



**Source CSOP Markets plc**  
Annual report and audited financial statements

For the financial year ended 31 December 2018





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# Organisation

## Annual Report and Audited Financial Statements 2018

### Registered Office of the Company

32 Molesworth Street  
Dublin 2  
Ireland

### Manager

Invesco Investment Management Limited\*\*\*  
Central Quay Riverside IV  
Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Administrator

HSBC Securities Services (Ireland) DAC  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland

### Independent Auditors

PricewaterhouseCoopers  
Chartered Accountants and  
Registered Auditor  
One Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland

### Directors of the Company

Mike Kirby (Irish)\*  
Feargal Dempsey (Irish)\*\*  
Helen Lingli Zhou (Hong Kong)\*  
Choe Yong Ng (Hong Kong)

### Investment Manager

CSOP Asset Management Limited  
Suite 2802, Two Exchange Square  
Connaught Place  
Central  
Hong Kong

*\* Non-executive Directors*

*\*\* Independent non-executive Directors*

*\*\*\* Name change effective from 25 May 2018.*

*Prior to 25 May 2018 Manager's name was Source Investment Management Limited.*

*\*\*\*\* Located at 9th Floor, 110 Cannon Street  
London EC4N 6EU, United Kingdom, prior to 23  
March 2018.*

### Secretary

MFD Secretaries Limited  
32 Molesworth Street  
Dublin 2  
Ireland

### Promoter\*\*\*\*

Invesco UK Services Limited  
Perpetual Park,  
Perpetual Park Drive,  
Henley-on-Thames,  
Oxfordshire, RG9 1 HH,  
United Kingdom

### Legal Advisor (Ireland)

Maples and Calder  
75 St. Stephen's Green  
Dublin 2  
Ireland

### Hong Kong/PRC Legal Advisors to the Promoter and the Company in Relation to RQFII and Depositary

Clifford Chance, Hong Kong  
28th Floor Jardine House  
One Connaught Place  
Hong Kong

### Depositary

HSBC Institutional Trust Services (Ireland) DAC  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland

### Registrar

Capita Registrars  
24 Beckenham Road  
Beckenham  
Kent, BR3 4TU  
United Kingdom

### Authorised Participants

Bank of America  
Merrill Lynch International Limited  
Merrill Lynch Financial Centre  
2 King Edward Street  
London, EC1A 1HQ  
United Kingdom

J.P. Morgan Securities Limited  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

UBS AG  
5 Broadgate  
London, EC2M 2QS  
United Kingdom

Registered no. of Company: 536094

# General Information

## Annual Report and Audited Financial Statements 2018

### Description

Source CSOP Markets Public Limited Company (the "Company") is an open-ended variable capital company with segregated liability between the sub-funds of the Company ("Fund"). The Company was incorporated on 29 November 2013. It is organised under the laws of Ireland as a public limited company pursuant to the Companies Act 2014 and as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the "UCITS Regulations") and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (as amended) (the "Central Bank UCITS Regulations").

The Company is structured as an umbrella investment company, and comprises separate Funds which may be established from time to time by the Directors with the prior approval of the Central Bank of Ireland (the "Central Bank").

A Fund is defined as a separate portfolio of assets which is invested in accordance with the investment objective and policies set out in the relevant Supplement and to which all liabilities, income and expenditure attributable or allocated to such portfolio shall be applied and charged.

The particulars of each Fund are set out in a separate Supplement. Redeemable Shares or Shares (these terms are used interchangeably throughout the financial statements) of more than one Class may be issued in relation to each Fund. Information contained within the Supplement is selective and should be read in conjunction with the Prospectus. On the introduction of any new Class of Shares, the Company prepares and the Directors will issue documentation setting out the relevant details of each such Class of Shares. Investments are made in accordance with the investment objective applicable to each Fund.

CSOP Source FTSE China A50 UCITS ETF is in existence as at 31 December 2018.

CSOP Source Citi Chinese 1-3 Year Government Bond UCITS ETF was authorised by the Central Bank of Ireland on 11 December 2014. However, this Fund was not launched as at 31 December 2018.

Except where otherwise stated or the context requires, capitalised terms have the meaning given to them in the Prospectus of the Company dated 25 May 2018.

### Investment objective and policy

The investment objective of CSOP Source FTSE China A50 UCITS ETF is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Reference Index, namely, FTSE China A50 Price Return Index (the "Reference Index").

The Reference Index is a free float-adjusted market capitalisation weighted index compiled and published by FTSE Russell. The Investment Manager is independent of the FTSE International Limited, being the "Index Provider". The Reference Index is a real-time, tradable index comprising Index Securities being China A-Shares issued by the largest 50 companies by full market capitalisation of the FTSE China A50 Price Return Index. The Reference Index is a subset of the FTSE China A Free Index Series. The Reference Index is a price return index which means that it does not include the reinvestment of dividends from the Index Securities that are net of withholding tax. The Reference Index is denominated and quoted in RMB.

There is no assurance that the Fund will achieve its investment objective.

In order to achieve the investment objective, the Investment Manager will normally use a replication strategy by investing directly in Index Securities which constitute the Reference Index in substantially the same weightings (i.e. proportions) as such Index Securities have in the Reference Index.

The Fund will not invest in derivatives instruments (including structured deposits, products or instruments) for investment or hedging purposes. Furthermore, the Fund itself will not be leveraged for investment, efficient portfolio management or hedging purposes and will therefore not be subject to any shortfall risk.

The Fund will invest on a long-only basis.

This Fund is an Exchange Traded Fund ("ETF").

# Annual Report and Audited Financial Statements 2018

## Investment objective and policy (continued)

The Shares of this Fund are fully transferable among investors and will be listed and/or traded on the relevant exchange.

The investment objective of the Fund may not be altered, and material changes to the investment policy of the Fund may not be made, without prior approval of Shareholders on the basis of (i) a majority of votes cast at a meeting of the Shareholders of the Fund duly convened and held or (ii) with the prior written approval of all Shareholders of the Fund. In the event of a change of the investment objective and/or a material change in the investment policy of the Fund, Shareholders in the Fund will be given reasonable notice of such change to enable them to redeem their Shares prior to implementation of such a change.

As at 31 December 2018, the Company had one active Fund:

|                                      | Launch date    | Functional currency |
|--------------------------------------|----------------|---------------------|
| CSOP Source FTSE China A50 UCITS ETF | 7 January 2014 | RMB                 |

As at 31 December 2018, the listing details of the Fund are:

|                                      | Listing                 |
|--------------------------------------|-------------------------|
| CSOP Source FTSE China A50 UCITS ETF | London Stock Exchange*  |
|                                      | Euronext Dublin         |
|                                      | SIX Swiss Exchange*     |
|                                      | Deutsche Börse (Xetra)* |
|                                      | Borsa Italiana*         |

\*Fund is admitted to trading on the exchange.

# Investment Manager's Report

## Annual Report and Audited Financial Statements 2018

### Fund review

The CSOP Source FTSE China A50 UCITS ETF aims to provide investment results that, before deduction of fees and expenses (and taking into account any dividends received by the Fund in respect of the Index Securities), closely corresponds to the performance of the Reference Index, namely, FTSE China A50 Price Return Index.

### Benchmark index

| Fund name                            | Functional currency | Benchmark index                   |
|--------------------------------------|---------------------|-----------------------------------|
| CSOP Source FTSE China A50 UCITS ETF | RMB                 | FTSE China A50 Price Return Index |

The performance of the Fund from launch date to 31 December 2018:

| Currency                             | Launch date  | Total net asset value 31/12/18 | Net asset value per share 31/12/18 | Return since launch (%) Fund | Tracking difference    | Return                    | Tracking difference        | Realised Tracking Error    | Expected Tracking Error    |
|--------------------------------------|--------------|--------------------------------|------------------------------------|------------------------------|------------------------|---------------------------|----------------------------|----------------------------|----------------------------|
|                                      |              |                                |                                    |                              | since launch (%) Index | since 31/12/2017 (%) Fund | since 31/12/2017 (%) Index | since 31/12/2017 (%) Index | since 31/12/2017 (%) Index |
| CSOP Source FTSE China A50 UCITS ETF | RMB 07/01/14 | 98,488,313.72                  | 118.17                             | 68.04%                       | 15.43%                 | (20.02%)                  | 1.26%                      | 0.67%                      | 2.00%                      |

Realised tracking error and realised tracking difference are in-line with what was expected. The tracking difference between the Fund and the benchmark index is mainly driven by management fees and dividend.

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## Fund review (continued)

China's stock market was on roller coaster ride in the year of 2018. The A-share market continued the 2017 rally in the first month, but followed by the market crash for the rest of the year. The CSI300 and FTSE A50 dropped -25.3% and -21.3% in 2018 respectively, making the A-share's performance at its worst annual return since 2008.

The ongoing trade war between China and the US unsettled the A-share market for much of 2018. After months of tariff threatens and negotiation, the two countries failed to reach any resolution to end the trade dispute. Therefore in July, US announced 25% tariff on \$34b China imports, and China immediately took retaliatory measures by imposing 25% tariff on \$34b US imports. In August, US and China implemented second round of tariffs by imposing 25% tariff on \$16b products from the counterparty. The disputes continued in the following few months until December, with US threatening to impose tariff on essentially all Chinese imports, and China promised to fight back. Risky assets continued to be sold off throughout the year as investors worried the US-China trade disputes may trigger a large-scale trade war. However, after President Xi and President Trump met in Argentina in December 2, US and China agreed to a temporary truce and the trade tension quickly cooled down. Market held a cautiously optimistic expectation that US and China would eventually reach a final resolution to end the trade war within the 90-day truce.

The slowdown in China's own economy following decades of strong growth clouded A-share market throughout the year. Beyond its trade skirmish with US, China's own economy has shown signs of slowdown. According to government data, China's official manufacturing Purchasing Managers' Index came in 49.4, while a value under 50 was a strong sign for economic contraction. In the meanwhile, the country's GDP growth fell to 6.6%, a 28-year low. Market expected China's GDP growth to be within 6.0% - 6.5% in the following year.

Yet there are still several positive signals to A-share market. MSCI finally included first batch of 226 Chinese onshore stocks into its MSCI Emerging Market Index at the end of June. The second-phase rebalancing process was implemented in September 2018 with inclusion factor of another 2.5%. Upon full inclusion, China's weight in the MSCI Emerging Market Index would increase to 40.8% from the current 28%. According to MSCI, USD 400 billion is expected to flow in the A-share market in the next decade as a result of the inclusion. Stock connect northbound flow coincided with MSCI China A inclusion. The overall northbound net inflow to A shares in Shanghai and Shenzhen exchanges is about 300 billion RMB in 2018, surpassing the summation of the previous three years. As MSCI continues to increase the inclusion factor in the coming years, net northbound inflows through stock connect are expected to last.

A-share valuation reached its historical low in 2018 year end. P/E and P/B of SHCOMP are about 12 and 1.5 respectively, just slightly larger than the lowest level in a decade but much smaller than decade average value of 17.4 and 2.1. Historical performance showed that once the valuation reached bottom level, a strong rally would be followed. This partially explained the huge net inflow to A shares.

Last but not least, Fed softened the tone after 4 rate hikes within the year, partly due to Fed's concerns on slower GDP growth in US. Market consensus forecast 0 to 2 rate hikes next year, down from 3 rate raises previously expected. The slower or even no rate hikes would benefit global equity markets, including A shares.

2018 turns out to be unkind to A-share market. The ongoing trade war between China and the US, and the slowdown in China's own economy clouded A-share market throughout the year. Yet there are signals that the market may already reach its bottom level. MSCI China A inclusion triggered massive net inflow to A shares. Valuation of the A share reached its historical low and a dovish Fed was a positive sign to global equities including A shares. Thus we hold cautiously optimistic view in the A-share market in the coming year.

CSOP Asset Management Limited  
Date: 23 April 2019

# Director's Report

## Annual Report and Audited Financial Statements 2018

The Directors present herewith the Annual Report and Audited Financial Statements for the year ended 31 December 2018.

### Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the audited financial statements in accordance with the Companies Act 2014 (as amended) and the applicable regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014 (as amended).

In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy and which enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and comply with the provisions of the Companies Act 2014, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the "UCITS Regulations"), the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (as amended) (the "Central Bank UCITS Regulations"), the Listing Rules of the various stock exchanges and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Annual Report and Audited Financial Statements 2018

## Statement of directors' responsibilities (continued)

In this regard, HSBC Securities Services (Ireland) DAC (the "Administrator") has been appointed for the purpose of maintaining adequate accounting records and HSBC Institutional Trust Services (Ireland) DAC (the "Depositary") have been appointed for the purpose of safeguarding the assets of the Company. The accounting records are maintained at the Administrator's registered offices at 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland.

The Financial Statements are published on the [etf.invesco.com](http://etf.invesco.com) website. The Directors and Invesco UK Services Limited are responsible for the maintenance and integrity of the financial information included on this website. Legislation in the Republic of Ireland governing the presentation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

## Principal activities

The investment objective of the Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Reference Index, namely, FTSE China A50 Price Return Index.

## Results for the financial year

The results of operations for the financial year are set out in the Statement of Comprehensive Income on page 20.

## Corporate governance statement

The European Communities (Directive 2006/46/EC) Regulations (S.I. 450 of 2009 and S.I. 83 of 2010) (the "Regulations") requires the inclusion of a corporate governance statement in the Directors' Report.

On 11 December 2013, the Board of Directors formally adopted the Corporate Governance Code for Irish Domiciled Collective Investment Schemes as published by the Irish Funds Industry Association ("Irish Funds"), as the Company's corporate governance code. This publication is available from the Irish Funds website ([www.irishfunds.ie](http://www.irishfunds.ie)).

The Board of Directors has assessed the measures included in the Irish Funds Code as being consistent with its corporate governance practices and procedures for the financial year.

As at 31 December 2018, the Company is in compliance with the Irish Funds Code.

The Company is also subject to corporate governance practices imposed by:

(i) Companies Act 2014 (the "Companies Act") which are available for inspection at the registered office of the Company and may also be obtained at: [www.irishstatutebook.ie](http://www.irishstatutebook.ie);

(ii) The Memorandum and Articles of Association of the Company which are available for inspection at the registered office of the Company at 32 Molesworth Street, Dublin 2, Ireland and at the Companies Registration Office in Ireland;

(iii) The UCITS Regulations and the Central Bank UCITS Regulations;

(iv) Deutsche Börse through the trading model of XETRA for shares (including ETFs) which can be obtained from the Deutsche Börse website at: [www.deutscheboerse.com](http://www.deutscheboerse.com); and

(v) The Irish Stock Exchange ("ISE") continuing obligations requirements for open ended funds which can be obtained from the ISE website at: [www.ise.ie](http://www.ise.ie)

(vi) The Swiss Stock Exchange (SIX) continuing obligations requirements for investment funds which can be obtained from the SIX website at: [www.six-swiss-exchange.com](http://www.six-swiss-exchange.com)

(vii) The Borsa Italiana continuing obligations requirements for investment funds which can be obtained from the Borsa Italiana website at: [www.borsaitaliana.it](http://www.borsaitaliana.it)

# Annual Report and Audited Financial Statements 2018

## **Corporate governance statement (continued)**

By virtue of the listing on the ISE, the Fund is admitted to trading on the London Stock Exchange ("LSE") on a "cross listing" basis. In the context, however, of corporate governance, the Fund is not subject to the listing requirements of the London Stock Exchange but instead complies with those of the ISE. Please refer to the listing details on page 4 for a list of stock exchanges on which the Fund is currently trading.

## **Internal control and risk management systems**

The Company is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process.

The Company has procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including production of annual and semi-annual Financial Statements. The Company has appointed HSBC Securities Services (Ireland) DAC Fund Administration Services (Ireland) Limited (the "Administrator") as its administrator consistent with the regulatory framework applicable to investment fund companies such as the Company.

The Administrator has functional responsibility for the preparation of the Company's annual and semi-annual Financial Statements and the maintenance of its accounting records. On appointing the Administrator the Board of Directors (the "Board") noted that it is regulated by the Central Bank of Ireland and, in the Board's opinion, has significant experience as an administrator.

The Board also noted the independence of the Administrator from the Company's Investment Manager. Subject to the supervision of the Board, the appointment of the Administrator is intended to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The annual and semi-annual Financial Statements of the Company are required to be approved by the Board and filed with the Central Bank of Ireland and the relevant Stock Exchange within the relevant respective time periods. The statutory Financial Statements are required to be audited by independent auditors who report annually to the Board on their findings.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. The Board reviews the Financial Statements prior to their approval, though it should be noted that such review does not include verification of information in the Financial Statements to underlying documents. The annual Financial Statements are subject to independent audit by PricewaterhouseCoopers (the "Auditor") and the Board receives and considers a report from the Auditor as to the audit process.

This report includes observations as to the extent to which (i) the annual Financial Statements provide a true and fair view (ii) adjustments were made to the accounting records maintained by the Administrator in order to provide Financial Statements giving a true and fair view and (iii) potential significant control weaknesses identified by the Auditor during the audit process. The Auditor presents this report at the board meeting at which the Financial Statements are presented to the Board for approval. The Board also invites the Auditor to attend the board meeting prior to the commencement of the audit, at which the Auditor presents the audit plan to the Board.

# Annual Report and Audited Financial Statements 2018

## Shareholders' meetings

The convening and conduct of Shareholders' meetings are governed by the Memorandum and Articles of Association of the Company and the Companies Act. Although the Directors may convene an extraordinary general meeting of the Company at any time, the Directors are required to convene an annual general meeting of the Company within fifteen months of the date of the previous annual general meeting.

Shareholders representing not less than one-tenth of the paid up share capital of the Company may also request the Directors to convene a Shareholders' meeting.

Not less than twenty one clear days' notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to Shareholders and fourteen clear days' notice must be given in the case of any other general meeting unless the Auditors of the Company and all the Shareholders of the Company entitled to attend and vote agree to shorter notice.

Two Shareholders present either in person or by proxy constitutes a quorum at a general meeting. Every holder of shares present in person or by proxy who votes on a show of hands is entitled to one vote and the holders of Subscriber shares shall have one vote in respect of all of the Subscriber shares in issue. On a poll, every holder of shares present in person or by proxy is entitled to one vote in respect of each share held by him.

The chairman of a general meeting of the Company or at least two Shareholders present in person or by proxy having the right to vote at the meeting or any holder or holders of shares present in person or by proxy representing at least one tenth of the shares in issue having the right to vote at such meeting may demand a poll.

Shareholders may resolve to sanction an ordinary resolution or special resolution at a Shareholders' meeting. An ordinary resolution of the Company or of the Shareholders of a particular Fund or Class requires a simple majority of the votes cast by the Shareholders voting in person or by proxy at the meeting at which the resolution is proposed.

A special resolution of the Company or of the Shareholders of a particular Fund or Class requires a majority of not less than 75% of the Shareholders present in person or by proxy and voting in general meeting in order to pass a special resolution including a resolution to amend the Memorandum and Articles of Association.

## Composition of the board of directors

Unless otherwise determined by an ordinary resolution of the Company in general meeting, the number of Directors may not be less than two. Currently the Board is composed of four Directors, being those listed on page 2 of these Financial Statements.

The business of the Company is managed by the Directors, who exercise all such powers of the Company as are not by the Companies Act or by the Memorandum and Articles of Association of the Company required to be exercised by the Company in a general meeting.

A Director may, and the Company Secretary of the Company on the requisition of a Director will, at any time summon a meeting of the Directors. Questions arising at any meeting of the Directors are determined by a majority of votes. In the case of an equality of votes, the chairman has a casting vote. The quorum necessary for the transaction of business at a meeting of the Directors is two.

The Directors who held office during the year are shown on page 2.

Ms. Helen Lingli Zhou (Hong Kong): Ms Zhou was the Managing Director and Head of Client Solutions Group of CSOP Asset Management Limited up until 4 December 2015. Prior to joining CSOP, Ms Zhou was an Executive Director at Goldman Sachs (Asia) LLC, where she was responsible for providing multi-asset solutions to the firm's institutional and intermediary clients in the Greater China region. Before that, in 2004, she held a position with UBS Investment Bank as an equity and fund derivatives sales.

Ms Zhou started her career as a business reporter for Reuters News Agency. She obtained her Master of Business Administration degree from the Hong Kong University of Science & Technology, and holds a Bachelor of Science degree in Systems Engineering from Tianjin University of China.

# Annual Report and Audited Financial Statements 2018

## Composition of the board of directors (continued)

Mr. Feargal Dempsey (Irish): Mr Dempsey is an independent non-executive director and consultant to the Funds Industry. He has held senior positions at Barclays Global Investors/BlackRock including Head of Product Strategy iShares EMEA, Head of Product Structuring iShares EMEA and Head of Product Governance. Previously he has also served as Head of Legal to ETF Securities and as a senior lawyer in Pioneer Investments.

Mr Dempsey holds a BA (Hons) and an LLB (Hons) from University College Galway and was admitted to the Roll of Solicitors in Ireland in 1996 and to the England and Wales Law Society in 2005. He has served on the legal and regulatory committee of Irish Funds and the ETF Working Group at EFAMA.

Mr. Mike Kirby (Irish): Mr. Kirby, is the Managing Principal at KB Associates, a firm which provides a range of advisory and project management services to the offshore mutual funds industry. He has held senior positions at Bank of New York (previously RBS Trust Bank) (1995-2000) where he was responsible for the establishment and on-going management of its Dublin operations and was also a Director of RBS's global custody operations in Jersey. Prior to this he was Vice President of product management & marketing global securities services with J.P. Morgan (previously Chase Manhattan Bank) (1993-1995) in London.

Subsequently (2000-2002) he was a Senior Vice President of MiFund Inc, a privately owned mutual funds supermarket incorporated in the USA, and Managing Director of MiFund Services Limited its wholly owned Irish subsidiary. Mr. Kirby holds a Bachelor of Commerce (Honours) Degree from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland. He is a founder member of Irish Funds.

Mr. Choe Yong Ng (Hong Kong): Mr Ng is the Chief Operating Officer of CSOP Asset Management Limited. Prior to joining CSOP as COO, Mr. Ng was the head of Business Controls and Management for South East Asia at Bank of America Merrill Lynch within the COO organization, responsible for the governance and business management of the Global Banking and Markets Businesses in the region. Mr. Ng was also on the management committees on Merrill Lynch Singapore, Bank of America Singapore Branch and Bank of America Securities Limited to provide governance and act as a liaison to local regulators in SEA.

Prior to his role in the COO organization, Mr. Ng was the Head of APAC Middle Office for Equities Execution Services. In that role, he managed the team which supported the Equities Cash, Index/ETF and Delta One businesses for APAC. He also managed the implementation for the Hong Kong Shanghai Connect go-live for Middle Office. Prior to Bank of America Merrill Lynch, Mr. Ng has worked in a number of large financial institutions such as Barclays Capital and Morgan Stanley in a variety of roles covering operations, middle office and finance. Mr. Ng started his career in Deloitte Australia as an auditor.

Mr. Ng holds a Bachelor of Computer Science and a Master of Applied Commerce (Accounting) from The University of Melbourne. He also holds a Master of Business Administration from the University of Chicago - Booth School of Business.

## Directors' and company secretary's interests and transactions

Apart from those noted below, there are no contracts or arrangements of any significance in relation to the business of the Company in which the Directors or Company Secretary had any interest as defined in the Companies Act 2014 at any time during the financial year.

No Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or issued to, the Company and except as disclosed below no Director is materially interested in any contract or arrangement subsisting at the date hereof which is unusual in its nature and conditions or significant in relation to the business of the Company.

The Directors and Company Secretary had no beneficial interest in the Redeemable Shares of the Company at 31 December 2018 or at any time during the financial year.

# Annual Report and Audited Financial Statements 2018

## Directors' and company secretary's interests and transactions (continued)

Mike Kirby is a Director of the Company and the principal of KB Associates which provides services to the Manager. Choe Yong Ng is a Director of the Company and is the Chief Operating Officer of the Investment Manager. Helen Lingli Zhou is a Director of the Company and up until 4 December 2015 was the Managing Director of the Investment Manager. Feargal Dempsey is a Director of the Company and a Director of the Manager.

Details of all related party transactions are contained in Note 11 to the financial statements.

## Transactions with connected persons

Any transaction carried out with a UCITS by a management company or depositary to the UCITS, the delegates or sub-delegates of the management company or depositary, and any associated or group of such a management company, depositary, delegate or subdelegate ("connected persons") must be carried out as if conducted at arm's length. Transactions must be in the best interests of the Shareholders.

The Directors are satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that the obligations set out in Regulation 41(1) of the Central Bank UCITS Regulations are applied to all transactions with connected persons, and are satisfied that transactions with connected persons entered into during the year complied with the obligations set out in Regulation 41(1) of the Central Bank UCITS Regulations.

## Board membership and Diversity

The Board of Directors acknowledges the importance of diversity to enhance its operation. During the selection process, the Board is committed to selecting those with diversity of business skill, experience and gender and candidates for appointment are selected based on these attributes. The Board will ensure that all selection decisions are based on merit and that recruitment is fair and non discriminating. The Board has not set specific targets in respect of gender diversity but acknowledges its importance and currently has female representation of 25%.

## Directors compliance statement

The Directors acknowledge that they are responsible for securing the Company's compliance with the relevant obligations as set out in section 225 of the Companies Act 2014.

The Directors confirm that:

- (i) A compliance policy statement has been drawn up that sets out policies, that in our opinion are appropriate to the Company, respecting compliance by the Company with its relevant obligations;

- (ii) Appropriate arrangements or structures are in place that are, in our opinion, designed to secure material compliance with the Company's relevant obligations; and
- (iii) During the financial year, the arrangements or structures referred to in (ii) have been reviewed.

## Statement of relevant audit information

The following applies in the case of each person who was a Director of the Company, as disclosed on page 2, at the time this report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

## Review of business and future developments

A review of market activities and market outlook can be found in the Investment Manager's Report on pages 5 to 6.

The Fund will continue to pursue its investment objective as set out in the Prospectus and Supplement.

# Annual Report and Audited Financial Statements 2018

## Risk management objectives and policies

The main risks arising from the Company's financial instruments are as described in Note 2 to the Financial Statements.

## Significant events during the financial year

Effective 23 March 2018, the name of the Promoter changed from Source UK Services Limited changed its name to Invesco UK Services Limited.

Effective 25 May 2018, a new Prospectus was issued, in order to reflect the rebranding of the Company and its Funds as well as other regulatory updates.

Effective 25 May 2018, the name of the Manager changed from Source Investment Management Limited to Invesco Investment Management Limited.

Effective 1 June 2018, the management fee was reduced to 0.65%. Up until 1 June 2018 the management fee was 0.99%. Prior to 1 June 2018, Administration and Depositary fees were charged directly to the Fund. Effective 1 June 2018, the Manager pays out of its fees (and not out of the assets of the Fund) the fees and expenses of the Administration and Depositary.

On 1 August 2018, ownership of HSBC Institutional Trust Services (Ireland) DAC (the "Depositary") transferred to HSBC France. The Depositary has merged into HSBC France in April 2019 and its business will operate from a Dublin branch of HSBC France.

There were no other significant events during the financial year which need to be disclosed in these financial statements.

## Events since the financial year end

The office of the Manager changed from 32 Molesworth Street, Dublin 2, Ireland to Central Quay Riverside IV, Sir John Rogerson's Quay, Dublin 2.

There were no significant post balance sheet events.

## Distribution

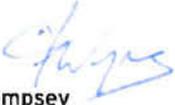
There are no dividend entitlements for the shares of the Fund.

## Independent auditors

In accordance with Section 383(2) of the Companies Act 2014, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors will continue in office.

On Behalf of the Board of Directors

  
Mike Kirby

  
Feargal Dempsey

Date: 23 April 2019



**HSBC**

## **Annual Depository Report to the Shareholders**

We, HSBC France, Dublin Branch, appointed Depository to Source CSOP Markets plc (the "Company") provide this report solely in favour of the Shareholders of the Company for the year ended 31 December 2018 (the "Accounting Period"). This report is provided in accordance with the UCITS Regulations – European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended ("the Regulations"). We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

In accordance with our Depository obligation as provided for under the Regulations, we have enquired into the conduct of the Company for the Accounting Period and we hereby report thereon to the Shareholders of the Company as follows;

We are of the opinion that the Company has been managed during the Accounting Period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional documents and the Regulations; and
- (ii) otherwise in accordance with the provisions of the constitutional documents and the Regulations.

**On behalf of**

HSBC France, Dublin Branch  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland

23 April 2019

**HSBC France, Dublin Branch**

1 Grand Canal Square, Grand Canal Harbour, Dublin 2, D02 P820, Ireland  
Tel: +353-1-635-6000 Website: [www.hsbc.ie](http://www.hsbc.ie)

HSBC France, Dublin Branch is a registered business name of HSBC France, a branch registered in Ireland (registration number 908966) having its registered office at 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, D02 P820 and regulated by the Central Bank of Ireland for conduct of business rules. The branch is registered by HSBC France, a company incorporated under the laws of France as a société anonyme (registered number 775 670 284 RCS Paris), having its registered office at 103, avenue des Champs-Élysées, 75008 Paris, France. HSBC France is supervised by the European Central Bank, as part of the Single Supervisory Mechanism, the French Prudential Supervisory and Resolution Authority (l'Autorité de Contrôle Prudenciel et de Résolution) as the French National Competent Authority and the French Financial Markets Authority (l'Autorité des Marchés Financiers) for the activities carried out over financial instruments or in financial markets.



# ***Independent auditors' report to the members of Source CSOP Markets plc***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Source CSOP Markets plc's financial statements:

- give a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2018 and of its results and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

We have audited the financial statements, included within the Annual report and audited financial statements, which comprise:

- the Statement of financial position as at 31 December 2018;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in net assets attributable to holders of redeemable shares for the year then ended;
- the Schedule of investments as at 31 December 2018; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Directors of the Company.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' 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 remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company.

Other than those disclosed in note 10, we have provided no non-audit services to the Company in the period from 1 January 2018 to 31 December 2018.

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### **Our audit approach**

#### *Overview*

#### Materiality

- Overall materiality: 0.50% of Net Assets Value ("NAV") at 31 December 2018.

#### Audit scope

- The Company is an open-ended investment Company with variable capital and engages
-



Invesco Investment Management Limited (the “Manager”) to manage certain duties and responsibilities with regards to the day-to-day management of the Company. We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to below, the accounting processes and controls, and the industry in which the Company operates.

**Key audit matters**

- Existence and valuation of financial assets at fair value through profit and loss.

*The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example the selection of pricing sources to value the investment portfolio. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

*Key audit matters*

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

| <b>Key audit matter</b>  | <b>How our audit addressed the key audit matter</b>  |
|--|--|
| <p><i>Existence and valuation of financial assets at fair value through profit and loss</i></p> <p>Refer to the Schedule of investments and the accounting policies set out in note 1.</p> <p>The financial assets at fair value through profit or loss included in the Statement of financial position as at 31 December 2018 are valued at fair value in line with IFRS as adopted by the EU.</p> <p>This is considered a key audit matter as it represents the principal element of the financial statements.</p> | <p>We obtained independent confirmation from the Depositary of the investment portfolio held as at 31 December 2018, agreeing the amounts held to the accounting records.</p> <p>We tested the valuation of the investment portfolio by independently agreeing the valuation of equities to third party vendor sources.</p> <p>No material misstatements were identified as a result of the procedures we performed.</p> |

*How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The directors control the affairs of the Company and are responsible for the overall investment policy which is determined by them. The Company engages the Manager to manage certain duties and responsibilities with regards to the day to day management of the Company. The Manager has delegated certain responsibilities to CSOP Asset Management Limited (the ‘Investment Manager’) and to HSBC Securities Services (Ireland) DAC (the ‘Administrator’). The financial statements, which remain the responsibility of the directors, are prepared on their behalf by the Administrator. The Company has appointed HSBC Institutional Trust Services (Ireland) DAC (the “Depositary”) to act as Depositary of the Company’s



assets. In establishing the overall approach to our audit we assessed the risk of material misstatement taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Administrator, and we assessed the control environment in place at the Administrator.

### *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality as follows:

|   |  |
|---|--|
| <b>Overall materiality and how we determined it</b> | 0.50% (2017: 0.50%) of Net Assets Value ("NAV") at 31 December 2018.   |
| <b>Rationale for benchmark applied</b>              | We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate. |

We agreed with the Directors of the Company that we would report to them misstatements identified during our audit above 5 basis points of the NAV, for NAV per share impacting differences (2017: 5 basis points of the NAV, for NAV per share impacting differences) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual report and audited financial statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

### *Directors' Report*

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.



- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

#### *Corporate governance statement*

- In our opinion, based on the work undertaken in the course of the audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2)(c) of the Companies Act 2014.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 is contained in the Corporate Governance Statement.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibility Statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they 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 directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

[https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf).

This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### **Other required reporting**

#### **Companies Act 2014 opinions on other matters**

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.



- The financial statements are in agreement with the accounting records.

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### **Companies Act 2014 exception reporting**

#### *Directors' remuneration and transactions*

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

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### **Appointment**

We were appointed by the directors on 20 May 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2014 to 31 December 2018.

A handwritten signature in black ink, appearing to read 'Damian Neylin', written in a cursive style.

Damian Neylin  
for and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
Dublin

23 April 2019

# Financial Statements of the Company

## Annual Report and Audited Financial Statements 2018

| Statement of comprehensive income   |        | CSOP Source FTSE China<br>A50 UCITS ETF                |  |
|---|--------|--|--|
| For the financial year ended 31 December 2018   | Notes  | Financial<br>Year ended<br>31 December<br>2018*<br>RMB | Financial<br>Year ended<br>31 December<br>2017*<br>RMB |
| <b>Income</b>   |        |  |  |
| Interest income   | 1(L)   | 6,600  | 9,599  |
| Dividend income   | 1(M)   | 3,215,247  | 2,748,727  |
| Net (loss)/gain on financial assets at fair value through profit or loss              | 3      | (27,840,891)   | 34,072,546   |
| Other income  | 1(O),4 | 65,660   | 633,554  |
| <b>Total investment (expense)/income</b>  |        | <b>(24,553,384)</b>                                    | <b>37,464,426</b>                                      |
| <b>Expenses</b>   |        |  |  |
| Operating expenses  | 1(N),5 | (1,174,786)  | (1,868,239)  |
| <b>(Loss)/profit for the financial period before tax</b>                              |        | <b>(25,728,170)</b>                                    | <b>35,596,187</b>                                      |
| Non reclaimable withholding tax   | 12     | (322,169)  | (274,873)  |
| <b>(Loss)/profit for the financial period</b>   |        | <b>(26,050,339)</b>                                    | <b>35,321,314</b>                                      |
| <b>(Decrease)/increase in Net Assets Attributable to Holders of Redeemable Shares</b> |        | <b>(26,050,339)</b>                                    | <b>35,321,314</b>                                      |

\*The amounts shown also represent Company total amounts.

There are no recognised gains or losses arising in the financial year other than the (decrease)/increase in Net Assets Attributable to Holders of Redeemable Shares of the Company. In arriving at the results of the financial year, all amounts above relate to continuing operations.

The accompanying notes on pages 23 to 35 form an integral part of the Financial Statements.

# Annual Report and Audited Financial Statements 2018

| Statement of financial position  | Notes      | CSOP Source FTSE China<br>A50 UCITS ETF |                                      |
|--|------------|---|--------------------------------------|
|  |            | As at<br>31 December<br>2018*<br>RMB    | As at<br>31 December<br>2017*<br>RMB |
| <b>As at 31 December 2018</b>  |            |   |                                      |
| <b>Current Assets</b>  |            |   |                                      |
| <b>Assets at fair value through profit or loss</b>   |            |   |                                      |
| Financial assets at fair value through profit or loss  | 1(C), 2(G) | 98,074,408                              | 141,795,732                          |
| <b>Loans and receivables</b>   |            |   |                                      |
| Cash and cash equivalents  | 1(F), 7    | 543,911                                 | 5,005,713                            |
| Clearing reserve   | 7          | 42,000                                  | 42,000                               |
| <b>Total Current Assets</b>  |            | <b>98,660,319</b>                       | <b>146,843,445</b>                   |
| <b>Current Liabilities</b>   |            |   |                                      |
| <b>Other financial liabilities</b>   |            |   |                                      |
| Creditors (amounts falling due within one year)  | 9          | (172,005)                               | (418,105)                            |
| <b>Total Current Liabilities (excluding Net Assets Attributable to Holders of Redeemable Shares)</b> |            | <b>(172,005)</b>                        | <b>(418,105)</b>                     |
| <b>Net Assets Attributable to Holders of Redeemable Shares</b>                                       |            | <b>98,488,314</b>                       | <b>146,425,340</b>                   |

\*The amounts shown also represent Company total amounts.

The accompanying notes on pages 23 to 35 form an integral part of the Financial Statements.

On behalf of the Board of Directors

Mike Kirby:  
Director:



Feargal Dempsey:  
Director:



Date: 23 April 2019

# Annual Report and Audited Financial Statements 2018

## Statement of changes in net assets attributable to holders of redeemable shares

CSOP Source FTSE China  
A50 UCITS ETF

| For the financial year ended 31 December 2018   | Financial<br>Year ended<br>31 December<br>2018*<br>RMB | Financial<br>Year ended<br>31 December<br>2017*<br>RMB |
|---|--|--|
| <b>Net Assets Attributable to Holders of Redeemable Shares at the beginning of the financial year</b> | <b>146,425,340</b>                                     | <b>128,475,120</b>                                     |
| (Decrease)/increase in Net Assets Attributable to Holders of Redeemable Shares                        | (26,050,339)   | 35,321,314   |
| Proceeds from redeemable participating shares issued  | -  | 116,288,213  |
| Redemption of redeemable participating shares   | (21,886,687)   | (133,659,307)  |
| <b>Net Assets Attributable to Holders of Redeemable Shares</b>  | <b>98,488,314</b>                                      | <b>146,425,340</b>                                     |

## Statement of cash flows

| For the financial year ended 31 December 2018                     | Notes    | Financial<br>Year ended<br>31 December<br>2018*<br>RMB | Financial<br>Year ended<br>31 December<br>2017*<br>RMB |
|---|----------|--|--|
| <b>Cash flows from operating activities</b>                       |          |  |  |
| Proceeds from sale of investments                                 |          | 38,031,089   | 160,907,469  |
| Purchase of investments   |          | (22,150,656)   | (140,458,087)  |
| Dividend income received  | 1 (M)    | 3,215,247  | 2,748,727  |
| Interest income received  | 1 (L)    | 6,600  | 9,599  |
| Other income received   |          | 65,660   | 633,554  |
| Operating expenses paid   |          | (1,420,886)  | (2,171,665)  |
| Non reclaimable withholding tax paid                              |          | (322,169)  | (274,873)  |
| <b>Net cash inflow from operating activities</b>                  |          | <b>17,424,885</b>                                      | <b>21,394,724</b>                                      |
| <b>Cash flows from financing activities</b>                       |          |  |  |
| Proceeds from issue of Redeemable Shares                          |          | -  | 116,288,213  |
| Payments of redemptions of Redeemable Shares                      |          | (21,886,687)   | (133,659,307)  |
| <b>Net cash outflow from financing activities</b>                 |          | <b>(21,886,687)</b>                                    | <b>(17,371,094)</b>                                    |
| <b>Net (decrease)/increase in cash and cash equivalents</b>       |          | <b>(4,461,802)</b>                                     | <b>4,023,630</b>                                       |
| Cash and cash equivalents at beginning of the financial year      |          | 5,005,713  | 982,083  |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>7</b> | <b>543,911</b>   | <b>5,005,713</b>                                       |

\*The amounts shown also represent Company total amounts.

The accompanying notes on pages 23 to 35 form an integral part of the Financial Statements.

# Annual Report and Audited Financial Statements 2018

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## Notes to the financial statements

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### 1. Significant accounting policies

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#### A) (i) Basis of Preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2014 (as amended) applicable to companies reporting under IFRS and the UCITS Regulations and the Central Bank UCITS Regulations. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held at fair value through profit or loss. The significant accounting policies are set out below.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting financial year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Notes 1(C) (iii) and 1(D).

The accounting policies are consistent with the prior financial year and comparative information has been included in accordance with IFRS.

#### (ii) New Accounting Pronouncements effective from 1 January 2018

##### IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the Financial Instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual financial years beginning on or after 1 January 2018. Retrospective application is required but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Company adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. The adoption of IFRS 9 does not have a material effect on the classification and measurement of the Company's financial assets or financial liabilities.

##### IFRS 15 - Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual financial years beginning on or after 1 January 2018. The Company adopted this amendment and the measurement and classification requirements did not have a significant impact on Company's financial statements.

# Annual Report and Audited Financial Statements 2018

## 1. Significant accounting policies (continued)

### B) Foreign currency translation

#### Functional and presentation currency

The Board of Directors considers the Chinese Renminbi ("RMB") as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The Financial Statements of the Company are presented in RMB, which is both the functional and presentation currency.

The average exchange rate used to convert other expenses incurred in EUR to RMB was 7.8091 (31 December 2017: RMB 7.6724). Exchange gains and losses arising from these transactions are included in net (loss)/gain on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income.

### C) Financial assets at fair value through profit or loss

#### (i) Classification

IFRS 9 sets out the requirements for recognition and measurement of all financial assets. The Company has classified all financial instruments as financial assets or financial liabilities at fair value through profit or loss on adoption of IFRS 9.

- (a) The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

As such, the Company classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss.

#### (ii) Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date. Any gains and losses, arising from changes in fair value of the financial assets are recorded from this date. Transaction costs are expensed as incurred in the statement of comprehensive income

The Company recognises financial assets on the date it becomes a party to the contractual provisions of the instrument, and all significant rights and access to the benefits from the assets or liabilities, and the exposure to the risks inherent in those benefits, are transferred to the Company. The Company derecognises financial assets when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. The Company uses the First in - first out method to determine the realised gains and losses on derecognition.

Subsequent to initial recognition, all assets within the scope of IFRS 9 are measured at:

- (a) amortised cost
- (b) fair value through other comprehensive income (FVTOCI); or
- (c) fair value through profit or loss (FVTPL).

The FVTOCI classification is mandatory for certain debt instrument assets unless the option to FVTPL ('the fair value option') is taken. Whilst for equity investments, the FVTOCI classification is an election. The requirements for reclassifying gains or losses recognised in other comprehensive income (OCI) are different for debt and equity investments.

Investments in equity instruments designated at FVTOCI where only dividend income is recognised in profit or loss with all other gains and losses recognised in OCI and there is no reclassification on derecognition.

#### Valuation of investments

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 investments which are quoted, listed, traded or dealt with on a market or exchange are based on quoted prices which, for the purpose of the financial statements, is the mid market price for financial assets and financial liabilities as at the Statement of financial position date.

Realised gains or losses on disposal of investments during the financial period and unrealised gains and losses on valuation of investments held at the financial year end are included in the Statements of comprehensive income, within net (loss)/gain on financial assets at fair value through profit or loss.

#### (iii) Impairment

IFRS 9 eliminates impairment assessment requirements for investments in equity instruments because they now can only be measured at FVPL or FVOCI without recycling of fair value changes to profit and loss.

# Annual Report and Audited Financial Statements 2018

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## 1. Significant accounting policies (continued)

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### D) Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined under Note 1(E) to 1(O).

All of the Fund's financial assets and financial liabilities are held for the purpose of being traded and designated at fair value through profit or loss.

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### E) Fees and expenses

In accordance with the Prospectus the management fees are charged to the Statement of Comprehensive Income on an accruals basis. Other than the management fees, all other fees and expenses incurred by the Fund including those payable to the Investment Manager, the Administrator, the Depositary, the Auditor and the Directors are paid by the Manager or the Promoter.

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### F) Cash and cash equivalents

Cash balances represent residual cash subsequent to trading. As at 31 December 2018, cash in the Fund was held on deposit with an affiliate of the Depositary, HSBC Bank plc; details of which are disclosed in the Cash and Cash Equivalents note of the Financial Statements.

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### G) Redeemable Shares

Redeemable Shares are redeemable at the Shareholders option and are classified as financial liabilities. Any distributions on these shares are recognised in the Statement of Comprehensive Income as finance costs.

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### H) Fair value of net assets attributable to redeemable shareholders

In accordance with the provisions of the Prospectus and Supplement, listed investments are stated at the mid market price on the valuation day for the purpose of determining the net asset value per share for subscriptions and redemptions and for various fee calculations.

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### I) Segment reporting

Operating Segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocation of resources and assessing the performance of the operating segment has been identified as the Board of Directors. The Board of Directors make the strategic resource allocations on behalf of the Company. The Fund is managed as one operating segment.

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### J) Valuation point

The valuation used for the purposes of the Financial Statements is that of 31 December 2018.

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### K) Distributions

There are no dividend entitlements for the shares of the Fund.

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### L) Interest income

Interest income is income related to cash and cash equivalents. This is reflected as income to the Fund on an accruals basis, in line with the contractual terms.

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### M) Dividend income

In the financial year ended 31 December 2018, dividend income was received by the Fund from certain underlying holdings of the Fund. This is reflected as income to the Fund on an accruals basis, in line with the contractual terms.

Details of the current financial year's dividend income are disclosed in the Fund's Financial Statements.

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### N) Transaction costs

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers or dealers. Transaction costs, when incurred, are included in operating expenses in the Statement of Comprehensive Income. Transaction costs incurred during the financial year are detailed in Note 5.

# Annual Report and Audited Financial Statements 2018

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## 1. Significant accounting policies (continued)

### O) Subscriptions and Redemptions fee income

Subscriptions and Redemptions fee are incurred on each Share by Shareholders (which accordingly will not be incurred by the Company on behalf of the Fund and will not affect the Net Asset Value of the Fund). The Subscription charge is deducted from the investment amount received from an investor for subscription for Shares. Similarly, a Redemption charge is charged to a redeeming investor. Subscriptions and redemptions fees are included in other income in the Statement of Comprehensive Income. Subscriptions and redemptions fees charged to the investors during the financial year are detailed in Note 4.

### P) Provision for capital gains tax exposure on China A-Shares

The Fund has exposure to China RQFII (Renminbi Qualified Foreign Institutional Investor) A-Shares listed on the stock exchanges in the PRC, under the RQFII programme. On 17 November 2014, a provision had been set aside for potential direct or indirect Capital Gains Tax liabilities derived from China RQFII A-Shares, payable to the issuers of the China A-Shares, in accordance with terms and conditions set out in the agreement between the Fund and the issuers of the China A-Shares.

On 14 November 2014 Circular No. 79 was released by the Chinese Authorities amending the tax treatment of Capital Gains derived on Chinese A-Shares held by RQFIIs/QFIIs. Accordingly capital gains realised from the sale of A-shares on or after 17 November 2014 were temporarily exempted from China's 10% Capital Gains Tax ("CGT"). Any accruals made for unrealised gains as at 17 November 2014 have been reversed in the financial statements. There was no Capital Gains Tax which relates to the financial year pre 17 November 2014 payable at the financial year end (31 December 2017: nil).

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## 2. Financial risks

As defined by IFRS7 'Financial Instruments: Disclosures', risk arising on financial instruments can be separated into the following components: Market Risk, Credit Risk and Liquidity Risk.

Each type of risk is discussed below and both qualitative and quantitative analyses are provided, where relevant, to give the reader an understanding of risk management methods used by the Investment Manager and reviewed by the Directors of the Company.

The main risks arising from the Fund's financial instruments are Market Risk, Credit Risk and Liquidity Risk.

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise any discrepancy between the performance of the Fund and the performance of the FTSE China A50 Price Return Index benchmark.

The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Company are discussed on pages 27 to 30.

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### A) General

The risk monitoring process is the responsibility of the Company which has delegated this responsibility to the Manager and the Investment Manager.

The Company's investment objective is that the Fund will seek to provide Shareholders with a target performance linked to the performance of the FTSE China A50 Price Return Index purchasing a portfolio of transferable securities that may (but is not obliged to) comprise all or a representative sample of the constituent securities of the FTSE China A50 Price Return Index.

The Investment Manager is responsible for the operation of the risk management process, including the measurement of risk of the Fund portfolio at any given time.

The Fund is managed by a portfolio manager.

The portfolio manager is supported by a trade order management system ("TOMS"), which is designed to manage the implementation of the portfolio manager's strategy and assist in the process of managing the Fund.

These systems generate exception reports highlighting any inconsistency between the Fund's investment objectives and restrictions, and the Fund's portfolios.

The risk management team is a unit of the Investment Manager and is independent of the portfolio managers. It is responsible for the day to day risk monitoring process in respect of the Investment Manager's duties. Global exposure, position and counterparty exposure are monitored by the risk management team. The risk management process is supported by the Investment Manager's internal systems which are designed to assess the Fund's risk and exposures on a daily basis.

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## 2. Financial risks (continued)

### A) General (continued)

The Investment Manager will report in writing confirming compliance with the guidelines laid down in the Risk Management Policy document and the Prospectus, at least monthly to the named Designated Person, and will report to the Board of Directors at least quarterly.

### B) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the three following types of risk:

- interest rate risk,
- currency risk and
- other price risk

Being a passive index strategy, the Investment Manager aims to verify and ensure that the individual market risks to which the Fund is exposed are in line with the risks of the relevant reference index.

#### (i) 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 the future cash flows.

The Fund's financial assets other than cash are non-interest bearing, and consequently the Fund's exposure to interest rate risk is minimal.

#### (ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

As at 31 December 2018 all assets and liabilities held by the Fund are in RMB and therefore not exposed to any foreign currency risk. However, since the Fund is denominated in RMB, non RMB based investors are exposed to fluctuation in the RMB exchange rate against their base currencies and may incur substantial capital loss due to foreign exchange risk. There is no assurance that RMB will not be subject to deviation. In which case, the value of their investments will be adversely affected.

The Fund, in line with the securities comprising their underlying indices, is exposed to the currency risk of the respective reference index. The Investment Manager monitors the Fund's currency risk to ensure that it replicates that of the securities comprising the underlying index (FTSE China A A50 Price Return Index).

#### (iii) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market price (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or similar financial instruments traded in the market. For the Fund this risk is in line with the risk of the reference index.

#### (iii) (a) Other price risk - sensitivity analysis

The sensitivity analysis for the Fund assumes a change in the market price of the investments while holding all other variables constant. In practice this is unlikely to occur and changes in some of the variables may be correlated.

In addition, as the sensitivity analysis uses historical data as a basis for determining future events, it does not encompass all possible scenarios, particularly those that are of an extreme nature. The reasonably possible decrease in the benchmark index is based on the movement over the financial year ended 31 December 2018. These movements may be different from the long term volatility of the index.

As detailed in the following tables, the decrease in the index (FTSE China A50 Price Return Index) at 31 December 2018, with all other variables held constant, would have resulted in an estimated decrease in the net assets attributable to holders of redeemable participating shares as follows:

| Number of index units as of 31 December 2018 | Index close at 31 December 2018 | Index close assuming a 1% downward movement | Monetary impact of a 1% downward movement of the index RMB |
|--|---------------------------------|---|--|
| 98,488,314                                   | 10,387.55                       | 10,283.67                                   | 980,943.60   |

| Number of index units as of 31 December 2017 | Index close at 31 December 2017 | Index close assuming a 1% downward movement | Monetary impact of a 1% downward movement of the index RMB |
|--|---------------------------------|---|--|
| 146,425,340                                  | 13,195.72                       | 13,063.76                                   | 1,458,396.39   |

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## 2. Financial risks (continued)

### B) Market risk (continued)

#### iii) Other price risk (continued)

##### (iii) (a) Other price risk - sensitivity analysis (continued)

If the Benchmark Index, at 31 December 2018, had increased by 1% with all other variables held constant, this would have increased net assets attributable to holders of redeemable shares of the Fund by approximately RMB 980,943.60 (31 December 2017: RMB 1,458,396.39).

Based on historic movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, it was determined that the movement listed above are reasonably possible over the financial year.

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### C) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Depositary on behalf of the Fund took physical receipt of the cash and securities. The cash and securities are held by the Depositary on behalf of the Fund and the credit risk exposure of the Fund is therefore considered minimal as all securities deposited with the Depositary will be clearly identified as being assets of the Fund.

The Company's Depositary is HSBC Institutional Trust Services (Ireland) DAC (the "Depositary"). HSBC Bank plc holds the cash balances of the Company on behalf of the Depositary.

All of the cash assets of the Fund held by the Depositary are placed on deposit with an affiliate of the Depositary, HSBC Bank plc. Cash deposited with the Depositary is held on its Statement of Financial Position.

In accordance with usual banking practice, the Depositary's liability to the Company in respect of such cash deposits shall be that of debtor and the Company will rank as a general creditor of the Depositary.

The financial assets are held with the Depositary. These assets are held distinct and separately from the proprietary assets of the Depositary. Securities are clearly recorded to ensure they are held on behalf of the Company. Bankruptcy or insolvency of the Depositary and or one of its agents or affiliates may cause the Company's rights with respect to the securities held by the Depositary to be delayed.

HSBC Institutional Trust Services (Ireland) DAC is a wholly owned subsidiary of HSBC Holdings Plc. As at 31 December 2018 HSBC Holdings Plc had a long term rating from Standard & Poor of A (31 December 2017: A).

Risk is managed by monitoring the credit quality and financial positions of the Depositary the Company uses.

As already mentioned, the Company's non-cash assets held by the Depositary are segregated from the proprietary assets of the Depositary and are held in accounts in the name of the Depositary designated for the Company.

The Company is exposed to credit risk through the use of a Depositary, Sub-Depositary or Third Party bank. The bankruptcy or insolvency of any of these parties may cause the Company's rights with respect to its assets held by these entities to be delayed or limited.

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### D) Liquidity risk

Liquidity risk is the risk that a 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.

Liquidity is managed by investing predominantly in UCITS eligible listed securities that are traded in an active market and can be readily disposed. The Company has therefore limited exposure to liquidity risk.

Redeemable Shares are redeemed on demand at the holder's option.

The tables overleaf analyse the Fund's financial liabilities into relevant maturity groupings based on the remaining financial year at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant. All amounts are stated in RMB.

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## 2. Financial risks (continued)

### D) Liquidity risk (continued)

| As at 31 December 2018                                  | Less than 7 days RMB | 7 days to 1 month RMB | 1 - 3 months RMB | More than 3 months RMB | Total RMB         |
|---|----------------------|-----------------------|------------------|------------------------|-------------------|
| Creditors   | -                    | 172,005               | -                | -                      | 172,005           |
| Net assets attributable to holders of Redeemable Shares | 98,488,314           | -                     | -                | -                      | 98,488,314        |
| <b>Total financial liabilities</b>                      | <b>98,488,314</b>    | <b>172,005</b>        | <b>-</b>         | <b>-</b>               | <b>98,660,319</b> |

| As at 31 December 2017                                  | Less than 7 days RMB | 7 days to 1 month RMB | 1 - 3 months RMB | More than 3 months RMB | Total RMB          |
|---|----------------------|-----------------------|------------------|------------------------|--------------------|
| Creditors   | -                    | 418,105               | -                | -                      | 418,105            |
| Net assets attributable to holders of Redeemable Shares | 146,425,340          | -                     | -                | -                      | 146,425,340        |
| <b>Total financial liabilities</b>                      | <b>146,425,340</b>   | <b>418,105</b>        | <b>-</b>         | <b>-</b>               | <b>146,843,445</b> |

### E) Secondary market trading risk

Even though the Shares may be listed on one or more relevant stock exchanges, there can be no certainty that there will be liquidity in the Shares on any relevant stock exchange or that the market price at which the Shares may be traded on a relevant stock exchange will be the same as or approximately equal to the Net Asset Value per Share.

As the Shares may be dealt in by means of subscription and redemption, the Directors consider that large discounts or premiums in the Net Asset Value of a Fund would not be sustainable. There can be no guarantee that once the Shares are listed on a relevant stock exchange they will remain listed or that the conditions of listing will not change.

Trading in Shares on a relevant stock exchange may be halted or suspended due to market conditions or for the reason that, in the relevant stock exchange's view, trading in the Shares is inadvisable, or otherwise pursuant to the relevant stock exchange's rules. If trading on a relevant stock exchange is halted, investors may not be able to sell their Shares until trading resumes however such investors should be able to apply to the Company to redeem Shares in accordance with the provisions set out in the Prospectus.

### F) Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net assets attributable to holders of redeemable shares can change significantly on a daily basis as the Fund is subject to subscriptions and redemptions at the discretion of the Shareholders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### G) Fair value information

IFRS 13 Fair Value Measurement requires disclosure relating to the fair value hierarchy in which fair value measurements are categorised for assets and liabilities in the Statement of Financial Position. The disclosures are based on a three-level fair value hierarchy for the inputs used in valuation techniques to measure fair value.

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## 2. Financial risks (continued)

### G) Fair value information (continued)

The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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 asset or liability.

The 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 fair value of financial assets and liabilities traded in an active market (such as trading securities) are based on mid-market prices at the close of trading on the financial year end date. The quoted market price used for financial assets held by the Fund is the closing mid-market price.

A financial instrument is regarded as quoted in an active market if the 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.

In the event that market quotes are not readily available for either of these inputs the value of the relevant input will be determined in good faith by the Administrator or another independent service provider, generally based upon recommendations provided by the Investment Manager.

The carrying values of other receivables and payables approximates their fair value.

The table below analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value. All amounts are stated in RMB.

| As at 31 December 2018                    | Level 1           | Level 2 | Level 3 |
|---|-------------------|---------|---------|
| <b>Assets</b>                             |                   |         |         |
| <b>Financial assets held for trading:</b> |                   |         |         |
| - Equity securities                       | 98,074,408        | -       | -       |
| <b>Total assets</b>                       | <b>98,074,408</b> | -       | -       |

| As at 31 December 2017                    | Level 1            | Level 2 | Level 3 |
|---|--------------------|---------|---------|
| <b>Assets</b>                             |                    |         |         |
| <b>Financial assets held for trading:</b> |                    |         |         |
| - Equity securities                       | 141,795,732        | -       | -       |
| <b>Total assets</b>                       | <b>141,795,732</b> | -       | -       |

There were no level 3 investments held by the Company at the financial year ended 31 December 2018.

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

The Schedule of investments shows the equities split by level, country of origin and industry group. All equities are classified as Level 1.

### 3. Net (losses)/gains on financial assets at fair value through profit or loss

|   | Financial year ended 31 December 2018 RMB | Financial year ended 31 December 2017 RMB |
|---|---|---|
| Realised gains on sale of investments                   | 1,402,884                                 | 16,416,780                                |
| Unrealised (depreciation)/ appreciation) on investments | (29,243,775)                              | 17,655,766                                |
|   | <b>(27,840,891)</b>                       | <b>34,072,546</b>                         |

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## 4. Other income

|  | Financial<br>year ended<br>31 December<br>2018<br>RMB | Financial<br>year ended<br>31 December<br>2017<br>RMB |
|--|---|---|
| Subscriptions and redemptions fee income | 65,660  | 633,554   |
|  | <b>65,660</b>   | <b>633,554</b>  |

Subscription and redemption fees will be incurred on each share by shareholders and will not be incurred by the Company on behalf of the Fund and will not affect the Net Asset Value of the Fund. The total subscription charge and primary market transaction charge charged to a subscribing investor will not exceed 5% and the total redemption charge and primary market transaction charge charged to a redeeming investor will not exceed 3%.

## 5. Operating expenses

|                          | Financial<br>year ended<br>31 December<br>2018<br>RMB | Financial<br>year ended<br>31 December<br>2017<br>RMB |
|--------------------------|---|---|
| Management fees          | 1,007,141   | 1,258,747   |
| Transaction costs        | 86,180  | 421,873   |
| Administration fees      | 59,090  | 127,146   |
| Depositary fees          | 11,818  | 25,429  |
| Other operating expenses | 10,557  | 35,044  |
|                          | <b>1,174,786</b>                                      | <b>1,868,239</b>                                      |

Prior to 1 June 2018, Administration and Depositary fees were charged directly to the Fund. Effective from 1 June 2018, the Manager pays out of its fees (and not out of the assets of the Fund) the fees and expenses of the Administration and Depositary.

All other expenses are paid by the Manager or the Promoter as at the financial year ended 31 December 2018. These expenses include Directors fees and expenses of RMB 156,102 (31 December 2017: RMB 275,889), Auditors' fees of RMB 128,163 (31 December 2017: RMB 84,452) and Legal fees of RMB 851,637 (31 December 2017: RMB 561,462).

## 6. Management fees

The Management Fee, a percentage of the Net Asset Value of the Class of Shares, is payable by the Company out of the assets of the Fund to the Manager. The Management Fee accrues on each day and is calculated on each Dealing Day and paid monthly in arrears.

Up until 1 June 2018 the management fee was 0.99%. Effective from 1 June 2018 the management fee was reduced to 0.65%.

Prior to 1 June 2018, Administration and Depositary fees were charged directly to the Fund. Effective from 1 June 2018, the Manager pays out of its fees (and not out of the assets of the Fund) the fees and expenses of the Administration and Depositary.

The Manager pays the fees and expenses (and not out of the assets of the Fund) of the Investment Manager, Directors and ordinary fees, expenses and costs incurred by the Fund that include setting up costs and other administrative expenses.

The fees in the table below are expressed as a percentage per annum of the Fund's net asset value.

| Fund                                 | % Rate per<br>annum<br>Up to* |
|--------------------------------------|-------------------------------|
| CSOP Source FTSE China A50 UCITS ETF | 0.65%                         |

\* The Management fee can be up to this percentage per annum or such lower amount as may be advised to Shareholders from time to time.

The Total Expense Ratio ("TER") is expressed as a percentage of the Net Asset Value of Share Class A, which represents all legitimate fees and expenses payable by the Company (including the Manager's, Investment Manager's, Administrator's and Depositary's fees) on behalf of Share Class A whatever the basis of their calculation, including any VAT applicable, although excluding any Fund or Company Level taxes.

The TER prior to 1 June 2018 was 1.11%.

From 1 June the TER for Class A is up to 0.65% of the Net Asset Value. Where the TER is exceeded, the Manager will be responsible for making up the shortfall of such fees and expenses.

## 7. Cash and cash equivalents\*

|               | As at<br>31 December<br>2018<br>RMB | As at<br>31 December<br>2017<br>RMB |
|---------------|-------------------------------------|-------------------------------------|
| HSBC Bank plc | 543,911                             | 5,005,713                           |
|               | <b>543,911</b>                      | <b>5,005,713</b>                    |

\*Cash held is unsegregated.

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## 7. Cash and cash equivalents (continued)

Under the Investment Regulations, the Company is subject to the Renminbi Qualified Foreign Institutional Investor ("RQFII") programme. As a result it is required to hold on deposit a minimum clearing reserve. This amount is calculated as a percentage of the China RQFII Quota, as determined by the China Securities Depository & Clearing Corporation Limited ("CSDCC") Shanghai and Shenzhen branches. As at 31 December 2018, this clearing reserve, held in HSBC Shanghai, amounted to RMB 42,000 (31 December 2017: RMB 42,000).

## 8. Debtors

|                            | As at<br>31 December<br>2018<br>RMB | As at<br>31 December<br>2017<br>RMB |
|----------------------------|-------------------------------------|-------------------------------------|
| Dividend income receivable | -                                   | -                                   |
|                            | -                                   | -                                   |

## 9. Creditors (amounts falling due within one year)

|                     | As at<br>31 December<br>2018<br>RMB | As at<br>31 December<br>2017<br>RMB |
|---------------------|-------------------------------------|-------------------------------------|
| Management fees     | 174,738                             | 307,871                             |
| Administration fees | (2,830)                             | 70,664                              |
| Trustee fees        | 97                                  | 39,570                              |
|                     | <b>172,005</b>                      | <b>418,105</b>                      |

All other expenses payable are paid by the Manager. Included in these are Directors fees and expenses payable of RMB 39,564 (31 December 2017: RMB 68,617), Auditors' fees payable of RMB 106,991 (31 December 2017: RMB 84,452) and Legal fees payable of RMB Nil (31 December 2017: RMB 540,629).

## 10. Auditors' Remuneration

The remuneration for all work carried out by the statutory audit firm in respect of the financial year is as follows

|  | Financial<br>year ended<br>31 December<br>2018 | Financial<br>year ended<br>31 December<br>2017 |
|--|--|--|
| Statutory audit of company<br>Financial Statements | 103,861  | 84,452   |
| Other non-audit services                           | 50,759   | 34,526   |
|  | <b>154,620</b>                                 | <b>118,978</b>                                 |

RMB 106,991 was outstanding at the financial year end (31 December 2017: RMB 84,452). The above fees are presented exclusive of VAT and are paid by the Manager.

## 11. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following are related parties:

- The Manager, Invesco Investment Management Limited.
- The Promoter, Invesco UK Services Limited.
- Mr. Mike Kirby is the Managing Principal at KB Associates. KB Associates is a firm which provides consultancy, MLRO and company secretarial services.
- The Investment Manager, CSOP Asset Management Limited.

## Manager

The Company has appointed Invesco Investment Management Limited to act as Manager to the Company and each Fund. The Manager forms part of the Invesco group of companies, the parent of which is Invesco Limited, a US publicly traded company listed on the New York Stock Exchange with ticker IVZ.

The Funds accrued RMB 1,007,141 (31 December 2017: RMB 1,258,747) to the Manager during the financial year to 31 December 2018; of which RMB 174,738 (31 December 2017: RMB 307,871) was outstanding at 31 December 2018.

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## 11. Related party transactions (continued)

### Directors

The amount paid to Directors in the financial year ended 31 December 2018 by the Manager and the amounts outstanding at 31 December 2018 and 31 December 2017 are disclosed in Note 5 (Operating Expenses) and Note 9 (Creditors) respectively.

Mike Kirby is a Director of the Company and the principal of KB Associates which provides consultancy services to the Manager.

The Fund accrued RMB 156,502 (31 December 2017: RMB 275,889) to the Directors during the financial year to 31 December 2018; of which RMB 39,564 (31 December 2017: RMB 68,617) was outstanding at 31 December 2018.

The Fund accrued RMB 156,393 (31 December 2017: RMB 188,740) to KB Associates for consultancy services during the financial year to 31 December 2018; of which RMB 39,455 (31 December 2017: RMB 48,091) was outstanding at 31 December 2018. These fees are presented exclusive of VAT and paid by the Manager.

Choe Yong Ng is a director of the Company and is the Chief Operating Officer of the Investment Manager.

Helen Lingli Zhou is a Director of the Company.

Details of the Management fees are disclosed in Note 5, Note 6 and Note 9.

Feargal Dempsey is a Director of the Company and a Director of the Manager.

The Directors had no direct or indirect interest in any shares in issue by the Company as at 31 December 2018 (2017: None).

### Authorised Participants

Goldman Sachs International, Bank of America Merrill Lynch International Limited, J.P. Morgan Securities Limited and UBS AG are Authorised Participants to the Fund.

There were no brokerage fees accrued or paid to the Authorised Participants during the financial year ended 31 December 2018.

### Shareholdings in redeemable shares

Authorised Participants may purchase and hold Redeemable Shares in the Fund for trading purposes. In addition, the Authorised Participants may hold Redeemable Shares on behalf of clients, on their own account or for the purpose of providing seed capital to the Funds. These holdings may on occasion constitute a large portion of the Fund. As at 31 December 2018, there are 2 shareholders who had entitlement of 10% or more in the shares in issue of the Fund of the Company. There is no requirement (expressed or implied) on Authorised Participants to maintain positions in a Fund at any time.

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## 12. Taxation

Under current law and practice, the Company qualifies as an investment undertaking as defined in section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a "chargeable event" for certain investors not satisfying one of the criteria outlined below.

A chargeable event includes any distribution payments to Shareholders or any encashment, redemption, cancellation or transfer of Shares and the holding of Shares at the end of each 8 year period beginning with the acquisition of such Shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- a) a Shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, is held by the Company, or the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- b) certain exempted Irish tax resident Shareholders who have provided the Company with the necessary signed statutory declarations.
- c) any transaction (which might otherwise be a chargeable event) in relation to Shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners will not constitute a chargeable event. It is the current intention of the Directors that all the Shares in the Company will be held in recognised clearing systems.

# Annual Report and Audited Financial Statements 2018

## 12. Taxation (continued)

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/ gains are received and such taxes may not be recoverable by the Company or its Shareholders.

## 13. Share capital

The authorised share capital of the Company is 2 subscriber shares of €1 each and 1,000,000,000,000 shares of no par value initially designated as unclassified shares and available for issue as shares.

| Redeemable shares in issue  | Financial year ended<br>31 December<br>2018 | Financial year ended<br>31 December<br>2017 |                                     |
|---|---|---|-------------------------------------|
| <b>Number of Class A Accumulating Redeemable Shares Issued and Fully Paid</b>                   |   |   |                                     |
| Balance at beginning of financial year  | 990,956                                     | 1,156,206                                   |                                     |
| Issued during financial year  | -   | 951,000                                     |                                     |
| Redeemed during financial year  | (157,504)                                   | (1,116,250)                                 |                                     |
| <b>Total number of Class A Accumulating Redeemable Shares in issue at end of financial year</b> | <b>833,452</b>                              | <b>990,956</b>                              |                                     |
|   | As at<br>31 December<br>2018<br>RMB         | As at<br>31 December<br>2017<br>RMB         | As at<br>31 December<br>2016<br>RMB |
| <b>Total Net Asset Value</b>  |   |   |                                     |
| Class A Accumulating Redeemable Shares  | 98,488,314                                  | 146,425,340                                 | 128,475,120                         |
| <b>Dealing Net Asset Value per Redeemable Share</b>   |   |   |                                     |
| Class A Accumulating Redeemable Shares  | 118.17                                      | 147.76                                      | 111.12                              |

## 14. Soft commission arrangements

It is not currently intended that any soft commission arrangements will be made in respect of the Company.

There were no soft commission arrangements in the current financial year.

## 15. Segregation of liability

Under the provisions of the Companies Act 2014 (as amended), the Directors shall maintain for each Fund a separate portfolio of assets. As between Shareholders, each portfolio of assets shall be invested for the exclusive benefit of the relevant Fund. The Shareholders shall only be entitled to the assets and profits of that Fund in which they participate. The Company shall be considered one single legal entity. With regard to third parties, in particular towards the Company's creditors, the Company shall be responsible for all liabilities incurred by a Fund exclusively based on the assets of this relevant Fund. Among the Shareholders, the liabilities of each Fund shall only be incurred to the respective Fund. While the provisions of the Companies Act 2014 (as amended) provide for segregated liability between Funds, these provisions have yet to be tested in foreign courts, in particular, in satisfying local creditors' claims. Accordingly, it is not free from doubt that the assets of any Fund of the Company may not be exposed to the liabilities of other Funds of the Company.

As at the date of the Financial Statements, the Directors are not aware of any existing or contingent liability.

## 16. Comparative figures

Comparative figures for the Statement of Comprehensive Income, the Statement of Changes in Net Assets attributable to Holders of Redeemable Shares and the Statement of Cash Flows and related notes are those for the financial year ended 31 December 2017. The comparative figures disclosed in the Statement of Financial Position and related notes are those of 31 December 2017 throughout.

## 17. Operating segment

IFRS requires disclosure in respect of the Chief Operating Decision Maker ("CODM") and certain disclosures in respect of the country of origin of income, which may consist of interest and dividends. Management have determined that the CODM is the Board of Directors.

The internal reporting provided to the Board of Directors for the Company assets and liabilities and performance is prepared on a consistent basis with the measurement and recognition of IFRS.

# Annual Report and Audited Financial Statements 2018

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## 17. Operating segment (continued)

All revenues are derived from financial assets and are attributable to a country based on the domicile of the issuer of the instrument. The Schedule of Investments discloses the investments of the Fund at their fair value by their respective country of origin. The table below shows the breakdown of the interest income and dividend income.

| As at 31 December 2018                | Country | Currency | Dividend Income | Interest Income |
|---------------------------------------|---------|----------|-----------------|-----------------|
| Financial year ended 31 December 2018 | China   | RMB      | 3,215,247       | 6,600           |
| Financial year ended 31 December 2017 | China   | RMB      | 2,748,727       | 9,599           |

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## 18. Significant events during the financial year

Effective 23 March 2018, the name of the Promoter changed from Source UK Services Limited changed its name to Invesco UK Services Limited.

Effective 25 May 2018, a new Prospectus was issued, in order to reflect the rebranding of the Company and its Funds as well as other regulatory updates.

Effective 25 May 2018, the name of the Manager changed from Source Investment Management Limited to Invesco Investment Management Limited.

Effective 1 June 2018, the management fee was reduced to 0.65%. Up until 1 June 2018 the management fee was 0.99%. Prior to 1 June 2018, Administration and Depositary fees were charged directly to the Fund. Effective 1 June 2018, the Manager pays out of its fees (and not out of the assets of the Fund) the fees and expenses of the Administration and Depositary.

On 1 August 2018, ownership of HSBC Institutional Trust Services (Ireland) DAC (the "Depositary") transferred to HSBC France. The Depositary has merged into HSBC France in April 2019 and its business will operate from a Dublin branch of HSBC France.

There were no other significant events during the financial year which need to be disclosed in these financial statements.

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## 19. Events since the financial year end

The office of the Manager changed from 32 Molesworth Street, Dublin 2, Ireland to Central Quay Riverside IV, Sir John Rogerson's Quay, Dublin 2, Ireland.

Helen Lingli Zhou resigned as Director of the Company effective from 28 February 2019.

There were no other subsequent events requiring recognition or disclosure in the Financial Statements.

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## 20. Approval of financial statements

The Financial Statements were approved by the Board on 23 April 2019.

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## Schedule of investments

As at 31 December 2018

Transferable Securities admitted to an Official Stock Exchange Listing or traded on a Regulated Market. The percentages in brackets show the equivalent country of origin and sector holdings at 31 December 2017.

| Holdings | Financial assets at fair value through profit or loss      | Fair value RMB | % of net assets | Holdings | Financial assets at fair value through profit or loss             | Fair value RMB    | % of net assets |
|----------|--|----------------|-----------------|----------|---|-------------------|-----------------|
|          | <b>Equities: 99.61% (2017: 96.84%)</b>                     |                |                 |          | <b>Financial Services: Nil (2017 0.84%)</b>                       |                   |                 |
|          | <b>China: 99.61% (2017: 96.84%)</b>                        |                |                 |          | <b>Food: 3.04% (2017: 3%)</b>                                     |                   |                 |
|          | <b>Auto Manufacturers: 1.66% (2017: 2.35%)</b>             |                |                 | 6,100    | Foshan Haitian Flavouring & Food                                  | 419,680           | 0.42            |
| 61,230   | SAIC Motor Corporation                                     | 1,633,004      | 1.66            | 112,700  | Inner Mongolia Yili Industrial Group                              | 2,578,576         | 2.62            |
|          | <b>Automobiles: 2018: Nil (2017: 0.24%)</b>                |                |                 |          | <b>Home Improvements: 3.32% (2017: 4%)</b>                        |                   |                 |
|          | <b>Banks: 38.67% (2017: 37.99%)</b>                        |                |                 | 88,747   | Midea Group   | 3,271,215         | 3.32            |
| 866,010  | Agricultural Bank of China                                 | 3,117,636      | 3.17            |          | <b>Insurance: 14.82% (2017: 12.76%)</b>                           |                   |                 |
| 287,069  | Bank of Beijing  | 1,610,457      | 1.63            | 32,975   | China Life Insurance  | 672,360           | 0.68            |
| 476,469  | Bank of China  | 1,720,053      | 1.75            | 56,885   | China Pacific Insurance   | 1,617,241         | 1.64            |
| 452,457  | Bank of Communications                                     | 2,619,726      | 2.66            | 14,852   | New China Life Insurance  | 627,349           | 0.64            |
| 103,086  | Bank of Shanghai   | 1,153,532      | 1.17            | 208,132  | Ping An Insurance   | 11,676,205        | 11.86           |
| 61,627   | China CITIC Bank   | 335,867        | 0.34            |          | <b>Investment Services: 1.16% (2017: 1.15%)</b>                   |                   |                 |
| 203,522  | China Construction Bank                                    | 1,296,435      | 1.32            | 74,800   | Guotai Junan Securities   | 1,145,936         | 1.16            |
| 314,969  | China Everbright Bank                                      | 1,165,385      | 1.18            |          | <b>Oil &amp; Gas: 1.78% (2017: 1.71%)</b>                         |                   |                 |
| 265,824  | China Merchants Bank                                       | 6,698,765      | 6.80            | 215,973  | China Petroleum & Chemical  | 1,090,664         | 1.11            |
| 625,097  | China Minsheng Banking                                     | 3,581,806      | 3.63            | 91,457   | Petro China Company   | 659,405           | 0.67            |
| 175,683  | CITIC Securities   | 2,812,685      | 2.86            |          | <b>Pharmacies &amp; Drug Stores: 2.05% (2017: 1.67%)</b>          |                   |                 |
| 487,600  | Industrial & Commercial Bank of China                      | 2,579,404      | 2.62            | 38,260   | Jiangsu Hengrui Medicine  | 2,018,215         | 2.05            |
| 313,162  | Industrial Bank  | 4,678,640      | 4.75            |          | <b>Real Estate: 3.54% (2017: 3.76%)</b>                           |                   |                 |
| 163,039  | Ping An Bank   | 1,529,306      | 1.55            | 146,200  | China Vanke   | 3,482,484         | 3.54            |
| 325,121  | Shanghai Pudong Development Bank                           | 3,186,186      | 3.24            |          | <b>Real Estate Holding &amp; Development: 2.67% (2017: 2.56%)</b> |                   |                 |
|          | <b>Beverages: 8.04% (2017: 8.33%)</b>                      |                |                 | 46,500   | China Merchants Shekou Industrial Zone                            | 806,775           | 0.82            |
| 9,990    | Kweichow Moutai  | 5,894,200      | 5.98            | 154,400  | Poly Real Estate Group  | 1,820,376         | 1.85            |
| 39,800   | Wuliangye Yibin  | 2,025,024      | 2.06            |          | <b>Renewable Energy: 0.37% (2017: Nil)</b>                        |                   |                 |
|          | <b>Building Materials: 2.70 (2017: 1.69%)</b>              |                |                 | 5,000    | Contemporary Amperex Technology Co Ltd                            | 369,000           | 0.37            |
| 39,100   | Anhui Conch Cement   | 1,144,848      | 1.16            |          | <b>Software: 0.30% (2017: Nil)</b>                                |                   |                 |
| 168,300  | CSR  | 1,518,066      | 1.54            | 25,300   | Foxconn Industrial Internet                                       | 293,227           | 0.30            |
|          | <b>Coal: 0.82 (2017: 0.86%)</b>                            |                |                 |          | <b>Steel-Producers: 0.78% (2017: 0.84%)</b>                       |                   |                 |
| 44,722   | China Shenhua Energy                                       | 803,207        | 0.82            | 118,700  | Baoshan Iron & Steel  | 771,550           | 0.78            |
|          | <b>Computer Hardware: Nil (2017: 1.48%)</b>                |                |                 |          | <b>Telecommunications: 0.90% (2017: 0.90%)</b>                    |                   |                 |
|          | <b>Computers: Nil (2017: 2.24%)</b>                        |                |                 | 172,000  | China United Network Communications                               | 889,240           | 0.90            |
|          | <b>Consumer Electronics: 1.65% (2017: 2.02%)</b>           |                |                 |          | <b>Transport Support Services: 0.89% (2017: 0.38%)</b>            |                   |                 |
| 63,162   | Hangzhou Hikvision   | 1,627,053      | 1.65            | 16,100   | SF Holding Co Ltd   | 527,275           | 0.53            |
|          | <b>Distillers &amp; Vintners: 0.96% (2017: 0.95%)</b>      |                |                 | 68,191   | Shanghai International Port                                       | 353,229           | 0.36            |
| 10,000   | Jiangsu Yanghe Brewery                                     | 947,200        | 0.96            |          | <b>Total China</b>  | <b>98,074,408</b> | <b>99.57</b>    |
|          | <b>Electric: 4.93% (2017: 1.15%)</b>                       |                |                 |          | <b>Total Equities</b>   | <b>98,074,408</b> | <b>99.57</b>    |
| 89,480   | China Yangtze Power  | 1,420,942      | 1.44            |          |   |                   |                 |
| 96,200   | Gree Electric Appliances                                   | 3,433,378      | 3.49            |          |   |                   |                 |
|          | <b>Electrical Equipment: 0.19% (2017: Nil)</b>             |                |                 |          |   |                   |                 |
| 9,000    | 360 Security Technology Inc                                | 183,330        | 0.19            |          |   |                   |                 |
|          | <b>Engineering &amp; Construction: 4.33% (2017: 3.97%)</b> |                |                 |          |   |                   |                 |
| 31,861   | China Communications Construction                          | 358,755        | 0.36            |          |   |                   |                 |
| 85,800   | China Railway Construction Corp Ltd                        | 932,646        | 0.95            |          |   |                   |                 |
| 116,200  | China Railway Group  | 812,238        | 0.82            |          |   |                   |                 |
| 379,760  | China State Construction Engineering                       | 2,164,632      | 2.20            |          |   |                   |                 |

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Schedule of investments (continued)

As at 31 December 2018

Transferable Securities admitted to an Official Stock Exchange Listing or traded on a Regulated Market.

|  | Fair value<br>RMB | % of net<br>assets |
|--|-------------------|--------------------|
| Total value of investments   | 98,074,408        | 99.58              |
| Cash and cash equivalents*   | 543,911           | 0.55               |
| Other net liabilities  | (130,005)         | (0.13)             |
| Net assets attributable to holders<br>of redeemable participating shares | 98,488,314        | 100.00             |

\*All cash holdings are held with HSBC Bank plc.

|  | % of<br>Total<br>Assets |
|--|-------------------------|
| <b>Analysis of Total Assets</b>  |                         |
| Transferable securities admitted to official stock exchange<br>listing | 99.41                   |
| Cash and cash equivalents  | 0.55                    |
| Clearing reserve   | 0.04                    |
|  | <b>100.00</b>           |

All equity positions held by the Company at 31 December 2018 and as at 31 December 2017 all equity positions (with the exception of the investment held in Shenwan Hongyuan Group) are classified as Level 1.

# Schedules of Material Portfolio Changes (Unaudited)

## Annual Report and Audited Financial Statements 2018

### CSOP Source FTSE China A50 UCITS ETF

| <b>Purchases</b>                       | <b>Cost<br/>RMB</b> |
|--|---------------------|
| 107,700 Gree Electric Appliances       | 5,738,383           |
| 53,200 Ping An Insurance               | 3,883,043           |
| 43,800 Anhui Conch Cement              | 1,498,053           |
| 88,700 China Railway Construction      | 994,566             |
| 63,000 Bank of Shanghai                | 964,211             |
| 16,300 SF Express                      | 691,038             |
| 28,300 Foxconn Industrial Internet     | 636,966             |
| 6,900 Foshan Haitian Flavouring & Food | 532,539             |
| 14,100 China Merchants Bank            | 454,888             |
| 111,600 Agricultural Bank of China     | 450,328             |
| 63,500 China Molybdenum                | 430,120             |
| 5,000 Contemporary Amperex Technology  | 384,408             |
| 9,000 SAIC Motor Corporation           | 322,866             |
| 16,500 Industrial Bank Company         | 293,253             |
| 400 Kweichou Moutai                    | 290,382             |
| 7,800 China Vanke                      | 253,073             |
| 9,100 360 Security Technology          | 248,688             |
| 3,100 Wuliangye Yibin                  | 241,131             |
| 28,300 China Minsheng Banking          | 233,707             |
| 4,100 Midea Group                      | 228,319             |

The Statement of Significant Purchases and Sales reflect the aggregate purchases of a security exceeding one percent of the total value of purchases and aggregate disposals of a security greater than one percent of the total sales for the financial year. At a minimum the largest 20 purchases and largest 20 sales must be given. The full listing of the portfolio changes for the year is available, upon request, at no extra cost from the Administrator

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## CSOP Source FTSE China A50 UCITS ETF (continued)

| Sales   | Proceeds<br>RMB |
|---|-----------------|
| 35,800 Ping An Insurance                        | 2,240,952       |
| 70,500 China Merchants Bank                     | 2,142,774       |
| 2,500 Kweichou Moutai                           | 1,805,665       |
| 589,200 BOE Technology Group                    | 1,790,579       |
| 168,660 Haitong Securities Private Limited      | 1,737,706       |
| 83,000 Industrial Bank Company                  | 1,393,206       |
| 188,220 Focus Media Information Technology      | 1,305,242       |
| 73,591 Huatai Securities                        | 1,285,077       |
| 70,746 GF Securities                            | 1,170,498       |
| 38,800 China Vanke                              | 1,168,039       |
| 150,700 China Minsheng Banking                  | 1,121,449       |
| 21,000 Midea Group                              | 1,120,379       |
| 21,800 BYD                                      | 1,069,457       |
| 86,300 Shanghai Pudong Development Bank         | 993,032         |
| 106,957 China Railway Construction              | 988,295         |
| 29,800 Inner Mongolia Yili Industrial Group     | 900,013         |
| 46,700 Citic Securities                         | 870,205         |
| 212,600 Agricultural Bank of China              | 861,245         |
| 129,500 Industrial & Commercial Bank of China   | 835,493         |
| 10,500 Wuliangye Yibin                          | 785,546         |
| 120,100 Bank of Communications                  | 772,776         |
| 8,800 Jiangsu Hengrui Medicine                  | 646,723         |
| 85,000 China State Construction Engineering     | 621,479         |
| 16,700 Hangzhou Hikvision                       | 619,584         |
| 40,800 Poly Real Estate Group                   | 589,678         |
| 83,400 Bank Of Beijing                          | 573,117         |
| 15,100 China Pacific Insurance                  | 572,402         |
| 126,500 Bank of China                           | 526,699         |
| 11,500 Gree Electric Appliances                 | 519,644         |
| 43,300 Ping An Bank                             | 498,343         |
| 54,000 China Constructions Bank                 | 434,564         |
| 44,600 CRRC Corporation                         | 420,123         |
| 12,400 SAIC Motor Corporation                   | 419,881         |
| 57,400 China Petroleum and Chemical Corporation | 392,057         |
| 23,700 China Yangtze Power                      | 386,269         |

The Statement of Significant Purchases and Sales reflect the aggregate purchases of a security exceeding one percent of the total value of purchases and aggregate disposals of a security greater than one percent of the total sales for the financial year. At a minimum the largest 20 purchases and largest 20 sales must be given. The full listing of the portfolio changes for the financial year is available, upon request, at no extra cost from the Administrator.

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## Remuneration Disclosure (Unaudited) - Invesco Investment Management Limited

Regulation 89(3A) of the UCITS Regulations (as introduced pursuant to the UCITS V Regulations on 21 March 2016) requires that the annual report of the Manager contains certain disclosures on remuneration paid by the Manager to its staff during the financial year and details of any material changes to the Manager's remuneration policy made during the period. In this regard, the following points are to be noted:

- The Manager has adopted a remuneration policy outlining how it adheres to the remuneration requirements set out in the UCITS Regulations.
- This disclosure includes all staff whose professional activities have a material impact on the risk profile of the Manager ("Identified Staff"). The Manager has deemed Identified Staff to include:
  - (i) The Directors of the Company. The Manager has no employees or staff that it employs and pays directly. The Manager has a Board of Directors, one of whom is an employee of the Investment Manager and receives no remuneration from the Manager. The remaining three directors, two of whom are non-executive and one who is an independent non-executive, receive a fixed fee only (for the year ended 31 December 2018; € 20,041 in aggregate) and do not receive variable remuneration. These fees are set at a level that reflects the qualifications and contribution required taking into account the Company's size, internal organisation and the nature, scope and complexity of its activities.
  - (ii) The Designated Persons. The services of two designated persons are provided to the Manager pursuant to a management services agreement between the Manager and Clifton Fund Consulting Limited trading as KB Associates, in respect of which a fixed fee only is paid and such designated persons do not receive any variable remuneration. The fee for the year ended 31 December 2018 was € 20,027 in aggregate.
- The Remuneration Policy was subject to an annual review in accordance with the requirements of the UCITS Regulations and amended to reflect the publication of the ESMA Guidelines and changes in Identified Staff of the Manager.



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**Further information**

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