

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

CSOP HANG SENG INDEX ETF
Stock Code: 3037
(A sub-fund of CSOP ETF Series III)

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

CSOP Hang Seng Index ETF

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

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CSOP Hang Seng Index ETF

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, CSOP Asset Management Limited, the Manager of CSOP Hang Seng Index ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series III, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 16 March 2021 for the year ended 31 December 2023.

BOCI-Prudential Trustee Limited (the “Trustee”)

29 April 2024

Independent auditor's report

To the unitholders of CSOP Hang Seng Index ETF (the "Trust")

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CSOP Hang Seng Index ETF (a sub-fund of CSOP ETF Series III (the "Trust"), and hereafter referred to as the "Sub-Fund") set out on pages 7 to 40, which comprise the statement of net assets as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2023, and of its financial performance 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 ("HKSAs") 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent auditor’s report (continued)

To the unitholders of CSOP Hang Seng Index ETF (the “Trust”)

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Existence and valuation of financial assets at fair value through profit or loss</i>	
<p>As at 31 December 2023, the financial assets at fair value through profit or loss were valued at HK\$ 1,319,635,280, which represented 99.82% of the net asset value of the Sub-Fund. These financial assets were listed shares on the Hong Kong Stock Exchange.</p> <p>We focused on this area because the financial assets at fair value through profit or loss represented the principal element of the financial statements.</p> <p>Disclosures in respect of the financial assets at fair value through profit or loss are set out in the summary of significant accounting policies and notes 12, 14(b)(i) and 14(e) to the financial statements.</p>	<p>The procedures we performed to address the key audit matter included:</p> <ul style="list-style-type: none">• Obtained independent confirmations from the custodians of the investment portfolio held at 31 December 2023 and agreed the quantities held to the Sub-Fund's accounting records.• Tested the design and operating effectiveness of financial instrument valuation controls.• Tested the valuation of the financial assets at fair value through profit or loss that were quoted in active markets by independently agreeing the valuation of financial assets to third-party sources at 31 December 2023.• Assessed the adequacy of disclosures relating to financial assets at fair value through profit or loss in the financial statements.

Information other than the financial statements and auditor's report thereon

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises the information included in the Annual Report, 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 (continued)

To the unitholders of CSOP Hang Seng Index ETF (the "Trust")

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

Responsibilities of the Manager and the Trustee for the financial statements

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

In preparing the financial statements, the Manager and the Trustee of the Sub-Fund are 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 Manager and the Trustee of the Sub-Fund either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 16 March 2021 and the relevant disclosure provisions of Appendix E of the *Code on Unit Trusts and Mutual Funds* (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSAs 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 Appendix E of the SFC Code.

Independent auditor's report (continued)

To the unitholders of CSOP Hang Seng Index ETF (the "Trust")

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

Independent auditor's report (continued)

To the unitholders of CSOP Hang Seng Index ETF (the "Trust")

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

Report on matters under the relevant disclosure provisions of the Trust Deed and 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 Appendix E of the SFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Christine Lin.

Certified Public Accountants

Hong Kong

29 April 2024

CSOP Hang Seng Index ETF

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

STATEMENT OF NET ASSETS

As at 31 December 2023

	Note	2023 HK\$	2022 HK\$
ASSETS			
Financial assets at fair value through profit or loss	5(g), 12	1,319,635,280	1,376,506,123
Dividend receivable from financial assets		1,562,767	83,270
Due from participating dealers	8	168,137	-
Due from brokers	7	-	224,925
Cash and cash equivalents	6	828,790	978,350
TOTAL ASSETS		<u>1,322,194,974</u>	<u>1,377,792,668</u>
LIABILITIES			
Management fee payable	5(a)	102,720	234,550
Other payables		27,000	401,000
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>129,720</u>	<u>635,550</u>
Net assets attributable to unitholders	3(a)	<u>1,322,065,254</u>	<u>1,377,157,118</u>
TOTAL LIABILITIES		1,322,194,974	1,377,792,668
TOTAL EQUITY		<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND EQUITY		<u>1,322,194,974</u>	<u>1,377,792,668</u>

For and on behalf of

CSOP Asset Management Limited
as the Manager

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

CSOP Hang Seng Index ETF

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 HK\$	2022 HK\$
INCOME			
Net losses on financial assets at fair value through profit or loss	4	(177,493,555)	(253,547,623)
Interest income from bank deposits	5(d)	3,541	1,000
Dividend income	2(c)	46,978,421	56,803,701
Net foreign exchange losses		(623)	(2,064)
TOTAL INCOME		<u>(130,512,216)</u>	<u>(196,744,986)</u>
EXPENSES			
Management fee	5(a)	(1,302,585)	(1,414,320)
Transaction fee		-	(100)
Brokerage and transaction fee	5(f),15	(647,555)	(906,180)
Bank charges	5(d)	(1,620)	(1,440)
Other operating expenses		-	(58)
TOTAL OPERATING EXPENSES		<u>(1,951,760)</u>	<u>(2,322,098)</u>
OPERATING LOSS		(132,463,976)	(199,067,084)
Finance cost			
Distribution to unitholders			
- Listed class	11	(48,050,000)	(54,696,000)
- Unlisted class	11	-	(1,286)
		<u>(48,050,000)</u>	<u>(54,697,286)</u>
LOSS AFTER DISTRIBUTION AND BEFORE TAX		(180,513,976)	(253,764,370)
Withholding income tax expenses	10	(2,075,288)	(3,211,475)
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR		<u>(182,589,264)</u>	<u>(256,975,845)</u>

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

CSOP Hang Seng Index ETF

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2023

	Note	<u>Number of units</u>	<u>HK\$</u>
Net assets attributable to unitholders at 1 January 2023		68,702,217	1,377,157,118
<u>Listed class</u>			
Issue of units	3(b)	18,000,000	
- In-kind	18		290,849,200
- Cash component and cash creation	18		<u>35,908,200</u>
Net issue of units			<u>326,757,400</u>
<u>Listed class</u>			
Redemption of units	3(b)	(10,000,000)	
- In-kind	18		(198,732,157)
- Cash component and cash creation	18		<u>(527,843)</u>
Net redemption of units			<u>(199,260,000)</u>
Decrease in net assets attributable to unitholders for the year			<u>(182,589,264)</u>
Net assets attributable to unitholders at 31 December 2023		<u>76,702,217</u>	<u>1,322,065,254</u>

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

CSOP Hang Seng Index ETF

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2023

	Note	Number of units	HK\$
Net assets attributable to unitholders at 31 December 2021 and 1 January 2022		-	-
Reclassification of the redeemable units as financial liabilities	3(a)	<u>34,700,000</u>	<u>827,641,761</u>
		34,700,000	827,641,761
<u>Listed class</u>			
Issue of units	3(b)	75,000,000	
- In-kind	18		1,447,246,709
- Cash component and cash creation	18		<u>108,939,291</u>
			<u>1,556,186,000</u>
<u>Unlisted class</u>			
Issue of units	3(b)	2,217	
- Cash component and cash creation			<u>50,000</u>
			<u>50,000</u>
Net issue of units			<u>1,556,236,000</u>
<u>Listed class</u>			
Redemption of units	3(b)	(41,000,000)	
- In-kind			(572,401,031)
- Cash component and cash redemption	18		<u>(177,343,767)</u>
Net redemption of units			<u>(749,744,798)</u>
Decrease in net assets attributable to unitholders for the year			<u>(256,975,845)</u>
Net assets attributable to unitholders at 31 December 2022		<u>68,702,217</u>	<u>1,377,157,118</u>

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

CSOP Hang Seng Index ETF

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Note	Number of units	HK\$
Net assets attributable to unitholders at 1 January 2022		34,700,000	827,641,761
Reclassification of the redeemable units as financial liabilities	3(a)	<u>(34,700,000)</u>	<u>(827,641,761)</u>
Net assets attributable to unitholders at 31 December 2022, 1 January 2023 and 31 December 2023		<u>-</u>	<u>-</u>

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

CSOP Hang Seng Index ETF

(A Sub-Fund of CSOP ETF Series III, an umbrella unit trust established under the laws of Hong Kong)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 HK\$	2022 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss before tax		(132,463,976)	(199,067,084)
Adjustments for:			
Dividend income		(46,978,421)	(56,803,701)
Interest income from bank deposits		(3,541)	(1,000)
Operating cash flows before movements in working capital		<u>(179,445,938)</u>	<u>(255,871,785)</u>
Decrease in financial assets at fair value through profit or loss		148,987,886	325,258,805
Increase in due from participating dealers		(168,137)	-
Decrease/(increase) in due from brokers		224,925	(224,925)
(Decrease)/increase in management fee payable		(131,831)	164,140
(Decrease)/increase in other payables		<u>(374,000)</u>	<u>401,000</u>
Cash (used in)/generated from operations		<u>(30,907,095)</u>	<u>69,727,235</u>
Interest on bank deposits received		3,541	1,000
Dividends received, net of withholding tax		<u>43,423,637</u>	<u>53,577,778</u>
Net cash flows generated from operating activities		<u>12,520,083</u>	<u>123,306,013</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash component and cash creation received on issue of units - Listed class	18	35,908,200	108,939,291
Cash component and cash creation received on issue of units – Unlisted class		-	50,000
Cash component and cash redemption paid on units – Listed class	18	(527,843)	(177,343,767)
Dividend distribution	11	<u>(48,050,000)</u>	<u>(54,697,286)</u>
Net cash flows used in financing activities		<u>(12,669,643)</u>	<u>(123,051,762)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(149,560)	254,251
Cash and cash equivalents at the beginning of the year		<u>978,350</u>	<u>724,099</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>828,790</u>	<u>978,350</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	6	<u>828,790</u>	<u>978,350</u>
Cash and cash equivalents as stated in the statement of cash flows		<u>828,790</u>	<u>978,350</u>

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

CSOP Hang Seng Index ETF
(A Sub-Fund of CSOP ETF Series III)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. GENERAL INFORMATION

CSOP ETF Series III (the “Trust”) is an umbrella unit trust governed by its trust deed dated 16 March 2021, between CSOP Asset Management Limited (the “Manager”) and BOCI-Prudential Trustee Limited (the “Trustee”). It is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance of Hong Kong.

CSOP Hang Seng Index ETF (the “Sub-Fund”) is the only sub-fund of the Trust, which commenced trading under the stock code 3037 on the Stock Exchange of Hong Kong Limited (“SEHK”) on 6 May 2021.

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, Hang Seng Index (the “Index”). There is no assurance that the Sub-Fund will achieve its investment objective. In order to achieve the investment objective of the Sub-Fund, the Sub-Fund will adopt a full replication strategy by directly investing all, or substantially all, of the Sub-Fund’s assets in Index Securities constituting the Underlying Index in substantially the same weightings as these Index Securities have in the Underlying Index. The Manager will not use a representative sampling strategy other than in 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 believes there is significant market mispricing or foreseeable market turbulence), where it is not feasible or not in the best interest of investors to acquire certain securities which are constituents of the Underlying Index due to restrictions or limited availability and/or it is not cost efficient, by reference to the Sub-Fund’s Net Asset Value, to use a full replication strategy, the Manager may also use a representative sampling strategy to invest in:

- 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; and/or
- ii. Other collective investment schemes (CIS). “CIS” means an exchange traded fund and/or an unlisted index tracking fund which tracks an index that has a high correlation with the Underlying Index. The Sub-Fund’s ability to invest in other CIS may not exceed 10% of its Net Asset Value and the Sub-Fund will not hold more than 10% of any units issued by any single CIS; and/or
- iii. Financial derivative instruments (the “FDIs”) (mainly swaps with one or more counterparties) with no more than 10% of the Sub-Fund’s Net Asset Value 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.

In pursuing a representative sampling strategy, the Manager may cause the Sub-Fund to deviate from the index weighting on condition that the maximum deviation from the index weighting of any constituent will not exceed 3% or such other percentage as determined by the Manager after consultation with the SFC.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. GENERAL INFORMATION (CONTINUED)

If any non-constituent of the Index is held in the portfolio, for reasons other than Underlying Index rebalancing and Index related corporate action, to enhance transparency the Manager will disclose the name and weighting of such non-constituent securities and other CIS on the Manager's website immediately after the purchase and it will be reported daily until its disposal.

The Manager reviews the Index Securities held in the Sub-Fund's portfolio each Business Day. In order to minimize tracking error, the Manager closely monitors factors such as any changes in the weighting of each Index Security in the Underlying Index, suspension, dividend distributions and the liquidity of the Sub-Fund's portfolio. The Manager will also conduct adjustment on the portfolio of the Sub-Fund regularly, taking into account tracking error reports, the index methodology and any rebalance notification of the Underlying Index.

2. MATERIAL 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 periods presented, unless otherwise stated.

(a)(i) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the *Code on Unit Trusts and Mutual Funds* of the SFC (the "SFC Code").

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities classified as at fair value through profit or loss ("FVPL") that have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$") for the Sub-Fund. All values are rounded to the nearest HK\$ except where otherwise indicated.

(a)(ii) Significant accounting judgements, estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a)(iii) Changes in accounting policy and disclosure

The Sub-Fund has adopted the following new and revised HKFRS for the first time for the current year's financial statements.

Amendments to HKAS 1 and
HKFRS Practice Statement 2

Disclosure of Accounting Policies

Amendments to HKAS 8

Definition of Accounting Estimates

Amendments to HKAS 8 – Definition of Accounting Estimates

In April 2021, the HKICPA issued amendments to HKAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are not expected to have a material impact on the Sub-Fund.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Sub-Fund has disclosed the material accounting policy information in Note 2 to the financial statements. The amendments did not have material impact on the measurement, recognition or presentation of any items in the Sub-Fund's financial statements.

(a)(iv) Issued but not yet effective HKFRS

The Sub-Fund have not early applied any of the new or amendments to HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2023 in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments

(i) ***Classification***

In accordance with HKFRS 9, the Sub-Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets

The Sub-Fund classifies its financial assets as subsequently measured at amortised cost or measured at FVPL on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial assets

Financial assets measured at amortised cost

A financial assets is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. The Sub-Fund includes in this category short-term non-financing receivables including dividend receivable from financial assets, due from participating dealers, due from brokers and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(i) **Classification** (continued)

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding;
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Sub-Fund includes in this category equity instruments held for trading.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities other than those measured at FVPL. The Sub-Fund includes in this category amounts management fee payable and other payables.

(ii) **Recognition**

The Sub-Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets at FVPL are accounted for on the trade date basis.

NOTES TO THE FINANCIAL STATEMENTS

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(iii) ***Initial measurement***

Financial assets at FVPL are recorded in the statement of net assets at fair value. All transaction fees for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) ***Subsequent measurement***

After initial measurement, the Sub-Fund measures financial instruments which are classified as at FVPL at fair value. Subsequent changes in the fair values of those financial instruments are recorded in “Net gains/losses on financial assets at fair value through profit or loss”. Interest earned on these instruments is recorded separately in “interest income” in the statement of profit or loss and other comprehensive income.

Financial assets, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

NOTES TO THE FINANCIAL STATEMENTS

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(v) ***Derecognition***

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired, or where the Sub-Fund has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either the Sub-Fund has transferred substantially all the risks and rewards of the asset or the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained. The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged or cancelled, or expires.

Fair value measurement

The Sub-Fund measures its investments in financial instruments at fair value at the end of each reporting period.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Sub-Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments that are listed or traded on an exchange is based on quoted last traded market prices, that are within the bid-ask spread.

NOTES TO THE FINANCIAL STATEMENTS

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(c) Dividend income

Dividend income is recognised on the date when the Sub-Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of profit or loss.

(d) Interest income

Interest income is recognised in the statement of profit or loss for all interest-bearing financial instruments using the effective interest method.

(e) Expenses

Expenses are recognised in the statement of profit or loss on an accrual basis.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of net assets comprise short-term deposits in banks which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

(g) Due from brokers/participating dealers

Due from brokers include receivables for securities sold (in a regular way of transaction) that have been contracted for, but not yet delivered, on the reporting date.

Due from participating dealers represent the subscription receivable from the participating dealers on the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units

Redeemable units are classified as an equity instrument when:

- i. The redeemable units entitle the holder to a pro-rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation;
- ii. The redeemable units are in the class of instruments that is subordinate to all other classes of instruments;
- iii. All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features;
- iv. The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro-rata share of the Sub-Fund's net assets; or
- v. The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund over the life of the instrument.

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

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

During the year ended 31 December 2022, following the issuance of unlisted class units which are subject to different fee structures, the Sub-Fund concluded that the condition that the financial instruments have identical features was no longer met under HKAS 32. Therefore, the Sub-Fund had prospectively reclassified the redeemable units as financial liabilities. The reclassification was deemed to have occurred at the beginning of the reporting period, and thus the amount reclassified was the entire equity balance which was determined to be the fair value of the liability to unitholders at the date of the reclassification.

All proceeds and payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders.

The Sub-Fund continuously assesses the classification of the redeemable units. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Sub-Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

Redeemable units can be redeemed in cash equal to a proportionate share of the Sub-Fund's net asset value. 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 of the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Segmental reporting

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

(j) Impairment of financial assets

For financial assets measured at amortised cost, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Sub-Fund is required to provide for credit losses that result from possible default events within the next 12 months (stage 1). For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default (stage 2).

The Sub-Fund considers a default has occurred when a financial asset is more than 90 days past due unless the Sub-Fund has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(k) Net gain or loss on financial assets at fair value through profit or loss

Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of net assets if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(m) Taxes

The Sub-Fund is exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income is subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income and is not significant for the Sub-Fund. The Sub-Fund presents the withholding tax separately from the gross investment income in the statement of comprehensive income. For the purpose of the statement of cash flows, cash inflows from investments are presented gross of withholding taxes, when applicable.

(n) Distributions to unitholders

Distributions are at the discretion of the Manager.

During the year ended 31 December 2023 and 31 December 2022, a distribution to the Sub-Fund's unitholders is accounted for as a finance cost recognised in the statement of profit or loss and other comprehensive income. A proposed distribution is recognised as a liability in the period in which it is approved by the Manager. No distribution will be paid out of the Sub-Fund's capital.

(o) Formation fee

The formation fee is recognised as an expense in the period in which it is incurred.

(p) Transaction fees

Transaction fees are costs incurred to acquire financial assets/liabilities at FVPL. They include fees and commissions paid to agents, brokers and dealers. Transaction fees, when incurred, are immediately recognised in profit or loss as an expense.

(q) Related parties

A party is considered to be related to the Sub-Fund if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Sub-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;

or

NOTES TO THE FINANCIAL STATEMENTS

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

- (q) Related parties (continued)
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-Fund are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Sub-Fund are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-Fund or the parent of the Sub-Fund.

- (r) Foreign currency translations
Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency translation gains and losses on financial instruments classified as at FVPL are included in profit or loss as part of the 'net gain or loss on financial assets and liabilities at fair value through profit or loss'.

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS

- (a) Net assets attributable to unitholders
The creation and redemption of units of the Sub-Fund can only be facilitated by or through participating dealers. Investors other than the participating dealers make a request to create or redeem units through a participating dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a participating dealer. Units are created or redeemed at a minimum of 1,000,000 shares or in multiples thereof for the Sub-Fund.

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3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS
(CONTINUED)

(a) Net assets attributable to unitholders (continued)

The Trustee shall receive subscription proceeds from the participating dealers for the creation of units and pay redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed. Subscriptions and redemptions of units during the year are shown on the statement of changes in net assets attributable to unitholders.

During the year ended 31 December 2022, following the issuance of unlisted class which are subject to different fee structures, the Sub-Fund concluded that the condition that the financial instruments have identical features was no longer met under HKAS32. Therefore, the Sub-Fund had prospectively reclassified the redeemable units as financial liabilities. The reclassification was deemed to have occurred at the beginning of the reporting period, and thus the amount reclassified was the entire equity balance which was determined to be the fair value of the liability to unitholders at the date of the reclassification.

(b) Movement of units

The table below summarises the movement of units for the year ended 31 December 2023, and the Accounting NAV per unit and the Dealing NAV per unit of the Sub-Fund as at 31 December 2023.

	2023		2022	
	Number of units		Number of units	
	Listed Class	Unlisted Class	Listed Class	Unlisted Class
Units in issue at beginning of year	68,700,000	2,217	34,700,000	-
Issued during the year	18,000,000	-	75,000,000	2,217
Redeemed during the year	(10,000,000)	-	(41,000,000)	-
Units in issue at end of year	<u>76,700,000</u>	<u>2,217</u>	<u>68,700,000</u>	<u>2,217</u>
	2023		2022	
	Net assets attributable to unitholders		Net assets attributable to unitholders	
	HK\$	HK\$	HK\$	
NAV per unit at end of year	<u>17.2363</u>	<u>17.9097</u>	<u>20.0453</u>	<u>20.0464</u>

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NOTES TO THE FINANCIAL STATEMENTS

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4. NET LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is a breakdown of the net losses on financial assets at FVPL:

	2023 HK\$	2022 HK\$
Net realised losses on sale of financial assets at FVPL	(43,593,166)	(184,753,228)
Net change in unrealised losses on financial assets at FVPL	(133,900,389)	(68,794,395)
	(177,493,555)	(253,547,623)

5. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND ITS CONNECTED PERSONS

Related parties are those as defined in note 2(q). Related parties of the Sub-Fund also include the Manager of the Sub-Fund and its connected persons. Connected persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the year between the Sub-Fund and its related parties, including the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms.

To the best of the Manager’s knowledge, the Sub-Fund does not have any other transactions with its related parties, including the Manager and its connected persons except for those disclosed below.

(a) Management fee

CSOP Asset Management Limited (the “Manager”) is entitled to receive a management fee of up to 2% per year of the net asset value of the Sub-Fund. The current management fee in respect of the Sub-Fund is 0.1% of the net asset value for listed class of units and 0.09% of the net asset value of unlisted class A units and are accrued daily and calculated as at each dealing day and payable monthly in arrears with no fixed terms.

The management fees of the Sub-Fund for the year ended 31 December 2023 were HK\$1,302,585 (2022: HK\$1,414,320) of which HK\$102,720 (2022: HK\$234,550) remain payable as of 31 December 2023.

(b) Custodian, fund administration and trustee fees

The Trustee fee and Registrar’s fee were included in the management fee and the Manager paid the fees to the Trustee and Registrar out of the management fee.

(c) Formation costs

The formation costs of the Sub-Fund were paid out of the management fee of the Sub-Fund.

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5. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND ITS CONNECTED PERSONS
(CONTINUED)

(d) Cash and cash equivalents, interest income and bank charges

As at 31 December 2023, the interest-bearing bank balance were held with Bank of China (Hong Kong) Ltd, an affiliate of the Trustee. Refer to note 6 for details of cash and cash equivalents.

During the year ended 31 December 2023, the interest income earned from the bank balances maintained with Bank of China (Hong Kong) Ltd. and bank charges amounted to HK\$3,541 (2022: HK\$1,000), and HK\$1,620 (2022: HK\$1,440) respectively.

(e) Holdings of units

As at 31 December 2023, 3 unitholders (2022: 3) held more than 10% of the Sub-Fund's total net assets. 7,448,900 (2022: 6,674,100) of the Sub-Fund were held by Bank of China (Hong Kong) Ltd, an affiliate of the Trustee, as a market intermediary.

(f) Brokerage fee

The Sub-Fund does not utilise the trading services of brokers who are related to the Trustee and the Manager in the purchases and sales of investments.

(g) Investments held by the Trustee's affiliate

The investments deposited with Bank of China (Hong Kong) Ltd., the Trustee's affiliate as at 31 December 2023 and 2022 are summarised below:

	2023 HK\$	2022 HK\$
Financial assets measured at fair value through profit or loss	<u>1,319,635,280</u>	<u>1,376,506,123</u>

(h) Investments held by the Manager's affiliate

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund. The holdings in the Sub-Fund by the Manager and its connected persons as at 31 December 2023 and 2022 were as follows:

As at 31 December 2023

	Units outstanding at 1 January 2023	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2023
Unlisted Class A shares held by the Manager	<u>2,217</u>	<u>-</u>	<u>-</u>	<u>2,217</u>
	<u>2,217</u>	<u>-</u>	<u>-</u>	<u>2,217</u>

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5. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND ITS CONNECTED PERSONS
(CONTINUED)

(h) Investments held by the Trustee's affiliate (continued)

As at 31 December 2022

	Units outstanding at 1 January 2022	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2022
Unlisted Class A shares held by the Manager	-	2,217	-	2,217
	<u>-</u>	<u>2,217</u>	<u>-</u>	<u>2,217</u>

6. CASH AND CASH EQUIVALENTS

	2023 HK\$	2022 HK\$
Cast at bank	<u>828,790</u>	<u>978,350</u>

As at 31 December 2023, the interest-bearing bank balances were held with Bank of China (Hong Kong) Ltd, a connected company of the Trustee.

7. DUE FROM BROKERS

	2023 HK\$	2022 HK\$
Due from brokers	<u>-</u>	<u>224,925</u>

As at 31 December 2023, due from brokers represent receivable for settlement of listed investment not yet settled on the reporting date amounted to nil (2022: HK\$224,925). The balance is receivable less than 1 month.

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8. DUE FROM PARTICIPATING DEALERS

	2023 HK\$	2022 HK\$
Due from participating dealers	<u>168,137</u>	<u>-</u>

As at 31 December 2023, due from participating dealers represent subscription receivable pending from participating dealers amounted to HK\$168,137 (2022: nil). The balance is receivable less than 1 month.

9. SOFT COMMISSION ARRANGEMENTS

The Manager may effect transactions, provided that any such transaction is consistent with standards of “best execution”, by or through the agency of another person for the account of the Sub-Fund with whom the Manager or any of its connected persons has an arrangement under which that party will from time to time provide to or procure for the Manager or any of its connected persons goods, services or other benefits (such as advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Sub-Fund as a whole and may contribute to an improvement in the performance of the Sub-Fund. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees’ salaries or direct money payments. During the year ended 31 December 2023, the Manager obtained the services through soft dollar arrangements on transactions amounting to HK\$396,141,457 (2022: HK\$550,308,322). Commission which amounted to HK\$158,427 (2022: HK\$148,044) was paid from the Sub-Fund on these transactions.

NOTES TO THE FINANCIAL STATEMENTS

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10. TAXATION

No provision for Hong Kong profits tax has been made for the Sub-Fund as it is authorised as collective investment schemes under section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from Hong Kong profits tax under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

PRC tax

The Sub-Fund has investments in shares of companies in People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange ("H-shares") and stocks that are based in mainland China and controlled, either directly or indirectly, by the central, provincial or municipal governments of the PRC but listed in Hong Kong to allow overseas investment in ("Red Chips"). Under general taxing provisions of the Corporate Income Tax Law ("CIT Law"), a fund could be technically subject to 10% withholding income tax ("WIT") on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties. However, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-tax resident enterprises of the PRC from the trading of H-Shares and Red Chips. Where capital gains are derived from trading of H-Shares and Red Chips, Value added tax ("VAT") in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

No provision was made for taxation from such gains in the financial statements as the Manager believes that the taxation on capital gains derived from H-Shares and Red Chips is not probable under the current enforcement environment.

Withholding tax of 10% was charged on dividend income received from H-shares and Red Chips during year ended 31 December 2023 amounted to HK\$2,075,288 (2022: HK\$3,211,475).

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NOTES TO THE FINANCIAL STATEMENTS

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11. DISTRIBUTIONS TO UNITHOLDERS

The Manager may in its absolute discretion distribute income to unitholders annually (usually in December of each financial year) or determine that no distribution shall be made in any financial year. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the yield from management of the Sub-Fund's cash and holdings of investments.

During the year ended 31 December 2023 and 31 December 2022, the Sub-Fund made distribution for the listed and unlisted class units:

	HK\$	Distribution per unit HK\$
2023		
Distribution declared on 25 May 2023		
Listed class	7,044,000	0.12
Distribution declared on 11 November 2023		
Listed class	<u>41,006,000</u>	0.58
Total	<u><u>48,050,000</u></u>	
2022		
Distribution declared on 25 May 2022		
Listed class	8,470,000	0.10
Distribution declared on 22 November 2022		
Listed class	46,226,000	0.58
Unlisted class	<u>1,286</u>	0.58
Total	<u><u>54,697,286</u></u>	

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$	2022 HK\$
Financial assets at fair value through profit or loss		
- Listed equities	<u>1,319,635,280</u>	<u>1,376,506,123</u>

13. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The SFC code states that not more than 10% of the NAV of the Sub-Fund may be invested in securities issued by any single issuer, subject to certain provisions of the SFC code. There were no securities that individually accounted for more than 10% of the NAV of the Sub-Fund as at 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

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14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

- (a) Strategy in using financial instruments
Investment objective and investment policies

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 relevant to the Sub-Fund by adopting a replication strategy and investing all, or substantially all, of the assets of such Sub-Fund in Index Securities constituting the Underlying Index in substantially the same weightings as constituted in the underlying index. Refer to note 1 for details.

The Sub-Fund itself is subject to various risks. The main risks associated with the investments, assets and liabilities of the Sub-Fund are set out below:

- (b) 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, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund is designated to track the performance of the Index, and therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposure 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.

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14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk (continued)

(i) *Market price risk (continued)*

The Sub-Fund's financial assets and financial liabilities at FVPL were concentrated in the following countries/jurisdictions:

	As at 31 December 2023		As at 31 December 2022	
	Fair value HK\$	% of net asset value	Fair value HK\$	% of net asset value
<u>Listed equities</u>				
Hong Kong	1,319,635,280	99.82	1,376,506,123	99.95
Total financial assets at FVPL	<u>1,319,635,280</u>	<u>99.82</u>	<u>1,376,506,123</u>	<u>99.95</u>

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

As at 31 December 2023, if the Index increases by 10% with all other variables held constant, this would increase the net asset value by HK\$131,963,528 (2022: HK\$137,650,612). Conversely, if the tracked index decreases by the same sensitivity threshold, this would decrease the net asset value by approximately equal amounts.

The Manager has used the view of what would be a "reasonable shift" in each key market to estimate the change for use in the market sensitivity analysis above. The disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in the market index % are revised annually depending on the Manager's current view of market volatility and other relevant factors.

(ii) *Interest rate risk*

The majority of the Sub-Fund's financial assets and liabilities are non-interest bearing. As a result, the Sub-Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates

(iii) *Currency risk*

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

The Sub-Fund currently holds assets and liabilities denominated in Hong Kong dollar, a currency the same with its functional currency. The Manager considers that there is no currency risk and therefore the Sub-Fund is not exposed to significant currency risk.

NOTES TO THE FINANCIAL STATEMENTS

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14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

All transactions in securities are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Sub-Fund's financial assets which are potentially subject to credit risk consist principally of securities and cash and cash equivalents. The Sub-Fund limits its exposure to credit risk by transacting with well-established broker-dealers and banks with high credit ratings.

The tables below summarise the Sub-Fund's assets placed with banks.

	2023 HK\$	2022 HK\$
<u>Financial assets at FVPL</u>		
Bank of China (Hong Kong) Ltd.	1,319,635,280	1,376,506,123
<u>Cash at bank</u>		
Bank of China (Hong Kong) Ltd.	828,790	978,350

As at 31 December 2023 and 2022, the credit ratings of the Sub-Fund's custodian are at or above investment grade.

Accordingly, the Manager considers the Sub-Fund has no significant credit risk.

Financial assets subject to HKFRS 9's impairment requirements

The Sub-Fund's financial assets subject to the ECL model within HKFRS 9 are dividend receivable from financial assets, due from brokers, due from participating dealers, cash and cash equivalents. At 31 December 2023, the total amount of these financial assets was HK\$2,559,694 (2022: HK\$1,286,545) for the Sub-Fund, on which no loss allowance had been provided. No assets are considered impaired and no amounts have been written off during the year-end.

The Sub-Fund applies the general approach for impairment, and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. The financial assets therefore are still classified as stage 1 and presented in gross carrying amount.

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31 December 2023

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request. The Sub-Fund's securities are considered readily realisable, as they are listed. It is the intent of the Manager to monitor the Sub-Fund's liquidity position on a daily basis. The following table illustrates the expected liquidity of financial assets held and gives the contractual undiscounted cash-flow projection of the Sub-Fund's financial liabilities as at 31 December 2023. The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 1 month or less. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

<u>As at 31 December 2023</u>	On demand HK\$	Less than 1 month HK\$	Others* HK\$	Total HK\$
Financial assets				
Financial assets at fair value through profit or loss	1,319,635,280	-	-	1,319,635,280
Dividend receivable from financial assets	-	1,562,767	-	1,562,767
Due from participating dealers	-	168,137	-	168,137
Cash and cash equivalents	828,790	-	-	828,790
Total	<u>1,320,464,070</u>	<u>1,730,904</u>	<u>-</u>	<u>1,322,194,974</u>
Financial liabilities				
Management fee payable	-	102,720	-	102,720
Other payable	-	27,000	-	27,000
Net asset attributable to unitholders	-	-	1,322,065,254	1,322,065,254
Total	<u>-</u>	<u>129,720</u>	<u>1,322,065,254</u>	<u>1,322,194,974</u>

*Subject to redemption terms set out in the offering documents of the Sub-Fund

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

<u>As at 31 December 2022</u>	On demand HK\$	Less than 1 month HK\$	Others* HK\$	Total HK\$
Financial assets				
Financial assets at fair value through profit or loss	1,376,506,123	-	-	1,376,506,123
Dividend receivable from financial assets	-	83,270	-	83,270
Due from brokers	-	224,925	-	224,925
Cash and cash equivalents	978,350	-	-	978,350
Total	<u>1,377,484,473</u>	<u>308,195</u>	<u>-</u>	<u>1,377,792,668</u>
Financial liabilities				
Management fee payable	-	234,550	-	234,550
Other payable	-	401,000	-	401,000
Net asset attributable to unitholders	-	-	1,377,157,118	1,377,157,118
Total	<u>-</u>	<u>635,550</u>	<u>1,377,157,118</u>	<u>1,377,792,668</u>

*Subject to redemption terms set out in the offering documents of the Sub-Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation

The fair values of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year end date. The Sub-Fund uses the last traded market prices as its fair valuation inputs for financial assets.

An active market is a market in which transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

HKFRS 13 requires the Sub-Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. 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 judgement, considering factors specific to the assets or liabilities.

The determination of what constitutes "observable" requires significant judgement by the Sub-Fund. The Sub-Fund considers observable data to be the 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 markets.

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31 December 2023

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

Financial assets carried at fair value

The following tables analyse the fair value hierarchy within the Sub-Fund's financial assets measured at fair value:

As at 31 December 2023

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at FVPL:				
Listed equities	<u>1,319,635,280</u>	<u>-</u>	<u>-</u>	<u>1,319,635,280</u>
	<u>1,319,635,280</u>	<u>-</u>	<u>-</u>	<u>1,319,635,280</u>

As at 31 December 2022

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at FVPL:				
Listed equities	<u>1,376,506,123</u>	<u>-</u>	<u>-</u>	<u>1,376,506,123</u>
	<u>1,376,506,123</u>	<u>-</u>	<u>-</u>	<u>1,376,506,123</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include listed equity securities. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that are traded in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Investments classified within Level 3 have significant unobservable inputs, as they are traded infrequently.

There were no transfers between levels during the year ended 31 December 2023 and 2022.

Other financial assets and financial liabilities

The management has assessed that the carrying values of cash and cash equivalents, management fee payable approximate to their fair values largely due to the short term maturities of these instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Capital risk management

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund's objective is to provide investment results that correspond generally to the performance of the Index.

The Manager may:

- redeem and issue new units 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 circumstances stipulated in the Trust Deed.

15. BROKERAGE AND TRANSACTION FEE

Broker commission pertains to the broker commission for every transaction made through the broker at the average market rate based on the transaction value. Transaction fee pertains to fees such as trading fee and transaction levy for every transaction made on the exchange.

The brokerage and transaction fee of the Sub-Fund for the year ended 31 December 2023 was HK\$647,555 (2022: HK\$906,180).

16. AUDIT FEE

The audit fee of the Sub-Fund for the year ended 31 December 2023 was US\$17,850 (2022: US\$17,000). The amount was borne by the investment manager. There were no non-audit services provided to the Sub-Fund by the auditor for the year ended 31 December 2023 (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

17. 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 is responsible for the Sub-Fund's entire portfolio and considers the business to have a single operating segment. The objective of the Sub-Fund is to track the performance of its index and invests in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the Index.

The Sub-Fund trades in the constituent shares of the Hang Seng Index with the objective to provide investment results that closely correspond to the performance of the 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 net assets and the statement of profit or loss and other comprehensive income.

The Sub-Fund is domiciled in Hong Kong. All of the Sub-Fund's income is generated in Hong Kong. Majority of such income is from investments in entities listed in Hong Kong.

The Sub-Fund has no assets and no liabilities classified as non-current.

18. MAJOR NON-CASH TRANSACTIONS

In accordance with the Trust Deed, units are issued through an in-kind creation of an Index Basket with the remaining balances in cash. For each Creation Unit (of 1,000,000 units), the Sub-Fund receives an Index Basket consisting of constituent shares as determined by the Manager on a daily basis. During the year ended 31 December 2023, the Sub-Fund issued 18,000,000 units (2022: 75,000,000) of listed class totalling HK\$326,757,400 (2022: HK\$1,556,186,000) in exchange for Index Baskets consisting of investments valued at HK\$290,849,200 (2022: HK\$1,447,246,709) plus the relevant cash component of HK\$35,908,200 (2022: HK\$108,939,291) for listed class. The Sub-Fund also redeemed 10,000,000 units of listed class amounting to HK\$199,260,000 (2022: HK\$749,744,798) in exchange for Index Baskets consisting of investment valued at HK\$198,732,157 (2022: HK\$572,401,031) plus the relevant cash component of HK\$527,843 (2022: HK\$177,343,767).

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 29 April 2024.

CSOP Hang Seng Index ETF
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INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2023

	HOLDINGS	FAIR VALUE	% OF
	UNITS	HK\$	NET ASSETS
Listed Equities			
Hong Kong			
AIA GROUP LTD	1,404,084	95,547,916	7.22
ALIBABA GROUP HLDG LTD	1,450,014	109,621,058	8.29
ALIBABA HEALTH INFORMATION TECHNOLOGY LTD	649,500	2,753,880	0.21
ANTA SPORTS PRODUCTS LTD	172,609	13,075,132	0.99
BAIDU INC-SW	86,171	10,004,453	0.76
BANK OF CHINA LTD-H	10,193,022	30,375,206	2.30
BOC HONG KONG (HLDGS) LTD	451,021	9,561,645	0.72
BUDWEISER BREWING CO APAC LTD	238,970	3,493,741	0.26
BYD CO LTD-H	126,966	27,221,510	2.06
CHINA CONSTRUCTION BANK CORP	13,188,991	61,328,808	4.64
CHINA HONGQIAO GROUP LTD	339,742	2,170,951	0.16
CHINA LIFE INSURANCE CO LTD	902,218	9,130,446	0.69
CHINA MENGNIU DAIRY CO LTD	382,540	8,033,340	0.61
CHINA MERCHANTS BANK CO LTD	475,539	12,934,661	0.98
CHINA MOBILE LTD	749,170	48,546,216	3.67
CHINA OVERSEAS LAND & INVESTMENT LTD	463,486	6,377,567	0.48
CHINA PETROLEUM & CHEMICAL CORP	3,014,738	12,330,278	0.93
CHINA RESOURCES BEER HLDGS CO LTD	196,590	6,723,378	0.51
CHINA RESOURCES LAND LTD	391,539	10,963,092	0.83
CHINA RESOURCES MIXC LIFESTYLE SERVICES LTD	81,867	2,279,996	0.17
CHINA RESOURCES POWER HLDGS CO	231,096	3,614,341	0.27
CHINA SHENHUA ENERGY CO LTD	411,628	11,011,049	0.83
CHINA UNICOM (HONG KONG) LTD	738,044	3,616,416	0.27
CHOW TAI FOOK JEWELLERY GROUP LTD	239,899	2,787,626	0.21
CITIC LTD	879,647	6,861,247	0.52
CK ASSET HLDGS LTD	237,937	9,327,130	0.71
CK HUTCHISON HLDGS LTD	326,627	13,669,340	1.03
CK INFRASTRUCTURE HLDGS LTD	75,736	3,271,795	0.25
CLP HLDGS LTD	246,297	15,873,842	1.20
CNOOC LTD	1,901,109	24,714,417	1.87
COUNTRY GARDEN SERVICES HLDGS CO LTD	258,627	1,745,732	0.13
CSPC PHARMACEUTICAL GROUP LTD	1,082,207	7,856,823	0.59
ENN ENERGY HLDGS LTD	95,617	5,497,978	0.42
GALAXY ENTERTAINMENT GROUP LTD	266,604	11,663,925	0.88
GEELY AUTOMOBILE HLDGS LTD	730,084	6,271,422	0.47
H Aidilao Intl Hldg Ltd	200,910	2,921,231	0.22
HAIER SMART HOME CO LTD	293,997	6,482,634	0.49
HANG LUNG PROPERTIES LTD	215,490	2,344,531	0.18
HANG SENG BANK LTD	92,640	8,434,872	0.64

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As at 31 December 2023

	HOLDINGS	FAIR VALUE	% OF
	UNITS	HK\$	NET ASSETS
Listed Equities (continued)			
Hong Kong (continued)			
HANSOH PHARMACEUTICAL GROUP CO LTD	142,316	2,242,900	0.17
HENDERSON LAND DEVELOPMENT CO LTD	175,399	4,218,346	0.32
HENGAN INTL GROUP CO LTD	83,285	2,419,429	0.18
HONG KONG & CHINA GAS CO LTD	1,355,494	8,105,854	0.61
HONG KONG EXCHANGES & CLEARING LTD	146,819	39,347,492	2.98
HSBC HLDGS PLC	1,807,186	113,852,718	8.61
INDUSTRIAL & COMMERCIAL BK OF CHINA	8,993,184	34,353,963	2.6
JD HEALTH INTL INC	134,477	5,258,051	0.4
JD.COM INC	213,146	23,978,925	1.81
LENOVO GROUP LTD	961,095	10,495,157	0.8
LI AUTO INC	167,950	24,705,445	1.87
LI NING CO LTD	286,863	5,995,437	0.45
LINK REAL ESTATE INVESTMENT TRUST	312,158	13,688,128	1.03
LONGFOR GROUP HLDGS LTD	277,966	3,474,575	0.26
MEITUAN	723,015	59,214,929	4.48
MTR CORP LTD	225,820	6,842,346	0.52
NETEASE INC	84,207	11,839,504	0.9
NEW WORLD DEVELOPMENT CO LTD	165,078	2,000,745	0.15
NONGFU SPRING CO LTD	245,368	11,078,365	0.84
ORIENT OVERSEAS INTL LTD	15,579	1,698,111	0.13
PETROCHINA CO LTD-H	2,570,751	13,265,075	1.00
PING AN INSURANCE GROUP CO OF CHINA LTD	816,736	28,871,618	2.19
POWER ASSETS HLDGS LTD	167,822	7,593,946	0.58
SANDS CHINA LTD	342,948	7,836,362	0.59
SEMICONDUCTOR MANUFACTURING INTL CORP	509,054	10,109,812	0.77
SHENZHOU INTL GROUP HLDGS LTD	100,194	8,055,598	0.61
SINO BIOPHARMACEUTICAL LTD	1,362,892	4,729,235	0.36
SINOPHARM GROUP CO LTD-H	161,311	3,298,810	0.25
SUN HUNG KAI PROPERTIES LTD	176,620	14,915,559	1.13
SUNNY OPTICAL TECHNOLOGY GROUP CO LTD	86,236	6,109,821	0.46
TECHTRONIC INDUSTRIES CO LTD	189,803	17,661,169	1.34
TENCENT HLDGS LTD	337,272	99,023,059	7.5
TINGYI (CAYMAN ISLANDS) HLDG CORP	235,387	2,240,884	0.17
TRIP.COM GROUP LTD	16,473	4,572,905	0.35
WH GROUP LTD	1,007,658	5,078,596	0.38
WHARF REAL ESTATE INVESTMENT CO LTD	201,768	5,326,675	0.4
WUXI APPTec CO LTD	43,645	3,467,595	0.26
WUXI BIOLOGICS CAYMAN INC	466,346	13,803,842	1.05
XIAOMI CORP-CLASS B SHARE	2,135,390	33,312,084	2.52
XINYI GLASS HLDG CO LTD	249,184	2,182,852	0.17

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As at 31 December 2023

	HOLDINGS	FAIR VALUE	% OF
	UNITS	HK\$	NET
			ASSETS
<u>Listed Equities (continued)</u>			
Hong Kong (continued)			
XINYI SOLAR HLDGS LTD	586,610	2,674,942	0.2
ZHONGSHENG GROUP HLDGS LTD	99,439	1,857,522	0.14
ZIJIN MINING GROUP CO LTD	660,163	8,397,274	0.63
TOTAL INVESTMENTS, AT FAIR VALUE		1,319,635,280	99.82
TOTAL INVESTMENTS, AT COST		1,056,455,771	

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2023

	As at 1 January 2023 Units	Additions Units	Disposals Units	As at 31 December 2023 Units
<u>Listed equities (continued)</u>				
Hong Kong (continued)				
AIA GROUP LTD	1,330,136	395,068	(321,120)	1,404,084
ALIBABA GROUP HLDG LTD	1,222,176	635,468	(407,630)	1,450,014
ALIBABA HEALTH INFORMATION TECHNOLOGY LTD	605,958	210,322	(166,780)	649,500
ANTA SPORTS PRODUCTS LTD	152,393	60,066	(39,850)	172,609
BAIDU INC-SW	66,075	37,526	(17,430)	86,171
BANK OF CHINA LTD-H	8,921,507	3,294,555	(2,023,040)	10,193,022
BOC HONG KONG (HLDGS) LTD	415,415	144,466	(108,860)	451,021
BUDWEISER BREWING CO APAC LTD	222,875	76,445	(60,350)	238,970
BYD CO LTD-H	104,880	50,236	(28,150)	126,966
CHINA CONSTRUCTION BANK CORP	12,151,391	4,095,470	(3,057,870)	13,188,991
CHINA HONGQIAO GROUP LTD	260,942	171,720	(92,920)	339,742
CHINA LIFE INSURANCE CO LTD	835,765	283,883	(217,430)	902,218
CHINA MENGNIU DAIRY CO LTD	354,855	122,935	(95,250)	382,540
CHINA MERCHANTS BANK CO LTD	438,237	150,552	(113,250)	475,539
CHINA MOBILE LTD	689,586	233,084	(173,500)	749,170
CHINA OVERSEAS LAND & INVESTMENT LTD	429,933	150,093	(116,540)	463,486
CHINA PETROLEUM & CHEMICAL CORP-H	2,863,818	949,990	(799,070)	3,014,738
CHINA RESOURCES BEER HLDGS CO LTD	182,430	63,590	(49,430)	196,590
CHINA RESOURCES LAND LTD	360,898	120,631	(89,990)	391,539
CHINA RESOURCES MIXC LIFESTYLE SERVICES LTD	76,781	26,316	(21,230)	81,867
CHINA RESOURCES POWER HLDGS CO	-	249,096	(18,000)	231,096
CHINA SHENHUA ENERGY CO LTD	379,106	132,452	(99,930)	411,628
CHINA UNICOM (HONG KONG) LTD	685,138	233,796	(180,890)	738,044
CHOW TAI FOOK JEWELLERY GROUP LTD	224,181	76,528	(60,810)	239,899
CITIC LTD	815,976	282,221	(218,550)	879,647
CK ASSET HLDGS LTD	224,757	74,550	(61,370)	237,937
CK HUTCHISON HLDGS LTD	301,285	103,002	(77,660)	326,627
CK INFRASTRUCTURE HLDGS LTD	70,582	24,504	(19,350)	75,736
CLP HLDGS LTD	226,728	77,089	(57,520)	246,297
CNOOC LTD	2,003,088	550,911	(652,890)	1,901,109
COUNTRY GARDEN HLDGS CO LTD	956,448	678,247	(1,634,695)	-
COUNTRY GARDEN SERVICES HLDGS CO LTD	226,721	107,966	(76,060)	258,627
CSPC PHARMACEUTICAL GROUP LTD	1,004,174	346,853	(268,820)	1,082,207

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2023

	As at 1 January 2023 Units	Additions Units	Disposals Units	As at 31 December 2023 Units
Listed equities (continued)				
Hong Kong (continued)				
ENN ENERGY HLDGS LTD	88,793	30,754	(23,930)	95,617
GALAXY ENTERTAINMENT GROUP LTD	245,029	84,405	(62,830)	266,604
GEELY AUTOMOBILE HLDGS LTD	677,307	227,257	(174,480)	730,084
H Aidilao Intl Hldg Ltd	218,461	73,829	(91,380)	200,910
HAIER SMART HOME CO LTD	273,704	94,183	(73,890)	293,997
HANG LUNG PROPERTIES LTD	201,760	69,240	(55,510)	215,490
HANG SENG BANK LTD	85,842	29,688	(22,890)	92,640
HANSOH PHARMACEUTICAL GROUP CO LTD	132,083	49,463	(39,230)	142,316
HENDERSON LAND DEVELOPMENT CO LTD	162,732	56,647	(43,980)	175,399
HENGAN INTL GROUP CO LTD	78,319	26,866	(21,900)	83,285
HONG KONG & CHINA GAS CO LTD	1,257,054	432,090	(333,650)	1,355,494
HONG KONG EXCHANGES & CLEARING LTD	135,306	45,423	(33,910)	146,819
HSBC HLDGS PLC	2,191,460	518,046	(902,320)	1,807,186
INDUSTRIAL & COMMERCIAL BK OF CHINA-H	8,285,321	2,793,393	(2,085,530)	8,993,184
JD HEALTH INTL INC	-	144,227	(9,750)	134,477
JD.COM INC	198,910	62,376	(48,140)	213,146
LENOVO GROUP LTD	816,573	369,162	(224,640)	961,095
LI AUTO INC	-	167,950	-	167,950
LI NING CO LTD	264,537	92,216	(69,890)	286,863
LINK REAL ESTATE INVESTMENT TRUST	236,861	148,337	(73,040)	312,158
LONGFOR GROUP HLDGS LTD	211,423	113,253	(46,710)	277,966
MEITUAN	521,391	336,574	(134,950)	723,015
MTR CORP LTD	208,973	71,707	(54,860)	225,820
NETEASE INC	75,582	28,665	(20,040)	84,207
NEW WORLD DEVELOPMENT CO LTD	155,462	54,386	(44,770)	165,078
NONGFU SPRING CO LTD	225,974	78,504	(59,110)	245,368
ORIENT OVERSEAS INTL LTD	15,014	5,675	(5,110)	15,579
PETROCHINA CO LTD	2,368,543	817,738	(615,530)	2,570,751
PING AN INSURANCE GROUP CO OF CHINA LTD	711,060	287,876	(182,200)	816,736
POWER ASSETS HLDGS LTD	155,729	54,413	(42,320)	167,822
SANDS CHINA LTD	317,792	109,666	(84,510)	342,948
SEMICONDUCTOR MANUFACTURING INTL CORP	468,291	162,463	(121,700)	509,054

CSOP Hang Seng Index ETF
(A Sub-Fund of CSOP ETF Series III)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2023

	As at 1 January 2023 Units	Additions Units	Disposals Units	As at 31 December 2023 Units
Listed equities (continued)				
Hong Kong (continued)				
SHENZHOU INTL GROUP HLDGS LTD	92,799	32,505	(25,110)	100,194
SINO BIOPHARMACEUTICAL LTD	1,266,365	430,907	(334,380)	1,362,892
SINOPHARM GROUP CO LTD	-	174,511	(13,200)	161,311
SUN HUNG KAI PROPERTIES LTD	162,813	55,737	(41,930)	176,620
SUNNY OPTICAL TECHNOLOGY GROUP CO LTD	80,038	27,078	(20,880)	86,236
TECHTRONIC INDUSTRIES CO LTD	175,118	59,475	(44,790)	189,803
TENCENT HLDGS LTD	354,591	100,881	(118,200)	337,272
TINGYI (CAYMAN ISLANDS) HLDG CORP	221,495	76,132	(62,240)	235,387
TRIP.COM GROUP LTD	-	17,673	(1,200)	16,473
WH GROUP LTD	790,815	407,543	(190,700)	1,007,658
WHARF REAL ESTATE INVESTMENT CO LTD	187,219	66,669	(52,120)	201,768
WUXI APTEC CO LTD	-	43,645	-	43,645
WUXI BIOLOGICS CAYMAN INC	406,956	150,360	(90,970)	466,346
XIAOMI CORP-CLASS B SHARE	1,966,757	664,773	(496,140)	2,135,390
XINYI GLASS HLDG CO LTD	230,134	80,840	(61,790)	249,184
XINYI SOLAR HLDGS LTD	549,201	188,509	(151,100)	586,610
ZHONGSHENG GROUP HLDGS LTD	81,107	42,712	(24,380)	99,439
ZIJIN MINING GROUP CO LTD	-	704,163	(44,000)	660,163
	As at 1 January 2023 Units	Corporate action (Right issue) Units	Disposals Units	As at 31 December 2023 Units
Right issues				
Hong Kong				
LINK REIT-RTS (EX DATE24FEB2023) (TD 9 MARCH2023)	-	52,712	(52,712)	-
WUXI BIOLOGICS CAYMAN IN-RTS (EX date 06 NOV2023)	-	954	(954)	-

CSOP Hang Seng Index ETF
(A Sub-Fund of CSOP ETF Series III)

PERFORMANCE RECORD (UNAUDITED)

NET ASSET VALUE

	Dealing net asset value HK\$	Dealing net asset value per unit HK\$
As at 31 December 2023		
Listed Class	1,322,025,547	17.2363
Unlisted Class	39,708	17.9097
As at 31 December 2022		
Listed Class	1,377,112,673	20.0453
Unlisted Class	44,445	20.0464

HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT

	Highest issue price per unit		Lowest redemption price per unit	
	Listed Class HK\$	Unlisted Class HK\$	Listed Class HK\$	Unlisted Class HK\$
For the year ended 31 December 2023	22.9886	22.9900	16.3649	17.0041
For the year ended 31 December 2022	25.4471	22.5905	15.3678	15.3684

COMPARISON OF THE SCHEME PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE

The table below illustrates the comparison between the Sub-Fund's performance (market-to-market) and that of the Index:

	Sub-Fund performance %	Index performance %
For the year ended 31 December 2023		
- Listed class*	-14.01	-10.61
- Unlisted class*	-10.66	-10.61
For the year ended 31 December 2022		
- Listed class	-15.96	-12.70
- Unlisted class	-11.17	-8.20

*During the year ended 31 December 2023, the listed class of the Sub-Fund made a distribution of HK\$0.70 per unit, which represents 3.95% to the net asset value per unit of the listed class as at 31 December 2023. For the details of the distribution, refer to Note 11 of the audited financial statements.

CSOP Hang Seng Index ETF
(A Sub-Fund of CSOP ETF Series III)

MANAGEMENT AND ADMINISTRATION

Manager

CSOP Asset Management Limited
2801-2803, Two Exchange Square
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Directors of the Manager

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

Auditors

Ernst & Young
27/F, One Taikoo Place
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Quarry Bay
Hong Kong

Trustee, Custodian and Registrar

BOCI-Prudential Trustee Limited
12th Floor and 25th Floor, Citicorp Centre
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Legal Counsel to the Manager

Deacons
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Listing Agent

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21 Wing Wo Street
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Hong Kong