



CSOP LEVERAGED AND INVERSE SERIES
(An umbrella unit trust established in Hong Kong)

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X)
INVERSE PRODUCT**
(Stock Code: 07588)
(A sub-fund of CSOP Leveraged and Inverse Series)

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2020

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

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CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT (A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product (or the “Sub-Fund”, formerly known as CSOP Hang Seng China Enterprises Index Daily (-1x) Inverse Product), is a sub-fund of the CSOP Leveraged and Inverse Series (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 5 July 2016 (the “Trust Deed”) between CSOP Asset Management Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

It was launched on 10 March 2017 and commenced trading in HKD under the stock code 7388 on the Stock Exchange of Hong Kong (the “SEHK”) on 14 March 2017. The Sub-Fund is benchmarked against the Hang Seng China Enterprises Index (the “Index”) and adopts a futures-based replication strategy. The Manager is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product is a futures-based ETF which invests directly in the nearest month futures contracts on the Hang Seng China Enterprises Index listed on the SEHK (“H-shares Index Futures”) subject to the rolling strategy discussed in below, to obtain the required exposure to the Index and to provide investment results that, before fees and expenses, closely correspond to the two times inverse (-2x) of the daily performance of the Index.

Starting from 25 June 2019, the name of the Sub-Fund was changed from CSOP Hang Seng China Enterprises Index Daily (-1x) Inverse Product to CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product, with the stock code changed from 7388 to 7588 accordingly. The investment objective has changed to provide investment results that, before fees and expenses, closely correspond to the two times inverse (-2x) of the Daily performance of the Index

As the Index is not a futures index, the Product does not follow any predetermined roll-over schedule. The Manager will roll the H-shares Index Futures on a monthly basis. The futures roll for the H-shares Index Futures will be done on a monthly basis on the SEHK shortly before expiration.

The index is compiled and managed by Hang Seng Indexes Company Limited (the “Index Provider”). It is a free float-adjusted market capitalization weighted index that tracks the behaviour of a portfolio of blue chip companies, the largest and most liquid China enterprises with H-share listed on the SEHK. The Index operates under clearly defined rules published by the index provider and is a tradable index.

The Sub-Fund Performance

CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product seeks to provide daily investment results, before fees and expenses, which closely correspond to negative two times the performance of the Index. As of 31 December 2020, the dealing Net Asset Value (“NAV”) per unit of CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product was HKD 4.3290 and there were 24,800,000 units outstanding. The total asset under management was approximately HKD 107.4 million.

For the period from 31 December 2019 to 31 December 2020, the dealing NAV of CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product performed -16.86% while the index performed -3.85%. Price return of the HKD counter (stock code 7588) for the same period was -17.43%.

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

REPORT OF THE MANAGER TO THE UNITHOLDERS (Continued)

Exchange Liquidity

The trading value of the HKD counter (stock code: 7588) remained steadily at an average daily turnover of HKD 4.9 million in December 2020. The trading volume for CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product reflected strong interest in the CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product.

Portfolio Rebalance

CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product adopts futures-based replication strategy to track the Index. Since inception, the Sub-Fund has experienced forty-six monthly futures rolls.

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product (the “Sub-Fund”), a sub-fund of CSOP Leveraged and Inverse Series, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 5 July 2016, as amended, for the year ended 31 December 2020.

HSBC Institutional Trust Services (Asia) Limited
30 April 2021

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product (the "Sub-Fund"), a sub-fund of CSOP Leveraged and Inverse Series, is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong and the Trust Deed dated 5 July 2016, 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 ended 31 December 2020. 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 Leveraged and Inverse Series (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2020, the Trust has established eight sub-funds, namely, CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product (the "Sub-Fund"), CSOP Hang Seng Index Daily (2x) Leveraged Product, CSOP Hang Seng Index Daily (-1x) Inverse Product, CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product, CSOP Hang Seng Index Daily (-2x) Inverse Product, CSOP NASDAQ-100 Index Daily (-2x) Inverse Product, CSOP Hang Seng Tech Index Daily (2x) Leveraged Product and CSOP Hang Seng Tech Index Daily (-2x) Inverse Product. CSOP Hang Seng Tech Index Daily (2x) Leveraged Product and CSOP Hang Seng Tech Index Daily (-2x) Inverse Product were launched on 8 December 2020.

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 HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE
PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES, AN UMBRELLA UNIT TRUST
STABLISHED IN HONG KONG)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product (the "Sub-Fund"), a sub-fund of CSOP Leveraged and Inverse Series, set out on pages 9 to 38, which comprise:

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

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2020, and of its financial transactions and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Sub-Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), 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 HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE
PRODUCT (CONTINUED)
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES, AN UMBRELLA UNIT TRUST
ESTABLISHED IN HONG KONG)**

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p data-bbox="118 539 727 600"><u>Existence and valuation of investments and derivative financial instruments</u></p> <p data-bbox="118 640 727 869">The Sub-Fund’s investments and derivative financial instruments as at 31 December 2020 were mainly comprised of an investment fund, debt securities and futures contracts in short positions listed in Hong Kong, valued at HKD14,473,115, HKD51,497,964 and HKD(6,701,838) respectively.</p> <p data-bbox="118 909 727 1104">We focused on the existence and valuation of the investments and derivative financial instruments because the investments and derivative financial instruments represented the principal element of the Sub-Fund’s net asset value as at 31 December 2020.</p> <p data-bbox="118 1144 727 1173">Refer to Note 9 to the financial statements.</p>	<p data-bbox="753 539 1487 667">Our work included an assessment of the key controls of the trustee and its affiliates over the existence and valuation of the investments and derivative financial instruments, which included the following:</p> <ol data-bbox="753 707 1487 1104" style="list-style-type: none"> <li data-bbox="753 707 1487 902">1. We developed an understanding of the control objectives and related controls by obtaining the reports provided by the trustee setting out the controls in place at that trustee and its affiliates, and the independent service auditor’s assurance reports over the design and operating effectiveness of those controls thereon. <li data-bbox="753 943 1487 1104">2. We evaluated the tests undertaken by the service auditor and the results of the tests undertaken and the opinions formed by the service auditor on the design and operating effectiveness of the controls, to the extent relevant to our audit of the Sub-Fund. <p data-bbox="753 1144 1487 1406">We tested the existence of investments and derivative financial instruments by obtaining direct confirmations from the custodians and agreeing the Sub-Fund’s holdings of investments and derivative financial instruments to the confirmations. Based on the procedures we performed, we found the Sub-Fund’s holdings of investments and derivative financial instruments to be in agreement with the confirmations received.</p> <p data-bbox="753 1447 1487 1574">We agreed the valuation of the Sub-Fund’s investments and derivative financial instruments by comparing the pricing used by the Sub-Fund to external pricing sources as at 31 December 2020. We found no material exceptions from our testing.</p>

Other Information

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE
PRODUCT (CONTINUED)
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES, AN UMBRELLA UNIT TRUST
ESTABLISHED IN HONG KONG)**

Other Information (Continued)

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

Responsibilities of Management for the Financial Statements

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

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

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 5 July 2016, as amended, ("Trust Deed") and the Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the Appendix E of the SFC Code.

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE
PRODUCT (CONTINUED)
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES, AN UMBRELLA UNIT TRUST
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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 April 2021

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HKD</i>	2019 <i>HKD</i>
ASSETS			
CURRENT ASSETS			
Investments	<i>7(c),9(a)</i>	65,971,079	72,474,748
Bank interest receivable		1,834	-
Interest receivable on bonds		-	117,812
Other receivable		-	8,215
Deposits with broker	<i>10</i>	27,782,794	20,610,506
Cash and cash equivalents	<i>7(c)</i>	20,444,157	9,198,905
Total assets		<u>114,199,864</u>	<u>102,410,186</u>
LIABILITIES			
CURRENT LIABILITIES			
Derivative financial instruments	<i>9(a)</i>	6,701,838	2,250,637
Management fee payable	<i>7(a),(b)</i>	133,177	130,498
Other accounts payable		304,970	593,630
Total liabilities		<u>7,139,985</u>	<u>2,974,765</u>
EQUITY			
Net assets attributable to unitholders	<i>4</i>	<u>107,059,879</u>	<u>99,435,421</u>

The financial statements on pages 9 to 38 were approved by the Trustee and the Manager on 30 April 2021 and were signed on their behalf.

For and on behalf of

For and on behalf of

CSOP Asset Management Limited
as the Manager

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

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

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	Year ended 31 December 2020 <i>HKD</i>	Year ended 31 December 2019 <i>HKD</i>
INCOME			
Interest income from bank deposits	7(c)	13,369	96,192
Interest income from deposits with broker		22,159	25,456
Interest income from bonds		328,905	768,030
Net loss on investments and derivative financial instruments	5	(801,843)	(19,072,841)
Other income		72,000	-
Total net loss		(365,410)	(18,183,163)
EXPENSES			
Management fee	7(a),(b)	(1,520,598)	(2,135,461)
Transaction costs on investments	8	(361,615)	(422,063)
Audit fee		(43,417)	(43,698)
Safe custody and bank charges	7(d)	(12,518)	(11,788)
Legal and other professional fee		(176,865)	(65,482)
License fee		(198,064)	(435,182)
Interest expenses		(52,116)	(50,041)
Other operating expenses	7(d)	(222,990)	(229,898)
Total operating expenses		(2,588,183)	(3,393,613)
Total comprehensive loss		(2,953,593)	(21,576,776)

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

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2020

	<i>Notes</i>	Year ended 31 December 2020 <i>HKD</i>	Year ended 31 December 2019 <i>HKD</i>
Net assets attributable to unitholders at the beginning of the year		99,435,421	131,929,995
Proceeds on issue of units	4	109,351,930	313,548,404
Payments on redemption of units	4	(98,773,879)	(324,466,202)
Net increase/(decrease) from unit transactions		10,578,051	(10,917,798)
Total comprehensive loss for the year		(2,953,593)	(21,576,776)
Net assets attributable to unitholders at the end of the year		107,059,879	99,435,421

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

	Year ended 31 December 2020 <i>Units</i>	Year ended 31 December 2019 <i>Units</i>
Number of units in issue at the beginning of the year	19,200,000	20,800,000
Units issued	21,600,000	53,600,000
Units redeemed	(16,000,000)	(55,200,000)
Number of units in issue at the end of the year	24,800,000	19,200,000

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

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Year ended 31 December 2020 <i>HKD</i>	Year ended 31 December 2019 <i>HKD</i>
OPERATING ACTIVITIES		
Payments for purchase of investments	(352,466,887)	(228,724,535)
Proceeds from sale of investments	362,619,914	192,573,591
Other income received	72,000	-
Interest income from bank deposits received	11,535	96,404
Interest income from deposits with broker received	30,374	17,241
Interest income from bonds received	446,717	737,772
Management fee paid	(1,517,919)	(2,121,255)
Transaction costs paid	(361,615)	(422,063)
Interest paid	(51,252)	(53,415)
Other operating expenses paid	(943,378)	(467,965)
Increase in deposits with broker	(7,172,288)	(8,439,011)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	667,201	(46,803,236)
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FINANCING ACTIVITIES		
Proceeds on issue of units	109,351,930	318,649,391
Payments on redemption of units	(98,773,879)	(324,466,202)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	10,578,051	(5,816,811)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	11,245,252	(52,620,047)
Cash and cash equivalents at the beginning of the year	9,198,905	61,818,952
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	20,444,157	9,198,905
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Bank balances	4,646,787	9,198,905
Short-term bank deposits	15,797,370	-
	-----	-----
	20,444,157	9,198,905
	<hr/> <hr/>	<hr/> <hr/>

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

CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT (A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CSOP Leveraged and Inverse Series (the “Trust”) is an umbrella unit trust governed by a trust deed dated 5 July 2016, as amended, (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 31 December 2020, the Trust has established eight sub-funds, namely, CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product (the “Sub-Fund”), CSOP Hang Seng Index Daily (2x) Leveraged Product, CSOP Hang Seng Index Daily (-1x) Inverse Product, CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product, CSOP Hang Seng Index Daily (-2x) Inverse Product, CSOP NASDAQ-100 Index Daily (-2x) Inverse Product, CSOP Hang Seng Tech Index Daily (2x) Leveraged Product and CSOP Hang Seng Tech Index Daily (-2x) Inverse Product. CSOP Hang Seng Tech Index Daily (2x) Leveraged Product and CSOP Hang Seng Tech Index Daily (-2x) Inverse Product were launched on 8 December 2020. The date of inception of the Sub-Fund was 10 March 2017. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

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

With effect from 25 June 2019, the name of the Sub-Fund has been changed from CSOP Hang Seng China Enterprises Index Daily (-1x) Inverse Product to CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product.

Prior to 25 June 2019, the investment objective of the Sub-Fund was to provide investment results that, before deduction of fees and expenses, closely corresponded to the inverse (-1x) of the daily performance of the underlying index, namely, Hang Seng China Enterprises Index (the “Index”). Effective from 25 June 2019, the investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the two times inverse (-2x) of the daily performance of the Index. The Index is a price return, free float-adjusted market capitalisation weighted index that tracks the behavior of a portfolio of largest and most liquid H-shares companies listed in Hong Kong. In order to achieve the investment objective of the Sub-Fund, the Manager will adopt a futures-based replication strategy through investing directly in the spot month futures contracts on the Hang Seng China Enterprises Index (“HSCEI Futures”) to obtain the required exposure to the Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

These financial statements are prepared for the Sub-Fund only. The financial statements for CSOP Hang Seng Index Daily (2x) Leveraged Product, CSOP Hang Seng Index Daily (-1x) Inverse Product, CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product, CSOP Hang Seng Index Daily (-2x) Inverse Product, CSOP NASDAQ-100 Index Daily (-2x) Inverse Product, CSOP Hang Seng Tech Index Daily (2x) Leveraged Product and CSOP Hang Seng Tech Index Daily (-2x) Inverse Product have been prepared separately.

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(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

Standards and amendments to existing standards effective 1 January 2020

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

(b) Financial instruments

(i) Classification

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

(ii) Recognition/derecognition

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

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(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) 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, 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 debt securities) is determined by using broker quotes or valuation techniques.

Investments in government bonds, treasury bills and listed futures contracts are valued using the last traded market prices.

(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.

(vi) Derivatives

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(vii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Sub-Fund currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(viii) Structured entities

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Amounts due from participating dealers and brokers

Amounts due from participating dealers represent the subscription receivable from the participating dealers at the end of the reporting period. Amounts due from brokers represent receivables for investments sold that have been contracted for but not yet settled on the statement of financial position date. The amounts are non-interest bearing and repayable on demand.

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

(d) Amounts due to participating dealers and brokers

Amounts due to participating dealers represent the redemption payable to the participating dealers at the end of the reporting period. Amounts due to brokers represent payables for investments purchased that have been contracted for but not yet delivered on the statement of financial position date. The amounts are non-interest bearing and repayable on demand.

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

(e) Interest income

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

(f) 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.

(g) Expenses

Expenses are accounted for on an accrual basis.

(h) 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. Cash and cash equivalents excluded deposits with broker as they are restricted from investment purpose.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 Manager considers Hong Kong Dollar (“HKD”) as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in HKD, 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 and derivative financial instruments”.

(j) Redeemable units

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

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation

No provision for Hong Kong profits tax has been made as the Sub-Fund is authorised as a collective investment scheme constituted as a unit trust 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.

The Sub-Fund may incur withholding taxes imposed by other jurisdictions on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included as taxation in the statement of comprehensive income.

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

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

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

(l) Establishment costs

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

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.

Fair value of unlisted investments

The Sub-Fund holds a number of quoted debt securities that are valued by reference to broker quotes as at 31 December 2020 and 31 December 2019. In determining the fair value of such investments, the Management exercises judgment and estimates on the quantity and quality of pricing sources used. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. As such, broker quotes do not necessarily indicate the price at which the security could actually be traded as at 31 December 2020 and 31 December 2019. Actual transacted prices may differ from the quotes provided by the brokers. The Management considers that in the absence of any other reliable market sources, the broker quotes available to them reflect the best estimate of fair value.

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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 years ended 31 December 2020 and 2019 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 5 July 2016, 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(j), redeemable units of the Sub-Fund are classified as equity and they are carried at the price based on the Sub-Fund's net asset value per unit at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

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

	Year ended 31 December 2020 <i>Units</i>	Year ended 31 December 2019 <i>Units</i>
Number of units in issue at the end of the year	24,800,000	19,200,000
	Year ended 31 December 2020 <i>HKD</i>	Year ended 31 December 2019 <i>HKD</i>
Net assets attributable to unitholders per unit as at 31 December (per statement of financial position)	4.3169	5.1789

As stated in Note 2(l), establishment costs are expensed as incurred. However, in accordance with the provisions of the Trust's Prospectus, establishment costs are recognised using the amortisation method to amortize over first five years. As at 31 December 2020, the expensing of establishment costs as stated in the financial statements resulted in a decrease of net assets attributable to unitholders of HKD292,788 (2019: HKD538,005) when compared with the methodology indicated in the Trust's Prospectus and the amount HKD292,788 (2019: HKD538,055) is unamortised with remaining 1 year amortisation.

	Year ended 31 December 2020 <i>HKD</i>	Year ended 31 December 2019 <i>HKD</i>
Net assets attributable to unitholders as reported in the statement of financial position	107,059,879	99,435,421
Adjustments for unamortised establishment costs	292,788	538,005
Net asset value in accordance with the Trust's Prospectus	107,352,667	99,973,426

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NOTES TO THE FINANCIAL STATEMENTS

5. NET LOSS ON INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December 2020 <i>HKD</i>	Year ended 31 December 2019 <i>HKD</i>
Net change in unrealised loss/gain in value of investments and derivative financial instruments	(4,485,743)	(1,187,530)
Net realised gain/(loss) on sale of investments and derivative financial instruments	3,683,900	(17,885,311)
	<u>(801,843)</u>	<u>(19,072,841)</u>

6. TAXATION

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

There was no overseas withholding tax of the Sub-Fund for the years ended 31 December 2020 and 2019.

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 & Futures Commission of Hong Kong (the "SFC Code"). All transactions entered into during the years ended 31 December 2020 and 2019 between the Sub-Fund and the Manager and its Connected Persons were carried out in the 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 Sub-Fund employs a single management fee structure, currently at the rate of 1.5% (prior to 25 June 2019 management fee was 0.99%) per annum of the net asset value of the Sub-Fund, accrued daily and calculated as at each dealing day and payable monthly in arrears.

The management fee includes, but are not limited to, the manager's fee, the trustee's fee, the custodian's fee and the registrar's fee. The management fee does not include brokerage and transaction costs such as the fees and charges relating to the investment and realising the investments and extraordinary items such as litigation expenses.

During the years ended 31 December 2020 and 2019, the Sub-Fund invested in CSOP Hong Kong Dollar Money Market ETF, an exchange traded fund managed by the Manager. The Manager has waived the portion of the management fee charged on the Sub-Fund's holding in CSOP Hong Kong Dollar Money Market ETF.

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

(b) Trustee fee and Registrar's fee

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

(c) Financial assets

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

	2020 <i>HKD</i>	2019 <i>HKD</i>
Investments		
The Hongkong and Shanghai Banking Corporation Limited	65,971,079	72,474,748
	<u> </u>	<u> </u>
Bank balances		
The Hongkong and Shanghai Banking Corporation Limited	4,646,787	9,198,905
	<u> </u>	<u> </u>

Interest income amounted to HKD117 (2019: HKD96,192) was earned on these bank balances for the years ended 31 December 2020 and 2019.

As at 31 December 2020 and 2019, the Sub-Fund invests in CSOP Hong Kong Dollar Money Market ETF of HKD14,473,115 (2019: HKD22,510,426), which is managed by the Manager.

(d) Other respective amounts paid to the Trustee and its connected persons

The other respective amounts paid to the Trustee and its connected persons for the year ended 31 December 2020 and 2019, were as follows:

	2020 <i>HKD</i>	2019 <i>HKD</i>
Safe custody and bank charges	10,781	8,057
Other operating expenses	131,186	148,522

(e) Investment transactions and brokerage commission

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

	Aggregate value of purchase and Sale of investments	% of the Fund's total aggregate value of transactions during the year	Brokerage commission paid	Average rate of commission %
2020	715,400,531	14.19%	-	-
2019	458,260,650	25.93%	-	-

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

(f) Holding in the Sub-Fund

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

8. TRANSACTION COST

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

9. FINANCIAL RISK MANAGEMENT

Prior to 25 June 2019, the investment objective of the Sub-Fund was to provide investment results that, before deduction of fees and expenses, closely corresponded to the inverse (-1x) of the daily performance of the underlying index, namely, Hang Seng China Enterprises Index. Effective from 25 June 2019, the objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the two times inverse (-2x) of the daily performance of the Hang Seng China Enterprises Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

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

(a) Market risk

(i) Market price risk

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

Prior to 25 June 2019, the Sub-Fund was designated to utilise leverage to achieve daily return equivalent to inverse of the daily performance of the Hang Seng China Enterprises Index. Effective from 25 June 2019, the Sub-Fund is designated to utilise leverage to achieve daily return equivalent to the two times inverse (-2x) of the daily performance of the Hang Seng China Enterprises Index. The Sub-Fund rebalances its portfolio on a daily basis to achieve the investment objective.

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NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

As at 31 December 2020 and 2019 the Sub-Fund's investments and derivative financial instruments were concentrated in Hong Kong ("HK") listed investment fund, HK government bonds, HK treasury bills and HK listed futures:

	2020		2019	
	Fair value <i>HKD</i>	% of net asset value	Fair value <i>HKD</i>	% of net asset value
Listed investment fund				
- CSOP Hong Kong Dollar Money Market ETF	14,473,115	13.52	22,510,426	22.64
Quoted debt securities				
- Government bonds – Hong Kong	-		36,984,600	37.19
- Treasury bills – Hong Kong	51,497,964	48.10	12,979,722	13.06
	<u>65,971,079</u>	<u>61.62</u>	<u>72,474,748</u>	<u>72.89</u>
Listed derivatives				
- Futures contracts – Hong Kong	(6,701,838)	(6.26)	(2,250,637)	(2.26)
	<u>59,269,241</u>	<u>55.36</u>	<u>70,224,111</u>	<u>70.63</u>

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

As at 31 December 2020 and 2019, if the Hang Seng China Enterprises Index were to increase by 10% (2019: 10%) with all other variables held constant, this would decrease the operating profit for the year by approximately HKD11,252,828 (2019: HKD9,725,058). Conversely, if the Hang Seng China Enterprises Index were to decrease by 10% (2019: 10%), this would increase 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 2020 and 2019, the Sub-Fund invests in debt securities and is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term debt securities and higher for longer term debt securities.

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

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9. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

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

As at 31 December 2020

	Maturity up to 1 year <i>HKD</i>	Maturity 1-5 years <i>HKD</i>	Maturity over 5 years <i>HKD</i>	Non- interest bearing <i>HKD</i>	Total <i>HKD</i>
Assets					
Investments	51,497,964	-	-	14,473,115	65,971,079
Deposits with broker	27,782,794	-	-	-	27,782,794
Cash and cash equivalents	20,444,157	-	-	-	20,444,157
Total assets	99,724,915	-	-	14,473,115	114,198,030
Liabilities					
Derivative financial instruments	-	-	-	6,701,838	6,701,838
Other liabilities	-	-	-	438,147	438,147
Total liabilities	-	-	-	7,139,985	7,139,985
Total interest sensitivity gap	99,724,915	-	-		

As at 31 December 2019

	Maturity up to 1 year <i>HKD</i>	Maturity 1-5 years <i>HKD</i>	Maturity over 5 years <i>HKD</i>	Non- interest bearing <i>HKD</i>	Total <i>HKD</i>
Assets					
Investments	49,964,322	-	-	22,510,426	72,474,748
Other assets	-	-	-	126,027	126,027
Deposits with broker	20,610,506	-	-	-	20,610,506
Cash and cash equivalents	9,198,905	-	-	-	9,198,905
Total assets	79,773,733	-	-	22,636,453	102,410,186
Liabilities					
Derivative financial instruments	-	-	-	2,250,637	2,250,637
Other liabilities	-	-	-	724,128	724,128
Total liabilities	-	-	-	2,974,765	2,974,765
Total interest sensitivity gap	79,773,733	-	-		

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9. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

At 31 December 2020 and 2019, the Sub-Fund has bank balances and deposits with brokers of HKD48,226,951 (2019: HKD29,809,411). If the interest rates had been 10 basis points higher or lower with all variables held constant, net assets attributable to unitholders would have been HKD48,227 (2019: HKD29,809) higher or lower as a result of higher or lower interest income.

The Manager and Trustee monitor the interest rate risks by quantifying (a) market exposure in percentage terms; and (b) exposure in duration terms by different countries.

As at 31 December 2020 and 2019, the Sub-Fund has invested in interest-bearing debt securities of HKD51,497,964 (2019: HKD49,964,322) and the portfolio weighted average modified duration of the Sub-Fund is 0.07 (2019: 0.11). As at 31 December 2020 and 2019, should the relevant interest rates have lowered/risen by 100 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately HKD36,049 (2019: HKD54,961), arising substantially from the increase/decrease in market values of government bonds and, treasury bills.

As at 31 December 2020 and 2019, the Sub-Fund has invested in CSOP Hong Kong Dollar Money Market ETF of HKD14,473,115 (2019: HKD22,510,426), whose mainly invest in HKD denominated and settled short-term deposits and money market instruments. As such, the Sub-Fund's investment in CSOP Hong Kong Dollar Money Market ETF is subject to interest rate risk. The underlying investments within CSOP Hong Kong Dollar Money Market ETF were short-term with average portfolio maturity not exceeding 90 days. As at 31 December 2020 and 2019, should the relevant interest rates have lowered/risen by 100 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately HKD144,731 (2019: HKD225,104), arising substantially from the increase/decrease in market values of CSOP Hong Kong Dollar Money Market ETF as a result of increase/decrease in interest income.

(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 its assets and liabilities are denominated in HKD, 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 and deposits with broker with reputable financial institutions. As such, the Manager does not consider the Sub-Fund to be exposed to significant credit and counterparty risk.

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NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

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

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

Portfolio by rating category of HK government bonds and HK treasury bills:

As at 31 December 2020

Credit rating agency	Rating	HKD	% of NAV
S&P	AA+	51,497,964	48.10
		<u>51,497,964</u>	<u>48.10</u>

As at 31 December 2019

Credit rating agency	Rating	HKD	% of NAV
S&P	AA+	49,964,322	50.25
		<u>49,964,322</u>	<u>50.25</u>

The Manager has assessed the credit quality of the HK government bonds and HK treasury bills based on the nature of the issuers and the historical information about the issuers' default rates. The Sub-Fund is also exposed to credit and counterparty risk on its investments, derivative financial instruments, bank balances and deposits with broker.

The table below summarises the amount of investments and derivative financial instruments, bank balances, deposits with broker and short-term bank deposits of the Sub-Fund placed with counterparties together with the credit rating of the relevant counterparties as at 31 December 2020 and 2019.

As at 31 December 2020

	HKD	Credit rating	Source of credit rating
Investments and derivative financial instruments			
The Hongkong and Shanghai Banking Corporation Limited	65,971,079	A-	S&P
BNP Paribas	(6,699,774)	A+	S&P
UBS AG London	(2,064)	A+	S&P
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited	4,646,787	AA-	S&P
Deposits with broker			
UBS AG London	2,106,561	A+	S&P
BNP Paribas	25,676,233	A+	S&P

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9. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

As at 31 December 2020 (Continued)	HKD	Credit rating	Source of credit rating
Short-term bank deposits			
Bank of Shanghai Hong Kong Limited	5,500,000	P - 2	Moody's
China Everbright Bank Co., Ltd	10,297,370	P - 2	Moody's
As at 31 December 2019			
	HKD	Credit rating	Source of credit rating
Investments and derivative financial instruments			
The Hongkong and Shanghai Banking Corporation Limited	72,474,748	A	S&P
UBS AG London	(2,250,637)	A+	S&P
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited	9,198,905	A	S&P
Deposits with broker			
UBS AG London	20,610,506	A+	S&P

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

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

(c) Liquidity risk

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

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

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

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9. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	Less than 1 month <i>HKD</i>	1 month to less than 3 months <i>HKD</i>	Over 3 months <i>HKD</i>	Total <i>HKD</i>
As at 31 December 2020				
Derivative financial instruments	6,701,838	-	-	6,701,838
Management fee payable	133,177	-	-	133,177
Other accounts payable	9,218	4,640	291,112	304,970
Contractual cash outflow	6,844,233	4,640	291,112	7,139,985
As at 31 December 2019				
	Less than 1 month <i>HKD</i>	1 month to less than 3 months <i>HKD</i>	Over 3 months <i>HKD</i>	Total <i>HKD</i>
Derivative financial instruments	2,250,637	-	-	2,250,637
Management fee payable	130,498	-	-	130,498
Other accounts payable	9,397	3,340	580,893	593,630
Contractual cash outflow	2,390,532	3,340	580,893	2,974,765

Units are redeemed on demand at the unitholder's option. As at 31 December 2020, there were 3 (31 December 2019: 2) unitholders holding more than 10% of the Sub-Fund's units, representing in aggregate 36.94% (2019: 30.51%) of the total Sub Fund's units.

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

	Less than 1 month <i>HKD</i>	1 to 12 months <i>HKD</i>	No stated maturity <i>HKD</i>	Total <i>HKD</i>
As at 31 December 2020				
Total assets	86,417,070	-	27,782,794	114,199,864
As at 31 December 2019				
Total assets	81,681,868	117,812	20,610,506	102,410,186

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9. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation

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

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

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

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

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9. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

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

	Level 1 <i>HKD</i>	Level 2 <i>HKD</i>	Level 3 <i>HKD</i>	Total <i>HKD</i>
As at 31 December 2020				
Assets				
Investments				
- Listed investment fund	14,473,115	-	-	14,473,115
- Treasury bills	-	51,497,964	-	51,497,964
Total assets	<u>14,473,115</u>	<u>51,497,964</u>	<u>-</u>	<u>65,971,079</u>
Liabilities				
Derivative financial instruments				
- Futures contracts	(6,701,838)	-	-	(6,701,838)
Total liabilities	<u>(6,701,838)</u>	<u>-</u>	<u>-</u>	<u>(6,701,838)</u>
	Level 1 <i>HKD</i>	Level 2 <i>HKD</i>	Level 3 <i>HKD</i>	Total <i>HKD</i>
As at 31 December 2019				
Assets				
Investments				
- Listed investment fund	22,510,426	-	-	22,510,426
- Government bonds	-	36,984,600	-	36,984,600
- Treasury bills	-	12,979,722	-	12,979,722
Total assets	<u>22,510,426</u>	<u>49,964,322</u>	<u>-</u>	<u>72,474,748</u>
Liabilities				
Derivative financial instruments				
- Futures contracts	(2,250,637)	-	-	(2,250,637)
Total liabilities	<u>(2,250,637)</u>	<u>-</u>	<u>-</u>	<u>(2,250,637)</u>

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NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As at 31 December 2020 and 2019, the Sub-Fund classified HK government bonds and HK treasury bills within level 2.

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

For the years ended 31 December 2020 and 2019, there were no transfers between levels.

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

(e) Capital risk management

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

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

(f) Derivative financial instruments

Futures contracts

Futures contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in future contract values are marked to market daily. Futures contracts have lower credit risk because the counterparties are futures exchanges.

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted price. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Sub-Fund. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain present limits. If prices fluctuate during a single day's trading beyond those limits, the Sub-Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

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NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT (Continued)

(f) Derivative financial instruments (Continued)

Futures contracts (Continued)

The following futures contracts were unsettled at the date of statement of financial position:

As at 31 December 2020

Name of the futures	Expiration date	Number of contracts	Notional amount <i>HKD</i>	Position	Fair value <i>HKD</i>
HSCEI FUTURES 28 January 2021	28 January 2021	11	5,885,550	Long	(2,064)
HSCEI FUTURES 28 January 2021	28 January 2021	(410)	(219,370,500)	Short	(6,699,774)
					<u>(6,701,838)</u>

As at 31 December 2019

Name of the futures	Expiration date	Number of contracts	Notional amount <i>HKD</i>	Position	Fair value <i>HKD</i>
HSCEI FUTURES 30 January 2020	30 January 2020	(357)	(200,116,350)	Short	(2,250,637)

(g) Interest in other entities

The Sub-Fund's investments in an investment fund are subject to the terms and conditions of the respective investment fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of such investment fund.

As at 31 December 2020 and 2019, the Sub-Fund invested in CSOP Hong Kong Dollar Money Market ETF. The right of the Sub-Fund to request redemption of its investments in CSOP Hong Kong Dollar Money Market ETF is on a daily basis.

The Sub-Fund's exposure to investments in CSOP Hong Kong Dollar Money Market ETF at fair value is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

As at 31 December 2020

Strategy	Dealing net asset value of CSOP Hong Kong Dollar Money Market ETF <i>HKD</i>	Investment fair value <i>HKD</i>	% of net asset value
3-month HIBOR tracking	2,548,620,906	14,473,115	13.52

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NOTES TO THE FINANCIAL STATEMENTS

9. FINANCIAL RISK MANAGEMENT (Continued)

(g) Interest in other entities (Continued)

As at 31 December 2019

Strategy	Dealing net asset value of CSOP Hong Kong Dollar Money Market ETF <i>HKD</i>	Investment fair value <i>HKD</i>	% of net asset value
3-month HIBOR tracking	2,598,714,030	22,510,426	22.64

The Sub-Fund's maximum exposure to loss from its interests in CSOP Hong Kong Dollar Money Market ETF is equal to the total fair value of its investments in CSOP Hong Kong Dollar Money Market ETF.

Once the Sub-Fund has disposed of its shares in CSOP Hong Kong Dollar Money Market ETF, the Sub-Fund ceases to be exposed to any risk from CSOP Hong Kong Dollar Money Market ETF.

As at 31 December 2020 and 2019, there were no capital commitment obligations and no amounts due to CSOP Hong Kong Dollar Money Market ETF for unsettled purchases.

During the year ended 31 December 2020 and 2019, total net gain on investments in CSOP Hong Kong Dollar Money Market ETF were HKD656,273 (2019: HKD590,041).

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

As at 31 December 2020 and 2019, the Sub-Fund was subject to two (2019: one) master netting arrangement with two derivative counterparties. All of the derivative assets and liabilities of the Sub-Fund are held with these counterparties and the margin balance maintained by the Sub-Fund is for the purpose of providing collateral on derivative positions.

The following tables present the Sub-Fund's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

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9. FINANCIAL RISK MANAGEMENT (Continued)

**(h) Offsetting and amounts subject to master netting arrangements and similar agreements
(Continued)**

The Sub-Fund's financial assets

	A	B	C = A - B	D		E = C - D
		Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		Net amount
	Gross amounts of recognised financial assets			D(i)	D(ii)	
	HKD	HKD	HKD	Financial instruments	Collateral	HKD
				HKD	HKD	
As at 31 December 2020						
Financial assets						
deposits with broker	27,782,794	-	27,782,794	6,701,838	-	21,080,956
	<u>27,782,794</u>	<u>-</u>	<u>27,782,794</u>	<u>6,701,838</u>	<u>-</u>	<u>21,080,956</u>
	<u><u>27,782,794</u></u>	<u><u>-</u></u>	<u><u>27,782,794</u></u>	<u><u>6,701,838</u></u>	<u><u>-</u></u>	<u><u>21,080,956</u></u>
As at 31 December 2019						
Financial assets						
deposits with broker	20,610,506	-	20,610,506	2,250,637	-	18,359,869
	<u>20,610,506</u>	<u>-</u>	<u>20,610,506</u>	<u>2,250,637</u>	<u>-</u>	<u>18,359,869</u>
	<u><u>20,610,506</u></u>	<u><u>-</u></u>	<u><u>20,610,506</u></u>	<u><u>2,250,637</u></u>	<u><u>-</u></u>	<u><u>18,359,869</u></u>

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9. FINANCIAL RISK MANAGEMENT (Continued)

**(h) Offsetting and amounts subject to master netting arrangements and similar agreements
(Continued)**

The Sub-Fund's financial liabilities

	A	B	C = A - B	D		E = C - D
		Gross amounts of recognised financial assets set-off in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				D(i)	D(ii)	
	Gross amounts of recognised financial liabilities	of Financial Position	Financial Position	Financial instruments	Collateral	Net amount
	HKD	HKD	HKD	HKD	HKD	HKD
As at 31 December 2020						
Financial liabilities						
Derivative financial instrument						
- Futures contracts	6,701,838	-	6,701,838	-	6,701,838	-
	<u>6,701,838</u>	<u>-</u>	<u>6,701,838</u>	<u>-</u>	<u>6,701,838</u>	<u>-</u>
	<u><u>6,701,838</u></u>	<u><u>-</u></u>	<u><u>6,701,838</u></u>	<u><u>-</u></u>	<u><u>6,701,838</u></u>	<u><u>-</u></u>
As at 31 December 2019						
Financial liabilities						
Derivative financial instrument						
- Futures contracts	2,250,637	-	2,250,637	-	2,250,637	-
	<u>2,250,637</u>	<u>-</u>	<u>2,250,637</u>	<u>-</u>	<u>2,250,637</u>	<u>-</u>
	<u><u>2,250,637</u></u>	<u><u>-</u></u>	<u><u>2,250,637</u></u>	<u><u>-</u></u>	<u><u>2,250,637</u></u>	<u><u>-</u></u>

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

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

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

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10. MARGIN DEPOSIT

Included in deposits with broker are margin deposits of HKD19,401,575 (2019: HKD14,909,034), which are pledged as collateral against open futures contracts. Refer to Note 8(b).

11. FINANCIAL INSTRUMENTS BY CATEGORY

As of 31 December 2020 and 2019, other than investments and derivative financial instruments as disclosed in the financial statements which are classified as the financial assets at fair value through profit or loss, all financial assets including bank interest receivable, interest receivable on bonds, other receivable, deposits with broker and bank balances are categorised as and carried at amortised cost. All the financial liabilities of the Sub-Fund are carried at amortised cost.

12. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

There was one security (2019: one) which is a collective investment scheme authorised by the SFC that individually accounted for more than 10% but less than 30% of the net asset value of the Sub-Fund as at 31 December 2020 and 2019.

As at 31 December 2020

	Fair Value <i>HKD</i>	% of net assets
Hong Kong		
CSOP HONG KONG DOLLAR MONEY MARKET ETF	14,473,115	13.52%

As at 31 December 2019

Hong Kong		
CSOP HONG KONG DOLLAR MONEY MARKET ETF	22,510,426	22.64%

There was no government securities (2019: two) that individually accounted for more than 10% but less than 30% of the net asset value of the Sub-Fund as at 31 December 2020.

As at 31 December 2019

	Fair Value <i>HKD</i>	% of net assets
Hong Kong		
HONG KONG GOVERNMENT 1.31% 20 February 2020	16,986,400	17.08%
HONG KONG GOVERNMENT 1.31% 20 February 2020	16,989,800	17.09%

During the year ended 31 December 2020, the Hang Seng China Enterprises Index decreased by 3.85% while the net asset value per unit of the Sub-Fund decreased by 16.64%.

For the period from 1 January 2019 to 24 June 2019 (the last trading date before the change of index), the Hang Seng China Enterprises Index increased by 8.18% while the net asset value per unit of the Sub-Fund decreased by 9.65%. For the period from 25 June 2019 to 31 December 2019, the Hang Seng China Enterprises Index performed 3.96% while the net asset value per unit of the Sub-Fund decreased by 9.63%.

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NOTES TO THE FINANCIAL STATEMENTS

13. SOFT COMMISSION ARRANGEMENTS

The Manager confirms that there has been no soft commission arrangements existing during the years ended 31 December 2020 and 31 December 2019 in relation to directing transactions of the Sub-Fund through a broker or dealer.

14. SEGMENT INFORMATION

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

The Manager considers that the Sub-Fund has a single operating segment which is investing in futures contracts. The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the two times inverse (-2x) of the daily performance of the Hang Seng China Enterprises Index. (Prior to 25 June 2019, the inverse (-1x) of the daily performance of the Hang Seng China Enterprises Index).

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is mainly derived from investments in futures contracts to obtain the required exposure to the Hang Seng China Enterprises Index, the tracked index.

As at 31 December 2020 and 2019, the Sub-Fund has invested in a listed investment fund which accounts for more than 10% of the Sub-fund's net asset value. As at 31 December 2020, the Sub-Fund has invested in HK Treasury bill and no investment accounts for more than 10% of the Sub-Fund's net asset value.

15. APPROVAL OF FINANCIAL STATEMENTS

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

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INVESTMENT PORTFOLIO (Unaudited)

As at 31 December 2020

		Fair value	% of net assets
		<i>HKD</i>	
Investments and derivative financial instruments (55.37%)			
	<i>Holdings</i>		
Listed investment fund (13.52%)			
Hong Kong (13.52%)			
CSOP HONG KONG DOLLAR MONEY MARKET ETF	14,000	14,473,115	13.52
Total listed investment fund		<u>14,473,115</u>	<u>13.52</u>
Quoted debt securities (48.09%)			
Hong Kong (48.09%)			
HONG KONG TREASURY BILL ZCP 13 January 2021	1,500,000	1,499,997	1.40
HONG KONG TREASURY BILL ZCP 27 January 2021	4,000,000	3,999,948	3.74
HONG KONG TREASURY BILL ZCP 03 February 2021	4,500,000	4,499,887	4.20
HONG KONG TREASURY BILL ZCP 10 February 2021	7,500,000	7,499,775	7.01
HONG KONG TREASURY BILL ZCP 17 February 2021	4,500,000	4,499,838	4.20
HONG KONG TREASURY BILL ZCP 17 February 2021	4,000,000	3,999,856	3.74
HONG KONG TREASURY BILL ZCP 24 February 2021	7,500,000	7,499,685	7.00
HONG KONG TREASURY BILL ZCP 03 March 2021	5,000,000	4,999,760	4.67
HONG KONG TREASURY BILL ZCP 10 March 2021	5,500,000	5,499,708	5.14
HONG KONG TREASURY BILL ZCP 17 March 2021	3,000,000	2,999,823	2.80
HONG KONG TREASURY BILL ZCP 24 March 2021	1,000,000	999,935	0.93
HONG KONG TREASURY BILL ZCP 31 March 2021	3,500,000	3,499,752	3.27
Total debt securities		<u>51,497,964</u>	<u>48.10</u>
Listed future contracts (-6.26%)			
	<i>Expiration Date</i>	<i>Contracts</i>	
Hong Kong (-6.26%)			
HSCEI FUTURES 28 January 2021	28 January 2021	11	(2,064)
HSCEI FUTURES 28 January 2021	28 January 2021	(410)	(6,699,774)
Total listed futures contracts			<u>(6,701,838)</u>
Total investments and derivative financial instruments		59,269,241	55.36
Other net assets		47,790,638	44.64
Net assets attributable to unitholders as at 31 December 2020		<u>107,059,879</u>	<u>100.00</u>
Total investments and derivative financial instruments, at cost		<u>65,785,551</u>	

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the year ended 31 December 2020

	Holdings				31 December 2020
	1 January 2020	Additions	Corporate actions	Disposals	
Investments					
Listed investment fund					
CSOP HONG KONG DOLLAR MONEY MARKET ETF	22,000	9,000	-	17,000	14,000
Quoted debt securities					
HONG KONG GOVERNMENT 1.31% 20 February 2020	17,000,000	-	-	17,000,000	-
HONG KONG GOVERNMENT 1.79% 21 May 2020	17,000,000	-	-	17,000,000	-
HONG KONG GOVERNMENT 2.53% 22 June 2020	3,000,000	-	-	3,000,000	-
HONG KONG TREASURY BILL ZCP 15 January 2020	2,000,000	-	-	2,000,000	-
HONG KONG TREASURY BILL ZCP 29 January 2020	6,000,000	-	-	6,000,000	-
HONG KONG TREASURY BILL ZCP 12 February 2020	5,000,000	5,000,000	-	10,000,000	-
HONG KONG TREASURY BILL ZCP 26 February 2020	-	7,000,000	-	7,000,000	-
HONG KONG TREASURY BILL ZCP 04 March 2020	-	10,000,000	-	10,000,000	-
HONG KONG TREASURY BILL ZCP 11 March 2020	-	10,000,000	-	10,000,000	-
HONG KONG TREASURY BILL ZCP 18 March 2020	-	12,000,000	-	12,000,000	-
HONG KONG TREASURY BILL ZCP 25 March 2020	-	8,000,000	-	8,000,000	-
HONG KONG TREASURY BILL ZCP 01 April 2020	-	10,000,000	-	10,000,000	-
HONG KONG TREASURY BILL ZCP 08 April 2020	-	12,000,000	-	12,000,000	-
HONG KONG TREASURY BILL ZCP 15 April 2020	-	5,000,000	-	5,000,000	-
HONG KONG TREASURY BILL ZCP 22 April 2020	-	10,000,000	-	10,000,000	-
HONG KONG TREASURY BILL ZCP 29 April 2020	-	4,000,000	-	4,000,000	-
HONG KONG TREASURY BILL ZCP 06 May 2020	-	2,000,000	-	2,000,000	-
HONG KONG TREASURY BILL ZCP 13 May 2020	-	11,000,000	-	11,000,000	-

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (Continued)

For the year ended 31 December 2020

	Holdings				31 December 2020
	1 January 2020	Additions	Corporate actions	Disposals	
Quoted debt securities (Continued)					
HONG KONG TREASURY BILL ZCP 20 May 2020	-	17,000,000	-	17,000,000	-
HONG KONG TREASURY BILL ZCP 27 May 2020	-	2,000,000	-	2,000,000	-
HONG KONG TREASURY BILL ZCP 03 June 2020	-	7,000,000	-	7,000,000	-
HONG KONG TREASURY BILL ZCP 10 June 2020	-	8,000,000	-	8,000,000	-
HONG KONG TREASURY BILL ZCP 17 June 2020	-	3,000,000	-	3,000,000	-
HONG KONG TREASURY BILL ZCP 24 June 2020	-	14,000,000	-	14,000,000	-
HONG KONG TREASURY BILL ZCP 02 July 2020	-	2,000,000	-	2,000,000	-
HONG KONG TREASURY BILL ZCP 08 July 2020	-	10,000,000	-	10,000,000	-
HONG KONG TREASURY BILL ZCP 15 July 2020	-	6,000,000	-	6,000,000	-
HONG KONG TREASURY BILL ZCP 22 July 2020	-	6,000,000	-	6,000,000	-
HONG KONG TREASURY BILL ZCP 29 July 2020	-	3,000,000	-	3,000,000	-
HONG KONG TREASURY BILL ZCP 19 August 2020	-	2,000,000	-	2,000,000	-
HONG KONG TREASURY BILL ZCP 26 August 2020	-	6,000,000	-	6,000,000	-
HONG KONG TREASURY BILL ZCP 02 September 2020	-	2,000,000	-	2,000,000	-
HONG KONG TREASURY BILL ZCP 09 September 2020	-	7,000,000	-	7,000,000	-
HONG KONG TREASURY BILL ZCP 23 September 2020	-	5,000,000	-	5,000,000	-
HONG KONG TREASURY BILL ZCP 30 September 2020	-	4,000,000	-	4,000,000	-
HONG KONG TREASURY BILL ZCP 07 October 2020	-	1,000,000	-	1,000,000	-
HONG KONG TREASURY BILL ZCP 14 October 2020	-	6,000,000	-	6,000,000	-
HONG KONG TREASURY BILL ZCP 21 October 2020	-	7,000,000	-	7,000,000	-
HONG KONG TREASURY BILL ZCP 28 October 2020	-	3,000,000	-	3,000,000	-

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

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

For the year ended 31 December 2020

	Holdings				31 December 2020
	1 January 2020	Additions	Corporate actions	Disposals	
Quoted debt securities (Continued)					
HONG KONG TREASURY BILL ZCP 04 November 2020	-	7,000,000	-	7,000,000	-
HONG KONG TREASURY BILL ZCP 11 November 2020	-	14,000,000	-	14,000,000	-
HONG KONG TREASURY BILL ZCP 18 November 2020	-	7,000,000	-	7,000,000	-
HONG KONG TREASURY BILL ZCP 25 November 2020	-	7,000,000	-	7,000,000	-
HONG KONG TREASURY BILL ZCP 09 December 2020	-	4,000,000	-	4,000,000	-
HONG KONG TREASURY BILL ZCP 02 December 2020	-	8,000,000	-	8,000,000	-
HONG KONG TREASURY BILL ZCP 16 December 2020	-	1,000,000	-	1,000,000	-
HONG KONG TREASURY BILL ZCP 23 December 2020	-	7,000,000	-	7,000,000	-
HONG KONG TREASURY BILL ZCP 30 December 2020	-	1,000,000	-	1,000,000	-
HONG KONG TREASURY BILL ZCP 06 January 2021	-	4,000,000	-	4,000,000	-
HONG KONG TREASURY BILL ZCP 13 January 2021	-	1,500,000	-	-	1,500,000
HONG KONG TREASURY BILL ZCP 20 January 2021	-	5,000,000	-	5,000,000	-
HONG KONG TREASURY BILL ZCP 27 January 2021	-	4,000,000	-	-	4,000,000
HONG KONG TREASURY BILL ZCP 03 February 2021	-	4,500,000	-	-	4,500,000
HONG KONG TREASURY BILL ZCP 10 February 2021	-	7,500,000	-	-	7,500,000
HONG KONG TREASURY BILL ZCP 17 February 2021	-	4,000,000	-	-	4,000,000
HONG KONG TREASURY BILL ZCP 17 February 2021	-	4,500,000	-	-	4,500,000
HONG KONG TREASURY BILL ZCP 24 February 2021	-	7,500,000	-	-	7,500,000
HONG KONG TREASURY BILL ZCP 03 March 2021	-	5,000,000	-	-	5,000,000
HONG KONG TREASURY BILL ZCP 10 March 2021	-	5,500,000	-	-	5,500,000
HONG KONG TREASURY BILL ZCP 17 March 2021	-	3,000,000	-	-	3,000,000
HONG KONG TREASURY BILL ZCP 24 March 2021	-	1,000,000	-	-	1,000,000
HONG KONG TREASURY BILL ZCP 31 March 2021	-	3,500,000	-	-	3,500,000

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

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

For the year ended 31 December 2020

	Holdings				31 December 2020
	1 January 2020	Additions	Corporate actions	Disposals	
Listed future contracts					
HSCEI FUTURES 30 January 2020	(357)	444	-	87	-
HSCEI FUTURES 27 February 2020	-	624	-	624	-
HSCEI FUTURES 30 March 2020	-	1,024	-	1,024	-
HSCEI FUTURES 28 April 2020	-	690	-	690	-
HSCEI FUTURES 28 May 2020	-	610	-	610	-
HSCEI FUTURES 29 June 2020	-	589	-	589	-
HSCEI FUTURES 30 July 2020	-	655	-	655	-
HSCEI FUTURES 28 August 2020	-	541	-	541	-
HSCEI FUTURES 29 September 2020	-	548	-	548	-
HSCEI FUTURES 29 October 2020	-	494	-	494	-
HSCEI FUTURES 27 November 2020	-	463	-	463	-
HSCEI FUTURES 30 December 2020	-	505	-	505	-
HSCEI FUTURES 28 January 2021	-	11	-	-	11
HSCEI FUTURES 28 January 2021	-	33	-	443	(410)

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS (Unaudited)

As at 31 December 2020

The financial derivative instruments held by the Sub-Fund as at 31 December 2020 are summarised below:

Futures contracts

The details of futures contracts held by the Sub-Fund as at 31 December 2020 are as follows:

Description	Underlying assets	Position	Counterparty	Fair value <i>HKD</i>
Financial liabilities:				
HSCEI FUTURES 28 January 2021	HSCEI Index	Long	UBS AG LONDON	(2,064)
HSCEI FUTURES 28 January 2021	HSCEI Index	Short	BNP Paribas	(6,699,774)
				<hr/>
				(6,701,838)
				<hr/> <hr/>

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
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**INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS
(UNAUDITED)**

As at 31 December 2020

The lowest, highest and average gross exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the year ended 31 December 2020 and 31 December 2019.

	2020	2019
	% of NAV	% of NAV
Lowest gross exposure	(201.65)	(201.02)
Highest gross exposure	(193.80)	(198.62)
Average gross exposure	(199.67)	(199.63)

The lowest, highest and average net exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the year ended 31 December 2020 and 31 December 2019.

	2020	2019
	% of NAV	% of NAV
Lowest gross exposure	(201.65)	(201.02)
Highest gross exposure	(193.80)	(198.62)
Average gross exposure	(199.67)	(199.63)

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
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PERFORMANCE RECORD (Unaudited)

Net asset value

	Dealing net asset value of the Sub-Fund* <i>HKD</i>	Dealing net asset value per unit <i>HKD</i>
At the end of financial year/period dated		
31 December 2020	107,352,667	4.3287
31 December 2019	99,973,426	5.2069
31 December 2018	132,763,267	6.3828

Highest and lowest net asset value per unit

	Highest net asset value per unit <i>HKD</i>	Lowest net asset value per unit <i>HKD</i>
Financial year/period ended		
31 December 2020	8.2639	4.2818
31 December 2019	6.8418	5.1571
31 December 2018	6.4911	5.0489
31 December 2017 (since 10 March 2017 (date of inception))	7.4009	5.8417

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

**CSOP HANG SENG CHINA ENTERPRISES INDEX DAILY (-2X) INVERSE PRODUCT
(A SUB-FUND OF CSOP LEVERAGED AND INVERSE SERIES)**

MANAGEMENT AND ADMINISTRATION

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Custodian

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Service Agent

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