	182,753
<b>Contractual cash outflow</b>	<b>64,880</b>	<b>182,583</b>	<b>-</b>	<b>247,463</b>

Units are redeemed on demand at the unitholder's option. As at 31 December 2020, there was two unitholders (2019: one) holding more than 10% of the Sub-Fund's units, representing in aggregate 51.76% (2019:38.47%) of the total Sub-Fund's units.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

	Less than 1 month <i>RMB</i>	1 to 12 months <i>RMB</i>	No stated maturity <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2020</b>				
Total assets	185,652,434	-	-	185,652,434
	Less than 1 month <i>RMB</i>	1 to 12 months <i>RMB</i>	No stated maturity <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2019</b>				
Total assets	169,255,546	-	-	169,255,546

**(d) Fair value estimation**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets (by class) measured at fair value at 31 December 2020 and 2019:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2020</b>				
<b>Assets</b>				
Investments				
- Listed investment fund	3,084,536	-	-	3,084,536
- Debt securities	-	178,711,141	-	178,711,141
<b>Total assets</b>	<u>3,084,536</u>	<u>178,711,141</u>	<u>-</u>	<u>181,795,677</u>
	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
<b>As at 31 December 2019</b>				
<b>Assets</b>				
Investments				
- Debt securities	-	163,966,858	-	163,966,858
- RMB denominated investment fund	-	2,010,200	-	2,010,200
<b>Total assets</b>	<u>-</u>	<u>165,977,058</u>	<u>-</u>	<u>165,977,058</u>

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Sub-Fund does not adjust the quoted price for these instruments. As at 31 December 2020 the sub Fund held one listed investment fund classified in level 1. As at 31 December 2019 the sub Fund did not hold any listed investment fund.

Financial instruments traded 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, policy banks bonds and an investment fund.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2020 and 2019, the Sub-Fund did not hold any investments classified in level 3.

For the years ended 31 December 2020 and 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 index. The Manager may:

- Redeem and issue new units on a daily basis in accordance with the constitutive documents of the Sub-Fund;

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(e) Capital risk management (Continued)**

- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- Suspend the creation and redemption of units under certain circumstance as currently disclosed in the Prospectus of the Sub-Fund.

**(f) Interest in other entities**

The Sub-Fund's investments in an investment fund are subject to the terms and conditions of the respective investment fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of such investment fund. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager.

As at 31 December 2020, the Sub-Fund invested in CSOP RMB Money Market ETF (As at 31 December 2019: ICBC Credit Suisse RMB Cash Fund). The right of the Sub-Fund to request redemption of its investments in CSOP RMB Money Market ETF is on a daily basis.

The Sub-Fund's exposure to investments in CSOP RMB Money Market ETF and ICBC Credit Suisse RMB Cash Fund at fair value is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

**As at 31 December 2020**

<b>Strategy</b>	<b>Dealing net asset value of CSOP RMB Money Market ETF RMB</b>	<b>Investment fair value RMB</b>	<b>% of net asset value</b>
7-Day Fixing Repo Rate	53,208,232	3,084,536	1.66

**As at 31 December 2019**

<b>Strategy</b>	<b>Dealing net asset value of ICBC Credit Suisse RMB Cash Fund RMB</b>	<b>Investment fair value RMB</b>	<b>% of net asset value</b>
3-month HIBOR tracking	23,890,840	2,010,200	1.19

The Sub-Fund's maximum exposure to loss from its interests in CSOP RMB Money Market ETF and ICBC Credit Suisse RMB Cash Fund is equal to the total fair value of its investments in CSOP RMB Money Market ETF and ICBC Credit Suisse RMB Cash Fund.

Once the Sub-Fund has disposed of its shares in CSOP RMB Money Market ETF and ICBC Credit Suisse RMB Cash Fund, the Sub-Fund ceases to be exposed to any risk from CSOP RMB Money Market ETF and ICBC Credit Suisse RMB Cash Fund respectively.

As at 31 December 2020, there were no capital commitment obligations and no amounts due to CSOP RMB Money Market ETF and ICBC Credit Suisse RMB Cash Fund for unsettled purchases

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

**(f) Interest in other entities**

During the period ended 31 December 2020, the total net gain on investments in CSOP RMB Money Market ETF were RMB19,592 (for the year ended 31 December 2019: Nil) and the total net gain on investments in ICBC Credit Suisse RMB Cash Fund was RMB10,492 (for the year ended 31 December 2019: RMB10,200).

**10. DISTRIBUTION**

The Manager currently intends to distribute in January, April, July and October of each year. There is no guarantee of regular distribution and, if distribution is made, the amount being distributed. The Manager may, at its discretion, pay dividend out of or effectively out of capital. All Units (whether RMB or HKD traded Units) will receive distributions in RMB only.

	2020 <i>RMB</i>	2019 <i>RMB</i>
Undistributed income brought forward at the beginning of the year	-	-
Net income for the year	4,059,200	3,450,883
Interim distribution		
RMB0.90 on 1,570,000 units on ex-dividend date 20 January 2020 paid on 24 January 2020	(1,413,000)	-
RMB0.90 on 1,150,000 units on ex-dividend date 21 January 2019 paid on 25 January 2019	-	(1,035,000)
RMB0.90 on 1,660,000 units on ex-dividend date 21 April 2020 paid on 27 April 2020	(1,494,000)	-
RMB0.90 on 1,150,000 units on ex-dividend date 24 April 2019 paid on 30 April 2019	-	(1,035,000)
Final distribution		
RMB0.90 on 1,990,000 units on ex-dividend date 20 July 2020 paid on 27 July 2020	(1,791,000)	-
RMB0.90 on 1,120,000 units on ex-dividend date 22 July 2019 paid on 26 July 2019	-	(1,008,000)
RMB0.90 on 1,780,000 units on ex-dividend date 22 October 2020 paid on 29 October 2020	(1,602,000)	-
RMB0.90 on 1,630,000 units on ex-dividend date 24 October 2019 paid on 30 October 2019	-	(1,467,000)
Undistributed loss transferred to net assets attributable to unitholders for the year	2,240,800	1,094,117
	<hr/>	<hr/>
Undistributed income carried forward at the end of the year	-	-
	<hr/> <hr/>	<hr/> <hr/>



**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. FINANCIAL INSTRUMENTS BY CATEGORY**

As of 31 December 2020 and 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 bank interest receivable, interest receivable on bonds and bank balances are categorised as per IFRS 9 and carried at amortised cost. All the financial liabilities of the Sub-Fund are carried at amortised cost.

**12. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE**

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

Pursuant to the SFC Code, it allows the Sub-Fund to invest up to 30% of Sub-Fund's total net asset value in Government and other public securities of the same issue. As at 31 December 2020 and 2019, the Sub-Fund invest in Nil (2019: three) 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.

The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the years ended 31 December 2020 and 2019.

**As at 31 December 2019**

	Respective weighting in Index (%)	% of NAV
<b>Bloomberg Barclays China Treasury + Policy Bank Index</b>		
CHINA DEVELOPMENT BANK (SER 1903) 3.3% 01/02/2024	0.76%	10.09%
CHINA GOVERNMENT BOND (SER 1902) 2.44% 21/02/2021	0.51%	11.84%
CHINA GOVERNMENT BOND (SER 1904) 3.19% 11/04/2024	1.19%	12.01%

For the year ended 31 December 2020, the Bloomberg Barclays China Treasury + Policy Bank Index increased by 3.03% while the net asset value per unit of Sub-Fund increased by 2.21% before dividend distribution and decreased by 1.28% after dividend distribution.

During the period from 1 January 2019 to 21 June 2019 (the last trading date before the change of index), the ChinaBond 5-year Treasury Bond Index increased by 1.35% while the net asset value per unit of the Sub-Fund decreased by 0.98%. During the period from 24 June 2019 to 31 December 2019, the Bloomberg Barclays China Treasury + Policy Bank Index increased by 2.89% while the net asset value per unit of the Sub-Fund increased by 0.27%.

During the year ended 31 December 2020, the Sub-Fund paid dividend of RMB3.60 (2019: RMB3.60) per unit, which represents 3.52% (2019: 3.47%) to the net asset value per unit as at 31 December 2020. For the details of dividend distribution, refer to Note 10.

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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.

Prior to 24 June 2019, the Manager considered that the Sub-Fund had a single operating segment which was investing in fixed income investments. The objectives of the Sub-Fund were to track the performance of the ChinaBond 5-year Treasury Bond Index and invested in substantially the index constituents with security weight and industry weight that were closely aligned with the characteristics of the tracked index.

Effective from 24 June 2019, the Manager considers that the Sub-Fund has a single operating segment which is investing in fixed income investments. The objectives of the Sub-Fund are to track the performance of the Bloomberg Barclays China Treasury + Policy Bank Index and invest in substantially the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the 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 PRC bonds including PRC government bonds and Policy bank bonds which constitute Bloomberg Barclays China Treasury + Policy Bank Index, the tracked index. Effective from 24 June 2019, the Sub-Fund has changed its underlying index from ChinaBond 5-year Treasury Bond Index to Bloomberg Barclays China Treasury + Policy Bank Index.

The Sub-Fund has no assets classified as non-current assets. As at 31 December 2020, the Sub-Fund has a diversified portfolio of investments and no (2019: three) investments 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 BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**INVESTMENT PORTFOLIO (Unaudited)**

As at 31 December 2020

	Holdings	Fair value RMB	% of net assets
<b>Investments (98.13%)</b>			
<b>Listed Investment Fund (1.66%)</b>			
<b>Hong Kong (1.66%)</b>			
CSOP RMB MONEY MARKET ETF	20,000	3,084,536	1.66
<b>Total Listed Investment Fund</b>		<b>3,084,536</b>	<b>1.66</b>
<b>Quoted Bonds (96.47%)</b>			
<b>China (96.47%)</b>			
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1903) 3.2% 03/04/2022	10,000,000	10,046,030	5.42
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1907) 3.12% 17/07/2022	10,000,000	10,036,120	5.42
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1908) 3.63% 19/07/2026	10,000,000	10,125,590	5.47
CHINA DEVELOPMENT BANK (SER 1903) 3.3% 01/02/2024	15,000,000	15,103,920	8.15
CHINA DEVELOPMENT BANK (SER 1915) ( REG) 3.45% 20/09/2029	6,000,000	5,921,934	3.20
CHINA DEVELOPMENT BANK (SER 2008) 2.89% 22/06/2025	4,000,000	3,946,980	2.13
CHINA DEVELOPMENT BANK (SER 2010) 3.09% 18/06/2030	15,000,000	14,384,955	7.77
CHINA DEVELOPMENT BANK SER 1610 3.18% 05/04/2026	10,000,000	9,956,160	5.37
CHINA DEVELOPMENT BANK SER 1805 4.88% 09/02/2028	2,500,000	2,723,460	1.47
CHINA GOVERNMENT BOND (SER 1213) 4.12% 02/08/2042	5,000,000	5,323,880	2.87
CHINA GOVERNMENT BOND (SER 1417) 4.63% 11/08/2034	9,000,000	10,221,165	5.52
CHINA GOVERNMENT BOND (SER 1828) 3.22% 06/12/2025	2,000,000	2,027,068	1.10
CHINA GOVERNMENT BOND (SER 1904) 3.19% 11/04/2024	12,000,000	12,117,408	6.54
CHINA GOVERNMENT BOND (SER 1908) 4% 24/06/2069	4,000,000	4,171,476	2.25
CHINA GOVERNMENT BOND (SER 1911) 2.75% 08/08/2022	13,000,000	13,002,860	7.02
CHINA GOVERNMENT BOND 02/07/2023	4,000,000	3,953,224	2.13
CHINA GOVERNMENT BOND 2.24% 05/03/2023	5,000,000	4,941,470	2.67
CHINA GOVERNMENT BOND 2.85% 04/06/2027	17,000,000	16,686,333	9.01
CHINA GOVERNMENT BOND 3.02% 22/10/2025	2,000,000	2,006,942	1.08
CHINA GOVERNMENT BOND 3.39% 16/03/2050	6,000,000	5,590,656	3.02
CHINA GOVERNMENT BOND 3.73% 25/05/2070	1,000,000	987,780	0.53
EXPORT-IMPORT BANK CHINA (SER 1910) 3.86% 20/05/2029	5,000,000	5,077,965	2.74
EXPORT-IMPORT BANK CHINA (SER 2003) 2.17% 07/04/2023	5,000,000	4,911,140	2.65
EXPORT-IMPORT BANK CHINA SER 1810 4.89% 26/03/2028	5,000,000	5,446,625	2.94
<b>Total Quoted Bonds</b>		<b>178,711,141</b>	<b>96.47</b>

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**INVESTMENT PORTFOLIO (Unaudited) (Continued)**

*As at 31 December 2020*

	<b>Holdings</b>	<b>Fair value RMB</b>	<b>% of net assets</b>
<b>Investments (98.13%)</b>			
<b>Total investments</b>		181,795,677	98.13
<b>Other net assets</b>		3,471,133	1.87
<b>Net assets attributable to unitholders at 31 December 2020</b>		<u>185,266,810</u>	<u>100.00</u>
<b>Total investments, at cost</b>		<u>181,147,036</u>	

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**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	
<b>Investments</b>					
<b>Listed Investment Fund</b>					
CSOP RMB MONEY MARKET ETF	-	20,000	-	-	20,000
<b>Quoted Bonds</b>					
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1903) 3.2% 03/04/2022	10,000,000	-	-	-	10,000,000
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1907) 3.12% 17/07/2022	8,000,000	2,000,000	-	-	10,000,000
AGRICULTURAL DEVELOPMENT BANK OF CHINA (SER 1908) 3.63% 19/07/2026	16,000,000	-	-	6,000,000	10,000,000
CHINA DEVELOPMENT BANK (SER 1715) 4.24% 24/08/2027	4,100,000	2,000,000	-	6,100,000	-
CHINA DEVELOPMENT BANK (SER 1903) 3.3% 01/02/2024	17,000,000	-	-	2,000,000	15,000,000
CHINA DEVELOPMENT BANK (SER 1907) ( REG) 3.18% 17/05/2022	-	10,000,000	-	10,000,000	-
CHINA DEVELOPMENT BANK (SER 1915) ( REG) 3.45% 20/09/2029	-	9,000,000	-	3,000,000	6,000,000
CHINA DEVELOPMENT BANK (SER 2008) 2.89% 22/06/2025	-	4,000,000	-	-	4,000,000
CHINA DEVELOPMENT BANK (SER 2010) 3.09% 18/06/2030	-	15,000,000	-	-	15,000,000
CHINA DEVELOPMENT BANK SER 1505 (REG) 3.81% 05/02/2025	10,000,000	-	-	10,000,000	-
CHINA DEVELOPMENT BANK SER 1610 3.18% 05/04/2026	-	10,000,000	-	-	10,000,000

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (Continued)**

*For the year ended 31 December 2020*

	<b>Holdings</b>				<b>31 December 2020</b>
	<b>1 January 2020</b>	<b>Additions</b>	<b>Corporate actions</b>	<b>Disposals</b>	
<b>Investments (Continued)</b>					
<b>Quoted Bonds (Continued)</b>					
CHINA DEVELOPMENT BANK SER 1805 4.88% 09/02/2028	-	2,500,000	-	-	2,500,000
CHINA GOVERNMENT BOND (SER 1213) 4.12% 02/08/2042	10,000,000	-	-	5,000,000	5,000,000
CHINA GOVERNMENT BOND (SER 1417) 4.63% 11/08/2034	10,000,000	-	-	1,000,000	9,000,000
CHINA GOVERNMENT BOND (SER 1828) 3.22% 06/12/2025	10,000,000	-	-	8,000,000	2,000,000
CHINA GOVERNMENT BOND (SER 1902) 2.44% 21/02/2021	20,000,000	-	-	20,000,000	-
CHINA GOVERNMENT BOND (SER 1904) 3.19% 11/04/2024	20,000,000	-	-	8,000,000	12,000,000
CHINA GOVERNMENT BOND (SER 1908) 4% 24/06/2069	4,000,000	-	-	-	4,000,000
CHINA GOVERNMENT BOND (SER 1910) 3.86% 22/07/2049	1,000,000	-	-	1,000,000	-
CHINA GOVERNMENT BOND (SER 1911) 2.75% 08/08/2022	10,000,000	3,000,000	-	-	13,000,000
CHINA GOVERNMENT BOND 02/07/2023	-	4,000,000	-	-	4,000,000
CHINA GOVERNMENT BOND 2.24% 05/03/2023	-	17,000,000	-	12,000,000	5,000,000
CHINA GOVERNMENT BOND 2.85% 04/06/2027	-	22,000,000	-	5,000,000	17,000,000
CHINA GOVERNMENT BOND 3.02% 22/10/2025	-	2,000,000	-	-	2,000,000
CHINA GOVERNMENT BOND 3.39% 16/03/2050	-	6,000,000	-	-	6,000,000
CHINA GOVERNMENT BOND 3.73% 25/05/2070	-	1,000,000	-	-	1,000,000
CHINA GOVERNMENT BOND SER 1621 2.39% 20/10/2021	-	10,000,000	-	10,000,000	-

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX ETF  
(A SUB-FUND OF CSOP ETF SERIES II)**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (Continued)**

*For the year ended 31 December 2020*

	<b>Holdings</b>				<b>31 December 2020</b>
	<b>1 January 2020</b>	<b>Additions</b>	<b>Corporate actions</b>	<b>Disposals</b>	
<b>Investments (Continued)</b>					
<b>Quoted Bonds (Continued)</b>					
EXPORT-IMPORT BANK CHINA (SER 1910) 3.86% 20/05/2029	10,000,000	-	-	5,000,000	5,000,000
EXPORT-IMPORT BANK CHINA (SER 2003) 2.17% 07/04/2023	-	5,000,000	-	-	5,000,000
EXPORT-IMPORT BANK CHINA SER 1810 4.89% 26/03/2028	-	5,000,000	-	-	5,000,000
<b>RMB denominated investment fund</b>					
ICBC CREDIT SUISSE RMB CASH FUND	2,000,000	2,000,000		4,000,000	-

**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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	185,266,810	102.3574
31 December 2019	169,008,083	103.6859
31 December 2018	120,306,948	104.6147

**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	107.6192	100.8011
31 December 2019	105.1500	101.7786
31 December 2018	104.5966	101.0469
31 December 2017	107.6129	100.9339
31 December 2016	111.0418	106.0150
31 December 2015	110.8911	106.9168
31 December 2014 (since 17 February 2014 (date of inception))	107.8918	102.4495**

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

*\*\*Pursuant to the Change of the Trading Board Lot Size and Unit Consolidation Announcement dated 1 August 2014, effective from 1 September 2014, the Management has determined that each of the existing five units in the Sub-Fund be consolidated into one unit. The net assets value per unit disclosed was adjusted to reflect the units consolidation.*



**CSOP BLOOMBERG BARCLAYS CHINA TREASURY + POLICY BANK BOND INDEX 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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Shanghai ifc, 8 Century Avenue  
Pudong, Shanghai, China 200120

**Service Agent**

HK Conversion Agency Services Limited  
2nd Floor, Infinitus Plaza  
199 Des Voeux Road, Central  
Hong Kong

**Listing Agent**

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27th Floor, Two Exchange Square  
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Central, Hong Kong

**Directors of the Manager**

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

**Legal Adviser to the Manager**

Simmons & Simmons  
30th Floor, One Taikoo Place  
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**Auditor**

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
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