

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

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

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2022

CSOP Hang Seng Index ETF

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

CONTENTS	Page
Report of the Trustee to the Unitholders	1
Independent Auditor's Report	2 – 6
Audited Financial Statements	
Statement of Net Assets	7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Changes in Net Assets Attributable to Unitholders	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 – 36
Investment Portfolio (Unaudited)	37 – 38
Statement of Movements in Investment Portfolio (Unaudited)	39 – 41
Performance Record (Unaudited)	42
Management and Administration	43

CSOP Hang Seng Index ETF

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

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, CSOP Asset Management Limited, the Manager of CSOP Hang Seng Index ETF (the “Sub-Fund”), a sub-fund of CSOP ETF Series III, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 16 March 2021 for the year ended 31 December 2022.

BOCI-Prudential Trustee Limited (the “Trustee”)

27 April 2023

Independent auditor's report

To the unitholders of CSOP Hang Seng Index ETF

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CSOP Hang Seng Index ETF (a sub-fund of CSOP ETF Series III (the "Trust"), and hereafter referred to as the "Sub-Fund") set out on pages 7 to 36, which comprise the statement of net assets as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Sub-Fund in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Independent auditor's report (continued)

To the unitholders of CSOP Hang Seng Index ETF

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Existence and valuation of financial assets at fair value through profit or loss</i>	
<p>As at 31 December 2022, the financial assets at fair value through profit or loss were valued at HK\$1,376,506,123, which represented 99.95% of the net asset value of the Sub-Fund. These financial assets were listed shares on the Hong Kong Stock Exchange.</p> <p>We focused on this area because the financial assets at fair value through profit or loss represented the principal element of the financial statements.</p> <p>Disclosures in respect of the financial assets at fair value through profit or loss are set out in the summary of significant accounting policies and notes 11, 13(b)(i) and 13(e) to the financial statements.</p>	<p>The procedures we performed to address the key audit matter included:</p> <ul style="list-style-type: none">• Obtained independent confirmations from the custodians of the investment portfolio held at 31 December 2022 and agreed the quantities held to the Sub-Fund's accounting records.• Tested the design and operating effectiveness of financial instrument valuation controls.• Tested the valuation of the financial assets at fair value through profit or loss that were quoted in active markets by independently agreeing the valuation of financial assets to third-party sources at 31 December 2022.• Assessed the adequacy of disclosures relating to financial assets at fair value through profit or loss in the financial statements.

Other information included in the Annual Report

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)

To the unitholders of CSOP Hang Seng Index ETF

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

Responsibilities of the Manager and the Trustee for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

Independent auditor's report (continued)

To the unitholders of CSOP Hang Seng Index ETF

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

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

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

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

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

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

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

Independent auditor's report (continued)

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

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

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

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

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

Certified Public Accountants

Hong Kong

27 April 2023

CSOP Hang Seng Index ETF

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

STATEMENT OF NET ASSETS

As at 31 December 2022

	Note	2022 HK\$	2021 HK\$
ASSETS			
Financial assets at fair value through profit or loss	5(g), 11	1,376,506,123	826,919,250
Dividend receivable from financial assets		83,270	68,822
Due from a broker	7	224,925	-
Cash and cash equivalents	6	<u>978,350</u>	<u>724,099</u>
TOTAL ASSETS		<u><u>1,377,792,668</u></u>	<u><u>827,712,171</u></u>
LIABILITIES			
Management fee payable	5(a)	234,550	70,410
Other payables		<u>401,000</u>	<u>-</u>
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>635,550</u>	<u>70,410</u>
Net assets attributable to unitholders	3(a)	<u>1,377,157,118</u>	<u>-</u>
TOTAL LIABILITIES		1,377,792,668	70,410
TOTAL EQUITY		<u>-</u>	<u>827,641,761</u>
TOTAL LIABILITIES AND EQUITY		<u><u>1,377,792,668</u></u>	<u><u>827,712,171</u></u>

For and on behalf of

CSOP Asset Management Limited
as the Manager

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

CSOP Hang Seng Index ETF

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	For the year ended 31 December 2022 HK\$	For the period from 5 May 2021 (date of inception) to 31 December 2021 HK\$
INCOME			
Net losses on financial assets at fair value through profit or loss	4	(253,547,623)	(62,676,518)
Interest income from bank deposits	5(d)	1,000	14
Dividend income	2(c)	56,803,701	4,426,439
Net foreign exchange losses		(2,064)	-
TOTAL INCOME		<u>(196,744,986)</u>	<u>(58,250,065)</u>
EXPENSES			
Management fee	5(a)	(1,414,320)	(294,963)
Transaction fee		(100)	-
Brokerage and transaction fee	5(f),14	(906,180)	(214,486)
Bank charges	5(d)	(1,440)	(170)
Other operating expenses		(58)	-
TOTAL OPERATING EXPENSES		<u>(2,322,098)</u>	<u>(509,619)</u>
OPERATING LOSS		(199,067,084)	(58,759,684)
Finance cost			
Distribution to unitholders			
- Listed class	10	(54,696,000)	-
- Unlisted class	10	(1,286)	-
		<u>(54,697,286)</u>	<u>-</u>
LOSS AFTER DISTRIBUTION AND BEFORE TAX		(253,764,370)	(58,759,684)
Withholding income tax expenses	9	(3,211,475)	(206,355)
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR		(256,975,845)	-
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>-</u>	<u>(58,966,039)</u>

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

CSOP Hang Seng Index ETF

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2022

	Note	Number of units	HK\$
Net assets attributable to unitholders at 31 December 2021 and 1 January 2022		-	-
Reclassification of the redeemable units as financial liabilities	3(a)	<u>34,700,000</u> 34,700,000	<u>827,641,761</u> 827,641,761
<u>Listed class</u>			
Issue of units	3(b)	75,000,000	
- In-kind	16		1,447,246,709
- Cash component and cash creation	16		<u>108,939,291</u> <u>1,556,186,000</u>
<u>Unlisted class</u>			
Issue of units	3(b)	2,217	
- Cash component and cash creation			<u>50,000</u> <u>50,000</u>
Net issue of units			<u>1,556,236,000</u>
<u>Listed class</u>			
Redemption of units	3(b)	(41,000,000)	
- In-kind			(572,401,031)
- Cash component and cash redemption	16		<u>(177,343,767)</u> <u>(749,744,798)</u>
Net redemption of units			<u>(749,744,798)</u>
Decrease in net assets attributable to unitholders for the year			<u>(256,975,845)</u>
Net assets attributable to unitholders at 31 December 2022		<u><u>68,702,217</u></u>	<u><u>1,377,157,118</u></u>

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

CSOP Hang Seng Index ETF

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Number of units	HK\$
Net assets attributable to unitholders at 5 May 2021		-	-
Issue of units	3(b)	34,700,000	
- In-kind	16		716,184,306
- Cash component and cash creation	16		170,423,494
Net issue of units			<u>886,607,800</u>
Total comprehensive income for the period			<u>(58,966,039)</u>
Net assets attributable to unitholders at 31 December 2021 and 1 January 2022			827,641,761
Reclassification of the redeemable units as financial liabilities	3(a)	<u>(34,700,000)</u>	<u>(827,641,761)</u>
At 31 December 2022		<u>-</u>	<u>-</u>

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

CSOP Hang Seng Index ETF

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	For the year ended 31 December 2022 HK\$	For the period from 5 May 2021 (date of inception) to 31 December 2021 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss before tax		(199,067,084)	(58,759,684)
Adjustments for:			
Dividend income		(56,803,701)	(4,426,439)
Interest income from bank deposits		(1,000)	(14)
Operating cash flows before movements in working capital		<u>(255,871,785)</u>	<u>(63,186,137)</u>
Decrease/(increase) in financial assets at fair value through profit or loss		325,258,805	(110,734,944)
Increase in due from broker		(224,925)	-
Increase in management fee payable		164,140	70,410
Increase in other payables		401,000	-
Cash used in operations		<u>69,727,235</u>	<u>(173,850,671)</u>
Interest on bank deposits received		1,000	14
Dividends received, net of withholding tax		53,577,778	4,151,262
Net cash flows generated from/(used in) operating activities		<u>123,306,013</u>	<u>(169,699,395)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash component and cash creation received on issue of units - Listed class	16	108,939,291	170,423,494
Cash component and cash creation received on issue of units - Unlisted class		50,000	-
Cash component and cash redemption paid on units - Listed class		(177,343,767)	-
Dividend distribution	10	(54,697,286)	-
Net cash flows (used in)/generated from financing activities		<u>(123,051,762)</u>	<u>170,423,494</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		254,251	724,099
Cash and cash equivalents at the beginning of the year/period		<u>724,099</u>	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		<u><u>978,350</u></u>	<u><u>724,099</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	6	<u>978,350</u>	724,099
Cash and cash equivalents as stated in the statement of cash flows		<u>978,350</u>	724,099

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1. GENERAL INFORMATION

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

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

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index, namely, Hang Seng Index (the “Index”). There is no assurance that the Sub-Fund will achieve its investment objective. In order to achieve the investment objective of the Sub-Fund, the Sub-Fund will adopt a full replication strategy by directly investing all, or substantially all, of the Sub-Fund’s assets in Index Securities constituting the Underlying Index in substantially the same weightings as these Index Securities have in the Underlying Index. The Manager will not use a representative sampling strategy other than in exceptional circumstances.

Under exceptional circumstances (i.e. due to restrictions, suspensions of trading, limited availability of certain Index Securities, corporate events, or as the Manager believes there is significant market mispricing or foreseeable market turbulence), where it is not feasible or not in the best interest of investors to acquire certain securities which are constituents of the Underlying Index due to restrictions or limited availability and/or it is not cost efficient, by reference to the Sub-Fund’s Net Asset Value, to use a full replication strategy, the Manager may also use a representative sampling strategy to invest in:

- i. A representative sample whose performance is closely correlated with the Underlying Index, but whose constituents may or may not themselves be constituents of the Underlying Index; and/or
- ii. Other collective investment schemes (CIS). “CIS” means an exchange traded fund and/or an unlisted index tracking fund which tracks an index that has a high correlation with the Underlying Index. The Sub-Fund’s ability to invest in other CIS may not exceed 10% of its Net Asset Value and the Sub-Fund will not hold more than 10% of any units issued by any single CIS; and/or
- iii. Financial derivative instruments (the “FDIs”) (mainly swaps with one or more counterparties) with no more than 10% of the Sub-Fund’s Net Asset Value for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1. GENERAL INFORMATION (CONTINUED)

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

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

2. 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 periods presented, unless otherwise stated.

(a)(i) Basis of preparation

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

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

The financial statements have been prepared for the year ended 31 December 2022. The first period of the Sub-Fund's operations and the date of inception were from 5 May 2021 to 31 December 2021 which has less than 12 months. As such, the financial statements are not entirely comparable.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have a material effect on the financial statements of the Sub-Fund.

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

The Sub-Fund have not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2022 in these financial statements. Among the new and revised HKFRSs, the following are expected to be relevant to the Sub-Fund's financial statements upon becoming effective:

Amendments to HKAS 8 – Definition of Accounting Estimates

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

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

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

The amendments to HKAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Sub-Fund is currently assessing the impact of the amendments to determine the impact they will have on the Sub-Fund's accounting policy disclosures.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments

(i) ***Classification***

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

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

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

Financial assets

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

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

Financial assets measured at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(i) **Classification** (continued)

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

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

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

Financial liabilities

Financial liabilities measured at amortised cost

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

(ii) **Recognition**

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(iii) ***Initial measurement***

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

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

(iv) ***Subsequent measurement***

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(v) ***Derecognition***

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

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

Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Fair value measurement (continued)

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

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

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

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

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

(c) Dividend income

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

(d) Interest income

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

(e) Expenses

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

(f) Cash and cash equivalents

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

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

(g) Due from a broker

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units

Redeemable units are classified as an equity instrument when:

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

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

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

During the period from 5 May 2021 (date of inception) to 31 December 2021, there were only listed class units in issue and the Sub-Fund concluded that these units met all the conditions for classification as equity instruments.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of redeemable units, the consideration received is included in equity.

Transaction costs incurred by the Sub-Fund in issuing its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

The Sub-Fund's own equity instruments which are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units (continued)

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

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

Redeemable units can be redeemed in cash equal to a proportionate share of the Sub-Fund's net asset value. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units of the Sub-Fund.

(i) Segmental reporting

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

(j) Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Offsetting of financial instruments

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

(m) Taxes

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

(n) Distributions to unitholders

Distributions are at the discretion of the Manager.

During the period from 5 May 2021 (date of inception) to 31 December 2021, a distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders.

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

(o) Formation fee

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

(p) Transaction fees

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

(q) Related parties

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

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

or

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related parties (continued)

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

(r) Foreign currency translations

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

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

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

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

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS

(a) Net assets attributable to unitholders

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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

(a) Net assets attributable to unitholders (continued)

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

During the period from 5 May 2021 (date of inception) to 31 December 2021, there were only listed class units in issue and the Sub-Fund concluded that these units met all the conditions for classification as equity instruments.

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

(b) Movement of units

The table below summarises the movement of units for the year ended 31 December 2022, and the Accounting NAV per unit and the Dealing NAV per unit of the Sub-Fund as at 31 December 2022.

	2022		2021	
	Number of units	Number of units	Number of units	Number of units
	Listed Class	Unlisted Class	Listed Class	Unlisted Class
Units in issue at beginning of year/period	34,700,000	-	-	-
Issued during the year/period	75,000,000	2,217	34,700,000	-
Redeemed during the year/period	(41,000,000)	-	-	-
Units in issue at end of year/period	<u>68,700,000</u>	<u>2,217</u>	<u>34,700,000</u>	<u>-</u>
	2022		2021	
	Net assets attributable to unitholders			
	HK\$	HK\$	HK\$	HK\$
NAV per unit at end of year/period	<u>20.0453</u>	<u>20.0464</u>	<u>23.8513</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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

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

	For the year ended 31 December 2022 HK\$	For the period from 5 May 2021 (date of inception) to 31 December 2021 HK\$
Net realised losses on sale of financial assets at FVPL	(184,753,228)	(2,191,792)
Net change in unrealised losses on financial assets at FVPL	(68,794,395)	(60,484,726)
	<u>(253,547,623)</u>	<u>(62,676,518)</u>

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

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

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

(a) Management fee

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

The management fees of the Sub-Fund for the year ended 31 December 2022 were HK\$1,414,320 (2021:HK\$294,963) of which HK\$234,550 (2021:HK\$70,410) remain payable as of 31 December 2022.

(b) Custodian, fund administration and trustee fees

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

(c) Formation costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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

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

As at 31 December 2022, the interest-bearing bank balance were held with Bank of China (Hong Kong) Ltd, an affiliate of the Trustee. Refer to note 6 for details of cash and cash equivalents.

During the year ended 31 December 2022, the interest income earned from the bank balances maintained with Bank of China (Hong Kong) Ltd. and bank charges amounted to HK\$1,000 (2021:HK\$14), and HK\$1,440 (2021:HK\$170) respectively.

(e) Holdings of units

As at 31 December 2022, 3 unitholders (2021: 4) held more than 10% of the Sub-Fund's total net assets. 6,674,100 units (2021: 5,490,700) of the Sub-Fund were held by Bank of China (Hong Kong) Ltd, an affiliate of the Trustee, as a market intermediary.

(f) Brokerage fee

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

(g) Investments held by the Trustee's affiliate

The investments deposited with Bank of China (Hong Kong) Ltd., the Trustee's affiliate as at 31 December 2022 and 2021 are summarised below:

	2022 HK\$	2021 HK\$
Financial assets measured at fair value through profit or loss	<u>1,376,506,123</u>	<u>826,919,250</u>

(h) Investments held by the Trustee's affiliate

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

As at 31 December 2022

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

6. CASH AND CASH EQUIVALENTS

	2022 HK\$	2021 HK\$
Cast at bank	<u>978,350</u>	<u>724,099</u>

As at 31 December 2022, the interest-bearing bank balances were held with Bank of China (Hong Kong) Ltd, a connected company of the Trustee.

7. DUE FROM A BROKER

	2022 HK\$	2021 HK\$
Due from a broker	<u>224,925</u>	<u>-</u>

As at 31 December 2022, due from a broker represents receivable for settlement of listed investment not yet settled on the reporting date (2021: nil). The balance is receivable less than 1 months.

8. SOFT COMMISSION ARRANGEMENTS

The Manager may effect transactions, provided that any such transaction is consistent with standards of “best execution”, by or through the agency of another person for the account of the Sub-Fund with whom the Manager or any of its connected persons has an arrangement under which that party will from time to time provide to or procure for the Manager or any of its connected persons goods, services or other benefits (such as advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Sub-Fund as a whole and may contribute to an improvement in the performance of the Sub-Fund. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees’ salaries or direct money payments. During the year ended 31 December 2022, the Manager obtained the services through soft dollar arrangements on transactions amounting to HK\$550,308,322 (2021:HK\$1,031,836,053). Commission which amounted to HK\$148,044 (2021:HK\$67,290) was paid from the Sub-Fund on these transactions.

9. TAXATION

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

9. TAXATION (CONTINUED)

PRC tax

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

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

Withholding tax of 10% was charged on dividend income received from H-shares and Red Chips during year ended 31 December 2022 amounted to HK\$3,211,475 (2021: HK\$206,355).

10. DISTRIBUTIONS TO UNITHOLDERS

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

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

	HK\$	Distribution per unit HK\$
Distribution declared on 25 May 2022		
Listed class	8,470,000	0.1000
Distribution declared on 22 November 2022		
Listed class	46,226,000	0.5800
Unlisted class	1,286	0.5800
Total	<u>54,697,286</u>	

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$	2021 HK\$
Financial assets at fair value through profit or loss		
- Listed equities	<u>1,376,506,123</u>	<u>826,919,250</u>

12. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

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

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Strategy in using financial instruments

Investment objective and investment policies

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index relevant to the Sub-Fund by adopting a replication strategy and investing all, or substantially all, of the assets of such Sub-Fund in Index Securities constituting the Underlying Index in substantially the same weightings as constituted in the underlying index. Refer to note 1 for details.

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

(b) Market risk

(i) *Market price risk*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk (continued)

(i) *Market price risk (continued)*

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

	As at 31 December 2022		As at 31 December 2021	
	Fair value HK\$	% of net asset value	Fair value HK\$	% of net asset value
<u>Listed equities</u>				
Hong Kong	1,376,506,123	99.95	826,919,250	99.91
Total financial assets at FVPL	<u>1,376,506,123</u>	<u>99.95</u>	<u>826,919,250</u>	<u>99.91</u>

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

As at 31 December 2022, if the Index increases by 10% with all other variables held constant, this would increase the net asset value by HK\$137,650,612 (2021:HK\$82,691,925). Conversely, if the tracked index decreases by the same sensitivity threshold, this would decrease the net asset value by approximately equal amounts.

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

(ii) *Interest rate risk*

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

(iii) *Currency risk*

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

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

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

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

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

	2022 HK\$	2021 HK\$
<u>Financial assets at FVPL</u>		
Bank of China (Hong Kong) Ltd.	1,376,506,123	826,919,250
<u>Bank balances</u>		
Bank of China (Hong Kong) Ltd.	978,350	724,099

As at 31 December 2022 and 2021, the credit ratings of the Sub-Fund's custodian are at or above investment grade.

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

Financial assets subject to HKFRS 9's impairment requirements

The Sub-Fund's financial assets subject to the ECL model within HKFRS 9 are dividend receivable from financial assets, due from a broker, cash and cash equivalents. At 31 December 2022, the total amount of these financial assets was HK\$1,286,545 (2021: HK\$792,921) for the Sub-Fund, on which no loss allowance had been provided. No assets are considered impaired and no amounts have been written off during the year-end.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request. The Sub-Fund's securities are considered readily realisable, as they are listed. It is the intent of the Manager to monitor the Sub-Fund's liquidity position on a daily basis. The following table illustrates the expected liquidity of financial assets held and gives the contractual undiscounted cash-flow projection of the Sub-Fund's financial liabilities as at 31 December 2022. The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 1 month or less. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

<u>As at 31 December 2021</u>	On demand HK\$	Less than 1 month HK\$	Total HK\$
Financial assets			
Financial assets at fair value through profit or loss	826,919,250	-	826,919,250
Dividend receivable from financial assets	-	68,822	68,822
Cash and cash equivalents	724,099	-	724,099
Total	<u>827,643,349</u>	<u>68,822</u>	<u>827,712,171</u>
Financial liabilities			
Management fee payable	-	70,410	70,410
Total	<u>-</u>	<u>70,410</u>	<u>70,410</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation

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

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

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

HKFRS 13 requires the Sub-Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the assets or liabilities.

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

Financial assets carried at fair value

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

As at 31 December 2022

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

As at 31 December 2021

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at FVPL:				
Listed equities	826,919,250	–	–	826,919,250
	<u>826,919,250</u>	<u>–</u>	<u>–</u>	<u>826,919,250</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

13. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(e) Fair value estimation (continued)

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

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

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

There were no transfers between levels during the year/period ended 31 December 2022 and 2021.

Other financial assets and financial liabilities

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

(f) Capital risk management

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

The Manager may:

- redeem and issue new units in accordance with the constitutive documents of the Sub-Fund;
- exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- suspend the creation and redemption of units under certain circumstances stipulated in the Trust Deed.

14. **BROKERAGE AND TRANSACTION FEE**

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

The brokerage and transaction fee of the Sub-Fund for the year ended 31 December 2022 was HK\$906,180 (2021:HK\$214,486).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

15. SEGMENT INFORMATION

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

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

The Sub-Fund trades in the constituent shares of the Hang Seng Index with the objective to provide investment results that closely correspond to the performance of the Index.

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

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

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

16. MAJOR NON-CASH TRANSACTIONS

In accordance with the Trust Deed, units are issued through an in-kind creation of an Index Basket with the remaining balances in cash. For each Creation Unit (of 1,000,000 units), the Sub-Fund receives an Index Basket consisting of constituent shares as determined by the Manager on a daily basis. During the year ended 31 December 2022, the Sub-Fund issued 75,000,000 units (2021: 34,700,000) of listed class totalling HK\$1,556,186,000 (2021: HK\$886,607,800) in exchange for Index Baskets consisting of investments valued at HK\$1,447,246,709 (2021: HK\$716,184,306) plus the relevant cash component of HK\$108,939,291 (2021: HK\$170,423,494) for listed class. The Sub-Fund also redeemed 41,000,000 units of listed class amounting to HK\$749,744,798 in exchange for Index Baskets consisting of investment valued at HK\$572,401,031 (2021: nil) plus the relevant cash component of HK\$177,343,767 (2021: nil).

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 27 April 2023.

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

INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2022

	HOLDINGS	FAIR VALUE	% OF
	UNITS	HK\$	NET ASSETS
Listed Equities			
Hong Kong			
AIA GROUP LTD	1,330,136	115,455,805	8.38
ALIBABA GROUP HLDG LTD	1,222,176	105,412,680	7.65
ALIBABA HEALTH INFORMATION TECHNOLOGY LTD	605,958	4,029,621	0.29
ANTA SPORTS PRODUCTS LTD	152,393	15,589,804	1.13
BAIDU INC-SW	66,075	7,380,577	0.54
BANK OF CHINA LTD-H	8,921,507	25,337,080	1.84
BOC HONG KONG (HLDGS) LTD	415,415	11,050,039	0.8
BUDWEISER BREWING CO APAC LTD	222,875	5,471,581	0.4
BYD CO LTD-H	104,880	20,199,888	1.47
CHINA CONSTRUCTION BANK CORP-H	12,151,391	59,420,302	4.31
CHINA HONGQIAO GROUP LTD	260,942	1,923,143	0.14
CHINA LIFE INSURANCE CO LTD-H	835,765	11,199,251	0.81
CHINA MENGNIU DAIRY CO LTD	354,855	12,561,867	0.91
CHINA MERCHANTS BANK CO LTD-H	438,237	19,129,045	1.39
CHINA MOBILE LTD	689,586	35,686,075	2.59
CHINA OVERSEAS LAND & INVESTMENT LTD	429,933	8,856,620	0.64
CHINA PETROLEUM & CHEMICAL CORP-H	2,863,818	10,796,594	0.78
CHINA RESOURCES BEER HLDGS CO LTD	182,430	9,951,557	0.72
CHINA RESOURCES LAND LTD	360,898	12,902,103	0.94
CHINA RESOURCES MIXC LIFESTYLE SERVICES LTD	76,781	3,044,367	0.22
CHINA SHENHUA ENERGY CO LTD-H	379,106	8,548,840	0.62
CHINA UNICOM (HONG KONG) LTD	685,138	3,309,217	0.24
CHOW TAI FOOK JEWELLERY GROUP LTD	224,181	3,568,961	0.26
CITIC LTD	815,976	6,723,642	0.49
CK ASSET HLDGS LTD	224,757	10,799,574	0.78
CK HUTCHISON HLDGS LTD	301,285	14,115,202	1.02
CK INFRASTRUCTURE HLDGS LTD	70,582	2,883,275	0.21
CLP HLDGS LTD	226,728	12,912,160	0.94
CNOOC LTD	2,003,088	19,990,818	1.45
COUNTRY GARDEN HLDGS CO LTD	956,448	2,553,716	0.19
COUNTRY GARDEN SERVICES HLDGS CO LTD	226,721	4,407,456	0.32
CSPC PHARMACEUTICAL GROUP LTD	1,004,174	8,234,227	0.6
ENN ENERGY HLDGS LTD	88,793	9,731,713	0.71
GALAXY ENTERTAINMENT GROUP LTD	245,029	12,643,496	0.92
GEELY AUTOMOBILE HLDGS LTD	677,307	7,721,300	0.56
H Aidilao Intl Hldg Ltd	218,461	4,893,526	0.36
HAIER SMART HOME CO LTD -H	273,704	7,280,526	0.36
HANG LUNG PROPERTIES LTD	201,760	3,078,858	0.22
HANG SENG BANK LTD	85,842	11,142,292	0.81
HANSOH PHARMACEUTICAL GROUP CO LTDV	132,083	1,960,112	0.14

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

INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2022

	HOLDINGS	FAIR VALUE	% OF
	UNITS	HK\$	NET ASSETS
Listed Equities (continued)			
Hong Kong (continued)			
HENDERSON LAND DEVELOPMENT CO LTD	162,732	4,434,447	0.32
HENGAN INTL GROUP CO LTD	78,319	3,246,323	0.24
HONG KONG & CHINA GAS CO LTD	1,257,054	9,327,341	0.68
HONG KONG EXCHANGES & CLEARING LTD	135,306	45,625,183	3.31
HSBC HLDGS PLC	2,191,460	106,395,383	7.73
INDUSTRIAL & COMMERCIAL BK OF CHINA-H	8,285,321	33,306,990	2.42
JD.COM INC	198,910	43,799,982	3.18
LENOVO GROUP LTD	816,573	5,234,233	0.38
LINING CO LTD	264,537	17,922,382	1.3
LONGFOR GROUP HLDGS LTD	211,423	5,137,579	0.37
MEITUAN-CLASS B	521,391	91,087,008	6.61
MTR CORP LTD	208,973	8,641,034	0.63
NETEASE INC	75,582	8,654,139	0.63
NEW WORLD DEVELOPMENT CO LTD	155,462	3,420,164	0.25
NONGFU SPRING CO LTD-H	225,974	9,965,453	0.72
ORIENT OVERSEAS INTL LTD	15,014	2,116,974	0.15
PETROCHINA CO LTD-H	2,368,543	8,455,698	0.61
PING AN INSURANCE GROUP CO OF CHINA LTD-H	711,060	36,726,249	2.67
POWER ASSETS HLDGS LTD	155,729	6,657,415	0.48
SANDS CHINA LTD	317,792	8,230,813	0.6
SEMICONDUCTOR MANUFACTURING INTL CORP	468,291	7,829,825	0.57
SHENZHOU INTL GROUP HLDGS LTD	92,799	8,147,752	0.59
SINO BIOPHARMACEUTICAL LTD	1,266,365	5,787,288	0.42
SUN HUNG KAI PROPERTIES LTD	162,813	17,388,428	1.26
SUNNY OPTICAL TECHNOLOGY GROUP CO LTD	80,038	7,431,528	0.54
TECHTRONIC INDUSTRIES CO LTD	175,118	15,252,778	1.11
TENCENT HLDGS LTD	354,591	118,433,394	8.6
TINGYI (CAYMAN ISLANDS) HLDG CORP	221,495	3,052,201	0.22
WH GROUP LTD	790,815	3,590,300	0.26
WHARF REAL ESTATE INVESTMENT CO LTD	187,219	8,518,464	0.62
WUXI BIOLOGICS CAYMAN INC	406,956	24,356,317	1.77
XIAOMI CORP-CLASS B SHARE	1,966,757	21,516,322	1.56
XINYI GLASS HLDG CO LTD	230,134	3,346,148	0.24
XINYI SOLAR HLDGS LTD	549,201	4,745,097	0.35
ZHONGSHENG GROUP HLDGS LTD	81,107	3,256,446	0.24
LINK REAL ESTATE INVESTMENT TRUST	236,861	13,572,135	0.98
TOTAL INVESTMENTS, AT FAIR VALUE		1,376,506,123	99.95
TOTAL INVESTMENTS, AT COST		1,505,785,244	

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

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2022

	For the period from 5 May 2021 (date of inception) to 31 December 2021	Additions Units	Disposals Units	As at 31 December 2022 Units
Listed equities (continued)				
Hong Kong (continued)				
AIA GROUP LTD	794,653	1,562,995	1,027,512	1,330,136
ALIBABA GROUP HLDG LTD	497,412	1,431,798	707,034	1,222,176
ALIBABA HEALTH INFORMATION TECHNOLOGY LTD	309,171	752,097	455,310	605,958
ANTA SPORTS PRODUCTS LTD	70,712	183,326	101,645	152,393
BAIDU INC-SW	-	102,338	36,263	66,075
BANK OF CHINA LTD-H	5,206,283	10,371,171	6,655,947	8,921,507
BOC HONG KONG (HLDGS) LTD	240,074	493,430	318,089	415,415
BUDWEISER BREWING CO APAC LTD	130,306	273,142	180,573	222,875
BYD CO LTD-H	55,163	118,471	68,754	104,880
CHINA CONSTRUCTION BANK CORP-H	7,115,586	14,029,259	8,993,454	12,151,391
CHINA HONGQIAO GROUP LTD	-	443,134	182,192	260,942
CHINA LIFE INSURANCE CO LTD-H	483,442	997,928	645,605	835,765
CHINA MENGNIU DAIRY CO LTD	180,768	420,121	246,034	354,855
CHINA MERCHANTS BANK CO LTD-H	255,660	512,813	330,236	438,237
CHINA MOBILE LTD	403,356	798,999	512,769	689,586
CHINA OVERSEAS LAND & INVESTMENT LTD	248,036	515,813	333,916	429,933
CHINA PETROLEUM & CHEMICAL CORP-H	1,574,280	3,277,044	1,987,506	2,863,818
CHINA RESOURCES BEER HLDGS CO LTD	106,000	218,013	141,583	182,430
CHINA RESOURCES LAND LTD	210,329	429,614	279,045	360,898
CHINA RESOURCES MIXC LIFESTYLE SERVICES LTD	-	84,600	7,819	76,781
CHINA SHENHUA ENERGY CO LTD-H	-	590,589	211,483	379,106
CHINA UNICOM (HONG KONG) LTD	401,507	893,572	609,941	685,138
CHOW TAI FOOK JEWELLERY GROUP LTD	-	352,499	128,318	224,181

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

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2022

	For the period from 5 May 2021 (date of inception) to 31 December 2021	Additions Units	Disposals Units	As at 31 December 2022 Units
Listed equities (continued)				
Hong Kong (continued)				
CITIC LTD	476,752	980,659	641,435	815,976
CK ASSET HLDGS LTD	130,211	270,049	175,503	224,757
CK HUTCHISON HLDGS LTD	175,550	354,723	228,988	301,285
CK INFRASTRUCTURE HLDGS LTD	50,674	91,229	71,321	70,582
CLP HLDGS LTD	132,092	267,226	172,590	226,728
CNOOC LTD	1,166,863	2,341,344	1,505,119	2,003,088
COUNTRY GARDEN HLDGS CO LTD	516,270	1,171,953	731,775	956,448
COUNTRY GARDEN SERVICES HLDGS CO LTD	114,835	290,047	178,161	226,721
CSPC PHARMACEUTICAL GROUP LTD	581,840	1,206,867	784,533	1,004,174
ENN ENERGY HLDGS LTD	51,600	105,688	68,495	88,793
GALAXY ENTERTAINMENT GROUP LTD	142,004	292,216	189,191	245,029
GEELY AUTOMOBILE HLDGS LTD	384,480	803,060	510,233	677,307
H Aidilao Intl Hldg Ltd	71,891	279,021	132,451	218,461
HAIER SMART HOME CO LTD -H	-	301,600	27,896	273,704
HANG LUNG PROPERTIES LTD	132,292	286,633	217,165	201,760
HANG SENG BANK LTD	49,734	102,106	65,998	85,842
HANSOH PHARMACEUTICAL GROUP CO LTD	-	208,573	76,490	132,083
HENDERSON LAND DEVELOPMENT CO LTD	95,422	200,665	133,355	162,732
HENGAN INTL GROUP CO LTD	46,093	102,196	69,970	78,319
HONG KONG & CHINA GAS CO LTD	731,280	1,500,201	974,427	1,257,054
HONG KONG EXCHANGES & CLEARING LTD	79,194	155,976	99,864	135,306
HSBC HLDGS PLC	1,363,612	2,444,272	1,616,424	2,191,460
INDUSTRIAL & COMMERCIAL BK OF CHINA-H	4,843,819	9,576,610	6,135,108	8,285,321
JD.COM INC	40,500	260,697	109,203	198,910
LENOVO GROUP LTD	-	1,409,581	586,092	816,573
LI NING CO LTD	146,928	312,722	195,113	264,537
LONGFOR GROUP HLDGS LTD	119,524	246,726	154,827	211,423

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

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2022

	For the period from 5 May 2021 (date of inception) to 31 December 2021	Additions Units	Disposals Units	As at 31 December 2022 Units
Listed equities (continued)				
Hong Kong (continued)				
MEITUAN-CLASS B	280,313	591,344	350,266	521,391
MTR CORP LTD	120,557	249,700	161,284	208,973
NETEASE INC	33,300	100,961	58,679	75,582
NEW WORLD DEVELOPMENT CO LTD	88,607	195,093	128,238	155,462
NONGFU SPRING CO LTD-H	-	385,679	159,705	225,974
ORIENT OVERSEAS INTL LTD	-	24,688	9,674	15,014
PETROCHINA CO LTD-H	1,365,958	2,839,713	1,837,128	2,368,543
PING AN INSURANCE GROUP CO OF CHINA LTD-H	415,630	821,767	526,337	711,060
POWER ASSETS HLDGS LTD	89,678	188,488	122,437	155,729
SANDS CHINA LTD	181,915	390,645	254,768	317,792
SEMICONDUCTOR MANUFACTURING INTL CORP	-	829,520	361,229	468,291
SHENZHOU INTL GROUP HLDGS LTD	58,902	118,347	84,450	92,799
SINO BIOPHARMACEUTICAL LTD	731,067	1,554,387	1,019,089	1,266,365
SUN HUNG KAI PROPERTIES LTD	85,408	197,245	119,840	162,813
SUNNY OPTICAL TECHNOLOGY GROUP CO LTD	46,644	95,772	62,378	80,038
TECHTRONIC INDUSTRIES CO LTD	96,258	199,654	120,794	175,118
TENCENT HLDGS LTD	145,145	400,663	191,217	354,591
TINGYI (CAYMAN ISLANDS) HLDG CORP	-	244,000	22,505	221,495
WH GROUP LTD	462,722	979,469	651,376	790,815
WHARF REAL ESTATE INVESTMENT CO LTD	118,648	240,881	172,310	187,219
WUXI BIOLOGICS CAYMAN INC	236,392	471,852	301,288	406,956
XIAOMI CORP-CLASS B SHARE	1,153,513	2,284,261	1,471,017	1,966,757
XINYI GLASS HLDG CO LTD	143,026	304,960	217,852	230,134
XINYI SOLAR HLDGS LTD	316,372	671,027	438,198	549,201
ZHONGSHENG GROUP HLDGS LTD	-	125,856	44,749	81,107
LINK REAL ESTATE INVESTMENT TRUST	136,578	278,706	178,423	236,861
AAC TECHNOLOGIES HLDGS INC	47,640	71,414	119,054	-
SUPER HI INTERNATIONAL HOLDING LTD	-	22,482	22,482	-

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

PERFORMANCE RECORD (UNAUDITED)

NET ASSET VALUE

	Dealing net asset value HK\$	Dealing net asset value per unit HK\$
As at 31 December 2022		
Listed Class	1,377,112,673	20.0453
Unlisted Class	44,445	20.0464
As at 31 December 2021		
Listed Class	827,641,761	23.8513

HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT

	Highest issue price per unit		Lowest redemption price per unit	
	Listed Class HK\$	Unlisted Class HK\$	Listed Class HK\$	Unlisted Class HK\$
For the year ended 31 December 2022	25.4471	22.5905	15.3678	15.3684
For the period from 5 May 2021 (date of inception) to 31 December 2021	29.6047	-	23.1871	-

COMPARISON OF THE SCHEME PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE

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

	Sub-Fund performance %	Index performance %
For the year ended 31 December 2022		
- Listed class*	-15.96	-12.70
- Unlisted class**	-11.17	-8.20
For the period from 5 May 2021 (date of inception) to 31 December 2021		
- Listed class	-16.07	-16.03

*During the year ended 31 December 2022, the listed class of the Sub-Fund made a distribution of HK\$0.68 per unit, which represents 3.39% to the net asset value per unit of the listed class as at 31 December 2022. For the details of the distribution, refer to Note 10 of the audited financial statements.

** During the year ended 31 December 2022, the unlisted class of the Sub-Fund made a distribution of HK\$0.58 per unit, which represents 2.89% to the net asset value per unit of the unlisted class as at 31 December 2022. For the details of the distribution, refer to Note 10 of the audited financial statements. The period of index performance was from 4 July 2022 (date of inception of the unlisted class) to 31 December 2022.

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

MANAGEMENT AND ADMINISTRATION

Manager

CSOP Asset Management Limited
2801-2803 & 3303-3304
Two Exchange Square
8 Connaught Place
Central, Hong Kong

Directors of the Manager

Chen Ding
Gaobo Zhang
Xiaosong Yang
Xiuyan Liu (resigned on 17 June 2022)
Yi Zhou
Yundong Zhu (appointed on 17 June 2022)
Zhiwei Liu
Zhongping Cai

Auditors

Ernst & Young
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Quarry Bay
Hong Kong

Trustee, Custodian and Registrar

BOCI-Prudential Trustee Limited
Suites 1501-1507 & 1513-1516, 15/F,
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Legal Counsel to the Manager

Deacons
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18 Chater Road
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Listing Agent

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