



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

CSOP SZSE CHINEXT ETF
Stock Codes: 83147 (RMB counter) and 03147 (HKD counter)
(A sub-fund of CSOP ETF Series)

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2018



**CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

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**CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The CSOP SZSE ChiNext ETF (the “CSOP ChiNext ETF” or the “Sub-Fund”), a sub-fund of the CSOP ETF Series, is a unit trust authorised under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. It was launched on 13 May 2015 and commenced trading in RMB under the stock code 83147 on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 15 May 2015; following the SEHK’s dual counter model, the CSOP ChiNext ETF started trading in HKD under the stock code 03147 on the SEHK on 15 May 2015 too. The CSOP ChiNext ETF is benchmarked against the ChiNext Index and adopts the full-replication strategy. The manager and RQFII Holder of the CSOP ChiNext ETF is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The CSOP ChiNext ETF is a physical ETF which invests directly in the ChiNext Index securities through the RQFII quotas of the Manager. Under current regulations in the People’s Republic of China (“PRC”), foreign investors can invest in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFII or a RQFII from the China Securities Regulatory Commission (“CSRC”) and have been granted quota(s) by the State Administration of Foreign Exchange (“SAFE”) to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC’s domestic securities markets. Meanwhile, from 17 November 2014, foreign investors can trade eligible stocks listed in Shanghai Stock Exchange through Shanghai-Hong Kong Stock Connect. And from 5 December 2016, foreign investors can trade eligible stocks listed in Shenzhen Stock Exchange through Shenzhen-Hong Kong Stock Connect. The Manager has obtained RQFII status and the total RQFII quotas obtained by the Manager amount to RMB 46.1 billion as of 31 December 2018.

The ChiNext Index (the “Index”) is compiled and published by Shenzhen Securities Information Co., Ltd. It comprises the top 100 A-Share companies listed on the ChiNext board of the Shenzhen Stock Exchange ranked by total market capitalisation, free-float market capitalisation and turnovers. The Index operates under clearly defined rules published by the index provider and is a tradable index.

The Sub-Fund Performance

The CSOP ChiNext ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 28 December 2018 (last trading date), the dealing Net Asset Value (“NAV”) per unit of the CSOP ChiNext ETF was RMB 4.4959 and there were 50,400,000 units outstanding. The total asset under management was approximately RMB 226.6 million as at 28 December 2018 (last trading date).

For the period from 1 January 2018 to 28 December 2018 (last trading date), the dealing NAV of CSOP ChiNext ETF RMB counter (stock code: 83147) performed -29.09% while the Index performed -28.65%. The difference in performance between the NAV of the CSOP ChiNext ETF and the Index is mainly attributed to fees and expenses. YTD Price return of the RMB counter (stock code: 83147) was -29.09%.

Exchange Liquidity

Since inception, the CSOP ChiNext ETF has attracted great investor attention from investors across the globe. The trading value of the RMB counter (stock code: 83147) remained steadily at an average daily turnover of RMB 7 thousand in December 2018. The trading value of the HKD counter (stock code: 03147) remained steadily at an average daily turnover of HKD 1.59 million in December 2018.

Portfolio Rebalance

The CSOP ChiNext ETF adopts full-replication strategy to track the Index. Since inception, the Sub-Fund has experienced fourteen quarterly index rebalances.

**CSOP SZSE CHINEXT 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 the CSOP SZSE ChiNext 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 2018.

HSBC Institutional Trust Services (Asia) Limited
29 April 2019

**CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of the CSOP SZSE ChiNext 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 2018, the Trust has established seven sub-funds, namely, CSOP SZSE ChiNext ETF, CSOP FTSE China A50 ETF, CSOP CES China A80 ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A Inclusion Index ETF (Formerly known as CSOP MSCI China A International ETF), ICBC CSOP S&P New China Sectors ETF and CSOP Hong Kong Dollar Money Market ETF. The sub-funds of the Trust, CSOP MSCI T50 ETF was terminated on 29 June 2018 and CSOP Hong Kong Dollar Money Market ETF was launched on 29 June 2018.

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 SZSE CHINEXT 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 SZSE ChiNext ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series, set out on pages 8 to 29, which comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2018, 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 (“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 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 SZSE CHINEXT 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</u></p> <p>The Sub-Fund's investments as at 31 December 2018 were mainly comprised of listed equities of companies in the People's Republic of China, valued at RMB224,964,481.</p> <p>We focused on the existence and valuation of the investments because the investments represented the principal element of the Sub-Fund's net asset value.</p> <p>Refer to Note 8 to the financial statements.</p>	<p>We agreed the existence of the Sub-Fund's holdings of investments by obtaining a direct confirmation from the custodian and checking the confirmation to the Sub-Fund's records. Based on the procedures we performed, we found the Sub-Fund's holdings of investments to be in agreement with the confirmation received.</p> <p>We agreed the valuation of the Sub-Fund's investments by comparing the pricing used by the Manager to the publicly available external pricing sources as at 31 December 2018. We found no material exceptions from our testing.</p>

Other Information

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

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

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

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

Responsibilities of Management for the Financial Statements

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with 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").

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP SZSE CHINEXT 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

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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Li, Lien.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2019

**CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	<i>Notes</i>	2018 <i>RMB</i>	2017 <i>RMB</i>
ASSETS			
NON-CURRENT ASSETS			
Deposit reserve		224,000	224,000
CURRENT ASSETS			
Investments	<i>7(c), 8(a)</i>	224,964,481	254,744,218
Interest receivable		117	94
Amounts due from participating dealers		648	648
Bank balances	<i>7(c)</i>	6,700,033	315,015
		231,665,279	255,059,975
Total assets		231,889,279	255,283,975
LIABILITIES			
CURRENT LIABILITIES			
Amounts due to brokers		4,751,740	-
Management fee payable	<i>7(a), 7(b)</i>	194,190	211,699
Other accounts payable		443,878	445,519
Total liabilities		5,389,808	657,218
EQUITY			
Net assets attributable to unitholders	<i>4</i>	226,499,471	254,626,757

The financial statements on pages 8 to 29 were approved by the Trustee and the Manager on 29 April 2019 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 SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

		Year ended 31 December 2018 <i>RMB</i>	Year ended 31 December 2017 <i>RMB</i>
	<i>Notes</i>		
INCOME			
Dividend income		1,474,815	1,709,522
Interest income	7(c)	14,443	7,721
Net loss on investments	5	(81,297,065)	(38,025,593)
Other income		576,469	566,916
Total net loss		<u>(79,231,338)</u>	<u>(35,741,434)</u>
EXPENSES			
Management fee	7(a),(b)	(2,397,972)	(2,798,749)
Transaction costs on investments		(558,264)	(437,629)
Audit fee		(141,061)	(84,042)
Safe custody and bank charges		(191,826)	(260,622)
Legal and other professional fee		(141,916)	(3,314)
Other operating expenses		(484,155)	(358,092)
Total operating expenses		<u>(3,915,194)</u>	<u>(3,942,448)</u>
Operating loss		<u>(83,146,532)</u>	<u>(39,683,882)</u>
Taxation	6	<u>(148,474)</u>	<u>(176,698)</u>
Total comprehensive income		<u><u>(83,295,006)</u></u>	<u><u>(39,860,580)</u></u>

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

CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
For the year ended 31 December 2018

	Year ended 31 December 2018 <i>RMB</i>	Year ended 31 December 2017 <i>RMB</i>
Net assets attributable to unitholders at the beginning of the year	254,626,757 -----	379,303,407 -----
Proceeds on issue of units	113,561,460	21,152,860
Payments on redemption of units	(58,393,740)	(105,968,930)
Net increase/(decrease) from unit transactions	55,167,720 -----	(84,816,070) -----
Total comprehensive income for the year	(83,295,006) -----	(39,860,580) -----
Net assets attributable to unitholders at the end of the year	226,499,471 =====	254,626,757 =====

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

**CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Year ended 31 December 2018 <i>RMB</i>	Year ended 31 December 2017 <i>RMB</i>
OPERATING ACTIVITIES		
Payments for purchase of investments	(241,705,307)	(108,039,573)
Proceeds from sale of investments	194,939,719	195,112,639
Dividend income received	1,474,815	1,709,522
Interest income received	14,420	7,862
Other income received	576,469	566,916
Management fee paid	(2,415,481)	(2,917,654)
Transaction costs paid	(558,264)	(437,629)
Taxation paid	(148,474)	(176,698)
Other operating expenses paid	(960,599)	(581,225)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(48,782,702)	85,244,160
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FINANCING ACTIVITIES		
Proceeds on issue of units	113,561,460	21,152,212
Payments on redemption of units	(58,393,740)	(109,621,462)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	55,167,720	(88,469,250)
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Net increase/(decrease) in cash and cash equivalents	6,385,018	(3,225,090)
Cash and cash equivalents at the beginning of the year	315,015	3,540,105
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	6,700,033	315,015
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Analysis of balances of cash and cash equivalents		
Bank balances	6,700,033	315,015
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The accompanying notes form an integral part of these financial statements.

**CSOP SZSE CHINEXT 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 2018, the Trust has seven sub-funds which are CSOP SZSE ChiNext ETF (“the Sub-Fund”), CSOP FTSE China A50 ETF, CSOP CES China A80 ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A Inclusion Index ETF (Formerly known as CSOP MSCI China A International ETF), ICBC CSOP S&P New China Sectors ETF and CSOP Hong Kong Dollar Money Market ETF. The sub-funds of the Trust, CSOP MSCI T50 ETF was terminated on 29 June 2018 and CSOP Hong Kong Dollar Money Market ETF was launched on 29 June 2018. The date of inception of the Sub-Fund was 13 May 2015. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

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

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, the ChiNext Index. In order to achieve the investment objective of the Sub-Fund, the Manager will primarily use 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. The Manager also invests not more than 5% of its net asset value in securities other than index securities in exceptional circumstances.

Under current regulations in the People’s Republic of China (“PRC”), generally foreign investors can invest in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a Qualified Foreign Institutional Investor (“QFII”) or a Renminbi Qualified Foreign Institutional Investor (“RQFII”) from the China Securities Regulatory Commission (“CSRC”) and have been granted quota(s) by the State Administration of Foreign Exchange (“SAFE”) of the PRC to remit foreign freely convertible currencies (in the case of a QFII) and Chinese Renminbi (“RMB”) (in the case of a RQFII) into the PRC for the purpose of investing in the PRC’s domestic securities markets. Foreign investors can also invest in the domestic securities market through Shanghai/Shenzhen - Hong Kong Stock Connect Program (“Stock Connect”).

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

These financial statements are prepared for the Sub-Fund only. The financial statements for CSOP FTSE China A50 ETF, CSOP CES China A80 ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A Inclusion Index ETF (Formerly known as CSOP MSCI China A International ETF), ICBC CSOP S&P New China Sectors ETF and CSOP Hong Kong Dollar Money Market 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 at fair value through profit or loss.

**CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards and amendments to existing standards effective 1 January 2018

HKFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in HKAS 39.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. HKFRS 9 also introduces a new expected credit loss (ECL) impairment model.

HKFRS 9 has been adopted retrospectively by the Sub-Fund and did not result in a change to the classification or measurement of financial instruments as outlined in Note 2(b). The Sub-Fund’s investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

HKFRS 15 ‘Revenue from Contracts with Customers’ became effect for annual period beginning on or after 1 January 2018. It addresses the recognition of revenue and replaces HKAS 18 ‘Revenue’ and HKAS 11 ‘Construction Contracts’.

HKFRS 15 has been applied retrospectively by the Sub-Fund. The Sub-Fund does not have revenue from contracts with customers and only incurs gains and income from investments. There was no material impact on the financial statements of the Sub-Fund on adoption of HKFRS 15.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Sub-Fund.

New standards and amendments to standards effective after 1 January 2018 that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, 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 SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investments

(i) Classification

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The 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 SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investments (Continued)

(vi) Offsetting financial instruments

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

(c) Amounts due from participating dealers/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.

(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.

**CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(g) Other income/expense

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

(h) Transactions costs

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

(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.

(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 reporting date.

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

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

**CSOP SZSE CHINEXT ETF
(A SUB-FUND OF CSOP ETF SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Redeemable units

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

(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 substantially 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.

**CSOP SZSE CHINEXT ETF
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NOTES TO THE FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

Fair value of securities that are suspended from trading

As at 31 December 2017, there were listed equities which have been suspended for trading mainly due to business restructuring. Management made its judgement in determining the fair values of these investments and involved a higher degree of subjectivity. Management judgement in determining the fair values of the suspended investments includes factors such as the duration of suspension period, the relevant market information and news of the suspended listed equities, the price movement of comparable listed equities/index during the suspension period and, if applicable, the market prices of the suspended listed equities upon resumption of trading after year end.

As at 31 December 2017, the Sub-Fund held ten listed equities of RMB18,436,784, represented 7.24% of the net asset value of the Sub-Fund, were suspended for trading. Nine of the suspended investments amounted to RMB16,409,521 were classified as level 2. One of the suspended investments amounted to RMB2,027,263 was classified as level 3. All of the suspended investments held by the Sub-Fund as at 31 December 2017 have resumed trading during the year ended 31 December 2018. Having considered the factors mentioned above, Management has based on their best estimation and concluded using the latest available price before suspension as the fair value of the suspended investments classified as level 2. Management has applied appropriate models and assumptions to determine the fair value of suspended investments classified as level 3. Refer to Note 8(d).

As at 31 December 2018, the Sub-Fund did not hold any investment under suspension nor hold any investment classified in level 3.

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NOTES TO THE FINANCIAL STATEMENTS

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

The Sub-Fund’s capital is represented by the units in the Sub-Fund, and shown as “net assets attributable to unitholders” in the statement of financial position. Subscriptions and redemptions of units during the year are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies, whilst maintaining sufficient liquidity to meet redemption requests.

In accordance with the provisions of the Trust Deed dated 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(n), establishment costs are expensed as incurred. However, in accordance with the provisions of the Trust’s Prospectus, establishment costs are recognised using the amortisation method.

As stated in Note 2(l), redeemable units of the Sub-Fund are classified as equity and they are carried at the redemption amount that would be payable at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

The movements of the redeemable units for the years ended 31 December 2018 and 2017 are as follows:

	2018 Units	2017 Units
Number of units in issue at the beginning of the year	40,200,000	52,000,000
Units issued	20,700,000	3,100,000
Units redeemed	(10,500,000)	(14,900,000)
	<hr/>	<hr/>
Number of units in issue at the end of the year	50,400,000	40,200,000
	<hr/> <hr/>	<hr/> <hr/>
	2018	2017
	<i>RMB</i>	<i>RMB</i>
Net assets attributable to unitholders per unit as at 31 December (per statement of financial position)	4.4940	6.3340
	<hr/> <hr/>	<hr/> <hr/>

**CSOP SZSE CHINEXT ETF
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NOTES TO THE FINANCIAL STATEMENTS

5. NET LOSS ON INVESTMENTS

	Year ended 31 December 2018 <i>RMB</i>	Year ended 31 December 2017 <i>RMB</i>
Net change in unrealised gain/loss in value of investments	14,846,400	14,423,591
Net realised loss on sale of investments	(96,143,465)	(52,449,184)
	<u>(81,297,065)</u>	<u>(38,025,593)</u>

6. TAXATION

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was 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 2018 and 2017.

The taxation of the Sub-Fund for the years ended 31 December 2018 and 2017 represents:

	Year ended 31 December 2018 <i>RMB</i>	Year ended 31 December 2017 <i>RMB</i>
Withholding tax on dividend income	147,481	175,983
Withholding tax on interest income	993	715
Taxation	<u>148,474</u>	<u>176,698</u>

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NOTES TO THE FINANCIAL STATEMENTS

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS

The following is a summary of significant related party transactions and transactions entered into during the year between the Sub-Fund and the Trustee, the Manager and the Connected Persons of the Manager. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the years ended 31 December 2018 and 2017, between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager’s knowledge, the Sub-Fund does not have any other transactions with the Connected Persons of the Manager except for those disclosed below.

(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, inclusive of Trustee fee and Registrar’s fee, accrued daily and calculated as at each dealing day and payable monthly in arrears.

(b) Trustee fee and Registrar’s fee

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

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

(c) Financial assets

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

	2018 <i>RMB</i>	2017 <i>RMB</i>
Investments		
HSBC Bank (China) Company Limited	118,708,744	254,744,218
The Hongkong and Shanghai Banking Corporation Limited	106,255,737	-
	<u>224,964,481</u>	<u>254,744,218</u>
Bank balances		
HSBC Bank (China) Company Limited	1,050,976	167,374
The Hongkong and Shanghai Banking Corporation Limited	5,649,057	147,641
	<u>6,700,033</u>	<u>315,015</u>

Interest income amounted to RMB14,443 (2017: RMB7,721) was earned on these bank balances for the years ended 31 December 2018 and 2017.

**CSOP SZSE CHINEXT ETF
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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT

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

The Sub-Fund is designated to track the performance of the ChiNext Index, 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 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 2018 and 2017, the Sub-Fund's investments were concentrated in the following industries:

	2018		2017	
	Fair value <i>RMB</i>	% of net asset value	Fair value <i>RMB</i>	% of net asset value
Listed equities in PRC – by industry				
Basic Materials	10,307,903	4.55	12,533,671	4.92
Consumer Goods	41,487,735	18.32	37,018,572	14.54
Consumer Services	28,508,478	12.59	28,398,507	11.15
Financials	-	-	2,027,263	0.80
Health Care	44,034,057	19.44	32,933,062	12.94
Industrials	52,786,513	23.30	78,502,218	30.83
Oil & Gas	2,115,048	0.93	5,356,289	2.10
Technology	44,665,757	19.72	56,120,239	22.04
Telecommunications	1,058,990	0.47	1,854,397	0.73
	<u>224,964,481</u>	<u>99.32</u>	<u>254,744,218</u>	<u>100.05</u>

The Sub-Fund held 100 out of 100 (2017: 93 out of 100) constituents comprising the ChiNext Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the ChiNext Index.

**CSOP SZSE CHINEXT ETF
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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

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

As at 31 December 2018 and 2017, if the ChiNext Index were to increase by 10% (2017: 10%) with all other variables held constant, this would increase the operating profit for the year by approximately RMB19,242,494 (2017: RMB26,624,009). Conversely, if the ChiNext Index were to decrease by 10% (2017: 10%), this would decrease the operating profit for the year by an equal amount.

(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 2018 and 2017, 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 2018, the Sub-Fund placed bank balances of RMB5,649,057 (2017: RMB147,641) and investments of RMB106,255,737 (2017: RMB Nil) with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), which is the custodian of the Sub-Fund. The S&P credit rating of HSBC is A (2017: A).

As at 31 December 2018, the Sub-Fund placed bank balances of RMB1,050,976 (2017: RMB167,374) and investments of RMB118,708,744 (2017: RMB254,744,218) 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 (2017: A1).

**CSOP SZSE CHINEXT ETF
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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. At 31 December 2018 and 2017, deposit reserve, interest receivable, amounts due from participating dealers 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 2018 and 2017 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 2018				
Amounts due to brokers	4,751,740	-	-	4,751,740
Management fee payable	194,190	-	-	194,190
Other accounts payable	10,935	43,710	389,233	443,878
Contractual cash outflow	<u>4,956,865</u>	<u>43,710</u>	<u>389,233</u>	<u>5,389,808</u>
As at 31 December 2017				
Management fee payable	211,699	-	-	211,699
Other accounts payable	10,505	240	434,774	445,519
Contractual cash outflow	<u>222,204</u>	<u>240</u>	<u>434,774</u>	<u>657,218</u>

Units are redeemed on demand at the unitholder's option. As at 31 December 2018 and 2017, there were 2 (2017: 3) unitholders holding more than 10% of the Sub-Fund's units.

**CSOP SZSE CHINEXT ETF
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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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 2018				
Total assets	231,665,162	117	224,000	231,889,279
	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 2017				
Total assets	236,623,097	7,258,140	11,402,738	255,283,975

(d) Fair value estimation

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets (by class) measured at fair value at 31 December 2018 and 2017:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2018				
Assets				
Investments				
- Equity securities	224,964,481	-	-	224,964,481
Total assets	<u>224,964,481</u>	<u>-</u>	<u>-</u>	<u>224,964,481</u>
	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2017				
Assets				
Investments				
- Equity securities	236,307,434	16,409,521	2,027,263	254,744,218
Total assets	<u>236,307,434</u>	<u>16,409,521</u>	<u>2,027,263</u>	<u>254,744,218</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. Management has used best estimation and assessed all available information and considers that the last traded price is the best estimation of the fair value of level 2 investments as at 31 December 2017. As at 31 December 2018, there was no investment classified in level 2.

As at 31 December 2017, ten listed equity investments held by the Sub-Fund amounted to RMB18,436,784, represented 7.24% of the net asset value of the Sub-Fund, were suspended for trading and all were due to their business restructuring. Nine of the suspended investments amounted to RMB16,409,521 were classified as level 2. All of the suspended investments as at 31 December 2017 have resumed trading during the year ended 31 December 2018.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or do not trade. As at 31 December 2018, there was no investment classified as level 3. As at 31 December 2017, the level 3 investments consist of one listed equity investment amounted to RMB2,027,263.

During the year ended 31 December 2018, the equity investments of RMB16,409,521 have been transferred from level 2 to level 1 related to securities which were suspended for trading as at 31 December 2017 and have resumed trading during the year ended 31 December 2018.

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NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

During the year ended 31 December 2017, the suspended equity investments of RMB16,409,521 have been transferred from level 1 to level 2 and classified as level 2 investments as at 31 December 2017.

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

The following table presents the movements in level 3 investments of the Sub-Fund for the years ended 31 December 2018 and 2017:

	31 December 2018 <i>RMB</i>	31 December 2017 <i>RMB</i>
Opening balance	2,027,263	6,523,820
Transfer from level 1 to level 3	-	9,094,739
Transfer from level 3 to level 1	(2,027,263)	(6,523,820)
Net gains/(losses) recognised in statement of comprehensive income	-	(7,067,476)
Closing balance	<u>-</u>	<u>2,027,263</u>
Change in unrealised gains or losses for level 3 assets held at year end and included in the statement of comprehensive income at the end of the year	<u>-</u>	<u>(7,067,476)</u>

The following table presents level 3 investments of the Sub-Fund as at 31 December 2017:

As at 31 December 2017

<u>Type of security</u>	<u>Reason for suspension</u>	<u>% of NAV</u>
Listed equity	Business restructuring	0.80%

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

**CSOP SZSE CHINEXT ETF
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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.

9. FINANCIAL INSTRUMENTS BY CATEGORY

As of 31 December 2018 and 2017, other than investments as disclosed in the financial statements which are classified as financial assets at fair value through profit or loss, all financial assets including deposit reserve, interest receivable, amount due from participating dealers and bank balances are categorised as and carried at amortised cost. All the financial liabilities of the Sub-Fund are carried at amortised cost.

The carrying value of the 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.

10. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

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

The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the years ended 31 December 2018 and 2017.

There was one (2017: Nil) constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the ChiNext Index as at 31 December 2018.

	<u>Weighting in the Index (%)</u> 2018	<u>% of net asset value</u> 2018
WENS FOODSTUFF GROUP CO LTD A SHRS ORD CNY1	10.84	10.77

During the years ended 31 December 2018 and 2017, the ChiNext Index decreased by 28.65% (2017: decreased by 10.67%) while the net asset value per unit of the Sub-Fund decreased by 29.05% (2017: decreased by 13.17%).

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NOTES TO THE FINANCIAL STATEMENTS

11. SOFT COMMISSION ARRANGEMENT

The Manager has entered into soft commission arrangements since 26 October 2018 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.

12. 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 ChiNext 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 ChiNext Index, the tracked index.

The total of non-current assets of the Sub-Fund located in PRC is RMB224,000 (2017: RMB224,000) as at 31 December 2018. The Sub-Fund has no other assets classified as non-current assets. As at 31 December 2018 and 2017, the Sub-Fund has a diversified portfolio of investments and one (2017: Nil) investment accounts for more than 10% of the Sub-Fund's net asset value.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 29 April 2019.

**CSOP SZSE CHINEXT ETF
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INVESTMENT PORTFOLIO (Unaudited)

As at 31 December 2018

	Holdings	Fair value RMB	% of net assets
Investments (99.32%)			
Listed equities (99.32%)			
China (99.32%)			
AIER EYE HOSPITAL GROUP CO A SHARE ORD CNY1	209,635	5,513,400	2.43
ANHUI ANKE BIOTECHNOLOGY GROUP CO LTD A SHRS ORD CNY1	155,000	2,070,800	0.91
BEIJING EASPRING MATERIAL TECHNOLOGY CO LTD A SHS ORD CNY1	67,300	1,863,537	0.82
BEIJING E-HUALU INFORMATION TECHNOLOGY CO LTD A SHR ORD CNY1	69,700	1,444,184	0.64
BEIJING ENLIGHT MEDIA CO LTD A SHR ORD CNY1	235,628	1,790,773	0.79
BEIJING JETSON TECHNOLOGY CO LTD A SHRS ORD CNY1	419,916	1,801,440	0.80
BEIJING KUNLUN TECH CO LTD ORD CNY1	137,160	1,763,878	0.78
BEIJING LANXUM TECHNOLOGY A SHS A ORD CNY1	160,500	1,165,230	0.52
BEIJING ORIENT NATIONAL COMMUNICATION SCIENCE & TECHNOLOGY CO LTD ORD CNY1	198,232	2,053,684	0.91
BEIJING ORIGINWATER TECHNOLOGY CO LTD A SHR ORD CNY1	399,913	3,119,321	1.38
BEIJING PHILISENSE TECHNOLOGY CO LTD A SHS ORD CNY1	280,156	1,058,990	0.47
BEIJING SHUZHONG TECHNOLOGY CO LTD A ORD CNY1	177,000	1,651,410	0.73
BEIJING SINNET TECHNOLOGY A SHRS ORD RMB1	229,800	2,911,566	1.29
BEIJING SJ ENVIRONMENTAL PROTECTION AND NEW MATERIAL CO LTD A SHS ORD CNY1	264,700	2,604,648	1.15
BEIJING SUPERMAP SOFTWARE CO LTD A SHARES ORD CNY1	83,400	1,528,722	0.68
BEIJING THUNISOFT CORP LTD ORD CNY1	140,868	2,114,429	0.93
BEIJING ULTRAPOWER SOFTWARE A ORD CNY1	321,800	1,061,940	0.47
BEIJING WATER BUSINESS DOCTOR CO LTD A SHR ORD CNY1	157,200	1,205,724	0.53
BEIJING WATERTEK INFORMATION TECHNOLOGY CO LTD A SHRS ORD NPV	238,588	1,338,479	0.59
BETTA PHARMACEUTICALS CO LTD A SHRS ORD CNY1	45,900	1,467,423	0.65
BGI GENOMICS CO LTD A SHRS ORD CNY1	40,440	2,426,400	1.07
BLUEFOCUS COMMUNICATION GROUP CO LTD A SHR ORD CNY1	330,114	1,432,695	0.63
BOYA BIO-PHARMACEUTICAL GROUP CO LTD A SHRS ORD CNY1	44,967	1,213,659	0.54
CENTRE TESTING INTERNATIONAL CORP A SHR ORD CNY1	340,300	2,228,965	0.98
CHANGSHA JINGJIA MICROELECTRON A SHS ORD CNY1	18,400	665,344	0.29
CHAOZHOU THREE CIRCLE GROUP CO LTD ORD CNY1	265,410	4,490,737	1.98
CHENGDU CORPRO TECHNOLOGY CO LTD A SHR ORD CNY1	103,700	1,026,630	0.45
CHONGQING ZHIFEI BIOLOGICAL PRODUCT CO LTD A SHRS ORD CNY1	112,391	4,356,275	1.92
CONTEMPORARY AMPEREX TECHNOLOGY CO LTD A SHS ORD CNY1	58,700	4,332,060	1.91
CSG SMART SCIENCE&TECHNOLOGY CO LTD A SHRS ORD CNY1	80,367	1,245,688	0.55
DIAN DIAGNOSTICS GROUP CO LTD SHRS A ORD CNY1	80,235	1,217,165	0.54
EAST MONEY INFORMATION CO LTD A SHR ORD CNY1	958,800	11,601,480	5.12
EVE ENERGY CO LTD A SHRS ORD CNY1	126,843	1,993,972	0.88
FOCUSED PHOTONICS HANGZHOU A SHRS ORD CNY1	76,300	1,957,095	0.86
GUANGDONG BY-HEALTH BIOTECHNOLOGY CO LTD A SHS ORD CNY1	188,700	3,206,013	1.42
GUANGDONG DOWSTONE TECHNOLOGY CO A SHRES ORD CNY1	53,500	701,385	0.31
GUANGDONG GOSUN TELECOMMUNICATIONS CO LTD A SHS ORD NPV	272,685	1,843,351	0.81

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INVESTMENT PORTFOLIO (Unaudited) (Continued)

As at 31 December 2018

	Holdings	Fair value RMB	% of net Assets
Investments (99.32%) (Continued)			
Listed equities (99.32%) (Continued)			
China (99.32%) (Continued)			
GUANGZHOU SHANGPIN HOME COLLECTION CO LTD A SHS ORD CNY1	17,300	1,051,321	0.46
HAND ENTERPRISE SOLUTIONS CO LTD A SHR ORD CNY1	174,700	1,708,566	0.75
HANGZHOU CENTURY CO LTD A ORD CNY1	127,886	1,271,187	0.56
HANGZHOU SHUNWANG TECHNOLOGY CO LTD A SHS ORD CNY1	109,900	1,396,829	0.62
HANGZHOU TIGERMED CONSULTING CO LTD A SHR ORD NPV	80,400	3,437,100	1.52
HAPPIGO HOME SHOPPING CO L ORD CNY1	55,600	2,057,756	0.91
HC SEMITEK CORPORATION-A SHRS ORD CNY 1	99,000	715,770	0.32
HITHINK FLUSH INFORMATION NETWORK CO LTD A SHS ORD CNY1	48,400	1,848,880	0.82
HUABAO FLAVOURS & FRAGRANCES CO LTD A SHRS ORD CNY1	16,600	515,762	0.23
HUAFON MICROFIBRE SHANGHAI CO LTD A SHR ORD CNY1	142,560	1,589,544	0.70
HUAYI BROTHERS MEDIA CORPORATION A SHR ORD CNY1	427,099	2,003,094	0.88
HYBIO PHARMACEUTICAL CO LTD A SHS ORD CNY1	113,100	1,056,354	0.47
INNER MONGOLIA HOTISION & MONSOD DROUGHT-RESISTANCE GREENING CO LTD A SHR ORD CNY1	297,400	1,156,886	0.51
JAFRON BIOMEDICAL CO LTD A SHR ORD CNY1	28,000	1,162,000	0.51
KONFOONG MATERIALS INTERNATIONAL CO LTD A SHRS ORD CNY1	22,600	933,832	0.41
LENS TECHNOLOGY CO LTD A SHRS ORD CNY1	181,191	1,179,553	0.52
LEPU MEDICAL TECHNOLOGY A SHRS CNY1	249,300	5,187,933	2.29
LEYARD OPTOELECTRONIC CO L A SHRS ORD CNY1	392,450	3,017,940	1.33
NANFANG ZHONGJIN ENVIRONMENT CO LTD A SHS ORD CNY1	279,862	909,551	0.40
NANJING HANRUI COBALT CO LTD A SHS ORD CNY1	17,140	1,269,731	0.56
NETPOSA TECHNOLOGIES LTD A SHRS ORD NPV	125,679	1,114,773	0.49
OURPALM CO LTD ORD CNY1	636,538	2,246,979	0.99
QINGDAO TGOOD ELECTRIC A ORD CNY1	115,700	2,028,221	0.90
RICHINFO TECHNOLOGY CO LTD A ORD CNY1	10,800	257,796	0.11
SANGFOR TECHNOLOGIES INC A SHRS ORD CNY1	10,800	967,680	0.43
SHANDONG SINOCERA FUNCTION MATERIAL CO LTD A SHR NPV	93,000	1,550,310	0.69
SHANGHAI GANGLIAN E-COMMERCE HOLDINGS CO LTD A SHRS ORD CNY1	29,700	1,352,241	0.60
SHANGHAI WANGSU SCIENCE & TECHNOLOGY CO LTD A SHARE ORD CNY1	396,472	3,104,376	1.37
SHENWU ENVIRONMENTAL TECH A SHS ORD CNY1	144,300	523,809	0.23
SHENZHEN EVENWIN PRECISION TECH CO LTD CL A ORD CNY1	139,805	1,145,003	0.51
SHENZHEN INOVANCE TECHNOLOGY CO LTD A SHR ORD CNY1	272,737	5,492,923	2.43
SHENZHEN KANGTAI BIOLOGICAL PRODUCTS CO LTD A SHS ORD CNY1	66,600	2,382,948	1.05
SHENZHEN MINDRAY BIO MEDICAL ELECTRONICS CO LTD A SHS ORD CNY1	32,900	3,593,338	1.59
SHENZHEN SUNWAY COMMUNICATION CO LTD ORD CNY1	205,574	4,442,454	1.96
SHENZHEN TECHAND ECOLOGY AND TD ENVIRONMENT CO LTD A SHRS ORD CNY1	315,700	1,196,503	0.53
SHENZHEN YSSTECH INFO-TECH CO LTD A SHRS ORD CNY1	112,450	1,241,448	0.55
SIASUN ROBOT & AUTOMATION CO LTD A SHR ORD CNY1	302,500	3,999,050	1.77

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INVESTMENT PORTFOLIO (Unaudited) (Continued)

As at 31 December 2018

	Holdings	Fair value RMB	% of net assets
Investments (99.32%) (Continued)			
Listed equities (99.32%) (Continued)			
China (99.32%) (Continued)			
SICHUAN MAKER BIOTECHNOLOGY CO LTD A SHRS ORD NPV	67,300	982,580	0.43
SONGCHENG PERFORMANCE DEVELOPMENT CO LTD A SHRS ORD CNY1	183,917	3,926,628	1.73
SUNGROW POWER SUPPLY CO LTD CL A ORD CNY1	237,113	2,115,048	0.93
SUNWODA ELECTRONIC CO LTD A SHR ORD CNY1	177,300	1,523,007	0.67
THUNDER SOFTWARE TECHNOLOGY GO LTD ORD CNY1	55,100	1,217,710	0.54
TIANJIN CHASE SUN PHARMACEUTICAL CO LTD A SHRS ORD CNY1	450,600	1,374,330	0.61
VICTORY GIANT TECHNOLOGY (HUIZHOU) CO LTD A SHS ORD CNY1	103,400	1,209,780	0.53
WALVAX BIOTECHNOLOGY CO LTD SHS A ORD CNY1	291,399	5,565,721	2.46
WEIHAI GUANGWEI COMPOSITES CO LTD A SHRS ORD CNY1	39,700	1,421,260	0.63
WENS FOODSTUFF GROUP CO LTD A SHRS ORD CNY1	931,549	24,387,953	10.77
WINNING HEALTH TECHNOLOGY GROUP CO LTD SHS A ORD CNY1	289,446	3,606,497	1.59
WONDERS INFORMATION CO LTD A SHRS ORD CNY1	189,776	2,275,414	1.01
WUHAN RAYCUS FIBER LASER TECHNOLOGI ES CO LTD ORD CNY1 A	8,600	1,183,360	0.52
WUHU TOKEN SCIENCE CO LTD A SHR ORD CNY1	473,400	1,964,610	0.87
WUXI LEAD INTELLIGENT EQUIPMENT CO LTD A SHS ORD NPV	101,814	2,946,497	1.30
XIAMEN MEIYA PICO INFORMATION COMPANY LIMITED ORD CNY1 A SHARES	101,380	1,319,968	0.58
XINGYUAN ENVIRONMENT TECHNOLOGY CO LTD A SHS ORD CNY1	237,908	839,815	0.37
XINJIANG MACHINERY RESEARCH INSTITUTE CO LTD A SHR ORD CNY1	221,947	1,023,176	0.45
YANGZHOU YANGJIE ELCTRONIC TECHNOLO LTD ORD NPV	49,200	710,448	0.31
YEALINK NETWORK TECHNOLOGY CORP LTD A SHRS ORD CNY1	20,200	1,568,732	0.69
ZHEJIANG HUACE FILM & TV CO LTD A SHS ORD CNY1	217,554	1,949,284	0.86
ZHEJIANG JINGSHENG MECHANICAL & ELECTRICAL CO LTD A SHRS ORD CNY1	152,292	1,525,966	0.67
ZHEJIANG JINKE CULTURE INDUSTRY CO LTD A SHR ORD CNY1	147,300	1,082,655	0.48
ZHEJIANG NARADA POWER SOURCE CO LTD ORD CNY1	115,345	1,640,206	0.72
ZHONGJI INNOLIGHT CO LTD A SHS ORD CNY1	24,300	988,767	0.44
ZHUHAI ORBITA CONTROL ENGINEERING CO LTD A ORD CNY1	127,100	1,037,136	0.46
Total investments		224,964,481	99.32
Other net assets		1,534,990	0.68
Net assets attributable to unitholders at 31 December 2018		226,499,471	100.00
Total investments, at cost		286,373,178	

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)
For the year ended 31 December 2018

	Holdings				31 December 2018
	1 January 2018	Additions	Corporate actions	Disposals	
Investments					
Listed equities					
AIER EYE HOSPITAL GROUP CO A SHARE ORD CNY1	127,864	283,335	61,075	(262,639)	209,635
ALL WINNER TECHNOLOGY CO LTD A SHS ORD NPV	37,871	10,300	-	(48,171)	-
ANHUI ANKE BIOTECHNOLOGY GROUP CO LTD A SHRS ORD CNY1	103,778	217,800	39,231	(205,809)	155,000
ANHUI SHENGYUN MACHINERY CO LTD A SHRS ORD CNY1	209,892	3,900	-	(213,792)	-
BEIJING BAOFENG TECHNOLOGY CO LTD A SHRS ORD CNY1	61,442	27,300	-	(88,742)	-
BEIJING EASPRING MATERIAL TECHNOLOGY CO LTD A SHS ORD CNY1	60,300	89,700	-	(82,700)	67,300
BEIJING EGOVA CO LTD A SHS ORD CNY1	62,600	6,500	-	(69,100)	-
BEIJING E-HUALU INFORMATION TECHNOLOGY CO LTD A SHR ORD CNY1	48,999	87,800	10,380	(77,479)	69,700
BEIJING ENLIGHT MEDIA CO LTD A SHR ORD CNY1	228,028	107,500	-	(99,900)	235,628
BEIJING HUALUBAINA FILM & TV CO LTD A SHR ORD CNY1	85,571	13,500	-	(99,071)	-
BEIJING JETSON TECHNOLOGY CO LTD A SHRS ORD CNY1	315,616	234,400	-	(130,100)	419,916
BEIJING KUNLUN TECH CO LTD ORD CNY1	117,260	66,700	-	(46,800)	137,160
BEIJING LANXUM TECHNOLOGY A SHS A ORD CNY1	109,886	271,900	-	(221,286)	160,500
BEIJING ORIENT NATIONAL COMMUNICATION SCIENCE & TECHNOLOGY CO LTD ORD CNY1	191,458	284,132	-	(277,358)	198,232
BEIJING ORIGINWATER TECHNOLOGY CO LTD A SHR ORD CNY1	362,713	194,600	-	(157,400)	399,913
BEIJING PHILISENSE TECHNOLOGY CO LTD A SHS ORD CNY1	250,256	134,400	-	(104,500)	280,156
BEIJING SHUZHI TECHNOLOGY CO LTD A ORD CNY1	-	198,400	-	(21,400)	177,000

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

For the year ended 31 December 2018

	Holdings				31 December 2018
	1 January 2018	Additions	Corporate actions	Disposals	
Investments (Continued)					
Listed equities (Continued)					
BEIJING SINNET TECHNOLOGY A SHRS ORD RMB1	232,600	86,000	-	(88,800)	229,800
BEIJING SJ ENVIRONMENTAL PROTECTION AND NEW MATERIAL CO LTD A SHS ORD CNY1	211,685	106,900	66,115	(120,000)	264,700
BEIJING SUPERMAP SOFTWARE CO LTD A SHARES ORD CNY1	-	171,314	-	(87,914)	83,400
BEIJING THUNISOFT CORP LTD ORD CNY1	118,068	63,400	-	(40,600)	140,868
BEIJING ULTRAPOWER SOFTWARE A ORD CNY1	294,276	443,500	-	(415,976)	321,800
BEIJING VRV SOFTWARE CORP LTD A SHRS ORD CNY1	242,307	-	-	(242,307)	-
BEIJING WATER BUSINESS DOCTOR CO LTD A SHR ORD CNY1	143,600	231,700	-	(218,100)	157,200
BEIJING WATERTEK INFORMATION TECHNOLOGY CO LTD A SHRS ORD NPV	118,187	89,600	67,501	(36,700)	238,588
BETTA PHARMACEUTICALS CO LTD A SHRS ORD CNY1	10,800	45,800	-	(10,700)	45,900
BGI GENOMICS CO LTD A SHRS ORD CNY1	-	45,340	-	(4,900)	40,440
BLUEDON INFORMAION SAFE TECHNOLOGY CO LTD A SHS ORD NPV	107,900	26,000	-	(133,900)	-
BLUEFOCUS COMMUNICATION GROUP CO LTD A SHR ORD CNY1	346,616	453,614	-	(470,116)	330,114
BOYA BIO-PHARMACEUTICAL GROUP CO LTD A SHRS ORD CNY1	41,867	20,700	-	(17,600)	44,967
CENTRE TESTING INTERNATIONAL CORP A SHR ORD CNY1	-	340,300	-	-	340,300
CHANGSHA JINGJIA MICROELECTRON A SHS ORD CNY1	-	22,100	-	(3,700)	18,400
CHAOZHOU THREE CIRCLE GROUP CO LTD ORD CNY1	258,710	121,700	-	(115,000)	265,410
CHENGDU CORPRO TECHNOLOGY CO LTD A SHR ORD CNY1	101,090	129,300	-	(126,690)	103,700

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (Continued)
For the year ended 31 December 2018

	Holdings				31 December 2018
	1 January 2018	Additions	Corporate actions	Disposals	
Investments (Continued)					
Listed equities (Continued)					
CHINESEALL DIGITAL PUBLISHING GROUP CO LTD A SHS ORD CNY1	88,506	79,500	-	(168,006)	-
CHONGQING ZHIFEI BIOLOGICAL PRODUCT CO LTD A SHRS ORD CNY1	111,691	51,600	-	(50,900)	112,391
CONTEMPORARY AMPEREX TECHNOLOGY CO LTD A SHS ORD CNY1	-	71,000	-	(12,300)	58,700
CSG SMART SCIENCE&TECHNOLOGY CO LTD A SHRS ORD CNY1	46,967	55,000	-	(21,600)	80,367
DIAN DIAGNOSTICS GROUP CO LTD SHRS A ORD CNY1	75,035	35,200	-	(30,000)	80,235
EAST MONEY INFORMATION CO LTD A SHR ORD CNY1	708,596	1,280,000	132,179	(1,161,975)	958,800
ELECTRIC CONNECTOR TECHNOLOGY CO LTD A SHRS ORD CNY1	-	9,400	6,320	(15,720)	-
EVE ENERGY CO LTD A SHRS ORD CNY1	113,643	188,143	-	(174,943)	126,843
FOCUSED PHOTONICS HANGZHOU A SHRS ORD CNY1	73,669	108,500	-	(105,869)	76,300
GUANGDONG BY-HEALTH BIOTECHNOLOGY CO LTD A SHS ORD CNY1	182,000	62,300	-	(55,600)	188,700
GUANGDONG DOWSTONE TECHNOLOGY CO A SHRES ORD CNY1	-	44,480	23,120	(14,100)	53,500
GUANGDONG EASTONE CENTURY TECH CO LTD A SHS ORD CNY1	114,560	27,100	-	(141,660)	-
GUANGDONG GOSUN TELECOMMUNICATIONS CO LTD A SHS ORD NPV	113,024	148,700	57,161	(46,200)	272,685
GUANGDONG JANUS INTELLIGENT GROUP CORP LTD A SHS ORD CNY1	197,900	110,000	-	(307,900)	-
GUANGZHOU SHANGPIN HOME COLLECTION CO LTD A SHS ORD CNY1	-	19,900	-	(2,600)	17,300

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (Continued)
For the year ended 31 December 2018

	Holdings				31 December 2018
	1 January 2018	Additions	Corporate actions	Disposals	
Investments (Continued)					
Listed equities (Continued)					
HAND ENTERPRISE SOLUTIONS CO LTD A SHR ORD CNY1	157,139	235,700	-	(218,139)	174,700
HANGZHOU CENTURY CO LTD A ORD CNY1	128,850	58,436	-	(59,400)	127,886
HANGZHOU SHUNWANG TECHNOLOGY CO LTD A SHS ORD CNY1	102,037	143,700	-	(135,837)	109,900
HANGZHOU TIGERMED CONSULTING CO LTD A SHR ORD NPV	72,700	41,700	-	(34,000)	80,400
HAPPIGO HOME SHOPPING CO L ORD CNY1	-	124,900	-	(69,300)	55,600
HC SEMITEK CORPORATION-A SHRS ORD CNY 1	84,900	44,300	-	(30,200)	99,000
HITHINK FLUSH INFORMATION NETWORK CO LTD A SHS ORD CNY1	46,860	67,800	-	(66,260)	48,400
HUABAO FLAVOURS & FRAGRANCES CO LTD A SHRS ORD CNY1	-	19,700	-	(3,100)	16,600
HUAFON MICROFIBRE SHANGHAI CO LTD A SHR ORD CNY1	77,400	53,600	62,560	(51,000)	142,560
HUAYI BROTHERS MEDIA CORPORATION A SHR ORD CNY1	391,536	584,199	-	(548,636)	427,099
HUNAN CHINA SUN PHARMACEUTICAL MACHINERY CO LTD A SHRS ORD CNY1	62,700	2,200	-	(64,900)	-
HUNAN TANGEL PUBLISHING CO LTD ORD CNY1	-	171,800	-	(171,800)	-
HYBIO PHARMACEUTICAL CO LTD A SHS ORD CNY1	111,700	51,600	-	(50,200)	113,100
INNER MONGOLIA HOTISION & MONSOD DROUGHT-RESISTANCE GREENING CO LTD A SHR ORD CNY1	256,700	134,800	-	(94,100)	297,400
JAFRON BIOMEDICAL CO LTD A SHR ORD CNY1	-	28,000	-	-	28,000
JSTI GROUP ORD CNY1	77,000	23,800	29,440	(130,240)	-
JULONG CO LTD ORD CNY1	62,300	-	-	(62,300)	-

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (Continued)
For the year ended 31 December 2018

	Holdings				
	1 January 2018	Additions	Corporate actions	Disposals	31 December 2018
Investments (Continued)					
Listed equities (Continued)					
KONFOONG MATERIALS					
INTERNATIONAL CO LTD A SHRS ORD CNY1	-	24,500	-	(1,900)	22,600
LENS TECHNOLOGY CO LTD A SHRS ORD CNY1	116,832	70,200	60,659	(66,500)	181,191
LEPU MEDICAL TECHNOLOGY A SHRS CNY1	218,279	326,500	-	(295,479)	249,300
LESHI INTERNET INFORMATION & TECHNOLOGY (BEIJING) CO LTD A SHR ORD CNY1	508,086	-	-	(508,086)	-
LEYARD OPTOELECTRONIC CO L A SHRS ORD CNY1	185,800	191,200	104,350	(88,900)	392,450
NANFANG ZHONGJIN ENVIRONMENT CO LTD A SHS ORD CNY1	167,764	104,400	103,598	(95,900)	279,862
NANJING HANRUI COBALT CO LTD A SHS ORD CNY1	-	17,000	4,440	(4,300)	17,140
NATIONZ TECHNOLOGIES INC A ORD CNY1	142,700	33,500	-	(176,200)	-
NETPOSA TECHNOLOGIES LTD A SHRS ORD NPV	103,979	74,200	-	(52,500)	125,679
OURPALM CO LTD ORD CNY1	515,038	340,700	-	(219,200)	636,538
PRIORITY F HANRUI COBALT CB NIL PAID RTS 20/11/2018	-	-	30,600	(30,600)	-
QINGDAO TGOOD ELECTRIC A ORD CNY1	105,800	157,400	-	(147,500)	115,700
RICHINFO TECHNOLOGY CO LTD A ORD CNY1	-	14,000	-	(3,200)	10,800
RISEN ENERGY CO LTD ORD CNY1	109,200	10,900	-	(120,100)	-
SANGFOR TECHNOLOGIES INC A SHRS ORD CNY1	-	10,800	-	-	10,800
SHAANXI J&R FIRE PROTECTION CO LTD ORD CNY1	136,800	143,500	-	(280,300)	-
SHANDONG SINOCERA FUNCTION MATERIAL CO LTD A SHR NPV	-	118,000	-	(25,000)	93,000
SHANGHAI GANGLIAN E- COMMERCE HOLDINGS CO LTD A SHRS ORD CNY1	-	36,800	-	(7,100)	29,700
SHANGHAI WANGSU SCIENCE & TECHNOLOGY CO LTD A SHARE ORD CNY1	370,981	571,372	-	(545,881)	396,472
SHENWU ENVIRONMENTAL TECH A SHS ORD CNY1	141,300	62,400	-	(59,400)	144,300
SHENZHEN CAPCHEM TECHNOLOGY- A ORD CNY1	47,100	4,400	-	(51,500)	-
SHENZHEN EVENWIN PRECISION TECH CO LTD CL A ORD CNY1	127,705	63,400	-	(51,300)	139,805
SHENZHEN INFOGEM TECHNOLOGIES CO LTD A SHS ORD CNY1	68,595	44,600	-	(113,195)	-

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (Continued)
For the year ended 31 December 2018

	Holdings				31 December 2018
	1 January 2018	Additions	Corporate actions	Disposals	
Investments (Continued)					
Listed equities (Continued)					
SHENZHEN INOVANCE TECHNOLOGY CO LTD A SHR ORD CNY1	250,337	129,900	-	(107,500)	272,737
SHENZHEN JIAWEI PHOTOVOLTAIC LIGHTING CO LTD A SHRS ORD CNY1	51,038	19,900	-	(70,938)	-
SHENZHEN KANGTAI BIOLOGICAL PRODUCTS CO LTD A SHS ORD CNY1	-	79,500	-	(12,900)	66,600
SHENZHEN MINDRAY BIO MEDICAL ELECTRONICS CO LTD A SHS ORD CNY1	-	32,900	-	-	32,900
SHENZHEN SUNWAY COMMUNICATION CO LTD ORD CNY1	184,212	271,874	-	(250,512)	205,574
SHENZHEN TAT FOOK TECHNOLOGY CO LTD A SHS ORD CNY1	95,400	30,900	-	(126,300)	-
SHENZHEN TECHAND ECOLOGY AND TD ENVIRONMENT CO LTD A SHRS ORD CNY1	210,600	40,800	98,300	(34,000)	315,700
SHENZHEN YSSTECH INFO-TECH CO LTD A SHRS ORD CNY1	103,350	51,600	-	(42,500)	112,450
SIASUN ROBOT & AUTOMATION CO LTD A SHR ORD CNY1	295,615	430,200	-	(423,315)	302,500
SICHUAN MAKER BIOTECHNOLOGY CO LTD A SHRS ORD NPV	61,700	28,500	-	(22,900)	67,300
SONGCHENG PERFORMANCE DEVELOPMENT CO LTD A SHRS ORD CNY1	160,610	81,707	-	(58,400)	183,917
SUMAVISION TECHNOLOGIES CO LTD A ORD CNY1	304,694	-	-	(304,694)	-
SUNGROW POWER SUPPLY CO LTD CL A ORD CNY1	172,213	152,800	-	(87,900)	237,113
SUNWODA ELECTRONIC CO LTD A SHR ORD CNY1	161,600	218,900	-	(203,200)	177,300
THUNDER SOFTWARE TECHNOLOGY GO LTD ORD CNY1	47,800	25,000	-	(17,700)	55,100
TIANJIN CHASE SUN PHARMACEUTICAL CO LTD A SHRS ORD CNY1	385,064	622,600	-	(557,064)	450,600
TONGYU HEAVY INDUSTRY CO LTD A SHS ORD CNY1	593,600	-	-	(593,600)	-
VICTORY GIANT TECHNOLOGY (HUIZHOU) CO LTD A SHS ORD CNY1	-	114,800	-	(11,400)	103,400
WALVAX BIOTECHNOLOGY CO LTD SHS A ORD CNY1	229,978	170,121	-	(108,700)	291,399
WEIHAI GUANGWEI COMPOSITES CO LTD A SHRS ORD CNY1	-	46,200	-	(6,500)	39,700
WENS FOODSTUFF GROUP CO LTD A SHRS ORD CNY1	904,849	426,200	-	(399,500)	931,549

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (Continued)
For the year ended 31 December 2018

	Holdings				31 December 2018
	1 January 2018	Additions	Corporate actions	Disposals	
Investments (Continued)					
Listed equities (Continued)					
WINNING HEALTH TECHNOLOGY GROUP CO LTD SHS A ORD CNY1	267,446	117,700	-	(95,700)	289,446
WONDERS INFORMATION CO LTD A SHRS ORD CNY1	175,700	92,176	-	(78,100)	189,776
WUHAN RAYCUS FIBER LASER TECHNOLOGI ES CO LTD ORD CNY1 A	-	8,600	-	-	8,600
WUHU TOKEN SCIENCE CO LTD A SHR ORD CNY1	465,200	541,500	-	(533,300)	473,400
WUXI LEAD INTELLIGENT EQUIPMENT CO LTD A SHS ORD NPV	39,200	44,544	41,470	(23,400)	101,814
XIAMEN MEIYA PICO INFORMATION COMPANY LIMITED ORD CNY1 A SHARES	-	122,180	-	(20,800)	101,380
XINGHUI AUTO MODEL CO LTD A SHR ORD CNY1	141,857	-	-	(141,857)	-
XINGYUAN ENVIRONMENT TECHNOLOGY CO LTD A SHS ORD CNY1	141,972	74,900	76,236	(55,200)	237,908
XINJIANG MACHINERY RESEARCH INSTITUTE CO LTD A SHR ORD CNY1	224,247	80,400	-	(82,700)	221,947
YANGZHOU YANGJIE ELCTRONIC TECHNOLO LTD ORD NPV	-	60,300	-	(11,100)	49,200
YEALINK NETWORK TECHNOLOGY CORP LTD A SHRS ORD CNY1	-	16,400	9,200	(5,400)	20,200
ZHEJIANG ENJOYOR ELECTRONICS CO LTD A SHR ORD CNY1	121,200	266,100	-	(387,300)	-
ZHEJIANG HUACE FILM & TV CO LTD A SHS ORD CNY1	168,071	259,754	-	(210,271)	217,554
ZHEJIANG JINGSHENG MECHANICAL & ELECTRICAL CO LTD A SHRS ORD CNY1	113,000	66,272	31,620	(58,600)	152,292
ZHEJIANG JINKE CULTURE INDUSTRY CO LTD A SHR ORD CNY1	133,600	62,900	-	(49,200)	147,300
ZHEJIANG KAISHAN COMPRESSOR CO LTD CL A ORD CNY1	85,100	19,800	-	(104,900)	-
ZHEJIANG NARADA POWER SOURCE CO LTD ORD CNY1	107,925	146,345	-	(138,925)	115,345
ZHONGJI INNOLIGHT CO LTD A SHS ORD CNY1	-	32,000	-	(7,700)	24,300
ZHUHAI HOKAI MEDICAL INSTRUMENT CO LTD A SHS ORD CNY1	125,410	11,700	-	(137,110)	-
ZHUHAI ORBITA CONTROL ENGINEERING CO LTD A ORD CNY1	-	264,400	-	(137,300)	127,100

**CSOP SZSE CHINEXT 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 2018	226,557,167	4.4952
31 December 2017	254,859,321	6.3398
31 December 2016	379,710,839	7.3021

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 2018	6.7968	4.3472
31 December 2017	7.4020	6.1254
31 December 2016	9.3382	7.0438
31 December 2015 (Since 13 May 2015 (date of inception))	15.0190	6.7295

Net assets attributable to unitholders per unit

As stated in Note 2(n), establishment costs are expensed as incurred. However, in accordance with the provisions of the Trust's Prospectus, establishment costs are recognised using the amortisation method. As at 31 December 2018, the expensing of establishment costs as stated in the financial statements resulted in a decrease of net assets attributable to unitholders of RMB57,696 (2017: RMB 232,564) when compared with the methodology indicated in the Trust's Prospectus.

	2018 <i>RMB</i>	2017 <i>RMB</i>
Net assets attributable to unitholders as reported in the statement of financial position	226,499,471	254,626,757
Adjustments for unamortised establishment costs	57,696	232,564
Net asset value in accordance with the Trust's Prospectus	<u>226,557,167</u>	<u>254,859,321</u>

**CSOP SZSE CHINEXT ETF
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MANAGEMENT AND ADMINISTRATION

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