



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

CSOP FTSE CHINA A50 ETF
Stock Codes: 82822 (RMB counter) and 02822 (HKD counter)
(A sub-fund of CSOP ETF Series)

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2021

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

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**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

CSOP FTSE China A50 ETF (the “CSOP A50 ETF” or the “Sub-Fund”), a sub-fund of the CSOP ETF Series, is a unit trust authorized under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. It was launched on 23 August 2012 and commenced trading in RMB under the stock code 82822 on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 28 August 2012; following the SEHK’s dual counter model, the CSOP A50 ETF started trading in HKD under the stock code 02822 on the SEHK on 8 November 2012. The CSOP A50 ETF is benchmarked against the FTSE China A50 Index (the “A50 Index”) and primarily adopts the full-replication strategy. The Manager and Renminbi Qualified Foreign Institutional Investor (“RQFII”) Holder of the CSOP A50 ETF is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The CSOP A50 ETF is a physical ETF which invests directly in the A50 Index securities within the PRC mainland through the QFI status of the Manager and/or the Stock Connect. Under current regulations in the PRC mainland, generally foreign investors can invest in the domestic securities and/or futures market through (i) certain foreign institutional investors that have obtained status as a QFI from the CSRC to remit foreign freely convertible currencies and RMB into the PRC mainland for the purpose of investing in the PRC mainland’s domestic securities and/or futures markets, or (ii) the Stock Connect Program.

The FTSE China A50 Index (the “Index”) is compiled and published by FTSE International Limited. It comprises the top 50 A-Share companies from both the Shanghai and Shenzhen markets by market capitalisation. The Index operates under clearly defined rules published by the index provider and is a tradable index.

Capital Gains Tax (“CGT”) Treatment

Rules governing taxes on capital gains derived by QFI from the trading of PRC Securities (including China A-Shares) was announced on 14 November 2014. According to the rules, investors are not required to pay capital gain tax from 17 November 2014. Therefore, the Manager did not make provision for any withholding tax after 17 November 2014.

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

REPORT OF THE MANAGER TO THE UNITHOLDERS (CONTINUED)

The Sub-Fund Performance

The CSOP A50 ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 31 December 2021, the dealing Net Asset Value (“NAV”) per unit of the CSOP A50 ETF was RMB14.5822 and there were 712,000,000 units outstanding. The total asset under management was approximately RMB10.4 billion.

For the year ended 31 December 2021, the FTSE China A50 net return index performed -9.63% while the dealing NAV performed -12.62%. The difference in performance between the NAV of the CSOP A50 ETF and the Index is mainly attributed to dividends, fees and expenses including tax on dividends and distributions to unitholders. YTD Net total return of the RMB counter (stock code 82822) was -12.05%.

Exchange Liquidity

Since inception, the CSOP A50 ETF has attracted great investor attention from investors across the globe. The trading value of the RMB counter (stock code: 82822) has an average daily turnover of RMB9.4 million in December 2021. The trading value of the HKD counter (stock code: 02822) remained steadily at an average daily turnover of HKD 186.2 million in December 2021. The Sub-Fund’s high liquidity often placed it in the most actively traded ETFs on the HKEx. The trading volume for the CSOP A50 ETF reflected strong interest in the CSOP A50 ETF.

Portfolio Rebalance

The CSOP A50 ETF adopts a full-replication strategy to track the Index. Since inception, the Sub-Fund has experienced thirty-eight quarterly index rebalances.

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of CSOP FTSE China A50 ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 25 July 2012, as amended, for the year ended 31 December 2021.

HSBC Institutional Trust Services (Asia) Limited
28 April 2022

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of CSOP FTSE China A50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series, is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong and the Trust Deed dated 25 July 2012, 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 (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2021, the Trust has established nine sub-funds, namely, CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF, CSOP MSCI China A Inclusion Index ETF, ICBC CSOP S&P New China Sectors ETF, CSOP Hong Kong Dollar Money Market ETF, CSOP US Dollar Money Market ETF, CSOP CSI 500 ETF, CSOP Hang Seng TECH Index ETF and CSOP Yinhua CSI 5G Communications Theme 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 FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES, 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 FTSE China A50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series, which are set out on pages 9 to 33, comprise:

- the statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, and of its financial transactions and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. 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 HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the 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 FTSE CHINA A50 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Key Audit Matters (Continued)

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

| Key Audit Matters | How our audit addressed the Key Audit Matters |
|---|---|
| <p><u>Existence and valuation of investments and derivative financial instruments</u></p> <p>The Sub-Fund’s investments and derivative financial instruments as at 31 December 2021 were comprised of listed equities of companies in the People’s Republic of China (“PRC”) and unlisted funded total return swaps of securities in the PRC, valued at RMB9,376,400,249 and RMB977,470,346 respectively.</p> <p>We focused on the existence and valuation of the investments and derivative financial instruments because the investments represented the principal element of the Sub-Fund’s net asset value as at 31 December 2021.</p> <p>Refer to Note 8 to the financial statements</p> | <p>Our work included an assessment of the key controls over the existence and valuation of the investments and derivative financial instruments, which included the following:</p> <ol style="list-style-type: none"> 1. We developed an understanding of the control objectives and related controls relevant to our audit of the Sub-Fund’s 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 report over the design and operating effectiveness of those controls. 2. We evaluated the tests undertaken by the service auditor and the results of the tests undertaken and the opinions formed by the service auditor on the design and operating effectiveness of the controls, to the extent relevant to our audit of the Sub-Fund. <p>We tested the existence of investments and derivative financial instruments by obtaining direct confirmations from the custodians and brokers and agreeing the Sub-Fund’s holdings of investments and derivative financial instruments to the confirmations.</p> <p>We tested 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 2021.</p> <p>Based on the procedures we performed, we found no material exceptions from our testing.</p> |

Other Information

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP FTSE CHINA A50 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

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 HKFRSs issued by the HKICPA, 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 25 July 2012, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the Appendix E of the SFC Code.

As part of an audit in accordance with HKSAAs, 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP FTSE CHINA A50 ETF (CONTINUED)
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2022

CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | <i>Notes</i> | 2021 <i>RMB</i> | 2020 <i>RMB</i> |
|--|-----------------------|-----------------------|-----------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Deposit reserve | | - | 1,383,200 |
| CURRENT ASSETS | | | |
| Investments | <i>6(c),8(a),8(d)</i> | 9,376,400,249 | 11,515,522,724 |
| Derivative financial instruments | <i>8(a),8(b),8(d)</i> | 977,470,346 | 111,128,000 |
| Dividend receivable | | 3,521 | 27,540 |
| Interest receivable from bank deposits | | 7,074 | 4,380 |
| Interest receivable from derivative counterparties | | 479,481 | 191,991 |
| Other receivables | | 9,343 | - |
| Cash and cash equivalents | <i>6(c)</i> | 40,395,394 | 50,748,385 |
| | | <u>10,394,765,408</u> | <u>11,677,623,020</u> |
| Total assets | | <u>10,394,765,408</u> | <u>11,679,006,220</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Amounts due to participating dealers | | - | 8,039,253 |
| Management fee payable | <i>6(a)</i> | 8,841,343 | 9,155,837 |
| Trustee fee payable | <i>6(b)</i> | 357,226 | 369,933 |
| License fee payable | | 2,352,645 | 3,044,778 |
| Other accounts payable | | 705,599 | 1,105,082 |
| | | <u>12,256,813</u> | <u>21,714,883</u> |
| Total liabilities | | <u>12,256,813</u> | <u>21,714,883</u> |
| EQUITY | | | |
| Net assets attributable to unitholders | 3 | <u>10,382,508,595</u> | <u>11,657,291,337</u> |

The financial statements on pages 9 to 33 were approved by the Trustee and the Manager on 28 April 2022 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 FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | <i>Notes</i> | Year ended 31 December 2021 RMB | Year ended 31 December 2020 RMB |
|---|------------------|--|--|
| INCOME | | | |
| Dividend income | | 216,334,198 | 313,911,039 |
| Interest income from bank deposits | <i>6(c)</i> | 189,175 | 571,166 |
| Interest income from derivative counterparties | | 593,063 | 650,331 |
| Net (loss)/gain on investments and derivative financial instruments | <i>4</i> | (1,191,994,127) | 2,054,577,895 |
| Net foreign currency loss | | (2) | (5) |
| Other income | | 5,048,326 | 25,455,699 |
| Total net (loss)/income | | <u>(969,829,367)</u> | <u>2,395,166,125</u> |
| EXPENSES | | | |
| Management fee | <i>6(a)</i> | (103,474,245) | (115,070,558) |
| Trustee fee | <i>6(b)</i> | (4,180,777) | (4,649,315) |
| Transaction costs on investments | | (18,767,766) | (33,106,518) |
| Audit fee | | (580,124) | (963,298) |
| Safe custody and bank charges | <i>6(e)</i> | (2,241,537) | (2,772,989) |
| Legal and other professional fee | | (206,928) | (290,662) |
| License fee | | (10,015,745) | (11,623,841) |
| Other operating expenses | <i>6(e),6(f)</i> | (1,263,148) | (2,411,873) |
| Total operating expenses | | <u>(140,730,270)</u> | <u>(170,889,054)</u> |
| Operating (loss)/profit | | <u>(1,110,559,637)</u> | <u>2,224,277,071</u> |
| Taxation | <i>5</i> | <u>(21,731,405)</u> | <u>(31,486,410)</u> |
| Total comprehensive (loss)/income | | <u><u>(1,132,291,042)</u></u> | <u><u>2,192,790,661</u></u> |

The accompanying notes form an integral part of these financial statements

CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2021

| | <i>Notes</i> | Year ended 31 December 2021 <i>RMB</i> | Year ended 31 December 2020 <i>RMB</i> |
|--|--------------|---|---|
| Net assets attributable to unitholders at the beginning of the year | | 11,657,291,337 | 15,603,321,276 |
| Proceeds on issue of units | 3 | 1,455,554,550 | 2,667,883,400 |
| Payments on redemption of units | 3 | (1,391,566,250) | (8,572,614,000) |
| Net increase/(decrease) from unit transactions | | 63,988,300 | (5,904,730,600) |
| Distribution to unitholders | 9 | (206,480,000) | (234,090,000) |
| Total comprehensive (loss)/income for the year | | (1,132,291,042) | 2,192,790,661 |
| Net assets attributable to unitholders at the end of the year | | 10,382,508,595 | 11,657,291,337 |

The movements of the redeemable units for the years ended 31 December 2021 and 2020 are as follows:

| | Year ended 31 December 2021 Units | Year ended 31 December 2020 Units |
|---|--|--|
| Number of units in issue at the beginning of the year | 698,500,000 | 1,139,500,000 |
| Units issued | 95,000,000 | 195,500,000 |
| Units redeemed | (81,500,000) | (636,500,000) |
| Number of units in issue at the end of the year | 712,000,000 | 698,500,000 |

The accompanying notes form an integral part of these financial statements

CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Year ended 31 December 2021 <i>RMB</i> | Year ended 31 December 2020 <i>RMB</i> |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Payments for purchase of investments | (7,829,755,534) | (8,025,789,205) |
| Proceeds from sale of investments | 7,910,541,534 | 13,951,231,269 |
| Dividend income received | 216,358,217 | 313,883,499 |
| Interest received from bank deposits | 186,481 | 574,161 |
| Interest received from derivative counterparties | 305,573 | 458,340 |
| Other income received | 5,048,326 | 25,455,699 |
| Management fee paid | (103,788,739) | (117,991,289) |
| Trustee fee paid | (4,193,484) | (4,767,324) |
| Transaction costs paid | (18,767,766) | (33,106,518) |
| Taxation paid | (21,731,405) | (31,486,410) |
| Other operating expenses paid | (15,408,441) | (18,251,031) |
| Deposit reserve received | 1,383,200 | - |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 140,177,962 | 6,060,211,191 |
| | ----- | ----- |
| FINANCING ACTIVITIES | | |
| Proceeds on issue of units | 1,455,554,550 | 2,667,883,400 |
| Payments on redemption of units | (1,399,605,503) | (8,564,574,747) |
| Distribution paid | (206,480,000) | (234,090,000) |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (150,530,953) | (6,130,781,347) |
| | ----- | ----- |
| Net decrease in cash and cash equivalents | (10,352,991) | (70,570,156) |
| Cash and cash equivalents at the beginning of the year | 50,748,385 | 121,318,541 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the year | 40,395,394 | 50,748,385 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of balances of cash and cash equivalents | | |
| Bank balances | 40,395,394 | 50,748,385 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CSOP ETF Series (the “Trust”) is an umbrella unit trust governed by its trust deed dated 25 July 2012, 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 2021, the Trust has nine sub-funds which are CSOP FTSE China A50 ETF (the “Sub-Fund”), CSOP SZSE ChiNext ETF, CSOP MSCI China A Inclusion Index ETF, ICBC CSOP S&P New China Sectors ETF, CSOP Hong Kong Dollar Money Market ETF, CSOP US Dollar Money Market ETF, CSOP CSI 500 ETF, CSOP Hang Seng TECH Index ETF and CSOP Yinhua CSI 5G Communications Theme ETF. The date of inception of the Sub-Fund was 23 August 2012. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited. CSOP Asset Management Limited, the manager of the Sub-Fund, applied and obtained approval to list Japan Depository Receipt (“JDR”) which represents units of the Sub-Fund on the Tokyo Stock Exchange (“TSE”). The JDR which represents units of the Sub-Fund was listed on the TSE on 27 February 2013 and has been delisted from TSE on 9 June 2021.

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

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, FTSE China A50 Index (the “Underlying Index”). In order to achieve the investment objective of the Sub-Fund, the Manager will primarily adopt a full replication strategy by directly investing all, or substantially all, of the assets of the Sub-Fund in index securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these index securities have in the Underlying Index. Formerly, the Manager might also use a representative sampling strategy in exceptional circumstances. From 15 June 2020 (the “Effective Date”), the Sub-Funds added the use of financial derivative instruments (the “FDIs”) under exceptional circumstances. Under exceptional circumstances (i.e. due to restrictions, suspensions of trading, limited availability of certain Index Securities, corporate events, or as the Manager believed there was significant market mispricing or foreseeable market turbulence), the Manager would invest in FDIs (mainly swaps with one or more counterparties) with no more than 15% of the Sub-Fund’s NAV for investment and hedging purposes, where the Manager believed such investments would help the Sub-Fund achieved its investment objective and were beneficial to the Sub-Fund.

From 25 October 2021 (the “effective Date”) the Sub-Fund changes the circumstances that the Manager may use representative sampling strategy to invest as follows:

- i. A representative sample whose performance is closely correlated with the Underlying Index, but whose constituents may or may not themselves be constituents of the Underlying Index.
- ii. Other collective investment schemes (CIS). The Sub-Fund’s ability to invest in other CIS may not exceed 10% of the Net Asset Value of the Sub-Fund and the Sub-Fund will not hold more than 10% of any units issued by any single CIS.

The Manager may also invest in Financial derivative instruments (the “FDIs”) (mainly swaps with one or more counterparties) with no more than 15% of the Sub-Fund’s NAV for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The swaps which may be invested by the Sub-Fund will be funded total return swap transactions whereby the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparties and in return the Swap Counterparties will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant Securities (net of indirect costs). Exposure of the Sub-Fund to the Index Securities (either through direct investment or FDIs) will be in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index.

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION (Continued)

In pursuing a representative sampling strategy, the Manager may cause the Sub-Fund to deviate from the index weighting on the condition that the maximum deviation from the index weighting of any constituent will not exceed 3 percentage points above such weighting.”

The exceptional circumstances that the Manager may use a representative sampling strategy are no longer applicable.

The Sub-Fund has been using FTSE China A50 net total return index as its underlying index.

Under current regulations in the PRC mainland, generally foreign investors can invest in the domestic securities and/or futures market through (i) certain foreign institutional investors that have obtained status as a QFI from the CSRC to remit foreign freely convertible currencies and RMB into the PRC mainland for the purpose of investing in the PRC mainland’s domestic securities and/or futures markets, or (ii) the Stock Connect Program.

The Sub-Fund directly invest in securities issued within the PRC mainland through the QFI status of the Manager and the Stock Connect.

These financial statements are prepared for the Sub-Fund only. The financial statements for CSOP SZSE ChiNext ETF, CSOP MSCI China A Inclusion Index ETF, ICBC CSOP S&P New China Sectors ETF, CSOP Hong Kong Dollar Money Market ETF, CSOP US Dollar Money Market ETF, CSOP CSI 500 ETF, CSOP Hang Seng TECH Index ETF and CSOP Yinhua CSI 5G Communications Theme ETF 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 Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS 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.

Standards and amendments to existing standards effective 1 January 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Sub-Fund.

New standards, amendments and interpretations effective after 1 January 2021 that are relevant to the Sub-Fund 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 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments

(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 Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

(ii) Recognition/derecognition

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

(iii) Measurement

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

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

(iv) Fair value estimation

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

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

(v) Transfers between levels of the fair value hierarchy

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

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(vi) Derivatives

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated as hedges. The Sub-Fund does not classify any derivatives as hedges in a hedging relationship.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Sub-Fund's documented investment strategy.

The Sub-Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(vii) Offsetting financial instruments

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

(c) Amounts due from participating dealers/brokers

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.

Amounts due from brokers represent receivables for securities sold that have been contracted for but not yet settled on the statement of financial position date.

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/brokers 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/brokers, probability that the participating dealers/brokers 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.

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Amounts due to participating dealers/ brokers

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.

Amounts due to brokers represent payables for securities purchased that have been contracted for but not yet delivered on the statement of financial position date.

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

(e) Dividend income and interest income

Dividend income is recorded on the ex-dividend date with the corresponding foreign withholding taxes recorded as an expense.

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

(f) Distributions to unitholders

Distributions to unitholders are recognised in the statement of changes in net assets attributable to unitholders when they are approved by the Manager. Distributions to unitholders are recognised as distributions in the statement of changes in net assets attributable to unitholders. The Manager may, at its discretion, pay dividend out of capital.

(g) Other income/expenses

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

(h) Transaction costs on investments

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, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

(i) Expenses

Expenses are accounted for on an accrual basis.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currencies translation

Functional and presentation currency

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

Transactions and balances

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

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

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

(l) Redeemable units

The Sub-Fund issues redeemable units, which are redeemable at the holder’s option. These units represent puttable financial instruments of the Sub-Fund. The Sub-Fund classifies its puttable financial instruments as equity in accordance with HKAS 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.

**CSOP FTSE CHINA A50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation

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

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

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

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

(n) Establishment costs

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

3. 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 25 July 2012, 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(1), redeemable units of the Sub-Fund are classified as equities and they are carried at the price based on the Sub-Fund's net asset value per unit at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

| | 2021 Units | 2020 Units |
|---|--------------------|--------------------|
| Number of units in issue at the end of the year | 712,000,000 | 698,500,000 |
| | 2021 <i>RMB</i> | 2020 <i>RMB</i> |
| Net assets attributable to unitholders per unit as at 31 December (per statement of financial position) | 14.5822 | 16.6890 |

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NOTES TO THE FINANCIAL STATEMENTS

4. NET (LOSS)/GAIN ON INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

| | 2021 <i>RMB</i> | 2020 <i>RMB</i> |
|--|------------------------|----------------------|
| Net change in unrealised (loss)/gain in value of investments | (2,422,321,550) | 316,345,397 |
| Net realised gain on sale of investments | 1,230,327,423 | 1,738,232,498 |
| | <u>(1,191,994,127)</u> | <u>2,054,577,895</u> |

5. TAXATION

No provision for Hong Kong profits tax has been made for the Sub-Fund as it is authorised as a collective investment scheme under Section 104 of the 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 tax

The Sub-Fund invests in A-Shares listed in the PRC and is subjected to 10% withholding tax on dividend income derived from A-Shares. Withholding tax was charged on dividend income received from A-Shares during the years ended 31 December 2021 and 2020.

The taxation of the Sub-Fund for the years ended 31 December 2021 and 2020 represents:

| | 2021 <i>RMB</i> | 2020 <i>RMB</i> |
|------------------------------------|--------------------|--------------------|
| Withholding tax on dividend income | 21,721,524 | 31,466,186 |
| Withholding tax on interest income | 9,881 | 20,224 |
| Taxation | <u>21,731,405</u> | <u>31,486,410</u> |

**CSOP FTSE CHINA A50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

6. 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 its related parties including the Trustee/Custodian, the Manager and their Connected Persons. Connected Persons 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 2021 and 2020, between the Sub-Fund and its Connected Persons were carried out in the normal course of business and on ordinary commercial terms. To the best of the Manager’s knowledge, the Sub-Fund does not have any other transactions with the Connected Persons except for those disclosed below.

(a) Management fee

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

(b) Trustee fee and Registrar’s fee

The Trustee is entitled to receive a trustee fee of up to 1% per annum of the net asset value of the Sub-Fund, the current Trustee’s fee is calculated at a rate of up to 0.08% which accrued daily and calculated as at each dealing day and payable monthly in arrears. The Trustee fee is inclusive of fees payable to The Hongkong and Shanghai Banking Corporation Limited (the “Custodian”) and HSBC Bank (China) Company Limited (the “PRC Custodian”).

The Trustee, acting as the Registrar, is also entitled to a fee of RMB100 per participating dealer per transaction for the years ended 31 December 2021 and 2020.

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

**CSOP FTSE CHINA A50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

6. 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:

| | 2021 <i>RMB</i> | 2020 <i>RMB</i> |
|---|----------------------|-----------------------|
| Investments | | |
| The Hongkong and Shanghai Banking Corporation Limited | 6,625,360,088 | 9,819,482,445 |
| HSBC Bank (China) Company Limited | 2,751,040,161 | 1,696,040,279 |
| | <u>9,376,400,249</u> | <u>11,515,522,724</u> |
| Bank balances | | |
| The Hongkong and Shanghai Banking Corporation Limited | 23,525,023 | 23,886,525 |
| HSBC Bank (China) Company Limited | 16,870,371 | 26,861,860 |
| | <u>40,395,394</u> | <u>50,748,385</u> |
| Deposit reserve | | |
| HSBC Bank (China) Company Limited | - | 1,383,200 |
| | <u>-</u> | <u>1,383,200</u> |

Interest income amounted to RMB189,175 was earned on these bank balances and deposit reserve for the year ended 31 December 2021 (2020: RMB571,166).

As at 31 December 2021, the Sub-Fund invests in Bank of Communications Ltd, a connected person of the Trustee, of RMB133,804,632 (2020: RMB134,206,312) and during the year ended 31 December 2021, dividend income amounted to RMB8,794,489 (2020: RMB11,900,374) was earned.

(d) Holding in the Sub-Fund

As at 31 December 2021 and 31 December 2020, 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 2021 and 2020 were as follows:

| | 2021 <i>RMB</i> | 2020 <i>RMB</i> |
|---------------------------------|--------------------|--------------------|
| Safe custody and bank charges | 2,241,537 | 2,772,989 |
| Other operating expenses | 844,807 | 948,719 |
| Transaction costs of investment | | |
| -Brokerage commission paid | - | 624,810 |
| | <u>3,086,344</u> | <u>4,346,518</u> |

**CSOP FTSE CHINA A50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

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

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

The other respective amounts paid to the Manager and its connected persons for the year ended 31 December 2021 and 2020 were as follows:

| | 2021 <i>RMB</i> | 2020 <i>RMB</i> |
|---------------------------------|--------------------|--------------------|
| Transaction costs of investment | | |
| -Brokerage commission paid | 16,042 | 16,763 |
| | <u>16,042</u> | <u>16,763</u> |

(g) Investment transactions and brokerage commission

During the year ended 31 December 2021 and 2020, the Sub-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 <i>RMB</i> | % of the Fund's total aggregate value of transactions during the year % | Brokerage commission paid <i>RMB</i> | Average rate of commission % |
|------|--|--|---|---------------------------------------|
| 2021 | 20,042,305 | 0.13% | 16,042 | 0.08% |
| 2020 | 802,273,420 | 3.65% | 641,573 | 0.08% |

7. 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.

8. FINANCIAL RISK MANAGEMENT

The objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the FTSE China A50 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.

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

The Sub-Fund is designated to track the performance of the FTSE China A50 Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. During 2020, the Sub-Fund invested in unlisted funded total return swap for portfolio efficiency. In view of the potential market turbulence, the Manager consider entering into FDI can add the flexibility so as to better achieve the investment objective. Effective from 25 October 2021, the Sub-Fund invested in unlisted funded total return swap for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked index.

As at 31 December, the Sub-Fund's investments and derivative financial instruments were concentrated in the following industries:

| | 2021 | | 2020 | |
|---|-----------------------|-------------------------|-----------------------|-------------------------|
| | Fair value RMB | % of net asset value | Fair value RMB | % of net asset value |
| Listed equities in PRC and unlisted funded total return swap* – by industry | | | | |
| Basic materials | 372,917,790 | 3.59 | 247,254,185 | 2.12 |
| Consumer goods | 2,997,348,069 | 28.87 | 3,998,929,557 | 34.30 |
| Consumer services | 1,413,320,040 | 13.61 | 384,552,427 | 3.30 |
| Energy | 172,866,539 | 1.66 | - | - |
| Financials | 3,678,189,412 | 35.43 | 4,965,074,720 | 42.59 |
| Health care | 671,716,326 | 6.47 | 751,434,009 | 6.45 |
| Industrials | 179,872,471 | 1.73 | 560,700,505 | 4.81 |
| Oil & gas | - | - | 93,933,491 | 0.81 |
| Real Estate | 185,264,465 | 1.78 | - | - |
| Technology | 341,184,513 | 3.29 | 504,125,142 | 4.32 |
| Telecommunications | 206,459,637 | 1.99 | - | - |
| Utilities | 134,731,333 | 1.30 | 120,646,688 | 1.04 |
| | <u>10,353,870,595</u> | <u>99.72</u> | <u>11,626,650,724</u> | <u>99.74</u> |

*The data of Unlisted Funded Total Return Swaps represent their underlying asset

The Sub-Fund held 50 out of 50 (2020: 50 out of 50) constituent securities comprising the FTSE China A50 Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the FTSE China A50 Index.

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

As at 31 December 2021 and 2020, if the FTSE China A50 Index were to increase by 10% (2020: 25%) with all other variables held constant, this would increase the operating profit for the year by approximately RMB1,013,821,081 (2020: RMB2,776,134,520). Conversely, if the FTSE China A50 Index were to decrease by 10% (2020: 25%), this would decrease the operating profit for the year by an equal amount.

**CSOP FTSE CHINA A50 ETF
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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

As at 31 December 2021 and 2020, interest rate risk arises only from bank balances. As the bank balances held by the Sub-Fund is short term in nature and interest arising from these interest bearing assets are immaterial, the Manager considers that changes in their fair value and future cash flows in the event of a change in market interest rates will not be material. As a result, the Manager considers sensitivity analysis of interest rate risk is not necessary to be presented.

(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, the Manager considers sensitivity analysis of currency risk is not necessary to be presented.

(b) Credit and counterparty risk

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

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

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

As at 31 December 2021 and 2020, the Sub-Fund placed bank balances of RMB23,525,023 (2020: RMB23,886,525) and investments of RMB6,625,360,088 (2020: RMB9,819,482,445) with The Hong Kong and Shanghai Banking Corporation Limited ("HSBC"), which is the custodian of the Sub-Fund. The S&P credit rating of HSBC is A- (2020: A-).

As at 31 December 2021 and 2020, the Sub-Fund placed bank balances of RMB16,870,371 (2020: RMB26,861,860), deposit reserve of RMB Nil (2020: RMB1,383,200) and investments of RMB2,751,040,161 (2020: RMB1,696,040,279) with HSBC Bank (China) Company Limited ("HSBC China"), which is the PRC custodian of the Sub-Fund. The Moody's credit rating of HSBC China is A1 (2020: A1).

The Sub-Fund invested in unlisted funded total return swaps as follows:

| | Counterparty | Credit rating | Swap value | Collateral value* | Collateral ratio |
|------|-------------------------------------|----------------------|-------------------|--------------------------|-------------------------|
| 2021 | JP Morgan Securities Plc, London | A+ | 977,470,346 | 980,323,516 | 100.29% |
| 2020 | UBS AG London | A+ | 111,128,000 | 110,527,784 | 99.46% |

*Collaterals were received for unlisted funded total return swaps. As at 31 December 2021, collateral included government bonds with a credit rating of Aaa (2020: government bonds with credit rating of Aaa).

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. As at 31 December 2021 and 2020, deposit reserve, interest receivables and bank balances are held with counterparties with high credit ratings and are due to be settled within 1 month. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

The maximum exposure to credit risk as at 31 December 2021 and 2020 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> |
|---|------------------------------------|--|--------------------------------|---------------------|
| As at 31 December 2021 | | | | |
| Management fee payable | 8,841,343 | - | - | 8,841,343 |
| Trustee fee payable | 357,226 | - | - | 357,226 |
| License fee payable | - | 2,352,645 | - | 2,352,645 |
| Other accounts payable | 19,880 | 700 | 685,019 | 705,599 |
| Contractual cash outflow | 9,218,449 | 2,353,345 | 685,019 | 12,256,813 |
| As at 31 December 2020 | | | | |
| Amounts due to participating dealers | 8,039,253 | - | - | 8,039,253 |
| Management fee payable | 9,155,837 | - | - | 9,155,837 |
| Trustee fee payable | 369,933 | - | - | 369,933 |
| License fee payable | - | 3,044,778 | - | 3,044,778 |
| Other accounts payable | 13,840 | 900 | 1,090,342 | 1,105,082 |
| Contractual cash outflow | 17,578,863 | 3,045,678 | 1,090,342 | 21,714,883 |

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Units are redeemed on demand at the unitholder's option. As at 31 December 2021, there was 2 (2020: 1) unitholders holding more than 10% of the Sub-Fund's units, representing in aggregate 40.91% (2020: 33.02%) of the total Sub-Fund's units.

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

| | Less than 1 month <i>RMB</i> | 1 to 12 months <i>RMB</i> | No stated maturity <i>RMB</i> | Total <i>RMB</i> |
|-------------------------------|------------------------------------|---------------------------------|-------------------------------------|---------------------|
| As at 31 December 2021 | | | | |
| Total assets | 10,394,275,333 | 490,075 | - | 10,394,765,408 |
| As at 31 December 2020 | | | | |
| Total assets | 11,677,399,109 | 223,911 | 1,383,200 | 11,679,006,220 |

(d) Fair value estimation

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

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

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

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

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets (by class) measured at fair value at 31 December 2021 and 2020:

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

| | Level 1 <i>RMB</i> | Level 2 <i>RMB</i> | Level 3 <i>RMB</i> | Total <i>RMB</i> |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| As at 31 December 2021 | | | | |
| Assets | | | | |
| Investments | | | | |
| - Equity securities | 9,376,400,249 | - | - | 9,376,400,249 |
| Derivative financial instruments | | | | |
| - Unlisted funded total return swap | - | 977,470,346 | - | 977,470,346 |
| Total assets | <u>9,376,400,249</u> | <u>977,470,346</u> | <u>-</u> | <u>10,353,870,595</u> |
| As at 31 December 2020 | | | | |
| Assets | | | | |
| Investments | | | | |
| - Equity securities | 11,515,522,724 | - | - | 11,515,522,724 |
| Derivative financial instruments | | | | |
| - Unlisted funded total return swap | - | 111,128,000 | - | 111,128,000 |
| Total assets | <u>11,515,522,724</u> | <u>111,128,000</u> | <u>-</u> | <u>11,626,650,724</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.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As at 31 December 2021 and 2020, unlisted funded total return swap is classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or do not trade. As at 31 December 2021 and 2020, the Sub-Fund did not hold any investments classified in level 3.

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

The assets and liabilities included in the statement of financial position, other than investments, are carried at amortised cost. The carrying value of these financial assets and liabilities are considered by the Manager to approximate their fair value as they are short term in nature and the effect of discounting is immaterial. There are no other assets and liabilities not carried at fair value but for which fair value is disclosed.

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital risk management

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

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

(f) Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 December 2021 and 2020, the Sub-Fund was subject to master netting arrangements with its derivative counterparties. All of the derivative assets and liabilities of the Sub-Fund are held with this counterparty and the margin balance maintained by the Sub-Fund is for the purpose of providing collateral on derivative positions.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2021 and 31 December 2020. The column 'net amount' shows the impact on the group's balance sheet if all set-off rights were exercised. The tables are presented by type of financial instrument.

The Sub-Fund's financial assets

| A | B | C = A - B | D | | E = C - D |
|--|--|--|--|---------------------|------------|
| Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position | Net amounts of financial assets presented in the Statement of Financial Position | Related amounts not set-off in the Statement of Financial Position | | Net amount |
| RMB | RMB | RMB | D(i) Financial instruments | D(ii) Collateral | RMB |

As at 31 December 2021

Financial assets

Derivative financial instruments

- Unlisted funded

total return

swap

| | | | | | |
|--------------------|----------|--------------------|----------|--------------------|----------|
| 977,470,346 | - | 977,470,346 | - | 977,470,346 | - |
| <u>977,470,346</u> | <u>-</u> | <u>977,470,346</u> | <u>-</u> | <u>977,470,346</u> | <u>-</u> |

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(f) Offsetting and amounts subject to master netting arrangements and similar agreements (continued)

| | A | B | C = A – B | D | | E = C- D |
|-------------------------------------|--|--|---|---|--------------------------|-----------------------------|
| | Gross amounts of recognised financial assets <i>RMB</i> | Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position <i>RMB</i> | Net amounts of financial assets presented in the Statement of Financial Position <i>RMB</i> | Related amounts not set- off in the Statement of Financial Position | | Net amount <i>RMB</i> |
| | | | | D(i) | D(ii) | |
| | | | | Financial instruments <i>RMB</i> | Collateral <i>RMB</i> | |
| As at 31 December 2020 | | | | | | |
| Financial assets | | | | | | |
| Derivative financial instruments | | | | | | |
| - Unlisted funded total return swap | | | | | | |
| | 111,128,000 | - | 111,128,000 | - | 110,527,784 | 600,216 |
| | <u>111,128,000</u> | <u>-</u> | <u>111,128,000</u> | <u>-</u> | <u>110,527,784</u> | <u>600,216</u> |

Amount in D(i) and D(ii) above relate to amounts to set-off that do not qualify for offsetting under (B) above. This includes (i) amounts which are subject to set-off against the asset (or liability) disclosed in (A) which have not been offset in the statement of financial position and (ii) any financial collateral (including cash collateral), both received and pledged.

The Sub-Fund and its counterparties have elected to settle all transactions on a gross basis. However, each party has the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of the master netting agreement, an event of default includes the following:

- failure by a party to make payment when due;
- bankruptcy.

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NOTES TO THE FINANCIAL STATEMENTS

9. DISTRIBUTION

| | 2021 <i>RMB</i> | 2020 <i>RMB</i> |
|--|--------------------|--------------------|
| Undistributed income brought forward at the beginning of the year | - | - |
| Net (loss)/income for the year | (1,132,291,042) | 2,192,790,661 |
| Final distribution: | | |
| 2021: RMB0.29 per unit on 712,000,000 units | (206,480,000) | - |
| 2020: RMB0.34 per unit on 688,500,000 units | - | (234,090,000) |
| Undistributed loss/(income) transferred to net assets attributable to unitholders for the year | 1,338,771,042 | (1,958,700,661) |
| | <hr/> | <hr/> |
| Undistributed income carried forward at the end of the year | - | - |
| | <hr/> <hr/> | <hr/> <hr/> |

The Manager intends to distribute income to unitholders annually (in December) having regard to the Sub-Fund's net income after fees and costs. The Manager may, at its discretion, pay dividend out of or effectively pay dividend out of capital. Distributions for all units (whether traded in HKD or RMB counter) will be in RMB only.

There is no undistributed income carried forward at the end of the years 2021 and 2020. Net distribution income does not include net change in unrealised gain/(loss) in value of investments.

The final distribution of RMB0.29 (2020: RMB0.34) per unit on 712,000,000 (2020: 688,500,000) units outstanding on the ex-dividend date 21 December 2021 (2020: 18 December 2020) was paid on 30 December 2021 (2020: 28 December 2020).

10. FINANCIAL INSTRUMENTS BY CATEGORY

As of 31 December 2021 and 2020, other than investments and derivative financial instruments as disclosed in the financial statements which are classified as financial assets at fair value through profit or loss, all financial assets including deposit reserve, interest receivable, other receivable and cash and cash equivalents are categorised as and carried at amortised cost. All the financial liabilities of the Sub-Fund are carried at amortised cost.

11. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

Pursuant to the Chapter 8.6(h)(a) of the SFC Code, the Manager is permitted to overweight the holdings of the Sub-Funds relative to their respective weightings in the underlying index, on the condition that the maximum extra weighting in any constituent securities will not exceed the maximum limit reasonably determined by the Sub-Funds and after consultation with the SFC. The maximum limit for each of the Sub-Funds has been disclosed in their respective prospectus.

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).

The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the years ended 31 December 2021 and 2020.

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NOTES TO THE FINANCIAL STATEMENTS

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

There was one constituent securities (2020: 2) which each individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the FTSE China A50 Index as at 31 December 2021.

| | <u>Weighting</u> <u>in the Index (%)</u> | | <u>% of net asset value</u> | |
|---|---|-------|-----------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| PING AN INSURANCE (GROUP) CO OF CHINA LTD A SHR ORD CNY1 | - | 10.31 | - | 10.27 |
| KWEICHOW MOUTAI CO LTD A SHR ORD CNY1 | 12.7 | 11.37 | 12.69 | 11.34 |

During the year ended 31 December 2021, the FTSE China A50 Net Total Return Index decreased by 9.63% (2020: increased by 26.16%) while the net asset value per unit of the Sub-Fund decreased by 12.62% (2020: increased by 21.88%).

During the year ended 31 December 2021, the Sub-Fund paid dividend of RMB0.29 (2020: RMB0.34) per unit, which represents 1.99% (2020: 2.04%) to the net asset value per unit as at 31 December 2021. For the details of dividend distribution, refer to Note 9.

12. SOFT COMMISSION ARRANGEMENTS

The Manager has entered into soft commission arrangements for the years ended 31 December 2021 and 2020 with some brokers under which certain goods and services used to support investment decision making are obtained from third parties and are paid for by the brokers in consideration of transactions of the Sub-Fund directed to the brokers. These may include, for example, research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services; clearing, registrar and custodial services and investment-related publication; computer hardware and software incidental to the above goods and services.

For the years ended 31 December 2021 and 2020, the Manager obtained the services through soft dollar arrangements on transactions amounting to RMB13,728,377,058 (2020: RMB21,822,977,724). Commission which amounted to RMB4,329,079 (2020: RMB8,088,378) is paid from the Sub-Fund on these transactions.

13. SEGMENT INFORMATION

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

The Manager considers that the Sub-Fund has a single operating segment which is investing in securities. The objectives of the Sub-Fund are to track the performance of the FTSE China A50 Index and invest in substantially all 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 derived from investments in PRC securities which constitute FTSE China A50 Index, the tracked index.

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NOTES TO THE FINANCIAL STATEMENTS

13 SEGMENT INFORMATION (CONTINUED)

The total of non-current assets of the Sub-Fund located in PRC is RMB Nil (2020: RMB1,383,200) as at 31 December 2021. The Sub-Fund has no other assets classified as non-current assets. As at 31 December 2021, the Sub-Fund has a diversified portfolio of investments and one investment account for more than 10% of the Sub-Fund's net asset value (2020: two).

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 28 April 2022.

CSOP FTSE CHINA A50 ETF
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INVESTMENT PORTFOLIO (Unaudited)

As at 31 December 2021

| | Holdings | Fair value RMB | % of net assets |
|--|------------|-------------------|--------------------|
| Investments and derivative financial instruments (99.72%) | | | |
| Investments (90.31%) | | | |
| Listed equities (90.31%) | | | |
| China (90.31%) | | | |
| AGRICULTURAL BANK OF CHINA A SHS ORD CNY1 | 55,546,378 | 163,306,351 | 1.57 |
| AIER EYE HOSPITAL GROUP CO A SHARE ORD CNY1 | 2,351,536 | 99,422,942 | 0.96 |
| BANK OF CHINA LTD A SHS ORD CNY1 | 26,984,173 | 82,301,728 | 0.79 |
| BANK OF COMMUNICATIONS LTD A SHRS ORD CNY1 | 29,024,866 | 133,804,632 | 1.29 |
| BEIJING SHANGHAI HIGH SPEED RAILWAY CO LTD ORD CNY1 A | 3,776,000 | 18,238,080 | 0.18 |
| BYD CO LTD A SHRS ORD CNY1 | 1,110,190 | 297,664,143 | 2.87 |
| CHINA CONSTRUCTION BANK A SHS ORD CNY1 | 13,052,007 | 76,484,761 | 0.74 |
| CHINA LIFE INSURANCE CO A SHS ORD NPV | 2,113,582 | 63,597,683 | 0.61 |
| CHINA MERCHANTS BANK CO LTD A SHRS ORD CNY1 | 17,327,147 | 844,005,330 | 8.13 |
| CHINA PACIFIC INSURANCE GROUP A SHR ORD CNY1 | 3,970,038 | 107,667,431 | 1.04 |
| CHINA PETROLEUM & CHEMICAL CORP CL A ORD CNY1 | 13,855,336 | 58,608,072 | 0.56 |
| CHINA SHENHUA ENERGY CO LTD A SHS ORD CNY1 | 2,869,325 | 64,617,199 | 0.62 |
| CHINA TOURISM GROUP DUTY FREE CORP LTD A SHS ORD CNY1 | 1,132,309 | 248,439,917 | 2.39 |
| CHINA VANKE CO LTD A SHR ORD CNY1 | 9,375,732 | 185,264,465 | 1.78 |
| CHINA YANGTZE POWER CO LTD CL A ORD CNY1 | 5,935,301 | 134,731,333 | 1.30 |
| CHONGQING ZHIFEI BIOLOGICAL PRODUCT CO LTD A SHRS ORD CNY1 | 510,440 | 63,600,824 | 0.61 |
| CITIC SECURITIES CO LTD A SHR ORD CNY1 | 12,197,191 | 322,127,814 | 3.10 |
| CONTEMPORARY AMPEREX TECHNOLOGY CO LTD A SHS ORD CNY1 | 945,505 | 555,956,940 | 5.35 |
| COSCO SHIPPING HOLDINGS CO LTD A SHS ORD CHY1 | 4,725,152 | 88,313,091 | 0.85 |
| EAST MONEY INFORMATION CO LTD A SHR ORD CNY1 | 8,392,400 | 311,441,964 | 3.00 |
| EVE ENERGY CO LTD A SHARE ORD CNY1 | 766,889 | 90,630,942 | 0.87 |
| FOSHAN HAITIAN FLAVOURING & FOOD COMPANY LTD A SHS ORD CNY1 | 610,805 | 64,201,714 | 0.62 |
| FOXCONN INDUSTRIAL INTERNET CO LTD A SHRS ORD CNY1 | 1,635,467 | 19,494,767 | 0.19 |
| GREAT WALL MOTOR CO LTD A SHRS ORD NPV | 1,333,719 | 64,738,720 | 0.62 |
| GREE ELECTRIC APPLIANCES INC OF ZHUHAI A SHS ORD CNY1 | 2,401,176 | 88,915,548 | 0.86 |
| HAIER SMART HOME CO LTD ORD CNY1 CC | 1,761,200 | 52,642,268 | 0.51 |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD A SHS ORD CNY1 | 31,273,785 | 144,797,625 | 1.39 |
| INDUSTRIAL BANK CO LTD A SHR ORD CNY1 | 20,088,429 | 382,483,688 | 3.68 |
| INNER MONGILIA YILI INDUSTRIAL GR CO LTD A SHS ORD CNY1 | 676,780 | 32,173,477 | 0.31 |
| JIANGSU YANGHE BREWERY JOINT-STOCK CO LTD A SHS ORD CNY1 | 89,297 | 14,709,895 | 0.14 |

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INVESTMENT PORTFOLIO (Unaudited)

As at 31 December 2021

| | Holdings | Fair value RMB | % of net assets |
|---|-----------------|---------------------------|----------------------------|
| Investments and derivative financial instruments (99.72%) | | | |
| (Continued) | | | |
| Investments (90.31%) (Continued) | | | |
| Listed equities (90.31%) (Continued) | | | |
| China (90.31%) (Continued) | | | |
| KWEICHOW MOUTAI CO LTD A SHR ORD CNY1 | 642,865 | 1,317,873,250 | 12.69 |
| LONGI GREEN ENERGY TECHNOLOGY-A A SHRS ORD CNY1 | 3,958,057 | 341,184,513 | 3.29 |
| LUXSHARE PRECISION INDUSTRY CO LTD A SHS ORD CNY1 | 3,800,099 | 186,964,870 | 1.80 |
| LUZHOU LAOJIAO CO LTD A SHR ORD CNY1 | 970,102 | 246,279,795 | 2.37 |
| MUYUAN FOODSTUFF CO LTD A SHS ORD CNY1 | 2,032,471 | 108,452,653 | 1.04 |
| PETROCHINA CO LTD A SHRS CNY1 | 10,110,238 | 49,641,268 | 0.48 |
| PING AN BANK CO LTD A SHR ORD CNY1 | 11,817,819 | 194,757,658 | 1.88 |
| PING AN INSURANCE (GROUP) CO OF CHINA LTD A SHR ORD CNY1 | 13,361,024 | 673,529,219 | 6.49 |
| QINGDAO HAIER CO LTD A SHR ORD CNY1 | 800,000 | 23,912,000 | 0.23 |
| S F HOLDING CO LTD A SHRS ORD CNY1 | 63,861 | 4,401,300 | 0.04 |
| SAIC MOTOR CORP LTD A SHR ORD CNY1 | 3,928,769 | 81,050,504 | 0.78 |
| SHANGHAI PUDONG DEVELOPMENT BANK CO LTD A SHR ORD CNY1 | 20,853,872 | 177,883,528 | 1.71 |
| SHANXI XINGHUACUN FEN WINE FACTORY CO LTD A SHR ORD CNY1 | 519,212 | 163,956,765 | 1.58 |
| SHENZHEN MINDRAY BIO MEDICAL ELECTRONICS CO LTD A SHS ORD CNY1 | 370,931 | 141,250,524 | 1.36 |
| WANHUA CHEMICAL GROUP CO LTD A SHR ORD CNY1 | 2,064,320 | 208,496,320 | 2.01 |
| WULIANGYE YIBIN CO LTD A SHS ORD CNY1 | 1,052,343 | 234,314,692 | 2.26 |
| WUXI APPTec CO LTD A SHS ORD CNY1 | 371,375 | 44,037,648 | 0.42 |
| YIHAI KERRY ARAWANA HOLDINGS CO LTD ORD CNY1 A | 517,200 | 32,547,396 | 0.32 |
| ZHANGZHOU PIENZHEHUANG PHARM CO LTD A SHS ORD CNY1 | 244,908 | 107,061,532 | 1.04 |
| ZIJIN MINING GROUP CO LTD A SHR ORD CNY0.1 | 16,950,667 | 164,421,470 | 1.59 |
| Total listed equity shares | | 9,376,400,249 | 90.31 |

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INVESTMENT PORTFOLIO (Unaudited) (Continued)
As at 31 December 2021

| | Holdings | Fair value RMB | % of net assets |
|--|-----------------|------------------------------|----------------------------|
| Investments and derivative financial instruments (99.72%) (Continued) | | | |
| Derivative financial instruments (9.41%) | | | |
| Unlisted funded total return swaps (9.41%) | | | |
| INNER MONGILIA YILI INDUSTRIAL GR CO LTD A (UNLISTED FUNDED TOTAL RETURN SWAPS) | 7,000,000 | 290,220,000 | 2.79 |
| JIANGSU HENGRUI MEDICINE CO LTD A (UNLISTED FUNDED TOTAL RETURN SWAPS) | 3,821,500 | 193,788,265 | 1.87 |
| JIANGSU YANGHE BREWERY A (UNLISTED FUNDED TOTAL RETURN SWAPS) | 549,700 | 90,552,081 | 0.87 |
| S F HOLDING CO LTD A (UNLISTED FUNDED TOTAL RETURN SWAPS) | 1,000,000 | 68,920,000 | 0.66 |
| WULIANGYE YIBIN CO LTD A (UNLISTED FUNDED TOTAL RETURN SWAPS) | 1,500,000 | 333,990,000 | 3.22 |
| Total unlisted funded total return swaps | | <u>977,470,346</u> | <u>9.41</u> |
| Total investments and derivative financial instruments | | 10,353,870,595 | 99.72 |
| Other net assets | | <u>28,638,000</u> | <u>0.28</u> |
| Net assets attributable to unitholders at 31 December 2021 | | <u><u>10,382,508,595</u></u> | <u><u>100.00</u></u> |
| Total investments and derivative financial instruments, at cost | | <u><u>9,439,111,617</u></u> | |

CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the year ended 31 December 2021

| | % of net asset value 2021 | % of net asset value 2020 |
|---|---------------------------------|---------------------------------|
| Listed equities and unlisted funded total return swap – by industry | | |
| Basic materials | 3.59 | 2.12 |
| Consumer goods | 28.87 | 34.30 |
| Consumer services | 13.61 | 3.30 |
| Energy | 1.66 | - |
| Financials | 35.43 | 42.59 |
| Health care | 6.47 | 6.45 |
| Industrials | 1.73 | 4.81 |
| Oil & gas | - | 0.81 |
| Real Estate | 1.78 | - |
| Technology | 3.29 | 4.32 |
| Telecommunications | 1.99 | - |
| Utilities | 1.30 | 1.04 |
| | <hr/> | <hr/> |
| Total investments and derivative financial instruments | 99.72 | 99.74 |
| Other net assets | 0.28 | 0.26 |
| | <hr/> | <hr/> |
| Total net assets | 100.00 | 100.00 |
| | <hr/> <hr/> | <hr/> <hr/> |

*The data of Unlisted Funded Total Return Swaps represent their underlying asset

**CSOP FTSE CHINA A50 ETF
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DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS (Unaudited)

As at 31 December 2021

Unlisted Funded total return swap (9.41%)

The details of unlisted funded total return swap held by the Sub-Fund as at 31 December 2021 are as follows.

| | Underlying assets | Counterparty | Fair value RMB |
|---|---|--|---------------------------|
| <u>Financial assets:</u> | | | |
| INNER MONGILIA YILI INDUSTRIAL GR CO LTD A (UNLISTED FUNDED TOTAL RETURN SWAPS) | Inner Mongolia Yili Industrial Gr Co Ltd A | JP Morgan Securities Plc, London | 290,220,000 |
| JIANGSU HENGRUI MEDICINE CO LTD A (UNLISTED FUNDED TOTAL RETURN SWAPS) | Jiangsu Hengrui Medicine Co Ltd A | JP Morgan Securities Plc, London | 193,788,265 |
| JIANGSU YANGHE BREWERY A (UNLISTED FUNDED TOTAL RETURN SWAPS) | Jiangsu Yanghe Brewery A | JP Morgan Securities Plc, London | 90,552,081 |
| S F HOLDING CO LTD A (UNLISTED FUNDED TOTAL RETURN SWAPS) | S F Holding Co Ltd A | JP Morgan Securities Plc, London | 68,920,000 |
| WULIANGYE YIBIN CO LTD A (UNLISTED FUNDED TOTAL RETURN SWAPS) | Wuliangye Yibin Co Ltd A | JP Morgan Securities Plc, London | 333,990,000 |
| | | | <hr/> |
| | | | 977,470,346 |
| | | | <hr/> <hr/> |

**CSOP FTSE CHINA A50 ETF
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HOLDINGS OF COLLATERAL (Unaudited)

As at 31 December 2021

| Collateral provider | Nature of the collateral | Credit rating | Rating agencies | Maturity tenor | Currency denomination | % of net asset value covered by collateral | Value of the collateral RMB |
|----------------------------------|---------------------------------|----------------------|------------------------|-----------------------|------------------------------|---|------------------------------------|
| JP Morgan Securities Plc, London | Government bond | Aaa | Moody's | 30-Sep-24 | USD | 1.40% | 145,746,897 |
| JP Morgan Securities Plc, London | Government bond | Aaa | Moody's | 30-Mar-26 | USD | 1.28% | 133,049,717 |
| JP Morgan Securities Plc, London | Government bond | Aaa | Moody's | 30-Mar-23 | USD | 1.18% | 122,177,868 |
| JP Morgan Securities Plc, London | Government bond | Aaa | Moody's | 30-Jun-25 | USD | 1.55% | 160,496,972 |
| JP Morgan Securities Plc, London | Government bond | Aaa | Moody's | 30-Jun-22 | USD | 1.53% | 159,359,033 |
| JP Morgan Securities Plc, London | Government bond | Aaa | Moody's | 30-Sep-24 | USD | 1.46% | 151,998,360 |
| JP Morgan Securities Plc, London | Government bond | Aaa | Moody's | 30-Mar-25 | USD | 1.04% | 107,494,669 |
| | | | | | | 9.44% | 980,323,516 |
| | | | | | | 9.44% | 980,323,516 |

Custody/safe-keeping arrangement

| | Amount of collateral received/held 31 December 2021 RMB | Proportion of collateral posted by the sub-fund 31 December 2021 % |
|--|--|---|
| Custodians of collateral | | |
| Pooled accounts | | |
| The Hongkong and Shanghai Banking Corporation Limited, Hong Kong | 980,323,516 | 100.00 |
| | 980,323,516 | 100.00 |

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INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS
(Unaudited)

As at 31 December 2021

The lowest, highest and average gross exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the year ended 31 December 2021 and 31 December 2020.

| | 2021 | 2020 |
|------------------------|-----------------|-----------------|
| | % of NAV | % of NAV |
| Lowest gross exposure | 0.46 | 0.95 |
| Highest gross exposure | 9.66 | 2.52 |
| Average gross exposure | 3.93 | 1.22 |

The lowest, highest and average net exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the year ended 31 December 2021 and 31 December 2020.

| | 2021 | 2020 |
|------------------------|-----------------|-----------------|
| | % of NAV | % of NAV |
| Lowest gross exposure | 0.46 | 0.95 |
| Highest gross exposure | 9.66 | 2.52 |
| Average gross exposure | 3.93 | 1.22 |

**CSOP FTSE CHINA A50 ETF
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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 2021 | 10,382,508,595 | 14.5822 |
| 31 December 2020 | 11,657,291,337 | 16.6890 |
| 31 December 2019 | 15,603,321,276 | 13.6931 |

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 2021 | 18.9471 | 14.0291 |
| 31 December 2020 | 16.6890 | 11.3679 |
| 31 December 2019 | 13.9976 | 9.9063 |
| 31 December 2018 | 14.5348 | 9.9521 |
| 31 December 2017 | 13.9003 | 9.9773 |
| 31 December 2016 | 10.8850 | 8.5007 |
| 31 December 2015 | 15.0028 | 8.6763 |
| 31 December 2014 | 11.3976 | 6.3961 |
| 31 December 2013 | 9.1469 | 6.8307 |
| 31 December 2012 (since 23 August 2012 (date of inception)) | 8.2890 | 6.9571 |

**CSOP FTSE CHINA A50 ETF
(A SUB-FUND OF CSOP ETF SERIES)**

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