



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

**CSOP MSCI T50 ETF**  
**(Stock Code: 3021)**  
**(A sub-fund of CSOP ETF Series)**

Reports and Financial Statements  
FOR THE YEAR ENDED 31 DECEMBER 2017



**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

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**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS**

Introduction

The CSOP MSCI T50 ETF (the “CSOP T50 ETF”), a sub-fund of the CSOP ETF Series, is a unit trust authorised under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. It was launched on 26 January 2015 and commenced trading in HKD under the stock code 3021 on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 28 January 2015. The CSOP T50 ETF is benchmarked against the MSCI China and USA Internet Top 50 Equal Weighted Index (the “MSCI T50 Index”) and adopts the full-replication strategy. The manager of the CSOP T50 ETF is CSOP Asset Management Limited (the “Manager”). The trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The CSOP T50 ETF is a physical ETF which invests directly in the MSCI T50 Index securities. The MSCI T50 Index (the “Index”) is an equal weighted index compiled and published by MSCI Inc., which is designed to reflect the performance of the 50 largest USA and China internet software and services and internet retail entities selected by full market capitalisation. The Index operates under clearly defined rules published by the index provider and is a tradable index.

Termination

The Manager has announced the termination of the CSOP T50 ETF on 3 April 2018 and the last trading day for dealings in the units of the CSOP T50 ETF on the SEHK is 3 May 2018. Therefore from 4 May 2018, CSOP T50 ETF would cease to track the Index, and would not be able to meet its investment objective of tracking the performance of the Index.

The Sub-Fund Performance

The CSOP T50 ETF seeks to provide investment results, before fees and expenses, which closely correspond to the performance of the Index. As of 29 December 2017 (last trading date), the dealing Net Asset Value (“NAV”) per unit of the CSOP T50 ETF was USD 0.6633 and there were 1,000,000 units outstanding. The total asset under management was approximately USD 0.7 million.

For the period from 1 January 2017 to 29 December 2017 (last trading date), the dealing NAV of CSOP T50 ETF (stock code 3021) increased by 32.13% while the index increased by 40.79%. The difference in performance between the NAV of the CSOP T50 ETF and the Index is mainly attributed to fees, expenses and market change during the same period.

Exchange Liquidity

Since inception, the CSOP T50 ETF has attracted great investor attention from investors across the globe. The trading value of the HKD counter (stock code: 3021) remained steadily at an average daily turnover of HKD 30 thousands in December 2017.

Portfolio Rebalance

The CSOP T50 ETF adopts full-replication strategy to track the Index. Since inception, the Sub-Fund has experienced twelve quarterly index rebalances.

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

We hereby confirm that, in our opinion, the Manager of the CSOP MSCI T50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 25 July 2012, as amended , for the year ended 31 December 2017.

HSBC Institutional Trust Services (Asia) Limited  
27 April 2018

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

**MANAGER'S RESPONSIBILITIES**

The Manager of the CSOP MSCI T50 ETF (the "Sub-Fund"), a sub-fund of CSOP ETF Series, is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong and the Trust Deed dated 25 July 2012, as amended, (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of the year and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Sub-Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Sub-Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

CSOP ETF Series (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2017, the Trust has established seven sub-funds, namely, the CSOP FTSE China A50 ETF, CSOP CES China A80 ETF, CSOP MSCI T50 ETF, CSOP SZSE ChiNext ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A International ETF and ICBC CSOP S&P New China Sectors ETF (Formerly known as CSOP S&P New China Sectors ETF).

**TRUSTEE'S RESPONSIBILITIES**

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund in all material respects is managed in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained,
- safeguard the property of the Sub-Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period should the Manager not managing the Sub Fund in accordance to the Trust Deed.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

**Report on the Audit of the Financial Statements**

**Opinion**

*What we have audited*

The financial statements of CSOP MSCI T50 ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series, set out on pages 8 to 26, which comprise:

- the statement of financial position as at 31 December 2017;
- 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 2017, and of its financial transactions and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

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

*Independence*

We are independent of the Sub-Fund in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**Emphasis of Matter**

We draw your attention to Note 1 and 2 to the financial statements, which states that the Manager has decided to terminate the Sub-Fund. As a result, the financial statements have not been prepared on a going concern basis of accounting, and are prepared in accordance with the basis set out in Note 2. Our opinion is not modified in respect of this matter.

**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 MSCI T50 ETF (CONTINUED)  
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

**Key Audit Matters (Continued)**

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

<b>Key Audit Matters</b>	<b>How our audit addressed the Key Audit Matters</b>
<p><u>Existence and valuation of investments</u></p> <p>The Sub-Fund's investments as at 31 December 2017 were mainly comprised of equities listed in Hong Kong and United States valued at USD618,439.</p> <p>We focused on the existence and valuation of the investments because the investments represented the principal element of the Sub-Fund's net asset value.</p> <p>Refer to Note 7 to the financial statements.</p>	<p>We agreed the existence of the Sub-Fund's holdings of investments by obtaining a direct confirmation from the custodian and checking the confirmation to the Sub-Fund's records. Based on the procedures we performed, we found the Sub-Fund's holdings of investments to be in agreement with the confirmation received.</p> <p>We agreed the valuation of the Sub-Fund's investments by comparing the pricing used by the Manager to the publicly available external pricing sources as at 31 December 2017. We found no material exceptions from our testing.</p>

**Other Information**

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

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

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

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

**Responsibilities of Management for the Financial Statements**

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

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

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 25 July 2012, as amended ("Trust Deed") and the Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CSOP MSCI T50 ETF (CONTINUED)  
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CSOP MSCI T50 ETF (CONTINUED)  
(A SUB-FUND OF CSOP ETF SERIES, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

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

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

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 April 2018

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2017*

	<i>Notes</i>	2017 <i>USD</i>	2016 <i>USD</i>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Investments	<i>6(c),7(a)</i>	618,439	4,327,487
Dividend receivable		5	61
Prepayment		-	12,248
Bank balances	<i>6(c)</i>	11,998	133,925
		-----	-----
<b>Total assets</b>		<b>630,442</b>	<b>4,473,721</b>
		=====	=====
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Management fee payable	<i>6(a)</i>	545	3,766
Other accounts payable		9,454	16,602
		-----	-----
<b>Total liabilities</b>		<b>9,999</b>	<b>20,368</b>
		=====	=====
<b>EQUITY</b>			
<b>Net assets attributable to unitholders</b>	<i>3</i>	<b>620,443</b>	<b>4,453,353</b>
		=====	=====

The financial statements on pages 8 to 26 were approved by the Trustee and the Manager on 27 April 2018 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 MSCI T50 ETF**  
**(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2017*

		Year ended 31 December 2017 <i>USD</i>	Year ended 31 December 2016 <i>USD</i>
	<i>Notes</i>		
<b>INCOME</b>			
Dividend income		5,056	8,295
Interest income	<i>6(c)</i>	77	62
Net gain/(loss) on investments	<i>4</i>	954,723	(51,715)
Other income		1,868	480
Net foreign currency loss		(32)	-
<b>Total net income/(loss)</b>		<u>961,692</u>	<u>(42,878)</u>
<b>EXPENSES</b>			
Management fee	<i>6(a), (b)</i>	(23,984)	(50,305)
Transaction costs on investments		(2,294)	(1,820)
Audit fee		(14,026)	(31,983)
Safe custody and bank charges		(3,615)	(5,205)
Legal and other professional fee		-	(1,511)
Other operating expenses		(24,535)	(45,223)
<b>Total operating expenses</b>		<u>(68,454)</u>	<u>(136,047)</u>
Operating profit/(loss)		<u>893,238</u>	<u>(178,925)</u>
Taxation	<i>5</i>	(848)	(1,880)
<b>Total comprehensive income</b>		<u><u>892,390</u></u>	<u><u>(180,805)</u></u>

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

**CSOP MSCI T50 ETF**  
**(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

*For the year ended 31 December 2017*

	Year ended 31 December 2017 <i>USD</i>	Year ended 31 December 2016 <i>USD</i>
Net assets attributable to unitholders at the beginning of the year	4,453,353	5,898,908
	-----	-----
Payments on redemption of units	(4,725,300)	(1,264,750)
	-----	-----
Net decrease from unit transactions	(4,725,300)	(1,264,750)
	-----	-----
Total comprehensive income for the year	892,390	(180,805)
	-----	-----
<b>Net assets attributable to unitholders at the end of the year</b>	<b>620,443</b>	<b>4,453,353</b>
	=====	=====

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

**CSOP MSCI T50 ETF**  
**(A SUB-FUND OF CSOP ETF SERIES)**

**STATEMENT OF CASH FLOWS**

*For the year ended 31 December 2017*

	Year ended 31 December 2017 <i>USD</i>	Year ended 31 December 2016 <i>USD</i>
<b>OPERATING ACTIVITIES</b>		
Payments for purchase of investments	(872,706)	(2,142,369)
Proceeds from sale of investments	5,536,445	3,690,540
Dividend received	5,112	8,303
Interest received	77	62
Other income received	1,868	480
Management fee paid	(27,367)	(53,414)
Transaction costs paid	(2,294)	(1,820)
Taxation paid	(848)	(1,880)
Prepayment paid	-	(12,248)
Other operating expenses paid	(36,914)	(67,497)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>4,603,373</b>	<b>1,420,157</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>FINANCING ACTIVITIES</b>		
Payments on redemption of units	(4,725,300)	(1,336,164)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(4,725,300)</b>	<b>(1,336,164)</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net (decrease)/increase in cash and cash equivalents	(121,927)	89,993
Cash and cash equivalents at the beginning of the year	133,925	49,932
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	11,998	133,925
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	11,998	133,925
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

CSOP ETF Series (the “Trust”) is an umbrella unit trust governed by its trust deed dated 25 July 2012, as amended, (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 31 December 2017, the Trust has seven sub-funds which are CSOP MSCI T50 ETF (“the Sub-Fund”), CSOP CES China A80 ETF, CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A International ETF and ICBC CSOP S&P New China Sectors ETF (Formerly known as CSOP S&P New China Sectors ETF). The date of inception of the Sub-Fund was 26 January 2015. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

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

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, the MSCI China and USA Internet Top 50 Equal Weighted Index. In order to achieve the investment objective of the Sub-Fund, the Manager will primarily use a full replication strategy by directly investing all, or substantially all, of the assets of the Sub-Fund in index securities constituting the underlying index in substantially the same weightings (i.e. proportions) as these index securities have in the underlying index. The Sub-Fund may also invest not more than 5% of its net asset value in non-index securities which have investment profile that aims to reflect the profile of the underlying index.

These financial statements are prepared for the Sub-Fund only. The financial statements for CSOP FTSE China A50 ETF, CSOP CES China A80 ETF, CSOP SZSE ChiNext ETF, CSOP China CSI 300 Smart ETF, CSOP MSCI China A International ETF and ICBC CSOP S&P New China Sectors ETF (Formerly known as CSOP S&P New China Sectors ETF) have been prepared separately.

Termination of the Sub-Fund

Pursuant to the Announcement and Notice to the unitholders of the Sub-Fund dated 3 April 2018 released by the Manager, it proposed cessation of trading, termination, voluntary deauthorisation and delisting and the waivers from compliance of certain provision of the Code on Unit Trusts and Mutual Funds of the Sub-Fund for the period from 4 May 2018 (“Announcement and Notice dated 3 April 2018”). As the net asset value of the Sub-Fund was less than USD10 million, the Manager by means of a resolution of the board of directors of the Manager dated 29 March 2018 decided to terminate the Sub-Fund and voluntarily seek deauthorisation and delisting. The last trading day of the units of the Sub-Fund was on 3 May 2018. Pursuant to the Announcement and Notice dated 3 April 2018, the Manager will bear the unamortised preliminary expenses and all costs and expenses associated with the termination of the Sub-Fund from the date of the Announcement and Notice up to the termination date of the Sub-Fund. The proposed termination, voluntary deauthorisation and delisting of the Sub-Fund will be subject to the approval of the Hong Kong Securities and Futures Commission and The Stock Exchange of Hong Kong Limited. As a result, the financial statements of the Sub-Fund for the year ended 31 December 2017 have not been prepared on a going concern basis.

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF 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 the years presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss.

As referred to Note 1, the Manager has decided to terminate the Sub-Fund. As a result, the financial statement of the Sub-Fund for the year ended 31 December 2017 have not been prepared on a going concern basis. The Trustee and the Manager have assessed that the value of all assets and liabilities of the Sub-Fund at the reporting date approximate their net realisable value, and therefore no changes to accounting policies or adjustments have been made in the financial statement of the Sub-Fund in order to reflect the fact that it will be able to realise its assets or to extinguish in the normal course of business.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Trustee and the Manager (together the "Management") to exercise their judgment in the process of applying the Sub-Fund's accounting policies.

Standard and amendments to existing standards effective 1 January 2017

The HKICPA has issued an amendment to HKAS 7, "Statement of cash flows" introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the HKICPA's disclosure initiative, which continues to explore how financial statement disclosures can be improved. An entity shall apply those amendments to HKAS 7 for annual periods beginning on or after 1 January 2017. The amendment does not have any significant impact on the Sub-Fund.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2017 that have a material effect on the financial statements of the Sub-Fund.

New standard and amendments to standards effective after 1 January 2017 that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund

HKFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in HKAS 39 and is effective for reporting periods beginning on or after 1 January 2018.

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(a) Basis of preparation (Continued)**

New standard and amendments to standards effective after 1 January 2017 that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund (Continued)

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

On adoption of HKFRS 9 the Sub-Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of HKFRS 9 is not expected to have a material impact on the Sub-Fund's financial statements.

In addition to the above, a number of new standards, amendment to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

**(b) Investments**

**(i) Classification**

The Sub-Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Management at fair value through profit or loss at inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Sub-Fund's documented investment strategies. The Sub-Fund's policies require the Management to evaluate the information about these financial assets on a fair value basis together with other related financial information.

**(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.



**CSOP MSCI T50 ETF  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(b) Investments (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 period in which they arise.

**(iv) Fair value estimation**

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

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

**(v) Transfers between levels of the fair value hierarchy**

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

**(c) Offsetting financial instruments**

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

**(d) Amounts due from/to participating dealers**

Amounts due from/to participating dealers represent the subscription receivable and redemption payable to the participating dealer at the end of the reporting period. The amounts are non-interest bearing and repayable on demand.

**(e) Dividend income and interest income**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(f) Distributions to unitholders**

Distributions to unitholders are recognised in the statement of changes in net assets attributable to unitholders when they are approved by the Manager.

**(g) Other income/expense**

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

**(h) Transactions costs**

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

**(i) Expenses**

Expenses are accounted for on an accrual basis.

**(j) Cash and cash equivalents**

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

**(k) Foreign currencies translation**

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The Sub-Fund invests in primarily US listed equity investments and the performance of the Sub-Fund is measured and reported to the unitholders in USD. The Manager considers United States Dollar (“USD”) as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, 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”.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(l) Redeemable units**

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

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

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

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

**(m) Taxation**

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

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

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

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

**(n) Establishment costs**

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

**CSOP MSCI T50 ETF  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

In accordance with the provisions of the Trust Deed dated 25 July 2012, as amended, and the Prospectus of the Sub-Fund, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculations.

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

The movements of the redeemable units for the years ended 31 December 2017 and 2016 are as follows:

	2017 Units	2016 Units
Number of units in issue at the beginning of the year	9,000,000	11,500,000
Units redeemed	(8,000,000)	(2,500,000)
	<u>1,000,000</u>	<u>9,000,000</u>
Number of units in issue at the end of the year	<u>1,000,000</u>	<u>9,000,000</u>

As stated in Note 2(n), establishment costs are expensed as incurred. However, in accordance with the provisions of the Trust's Prospectus, establishment costs are recognised using the amortisation method. As at 31 December 2017 and 2016, the expensing of establishment costs as stated in the financial statements resulted in a decrease of net assets attributable to unitholders of USD42,647 (2016: USD64,283) when compared with the methodology indicated in the Trust's Prospectus.

	2017 USD	2016 USD
Net assets attributable to unitholders as reported in the statement of financial position	620,443	4,453,353
Adjustments for unamortised establishment costs	42,647	64,283
	<u>663,090</u>	<u>4,517,636</u>
Net asset value in accordance with the Trust's Prospectus	<u>663,090</u>	<u>4,517,636</u>
Net assets attributable to unitholders per unit as at 31 December (per statement of financial position)	<u>0.6204</u>	<u>0.4948</u>
Net assets attributable to unitholders per unit as at 31 December (at dealing net asset value)	<u>0.6631</u>	<u>0.5020</u>

**CSOP MSCI T50 ETF  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

	Year ended 31 December 2017 <i>USD</i>	Year ended 31 December 2016 <i>USD</i>
Net fair value change in unrealised gain/loss in value of investments	130,933	(63,721)
Net realised gain on sale of investments	823,790	12,006
	<u>954,723</u>	<u>(51,715)</u>

**5. TAXATION**

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as collective investment schemes 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 overseas withholding tax of the Sub-Fund for the years ended 31 December 2017 and 2016 represents:

	Year ended 31 December 2017 <i>USD</i>	Year ended 31 December 2016 <i>USD</i>
Withholding tax on dividend income	848	1,880
Taxation	<u>848</u>	<u>1,880</u>

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

The following is a summary of significant related party transactions/transactions entered into during the year between the Sub-Fund and the Trustee, the Manager and their Connected Persons. 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 2017 and 2016, 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 Connected Persons except for those disclosed below.

**(a) Management fee**

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

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**NOTES TO THE FINANCIAL STATEMENTS**

**6. 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 the Registrar out of the management fee. Refer to Note 6(a).

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

**(c) Financial assets**

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

	2017 <i>USD</i>	2016 <i>USD</i>
<b>Investments</b>		
The Hongkong and Shanghai Banking Corporation Limited	618,439	4,327,487
	<u>                    </u>	<u>                    </u>
<b>Bank balances</b>		
The Hongkong and Shanghai Banking Corporation Limited	11,998	133,925
	<u>                    </u>	<u>                    </u>

Interest income amounted to USD77 (2016: USD62) was earned on these bank balances for the years ended 31 December 2017 and 2016.

**7. FINANCIAL RISK MANAGEMENT**

The objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the MSCI China and USA Internet Top 50 Equal Weighted Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

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

**(a) Market risk**

**(i) Market price risk**

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

The Sub-Fund is designated to track the performance of the MSCI China and USA Internet Top 50 Equal Weighted Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked index.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

As at 31 December 2017 and 2016, the Sub-Fund's investments were concentrated in the following locations and industries:

	2017		2016	
	Fair value <i>USD</i>	% of net asset value	Fair value <i>USD</i>	% of net asset value
Listed equities - by geographical region				
Hong Kong	10,388	1.68	177,069	3.97
United States	608,051	98.00	4,150,418	93.20
	<u>618,439</u>	<u>99.68</u>	<u>4,327,487</u>	<u>97.17</u>
Listed equities - by industry				
Financials	12,136	1.96	-	-
Consumer Discretionary	178,038	28.70	1,464,824	32.89
Information Technology	428,265	69.02	2,862,663	64.28
	<u>618,439</u>	<u>99.68</u>	<u>4,327,487</u>	<u>97.17</u>

The Sub-Fund held 51 out of 51 (2016: 50 out of 50) constituent securities comprising the MSCI China and USA Internet Top 50 Equal Weighted Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the MSCI China and USA Internet Top 50 Equal Weighted Index.

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

As at 31 December 2017 and 2016, if the MSCI China and USA Internet Top 50 Equal Weighted Index were to increase by 10% (2016: 10%) with all other variables held constant, this would increase the operating profit for the year by approximately USD56,748 (2016: USD419,442). Conversely, if the MSCI China and USA Internet Top 50 Equal Weighted Index were to decrease by 10% (2016: 10%), this would decrease the operating profit for the year by an equal amount.

**(ii) Interest rate risk**

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

As at 31 December 2017 and 2016, interest rate risk arises only from bank balances. As the bank balances held by the Sub-Fund is short term in nature and interest arising from these interest bearing assets are immaterial, the Manager considers that changes in their fair value and future cash flows in the event of a change in market interest rates will not be material. As a result, the Manager considers sensitivity analysis of interest rate risk is not necessary to be presented.

**CSOP MSCI T50 ETF  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

**(iii) Currency risk**

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

The Sub-Fund has assets and liabilities denominated in currencies other than United States Dollar, the Sub-Fund's functional and presentation currency. The Sub-Fund is therefore exposed to currency risk, as the value of the monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

As at 31 December 2017 and 2016, majority of the Sub-Fund's assets and liabilities are denominated in United States Dollar and Hong Kong Dollar.

Assets and liabilities denominated in Hong Kong Dollars are not considered as subject to currency risk as it is currently pegged to the USD within a narrow range. As a result, the Manager considers sensitivity analysis of currency risk is not necessary to be presented.

**(b) Credit and counterparty risk**

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

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

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

As at 31 December 2017, the Sub-Fund placed bank balances of USD11,998 (2016: USD133,925) and investment balances of USD618,439 (2016: USD4,327,487) with The Hong Kong and Shanghai Banking Corporation Limited ("HSBC"). The S&P credit rating of HSBC is A (2016: A).

The maximum exposure to credit risk as at 31 December 2017 and 2016 is the carrying amount of the financial assets as shown on the statement of financial position.

The Manager considers that none of these assets are impaired nor past due as at 31 December 2017 and 2016.



**CSOP MSCI T50 ETF  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(c) Liquidity risk**

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

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

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

	Less than 1 month <i>USD</i>	1 month to less than 3 months <i>USD</i>	Over 3 months <i>USD</i>	Total <i>USD</i>
<b>As at 31 December 2017</b>				
Management fee payable	545	-	-	545
Other accounts payable	-	1,316	8,138	9,454
	<u>545</u>	<u>1,316</u>	<u>8,138</u>	<u>9,999</u>
<b>Contractual cash outflow</b>	<b><u>545</u></b>	<b><u>1,316</u></b>	<b><u>8,138</u></b>	<b><u>9,999</u></b>
<b>As at 31 December 2016</b>				
Management fee payable	3,766	-	-	3,766
Other accounts payable	-	178	16,424	16,602
	<u>3,766</u>	<u>178</u>	<u>16,424</u>	<u>20,368</u>
<b>Contractual cash outflow</b>	<b><u>3,766</u></b>	<b><u>178</u></b>	<b><u>16,424</u></b>	<b><u>20,368</u></b>

Units are redeemed on demand at the unitholder's option. As at 31 December 2017, there was 1 (2016: 2) unitholder holding more than 10% of the 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>USD</i>	1 to 12 months <i>USD</i>	No stated maturity <i>USD</i>	Total <i>USD</i>
<b>As at 31 December 2017</b>				
Total assets	<u>630,442</u>	<u>-</u>	<u>-</u>	<u>630,442</u>
<b>As at 31 December 2016</b>				
Total assets	<u>4,461,473</u>	<u>12,248</u>	<u>-</u>	<u>4,473,721</u>

**CSOP MSCI T50 ETF  
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**NOTES TO THE FINANCIAL STATEMENTS**

**7. 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.

The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets (by class) measured at fair value at 31 December 2017 and 2016:

	Level 1 <i>USD</i>	Level 2 <i>USD</i>	Level 3 <i>USD</i>	Total <i>USD</i>
<b>As at 31 December 2017</b>				
<b>Assets</b>				
Investments				
- Equity securities	618,439	-	-	618,439
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>618,439</b>	<b>-</b>	<b>-</b>	<b>618,439</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Level 1 <i>USD</i>	Level 2 <i>USD</i>	Level 3 <i>USD</i>	Total <i>USD</i>
<b>As at 31 December 2016</b>				
<b>Assets</b>				
Investments				
- Equity securities	4,327,487	-	-	4,327,487
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>4,327,487</b>	<b>-</b>	<b>-</b>	<b>4,327,487</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CSOP MSCI T50 ETF  
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**NOTES TO THE FINANCIAL STATEMENTS**

**7. 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 equities. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As at 31 December 2017 and 2016, the Sub-Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2017 and 2016, the Sub-Fund did not hold any investments classified in level 3.

There were no transfers between levels for the years ended 31 December 2017 and 2016

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

**(e) Capital risk management**

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

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

**8. FINANCIAL INSTRUMENTS BY CATEGORY**

As of 31 December 2017 and 2016, other than investments as disclosed in the financial statements which are classified as the financial assets at fair value through profit or loss, all financial assets including dividend receivable and bank balances are categorised as loans and receivables and carried at amortised cost. All the financial liabilities of the Sub-Fund are carried at amortised cost.

The carrying value of the financial assets and liabilities are considered by the Manager to approximate their fair value as they are short term in nature and the effect of discounting is immaterial.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the years ended 31 December 2017 and 2016.

There were no constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the MSCI China and USA Internet Top 50 Equal Weighted Index as at 31 December 2017 and 2016.

During the year ended 31 December 2017, the MSCI China and USA Internet Top 50 Equal Weighted Index increased by 40.79% (2016: decreased by 0.39%) while the net asset value per unit of the Sub-Fund increased by 25.39% (2016: decreased by 3.53%).

**10. SOFT COMMISSION ARRANGEMENT**

The Manager confirms that there has been no soft commission arrangements existing during the years ended 31 December 2017 and 2016 in relation to directing transactions of the Sub-Fund through a broker or dealer.

**11. SEGMENT INFORMATION**

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

The Manager considers that the Sub-Fund has a single operating segment which is investing in securities. The objectives of the Sub-Fund are to track the performance of the MSCI China and USA Internet Top 50 Equal Weighted Index and invest in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

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

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is derived from investments in securities which constitute MSCI China and USA Internet Top 50 Equal Weighted Index, the tracked index.

The Sub-Fund has no assets classified as non-current assets. As at 31 December 2017 and 2016, the Sub-Fund has a diversified portfolio of investments and no single investment accounts for more than 10% (2016: 10%) of the Sub-Fund's net asset value.

**12. SUBSEQUENT EVENTS**

As refer to Note 1, pursuant to the Announcement and Notice dated 3 April 2018, it proposed cessation of trading, termination, deauthorisation and delisting and the waivers from compliance of certain provision of the Code on Unit Trusts and Mutual Funds of the Sub-Fund for the period from 4 May 2018. Refer to Note 1 for the details.

**13. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Trustee and the Manager on 27 April 2018.

**CSOP MSCI T50 ETF**  
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**INVESTMENT PORTFOLIO (Unaudited)**

As at 31 December 2017

	Holdings	Fair value USD	% of net Assets
<b>Investments (99.68%)</b>			
<b>Listed Equities (99.68%)</b>			
<b>Hong Kong (1.68%)</b>			
TENCENT HOLDINGS LTD ORD HKD0.00002	200	10,388	1.68
		<u>10,388</u>	<u>1.68</u>
<b>USA (98.00%)</b>			
2U INC COM USD0.001	191	12,321	1.99
58.COM INC ADR	164	11,737	1.89
AKAMAI TECHNOLOGIES INC COM USD0.01	224	14,569	2.35
ALARM.COM HOLDINGS INC COM NPV	273	10,306	1.66
ALIBABA GROUP HOLDING LTD ORD	66	11,380	1.83
ALPHABET INC CL A USD0.001	6	6,320	1.02
ALPHABET INC-CL C COM USD0.001	6	6,278	1.01
AMAZON.COM INC COM USD0.01	11	12,864	2.07
AUTOHOME INC-A COM USD0.01	206	13,322	2.15
BAIDU INC ADR USD0.00005	52	12,179	1.96
BITAUTO HOLDINGS LTD ADR	330	10,494	1.69
BOX INC - CLASS A COM USD0.0001	546	11,532	1.86
CIMPRESS ORD USD0.001	102	12,228	1.97
CORNERSTONE ONDEMAND INC COM USD0.0001	335	11,836	1.91
COSTAR GROUP INC COM USD0.01	40	11,878	1.91
CTRIP.COM INTL LTD ADR	261	11,510	1.85
EBAY INC COM USD0.001	350	13,209	2.13
ENVESTNET INC COM NPV	250	12,463	2.01
EXPEDIA INC COM USD 0.001	101	12,097	1.95
FACEBOOK INC CL A COM USD0.000006	69	12,176	1.96
GODADDY INC - CLASS A COM USD0.001	248	12,469	2.01
GROUPON INC COM USD0.0001	2,257	11,511	1.86
GRUBHUB INC COM USD0.0001	191	13,714	2.21
HSN INC COM USD0.01	297	11,984	1.93
IAC/INTERACTIVECORP COM USD0.01	98	11,983	1.93
J2 GLOBAL INC COM USD0.01	169	12,680	2.04
JD.COM INC ADR	316	13,089	2.11
LIBERTY EXPEDIA HOLDINGS INC SER A COM USD0.01	271	12,013	1.94
LIBERTY INTERACTIVE CORPORATIN QVC GROUP COM SHRS A COM USD0.01	494	12,063	1.94
LIBERTY VENTURES SER A COM USD0.01	216	11,716	1.89
LOGMEIN INC COM USD0.01	107	12,252	1.97
MERCADOLIBRE INC COM USD0.001	47	14,789	2.38
MOMO INC	377	9,229	1.49
NETEASE INC ADR USD0.0001	36	12,423	2.00
NETFLIX INC COM USD0.001	64	12,285	1.98
NEW RELIC INC COM USD0.001	220	12,709	2.05
NUTANIX INC - A SHRS COM USD0.000025	418	14,747	2.38

**CSOP MSCI T50 ETF**  
**(A SUB-FUND OF CSOP ETF SERIES)**

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

*As at 31 December 2017*

	<b>Holdings</b>	<b>Fair value USD</b>	<b>% of net Assets</b>
<b>Investments (99.68%) (Continued)</b>			
<b>Listed Equities (99.68%) (Continued)</b>			
<b>USA (98.00%) (Continued)</b>			
PRICELINE GROUP INC USD0.008	7	12,164	1.96
SINA CORP COM USD0.133	113	11,335	1.83
SOHU.COM INC COM USD0.001	232	10,057	1.62
STAMPS.COM INC COM USD0.001	71	13,348	2.15
TRIPADVISOR INC COM USD0.001	408	14,060	2.27
TWITTER INC COM USD0.000005	587	14,094	2.27
VERISIGN INC COM USD0.001	108	12,360	1.99
VIPSHOP HOLDINGS LTD-ADR COM USD0.0001	1,344	15,752	2.54
WAYFAIR INC CLASS A COM USD0.001	186	14,930	2.41
YELP INC COM USD0.000001	264	11,077	1.79
YIRENDAI LTD ADR	276	12,136	1.96
YY INC ADR USD0.00001	106	11,984	1.93
ZILLOW GROUP INC CLASS C COM NPV	303	12,399	2.00
		<u>608,051</u>	<u>98.00</u>
<b>Total investments</b>		618,439	99.68
<b>Other net assets</b>		<u>2,004</u>	<u>0.32</u>
<b>Net assets attributable to unitholders at 31 December 2017</b>		<u>620,443</u>	<u>100.00</u>
<b>Total investments, at cost</b>		<u>463,769</u>	

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

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

*For the year ended 31 December 2017*

	<b>Holdings</b>				<b>31 December 2017</b>
	<b>1 January 2017</b>	<b>Additions</b>	<b>Corporate actions</b>	<b>Disposals</b>	
<b>Investments</b>					
<b>Listed equities</b>					
<b>Hong Kong</b>					
TENCENT HOLDINGS LTD ORD HKD0.00002	3,600	200	-	3,600	200
COGOBUY GROUP ORD USD0.0000001	59,000	18,000	-	77,000	-
<b>USA</b>					
2U INC COM USD0.001	-	357	-	166	191
58.COM INC ADR	2,910	-	-	2,746	164
AKAMAI TECHNOLOGIES INC COM USD0.01	1,372	775	-	1,923	224
ALARM.COM HOLDINGS INC COM NPV	-	416	-	143	273
ALIBABA GROUP HOLDING LTD ORD	975	1	-	910	66
ALPHABET INC CL A USD0.001	58	-	-	52	6
ALPHABET INC-CL C COM USD0.001	60	-	-	54	6
ALTABA INC COM USD0.001 (FORMERLY KNOWN AS YAHOO INC COM USD0.001)	2,212	-	-	2,212	-
AMAZON.COM INC COM USD0.01	120	-	-	109	11
AUTOHOME INC-A COM USD0.01	-	2,486	-	2,280	206
BAIDU INC ADR USD0.00005	554	31	-	533	52
BITAUTO HOLDINGS LTD ADR	-	2,746	-	2,416	330
BOX INC - CLASS A COM USD0.0001	-	546	-	-	546
CIMPRESS ORD USD0.001	1,070	136	-	1,104	102
COMSCORE INC COM USD0.001	3,055	-	-	3,055	-
CORNERSTONE ONDEMAND INC COM USD0.0001	2,407	584	-	2,656	335
COSTAR GROUP INC COM USD0.01	468	5	-	433	40
CTRIP.COM INTL LTD ADR	2,168	106	-	2,013	261
EBAY INC COM USD0.001	3,175	278	-	3,103	350
ENVESTNET INC COM NPV	-	404	-	154	250

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

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

*For the year ended 31 December 2017*

	<b>Holdings</b>				<b>31 December 2017</b>
	<b>1 January 2017</b>	<b>Additions</b>	<b>Corporate actions</b>	<b>Disposals</b>	
<b>Investments (Continued)</b>					
<b>Listed equities (Continued)</b>					
<b>USA (Continued)</b>					
EXPEDIA INC COM USD 0.001	725	100	-	724	101
FACEBOOK INC CL A COM USD0.000006	779	7	-	717	69
GODADDY INC - CLASS A COM USD0.001	2,649	84	-	2,485	248
GROUPON INC COM USD0.0001	23,121	9,027	-	29,891	2,257
GRUBHUB INC COM USD0.0001	2,486	107	-	2,402	191
HSN INC COM USD0.01	2,327	654	-	2,684	297
IAC/INTERACTIVECORP COM USD0.01	1,358	13	-	1,273	98
J2 GLOBAL INC COM USD0.01	1,223	191	-	1,245	169
JD.COM INC ADR	3,444	89	-	3,217	316
LIBERTY EXPEDIA HOLDINGS INC SER A COM USD0.01	2,044	231	-	2,004	271
LIBERTY INTERACTIVE CORPORATIN QVC GROUP COM SHRS A COM USD0.01	4,324	759	-	4,589	494
LIBERTY VENTURES SER A COM USD0.01	2,291	33	-	2,108	216
LOGMEIN INC COM USD0.01	866	308	-	1,067	107
MERCADOLIBRE INC COM USD0.001	578	16	-	547	47
MOMO INC	4,277	164	-	4,064	377
NETEASE INC ADR USD0.0001	395	47	-	406	36
NETFLIX INC COM USD0.001	791	3	-	730	64
NEW RELIC INC COM USD0.001	-	2,364	-	2,144	220
NUTANIX INC - A SHRS COM USD0.000025	-	418	-	-	418
PANDORA MEDIA INC COM USD0.0001	8,034	3,740	-	11,774	-
PRICELINE GROUP INC USD0.008	60	-	-	53	7



**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

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

*For the year ended 31 December 2017*

	<b>Holdings</b>				
	<b>1 January 2017</b>	<b>Additions</b>	<b>Corporate actions</b>	<b>Disposals</b>	<b>31 December 2017</b>
<b>Investments (Continued)</b>					
<b>Listed equities (Continued)</b>					
<b>USA (Continued)</b>					
QUNAR CAYMAN ISLANDS LIMITED-ADR	3,039	-	-	3,039	-
SHUTTERFLY INC COM USD0.0001	1,813	340	-	2,153	-
SHUTTERSTOCK INC COM USD0.01	1,837	488	-	2,325	-
SINA CORP COM USD0.133	1,336	884	-	2,107	113
SOHU.COM INC COM USD0.001	2,615	31	-	2,414	232
STAMPS.COM INC COM USD0.001	813	117	-	859	71
TRIPADVISOR INC COM USD0.001	1,793	710	-	2,095	408
TWITTER INC COM USD0.000005	4,863	1,128	-	5,404	587
VERISIGN INC COM USD0.001	1,138	38	-	1,068	108
VIPSHOP HOLDINGS LTD- ADR COM USD0.0001	6,664	1,886	-	7,206	1,344
WAYFAIR INC CLASS A COM USD0.001	2,736	32	-	2,582	186
WEBMD HEALTH CORP COM USD0.01	1,698	148	-	1,846	-
WEIBO CORP SPON ORD USD0.00025	-	85	-	85	-
YELP INC COM USD0.000001	2,379	1,170	-	3,285	264
YIRENDAI LTD ADR	-	276	-	-	276
YY INC ADR USD0.00001	2,020	-	-	1,914	106
ZILLOW GROUP INC CLASS C COM NPV	2,511	296	-	2,504	303

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**PERFORMANCE RECORD (Unaudited)**

**Net asset value**

	Dealing net asset value of the Sub-Fund <i>USD</i>	Dealing net asset value per unit <i>USD</i>
At the end of financial year dated		
31 December 2017	663,090	0.6631
31 December 2016	4,517,636	0.5020
31 December 2015	5,994,993	0.5213

**Highest and lowest net asset value per unit**

	Highest net asset value per unit <i>USD</i>	Lowest net asset value per unit <i>USD</i>
Financial year ended		
31 December 2017	0.6759	0.5063
31 December 2016	0.5585	0.3998
31 December 2015 (since 26 January 2015 (date of inception))	0.5643	0.4460

**CSOP MSCI T50 ETF  
(A SUB-FUND OF CSOP ETF SERIES)**

**MANAGEMENT AND ADMINISTRATION**

**Manager**

CSOP Asset Management Limited  
Suite 2801 - 2803, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Trustee and Registrar**

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

**Service Agent**

HK Conversion Agency Services Limited  
1st Floor, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

**Listing Agent**

Oriental Patron Asia Limited  
27th Floor, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

**Directors of the Manager**

Benoit Descourtieux (resigned on 7 November 2017)  
Chen Ding  
Gaobo Zhang  
Haipeng Li (resigned on 7 November 2017)  
Liangyu Gao (resigned on 1 September 2017)  
Xiaosong Yang (appointed on 7 November 2017)  
Xiuyan Liu (appointed on 7 November 2017)  
Yi Zhou (appointed on 7 November 2017)  
Zengtao Wu (resigned on 7 November 2017)  
Zhiwei Liu (appointed on 7 November 2017)  
Zhongping Cai

**Legal Adviser to the Manager**

Deacons  
5th Floor, Alexandra House  
18 Chater Road  
Central  
Hong Kong

**Auditor**

PricewaterhouseCoopers  
21st Floor, Edinburgh Tower  
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