

CICC KraneShares ETF Trust

CICC KraneShares CSI China Internet Index ETF

*Stock Codes: 9186 (USD counter), 83186
(RMB counter), 3186 (HKD counter)*

For the year ended 31 December 2021

Annual Report

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Administration and management

Manager

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Hong Kong Asset Management Limited
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Directors of the Manager

Mr. Feng Ping
Mr. Lin Ning
Ms. Ma Kui
Mr. Wong King Fung

Trustee and Registrar

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Service Agent

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Central
Hong Kong

Sub-Manager

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Legal Counsel to the Manager

Simmons & Simmons
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Hong Kong

Auditor

KPMG
8/F, Prince's Building
10 Chater Road
Central
Hong Kong

*Public Interest Entity Auditor registered in
accordance with the Financial Reporting
Council Ordinance*

Manager's report

CICC KraneShares CSI China Internet Index ETF

Introduction

The CICC KraneShares CSI China Internet Index ETF (the "Sub-Fund"), a sub-fund of the CICC KraneShares ETF Trust (the "Trust"), was launched on 4 April 2018 and commenced trading under the stock codes 3186 for the HKD counter, 9186 for the USD counter and 83186 for the RMB counter on The Stock Exchange of Hong Kong Limited (the "SEHK") on 10 April 2018. The Sub-Fund is a Hong Kong unit trust authorised under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. The Sub-Fund is benchmarked against the CSI Overseas China Internet Index. The manager of the Sub-Fund is China International Capital Corporation Hong Kong Asset Management Limited (the "Manager"), the sub-manager of the Sub-Fund is Krane Funds Advisors, LLC (the "Sub-Manager") and the trustee is Brown Brothers Harriman Trustee Services (Hong Kong) Limited (the "Trustee").

Performance of the Sub-Fund

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the CSI Overseas China Internet Index (the "Index"). There can be no assurance that the Sub-Fund will achieve its investment objective.

The table below illustrates the comparison between the Sub-Fund's performance and that of the Index during the following period:

	YTD	1-month	3-month	6-month	1-year	Inception ¹
Sub-Fund's Total Return (%)	(48.43)%	(11.00)%	(16.45)%	(42.92)%	(48.43)%	(31.13)%
Index Benchmark (%)	(48.91)%	(10.99)%	(16.50)%	(43.47)%	(48.91)%	(29.64)%
	0.48%	(0.01)%	0.05%	0.55%	0.48%	(1.49)%

¹ Inception date of the Sub-Fund: 4 April 2018

Activities of the Index

The CSI Overseas China Internet Index underwent four reviews during the year. As of 31 December 2021, the Sub-Fund held all constituents in the CSI Overseas China Internet Index.

China International Capital Corporation Hong Kong Asset Management Limited
29 April 2022

Trustee's report CICC KraneShares CSI China Internet Index ETF

We hereby confirm that, in our opinion, the Manager of the Sub-Fund within the Trust has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 16 March 2018, as amended from time to time, for the year ended 31 December 2021.

)
)
) For and on behalf of
) Brown Brothers Harriman Trustee Services
) (Hong Kong) Limited,
) Trustee
)
29 April 2022

Independent auditor's report to the unitholders of CICC KraneShares CSI China Internet Index ETF

Opinion

We have audited the financial statements of CICC KraneShares CSI China Internet Index ETF, the "Sub-Fund" of CICC KraneShares ETF Trust (the "Trust") set out on pages 9 to 37 which comprise the statement of assets and liabilities as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund of the Trust as at 31 December 2021 and of their financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

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

Independent auditor’s report to the unitholders of CICC KraneShares CSI China Internet Index ETF (continued)

Key audit matters

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

Existence and valuation of investments	
<i>Refer to note 12 to the financial statements and the accounting policies in note 2(d)(iii) on page 19.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2021 the investment portfolio represented 99.6% of the net assets of CICC KraneShares CSI China Internet Index ETF, and is the key driver of the Sub-Fund’s investment returns.</p> <p>We identified the existence and valuation of investments as a key audit matter because of its significance in the context of the Sub-Fund’s financial statements and because the value of the Sub-Fund’s investment portfolio as at 31 December 2021 is a key performance indicator.</p>	<p>Our audit procedures to assess the existence and valuation of investments included the following:</p> <ul style="list-style-type: none"> • obtaining independent confirmations from the custodians of the investment portfolio held at 31 December 2021, and agreeing the Sub-Fund’s holdings of investments to those confirmations; and • assessing whether the valuations of all investments in the investment portfolio at the year end date were within the market bid-ask spreads by comparing the prices adopted by the Sub-Fund with the prices obtained from independent pricing sources.

Information other than the financial statements and auditor’s report thereon

The Manager and the Trustee of the Trust and its Sub-Fund are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor’s report thereon.

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

Independent auditor's report to the unitholders of CICC KraneShares CSI China Internet Index ETF (continued)

Information other than the financial statements and auditor's report thereon (continued)

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

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

Responsibilities of the Manager and the Trustee of the Trust and its Sub-Fund

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

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

In addition, the Manager and the Trustee of the Trust and its Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed, as amended on 16 March 2018 ("Trust Deed"), and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the unitholders of CICC KraneShares CSI China Internet Index ETF (continued)

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

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

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

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

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

Independent auditor's report to the unitholders of CICC KraneShares CSI China Internet Index ETF (continued)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ko Sze Man.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 April 2022

Statements of assets and liabilities as at 31 December 2021 and 31 December 2020

	Note	31 December 2021 USD	31 December 2020 USD
Assets			
Financial assets at fair value through profit or loss	5,6(c)	2,569,510	4,974,432
Cash and cash equivalents	6(c)	363	101,190
Dividend receivables		317	–
Management fee reimbursement receivables	6(a),6(c)	67,138	77,158
Other receivables and prepayments		2,375	2,300
Total assets		2,639,703	5,155,080
Liabilities			
Audit fee payables		(23,258)	(22,585)
Administration fee payables	6(c)	(12,258)	(64,439)
Trustee and registrar fees payables	6(c)	(1,840)	(6,663)
Custody fee payables	6(c)	(3,752)	(20,000)
Transaction costs payables	6(c)	(1,775)	(6,775)
Other payables and accruals		(15,883)	(30,053)
Total liabilities		(58,766)	(150,515)
Net assets attributable to unitholders		2,580,937	5,004,565

The notes on pages 15 to 37 form part of these financial statements.

Statements of assets and liabilities as at 31 December 2021 and 31 December 2020 (continued)

	<i>Note</i>	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
Representing:			
Total equity		<u>2,580,937</u>	<u>5,004,565</u>
Total number of units in issue	8	<u>375,000</u>	<u>375,000</u>
Net assets value per unit	8	<u>6.88</u>	<u>13.35</u>

Approved by the Manager and the Trustee on 29 April 2022

)	
)	For and on behalf of
)	China International Capital Corporation
)	Hong Kong Asset Management Limited,
)	Manager
)	
)	For and on behalf of
)	Brown Brothers Harriman Trustee Services
)	(Hong Kong) Limited,
)	Trustee
)	

The notes on pages 15 to 37 form part of these financial statements.

Statements of comprehensive income for the year ended 31 December 2021 and 31 December 2020

	<i>Note</i>	<i>Year ended 31 December 2021 USD</i>	<i>Year ended 31 December 2020 USD</i>
Income			
Interest income	6(c)	–	12
Dividend income		4,504	14,834
Other income		2,310	3,712
Net (losses)/gains from financial assets at fair value through profit or loss	3	(1,550,505)	3,112,944
Net foreign exchange losses		(120)	(153)
Total net (loss)/income		(1,543,811)	3,131,349
Expenses			
Management fee	6(c)	(23,713)	(44,911)
Transaction costs	9	(4,004)	(7,998)
Total operating expenses		(27,717)	(52,909)
Taxation	4	–	–
(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the year		(1,571,528)	3,078,440

The notes on pages 15 to 37 form part of these financial statements.

Statements of changes in equity for the year ended 31 December 2021 and 31 December 2020

	Note	Year ended 31 December 2021 USD	Year ended 31 December 2020 USD
Net assets attributable to unitholders at the beginning of the year (375,000 units) (2020: 750,000 units)		5,004,565	6,283,262
Subscription of units (125,000 units) (2020: nil units)	10	1,185,838	–
Redemption of units (125,000 units) (2020: 375,000 units)	10	(2,037,938)	(4,357,137)
(Decrease)/Increase in net assets attributable to unitholders and total comprehensive (loss)/income for the year	10	<u>(1,571,528)</u>	<u>3,078,440</u>
Net assets attributable to unitholders at the end of the year (375,000 units) (2020: 375,000 units)	10	<u>2,580,937</u>	<u>5,004,565</u>

The notes on pages 15 to 37 form part of these financial statements.

Statements of cash flows for the year ended 31 December 2021 and 31 December 2020

	Year ended 31 December 2021 USD	Year ended 31 December 2020 USD
Operating activities		
(Decrease)/increase in net assets attributable to unitholders and total comprehensive (loss)/income for the year	(1,571,528)	3,078,440
Adjustment for:		
Net losses/(gains) from financial assets at fair value through profit or loss	1,550,505	(3,112,944)
Operating losses before changes in working capital	(21,023)	(34,504)
Purchase of financial assets at fair value through profit or loss	(2,579,680)	(2,873,012)
Proceeds from sale of financial assets at fair value through profit or loss	3,434,097	7,288,378
Increase in dividend receivables	(317)	–
Decrease in management fee reimbursement receivables	10,020	118,276
Increase in other receivables and prepayments	(75)	(2,300)
Increase in audit fee payables	673	755
(Decrease)/increase in administration fee payables	(52,181)	48,342
(Decrease)/increase in trustee and registrar fees payables	(4,823)	5,101
Decrease in establishment cost payables	–	(133,125)
(Decrease)/increase in custody fee payables	(16,248)	15,000
(Decrease)/increase in transaction costs payables	(5,000)	5,298
(Decrease)/increase in other payables and accruals	(14,170)	10,170
Net cash flows generated from operating activities	751,273	4,448,379

The notes on pages 15 to 37 form part of these financial statements.

Statements of cash flows for the year ended 31 December 2021 and 31 December 2020 (continued)

	<i>Year ended 31 December 2021 USD</i>	<i>Year ended 31 December 2020 USD</i>
Cash flows from financing activities		
Proceeds from subscription of units	1,185,838	–
Payment for redemption of units	<u>(2,037,938)</u>	<u>(4,357,137)</u>
Net cash flows used in financing activities	<u>(852,100)</u>	<u>(4,357,137)</u>
Net (decrease)/increase in cash and cash equivalents	(100,827)	91,242
Cash and cash equivalents at the beginning of the year	<u>101,190</u>	<u>9,948</u>
Cash and cash equivalents at the end of the year	<u><u>363</u></u>	<u><u>101,190</u></u>
Analysis of cash and cash equivalents		
Cash at bank	363	101,190
Net cash flows from operating activities include:		
Interest income	–	12
Dividend income	4,187	14,834
Interest expenses	<u>(14)</u>	<u>–</u>

The notes on pages 15 to 37 form part of these financial statements.

Notes to the financial statements

1 The Trust

CICC KraneShares ETF Trust (the “Trust”) is a Hong Kong umbrella unit trust established under a trust deed dated 16 March 2018 and as amended from time to time (the “Trust Deed”) between China International Capital Corporation Hong Kong Asset Management Limited (the “Manager”) and Brown Brothers Harriman Trustee Services (Hong Kong) Limited (the “Trustee”), and governed by the laws of Hong Kong. The Amended and Restated Trust Deed was last updated on 5 December 2019. The Trust and its Sub-Fund (the “Sub-Fund”) are authorised under the Section 104 of the Hong Kong Securities and Futures Ordinance (the “SFO”) and the Sub-Fund is a fund falling under Chapter 8.6 of the Hong Kong Code on Unit Trusts and Mutual Funds (the “SFC Code”).

As at 31 December 2021, there is one Sub-Fund under the Trust. The name of the Sub-Fund, its relevant benchmark and date of commencement of operations are set out as below:

<i>Sub-Fund</i>	<i>Benchmark index</i>	<i>Date of commencement of operations</i>
CICC KraneShares CSI China Internet Index ETF	CSI Overseas China Internet Index	4 April 2018

The date of inception of the Sub-Fund was 4 April 2018 and the date of listing on the Stock Exchange of Hong Kong was 10 April 2018. The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of its benchmark index. There can be no assurance that the Sub-Fund will achieve its investment objective.

The Trust Deed does not contain any requirement that a combined set of financial statements for the Trust itself be prepared.

The investment activities of the Trust are managed by the Manager and the administration of the Trust is delegated to Brown Brothers Harriman & Co. (the “Administrator”).

2 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”), and Interpretations issued by International Accounting Standards Board (“IASB”), the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements of the Code issued by the Hong Kong Securities and Futures Commission (the “SFC”). A summary of the significant accounting policies adopted by the Sub-Fund is set out below.

2 Significant accounting policies (continued)

The IASB has issued the following amendments in IFRSs that are first effective for the current accounting period to the Sub-Fund:

- Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2

None of the developments have had a material effect on how the Sub-Fund's results and financial position for the current or prior periods have been prepared or presented. The Sub-Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The IASB has issued certain new and revised IFRSs that are available for early adoption for the current accounting period of the Sub-Fund. The Sub-Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 16).

(b) *Basis of preparation of the financial statements*

These financial statements are presented in United States dollars ("USD"), which is the Sub-Fund's functional currency. All values are rounded to the nearest USD except when otherwise indicated.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) *Foreign currency translation*

Foreign currency transactions during the year are translated into the functional currency of the Sub-Fund at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the foreign exchange rates ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are re-translated into the functional currencies at the exchange rate at the date on which the fair value was determined. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss.

2 Significant accounting policies (continued)

(d) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Sub-Fund initially recognises financial assets and financial liabilities at fair value through profit or loss (FVTPL) on the trade date, which is the date on which the Sub-Fund becomes a party to the contractual provisions of the instruments. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

On initial recognition, the Sub-Fund classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets of the Sub-Fund are measured at FVTPL.

Financial assets – Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Sub-Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Sub-Fund's management;

2 Significant accounting policies (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Sub-Fund's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessing whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Sub-Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Sub-Fund considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets (e.g. non-recourse features).

2 Significant accounting policies (continued)

Financial assets – Reclassification

Financial assets are not reclassified subsequent to their initial recognition unless the Sub-Fund were to change its business model for management of financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Fair value measurement principles

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 in the principal or, in its absence, the most advantageous market to which the Sub-Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Sub-Fund measures the fair value of an instrument using the quoted price in an active market for that instrument provided such price is within the bid ask spread. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In circumstances where the quoted price is not within the bid ask spread, the Manager of the Sub-Fund will determine the points within the bid ask spread that are most representative of the fair value.

When there is no quoted price in an active market, the Sub-Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

2 Significant accounting policies (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Sub-Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(iv) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount and, for financial assets, adjusted for any loss allowance.

(v) Impairment

The Sub-Fund recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost.

The Sub-Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Sub-Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Sub-Fund’s historical experience and informed credit assessment and including forward-looking information.

The Sub-Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

2 Significant accounting policies (continued)

The Sub-Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Sub-Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Sub-Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

2 Significant accounting policies (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off policy

The gross carrying amount of a financial asset is written off when the Sub-Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(vi) Derecognition

The Sub-Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or they transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Sub-Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Sub-Fund is recognised as a separate asset or liability.

If a Sub-Fund enters into transactions whereby it transfers assets recognised on its statement of assets and liabilities, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Sub-Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

2 Significant accounting policies (continued)

(vii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Sub-Fund has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit and loss and foreign exchange gains and losses.

(e) **Cash and cash equivalents**

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Sub-Fund for the purpose of meeting short-term commitments, other than cash collateral provided in respect of derivatives, securities sold short and securities borrowing transactions. Bank overdrafts that are repayable on demand and form an integral part of the Sub-Fund's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(f) **Revenue recognition**

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Sub-Fund is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Where the contract contains a variable consideration, the Sub-Fund estimates the amount of consideration which it will be entitled in exchange for transferring the promised services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Further details of the Sub-Fund's revenue and other income recognition policies are as follows:

(i) Dividends

Dividend income from listed investments is recognised on the ex-dividend date. Dividend income from equity securities designated as at fair value through profit and loss and unit trusts is recognised in profit or loss in a separate line item. In some cases, the Sub-Fund may choose to receive dividends in the form of additional shares rather than cash. In such cases, the Sub-Fund recognises the dividend income for the amount of the equivalent cash dividend with the corresponding debit treated as an additional investment.

2 Significant accounting policies (continued)

(ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Sub-Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Dividends and interest income received by the Sub-Fund may be subject to non-recoverable withholding tax imposed in the country of origin. This income is recorded gross of such taxes and the withholding tax is recognised in the profit and loss as incurred.

(g) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(h) Establishment cost

The establishment costs of the Sub-Fund consist of costs incurred to establish the Sub-Fund and enable them legally to do business. The establishment costs are borne by the Manager.

(i) Related parties

(a) A person, or a close member of that person's family, is related to a Sub-Fund if that person:

- (i) has control or joint control over the Sub-Fund;
- (ii) has significant influence over the Sub-Fund; or
- (iii) is a member of the key management personnel of the Sub-Fund.

2 Significant accounting policies (continued)

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(j) **Subscriptions and redemptions**

The Sub-Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

2 Significant accounting policies (continued)

(k) *Units in issue*

The Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Sub-Fund has one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Sub-Fund and ranks pari passu in all material respects and has identical terms and conditions. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Sub-Fund's net assets at each redemption date and also in the event of the Sub-Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instruments if it meets the following conditions:

- (i) it entitles the holder to a pro rata share of the entity's net assets in the event of the Sub-Fund's liquidation;
- (ii) it is in the class of instruments that is subordinate to all other classes of instruments;
- (iii) all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- (iv) apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- (v) the total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The redeemable units issued by the Sub-Fund meet all of these conditions and are classified as equity.

(l) *Distributions to holders of redeemable units*

Distributions to holders of redeemable units are recognised in the statement of changes in equity and presented in note 10.

Distribution income is recognised in accordance with the Trust Deed, with over-distributions in one period permitted to be adjusted as a deduction of distributable income in the following period.

2 Significant accounting policies (continued)

(m) Segment reporting

An operating segment is a component of the Sub-Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Sub-Fund's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Sub-Fund is identified as the Manager.

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

	31 December 2021 USD	31 December 2020 USD
Investments in listed securities		
Net realised gains on financial assets at fair value through profit or loss	1,055,703	1,438,805
Net movement in unrealised gains/losses on financial assets at fair value through profit or loss	<u>(2,606,208)</u>	<u>1,674,139</u>
	<u>(1,550,505)</u>	<u>3,112,944</u>

4 Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Sub-Fund is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Interest income and dividend income received by the Sub-Fund may be subject to non-recoverable withholding tax imposed in the country of origin. Interest income and dividend income are recorded gross of such taxes and the withholding tax is recognised in profit or loss as taxation expenses as incurred.

Realised gains on disposal of investment securities received by the Sub-Fund may be subject to capital gains tax imposed in the country in which the investment security is listed. Realised gains are recorded gross of such taxes and the capital gains tax is recognised in profit or loss as taxation expenses as incurred.

5 Investments

	31 December 2021 USD	31 December 2020 USD
Financial assets at fair value through profit or loss		
<i>Equities</i>		
Listed securities	2,569,510	4,974,432
Total	2,569,510	4,974,432

6 Transactions with the Trustee, Manager and Connected Persons

The following is a summary of significant related party transactions or transactions entered into during the year between the Sub-Fund and the Trustee, the Manager and their Connected Persons. Connected Persons are those as defined in the SFC Code. All transactions during the year between the Sub-Fund and the Trustee, the Manager and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Sub-Fund did not have any other transactions with Connected Persons except for those disclosed below.

- (a) The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the “Management Fee”). Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, the Sub-Manager’s fees, Trustee’s fee, Registrar’s fees, fees of the Service Agent, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee and costs and expenses of licensing the Index. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The Management Fee is 0.72% per year of the Net Asset Value of the Sub-Fund and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in USD. As the Sub-Fund adopts a single management fee structure, the ongoing charges of the Sub-Fund will be equal to the amount of the single management fee which is capped at a maximum of 0.72% of the average Net Asset Value of the Sub-Fund. Any ongoing expenses exceeding 0.72% of the average Net Asset Value of the Sub-Fund will be borne by the Manager and will not be charged to the Sub-Fund.

6 Transactions with the Trustee, Manager and Connected Persons (continued)

Information relating to these fees and expenses borne by the Manager during the year is set out as follows:

	<i>31 December</i> 2021 USD	<i>31 December</i> 2020 USD
Management fee reimbursement receivables	67,138	77,158
Audit fee	23,265	22,733
Administration fee	48,355	48,341
Trustee and registrar fees	5,071	5,101
Custody fee	15,001	15,000
Interest expenses	14	147
Transaction costs	7,139	5,298
Other operating expenses	67,146	63,875
	<u>165,991</u>	<u>160,495</u>

(b) Information relating to balances outstanding as at the date of financial statements, the administrator fee, trustee fee and transfer agent fee paid during the year is set out in note 6(c).

(c) **Information relating to related party transactions is set out below:**

	<i>31 December</i> 2021 USD	<i>31 December</i> 2020 USD
Rate of management fee	0.72%	0.72%
Management fee for the year	23,713	44,911
Management fee reimbursement receivables at the year end	67,138	77,158
Administrator fee payable at the year end	12,258	64,439
Transfer agent fee payables at the year end	1,706	5,787
Trustee fee payables at the year end	134	876
Interest income during the year	–	12
Custody fee payables and transaction costs payables at the year end	5,527	26,775
Bank balances under the Custodian	363	101,190
Securities balance under the Custodian	2,569,510	4,974,432
Interest expenses during the year	14	147

6 Transactions with the Trustee, Manager and Connected Persons (continued)

(d) Transactions with the funds and mandates managed by the Manager and Sub-Manager

During the year ended 31 December 2021 and 2020, the Sub-Fund did not buy or sell any units to other funds and mandates managed by the Manager, Sub-Manager and/ or their affiliates.

(e) Investment transactions with connected persons of the Manager and Sub-Manager

For the year ended 31 December 2021 and 2020, there were no investment transactions with connected persons of the Manager and Sub-Manager.

7 Soft dollar arrangements

No soft dollar arrangements were entered into with brokers by the Trust and its Sub-Fund during the year.

8 Units in issue

Number of units in issue as at 31 December

	<i>31 December 2021 Unit</i>	<i>31 December 2020 Unit</i>
Balance at the end of the year	375,000	375,000

Net asset value per unit as at 31 December

	<i>31 December 2021 Unit</i>	<i>31 December 2020 Unit</i>
Net asset value per unit	6.88	13.35

9 Transaction cost

As at 31 December 2021, transaction costs for the Sub-Fund pertains to the following expenses:

	<i>2021 USD</i>	<i>2020 USD</i>
Trading commission	1,584	4,048
Trading expense	2,420	3,950
Total transaction costs	4,004	7,998

10 Distributions

The Sub-Fund did not pay any distributions during the years ended 31 December 2021 and 31 December 2020.

	31 December 2021 USD	31 December 2020 USD
Amount available for distribution at the beginning of the year	5,004,565	6,283,262
Subscription of units	1,185,838	–
Redemption of units	(2,037,938)	(4,357,137)
(Loss)/profit before distributions	(1,571,528)	3,078,440
	2,580,937	5,004,565
Amount available for distribution at the end of the year	2,580,937	5,004,565

11 Financial instruments and associated risks

The Sub-Fund maintains investment portfolios of listed financial instruments as dictated by investment management strategy. The investment objectives of the Sub-Fund are disclosed in note 1.

The Sub-Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Sub-Fund. Unitholders should note that additional information in respect of risks associated with investment in the Sub-Fund can be found in its offering document.

The asset allocation is determined by the Manager who manages and monitors the distribution of the assets to achieve the investment objectives.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Sub-Fund are discussed below.

11 Financial instruments and associated risks (continued)

(a) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Price sensitivity

At the reporting date, the impact of a 10% increase in value of the investments, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset values by an equal but opposite amount.

<i>Sub-Fund</i>	<i>Benchmark index</i>	<i>Estimated increase in net assets attributable to unitholders as at 31 December 2021 USD</i>	<i>Estimated increase in net assets attributable to unitholders as at 31 December 2020 USD</i>
CICC KraneShares CSI China Internet Index ETF	CSI Overseas China Internet Index	256,951	497,443

(b) Interest rate risk

As at 31 December 2021, the Sub-Fund does not hold any interest-bearing assets therefore the Sub-Fund is not subject to significant interest rate risk.

(c) Currency risk

For CICC KraneShares CSI China Internet Index ETF, all financial instruments at 31 December 2021 are denominated in USD and HKD. As the HKD is pegged to the USD no significant currency risk is associated with this Sub-Fund.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Sub-Fund. The Sub-Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 December 2021, part of the Sub-Fund's financial assets is exposed to credit risk. These include investments in financial assets and cash and cash equivalents, if any, placed with Brown Brothers Harriman & Co. (the "Custodian").

11 Financial instruments and associated risks (continued)

The cash held by the Sub-Fund is deposited with the Custodian. Substantially all of the assets of the Sub-Fund are held by the Custodian who had a credit rating of A+ at year end as rated by Fitch. Bankruptcy or insolvency of the Custodian may cause the Sub-Fund's rights with respect to securities and cash held by the Custodian to be delayed or limited. The Custodian is for which credit risk is considered insignificant.

The carrying amounts of financial asset best represent the maximum credit risk exposure at the date of statement of assets and liabilities.

At 31 December 2021, there are no significant concentration of credit risk to counterparties except to the Custodian.

(e) *Liquidity risk*

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in meeting obligations arising from their financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Sub-Fund. The Sub-Fund's prospectus provides for the daily creation and redemption of units and it is therefore exposed to the liquidity of meeting unitholder redemptions daily.

The Sub-Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that they maintain sufficient reserves of cash and readily realisable marketable securities to meet their respective liquidity requirements in the short and longer term.

All of Sub-Fund's investments are listed investments which are considered to have insignificant exposures to liquidity risk as they are all readily realisable under normal market conditions.

All other financial liabilities disclosed in the statement of assets and liabilities mature within three months from the date of the statement of assets and liabilities or are repayable on demand.

The Sub-Fund's liquidity risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Sub-Fund's redemption policy allows redemption to be made by participating dealers with baskets of securities and a minor cash component or wholly with cash.

(f) *Capital management*

The Sub-Fund's capital as at the reporting date is represented by the respective net assets attributable to unitholders.

The Sub-Fund's objective in managing the capital is to ensure a stable and strong base to provide investment results that correspond closely to the return of the respective underlying index, with a balance for managing liquidity risk arising from the redemptions. The Manager manages the capital of the Sub-Fund in accordance with the Sub-Fund's investment objectives and policies stated in the Sub-Fund's Prospectus.

11 Financial instruments and associated risks (continued)

There were no changes in the policies and procedures during the year with respect to the Sub-Fund's approach to its capital management.

The Sub-Fund is not subject to externally imposed capital requirements.

The amount and the movement of equity are stated in the statement of changes in equity. As the redeemable units are redeemed on demand at the unitholders' option, the actual level of redemption may differ significantly from historical experience.

12 Fair value information

The Sub-Fund's financial instruments are measured at fair value at the reporting date. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range. For certain other financial instruments, including amounts due from brokers, interest and dividends receivables, cash at banks, amounts due to brokers, distribution payable, accruals and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Sub-Fund's accounting policy on fair value measurements is detailed in the significant accounting policy in note 2(d)(iii).

The Sub-Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The category includes instruments valued using: quoted market price in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

12 Fair value information (continued)

When fair values of listed and quoted investments at the reporting date are based on quoted market prices or binding dealer price quotations in an active market, without any deduction for transactions costs, the instruments are included within Level 1 of the hierarchy. When fair values of debt securities at the reporting date represent quoted prices in markets that are considered less than active or consensus prices derived by third parties using valuation techniques where all significant inputs are directly or indirectly observable from market data, those debt securities are included within Level 2 of the hierarchy. Fair values of derivatives are determined by valuation techniques. Level 3 investment consisted of equity instrument which has been suspended for trading and in these financial statements it is revalued from last traded price before suspension based on relevant news and information. For all other financial instruments, their carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

The following analyses financial instruments at fair value through profit or loss at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31 December 2021

Financial assets at fair value through profit or loss	<i>CICC KraneShares CSI China Internet Index ETF</i>			
	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Investments:				
Equities	2,569,510	–	–	2,569,510
	<u>2,569,510</u>	<u>–</u>	<u>–</u>	<u>2,569,510</u>

There were no transfers of financial instruments between Level 1 and Level 2, or transfers into or out of Level 3 during the year. The Sub-Fund accounts for investments it transfers in and out of each level at the end of the year.

As at 31 December 2020

Financial assets at fair value through profit or loss	<i>CICC KraneShares CSI China Internet Index ETF</i>			
	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Investments:				
Equities	4,974,432	–	–	4,974,432
	<u>4,974,432</u>	<u>–</u>	<u>–</u>	<u>4,974,432</u>

12 Fair value information (continued)

There were no transfers of financial instruments between Level 1 and Level 2, or transfers into or out of Level 3 during the year. The Sub-Fund accounts for investments it transfers in and out of each level at the end of the year.

13 Reconciliation of net asset value

The net asset value presented in the financial statements and that quoted for pricing purpose at the year end are no material difference as the Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses as a single flat fee set out in note 6(a).

14 Segment information

The Manager makes the strategic resource allocation on behalf of the Sub-Fund and determines the operating segments based on the internal reporting used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy for the Sub-Fund, and the Sub-Fund's performance is evaluated on an overall basis. Accordingly, the Manager considers that the Sub-Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objectives stipulated in the Prospectus.

All revenues and losses generated from investments by the Sub-Fund are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and the statement of assets and liabilities.

15 Contingent liabilities and capital commitments

As at 31 December 2021 and 31 December 2020 there were no contingent liabilities or capital commitments outstanding.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These include the following which may be relevant to the Sub-fund.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021 (continued)

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023

The Sub-fund is in the process of making an assessment of what the impact of these amendments, new standard and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Sub-fund's results of operations and financial position.

17 Significant events during the year

The Administrator has entered into an agreement with State Street Corporation ("State Street") under which State Street will acquire the Administrator's Investor Services business; which includes its custody, fund accounting and administration, transfer agency, depositary services, foreign exchange and securities lending services. The completion of the transaction is subject to customary closing conditions and regulatory approvals. The Manager does not expect the transaction to have any significant impact to the operations of the Sub-Fund.

Portfolio statement as at 31 December 2021 (Unaudited)

<i>Investments</i>	<i>Holdings</i>	<i>Fair Value</i>	<i>% of</i>
		<i>USD</i>	<i>Net Assets</i>
<u>Financial assets at fair value through profit or loss</u>			
Listed securities			
Common Stocks			
The United States of America			
Communication Services			
Autohome Inc	703	20,725	0.80%
Baidu Inc	1,101	163,818	6.35%
Bilibili Inc	1,723	79,947	3.10%
DouYu International Holdings Ltd	1,478	3,902	0.15%
Hello Group Inc	1,339	12,024	0.47%
HUYA Inc	905	6,281	0.24%
iQIYI Inc	3,907	17,816	0.69%
JOYY Inc	499	22,670	0.88%
Kanzhun Ltd	3,589	125,184	4.85%
NetEase Inc	1,049	106,767	4.14%
Tencent Music Entertainment Group	6,312	43,237	1.68%
Weibo Corp	637	19,734	0.76%
Zhihu Inc	4,229	23,429	0.91%
Total Communication Services		645,534	25.02%
Consumer Discretionary			
Alibaba Group Holding Ltd	1,906	226,414	8.77%
Baozun Inc	505	7,020	0.27%
Dada Nexus Ltd	869	11,436	0.44%
Gaotu Techedu Inc	1,343	2,605	0.10%
JD.com Inc	2,459	172,302	6.68%
Pinduoduo Inc	1,911	111,411	4.32%
TAL Education Group	4,878	19,171	0.74%
Trip.com Group Ltd	4,026	99,120	3.84%
Vipshop Holdings Ltd	4,513	37,909	1.47%
Youdao Inc	445	5,554	0.21%
Total Consumer Discretionary		692,942	26.84%
Financials			
360 DigiTech Inc	969	22,219	0.86%
Lufax Holding Ltd	6,898	38,836	1.50%
Total Financials		61,055	2.36%
Industrials			
51job Inc	309	15,119	0.59%
Full Truck Alliance Co Ltd	9,681	81,030	3.14%
Total Industrials		96,149	3.73%
Information Technology			
Agora Inc	864	14,006	0.54%
Chindata Group Holdings Ltd	1,678	11,058	0.43%
Kingsoft Cloud Holdings Ltd	1,043	16,427	0.64%

Portfolio statement as at 31 December 2021 (Unaudited) (continued)

<i>Investments</i>	<i>Holdings</i>	<i>Fair Value USD</i>	<i>% of Net Assets</i>
<u>Financial assets at fair value through profit or loss</u>			
Listed securities (continued)			
Common Stocks (continued)			
The United States of America (continued)			
Information Technology (continued)			
OneConnect Financial Technology Co Ltd	1,362	3,364	0.13%
Vnet Group Inc	1,293	11,676	0.45%
Total Information Technology		56,531	2.19%
Real Estate			
KE Holdings Inc	5,240	105,429	4.09%
Total Real Estate		105,429	4.09%
Total The United States of America		1,657,640	64.23%
Hong Kong			
Communication Services			
Alibaba Pictures Group Ltd	113,000	10,290	0.40%
China Literature Ltd	4,554	28,621	1.11%
Kingsoft Corp Ltd	9,475	41,623	1.61%
Kuaishou Technology	10,200	94,260	3.65%
Tencent Holdings Ltd	4,560	267,169	10.35%
XD Inc	2,100	10,639	0.41%
Total Communication Services		452,602	17.53%
Consumer Discretionary			
JD Health International Inc	11,026	86,903	3.37%
Meituan	7,125	205,984	7.98%
Tongcheng Travel Holdings Ltd	11,400	21,114	0.82%
Total Consumer Discretionary		314,001	12.17%
Financials			
ZhongAn Online P&C Insurance Co Ltd	6,050	21,029	0.82%
Total Financials		21,029	0.82%
Health Care			
Alibaba Health Information Technology Ltd	47,000	39,726	1.54%
Ping An Healthcare & Technology Co Ltd	4,900	17,817	0.69%
Yidu Tech Inc	4,900	13,230	0.51%
Total Health Care		70,773	2.74%
Information Technology			
Ming Yuan Cloud Group Holdings Ltd	10,500	23,918	0.93%
Weimob Inc	22,000	22,264	0.86%
Yeahka Ltd	2,201	7,283	0.28%
Total Information Technology		53,465	2.07%
Total Hong Kong		911,870	35.33%

Portfolio statement as at 31 December 2021 (Unaudited) (continued)

	<i>Fair Value</i>	<i>% of</i>
	<i>USD</i>	<i>Net Assets</i>
Total Common Stocks	2,569,510	99.56%
Total investments, at fair value	2,569,510	99.56%
Other assets	11,427	0.44%
Net assets attributable to unitholders	2,580,937	100.00%
Total investments, at cost	3,917,565	

Statement of movements in portfolio holdings for the year ended 31 December 2021 (Unaudited)

<i>Investments</i>	<i>Beginning holding balance as at 31 December 2020</i>	<i>Additions</i>	<i>Corporate Actions</i>	<i>Disposals</i>	<i>Closing holding balance as at 31 December 2021</i>
17 Education & Technology Group Inc	-	1,532	(804)	(728)	-
360 Finance Inc	-	1,214	-	(245)	969
51job Inc	386	130	-	(207)	309
Agora Inc	830	509	-	(475)	864
Alibaba Group Holding Ltd	1,659	1,209	-	(962)	1,906
Alibaba Health Information Technology Ltd	46,999	27,667	-	(27,666)	47,000
Alibaba Pictures Group Ltd	157,999	37,667	-	(82,666)	113,000
Archosaur Games Inc	3,000	1,000	-	(4,000)	-
Autohome Inc	688	314	-	(299)	703
Baidu Inc	1,024	723	-	(646)	1,101
Baozun Inc	674	215	-	(384)	505
Bilibili Inc	2,335	1,205	-	(1,817)	1,723
China Literature Ltd	5,954	1,985	-	(3,385)	4,554
Chindata Group Holdings Ltd	1,746	764	-	(832)	1,678
Dada Nexus Ltd	1,078	370	-	(579)	869
DouYu International Holdings Ltd	1,837	621	-	(980)	1,478
Full Truck Alliance Co Ltd	-	10,714	-	(1,033)	9,681
GSX Techedu Inc	1,105	823	-	(585)	1,343
Hello Group Inc	-	576	763	-	1,339
HUYA Inc	815	444	-	(354)	905
iQIYI Inc	3,436	2,286	-	(1,815)	3,907
JD Health International Inc	10,750	4,809	-	(4,533)	11,026
JD.com Inc	3,584	2,093	-	(3,218)	2,459
JOYY Inc	669	230	-	(400)	499
Kanzhun Ltd	-	3,589	-	-	3,589
KE Holdings Inc	3,047	3,657	-	(1,464)	5,240
Kingsoft Cloud Holdings Ltd	1,032	508	-	(497)	1,043
Kingsoft Corp Ltd	10,774	4,692	-	(5,991)	9,475
Koolearn Technology Holding Ltd	4,500	1,500	-	(6,000)	-
Kuaishou Technology	-	10,400	-	(200)	10,200
Lufax Holding Ltd	8,643	3,033	-	(4,778)	6,898
Meituan Dianping	10,625	4,542	-	(8,042)	7,125
Ming Yuan Cloud Group Holdings Ltd	14,000	4,167	-	(7,667)	10,500
Momo Inc	1,693	-	(763)	(930)	-

Statement of movements in portfolio holdings for the year ended 31 December 2021 (Unaudited) (continued)

<i>Investments</i>	<i>Beginning holding balance as at 31 December 2020</i>	<i>Additions</i>	<i>Corporate Actions</i>	<i>Disposals</i>	<i>Closing holding balance as at 31 December 2021</i>
NetEase Inc	2,201	543	-	(1,695)	1,049
OneConnect Financial Technology Co Ltd	-	1,362	-	-	1,362
Pinduoduo Inc	2,295	1,090	-	(1,474)	1,911
Ping An Healthcare & Technology Co Ltd	6,650	1,767	-	(3,517)	4,900
SINA Corp	682	-	-	(682)	-
TAL Education Group	2,849	3,160	-	(1,131)	4,878
Tencent Holdings Ltd	6,410	2,187	-	(4,037)	4,560
Tencent Music Entertainment Group	5,751	3,499	-	(2,938)	6,312
Tongcheng-Elong Holdings Ltd	12,800	4,467	-	(5,867)	11,400
Trip.com Group Ltd	5,636	2,006	-	(3,616)	4,026
Vipshop Holdings Ltd	5,342	1,970	-	(2,799)	4,513
Vnet Group Inc	-	1,382	-	(89)	1,293
Weibo Corp	785	275	-	(423)	637
Weimob Inc	21,000	10,000	-	(9,000)	22,000
XD Inc	-	2,100	-	-	2,100
Yeahka Ltd	2,800	734	-	(1,333)	2,201
Yidu Tech Inc	-	4,900	-	-	4,900
Youdao Inc	-	888	-	(443)	445
Zhihu Inc	-	5,626	-	(1,397)	4,229
ZhongAn Online P&C Insurance Co Ltd	16,800	2,450	-	(13,200)	6,050

Performance record (Unaudited)

1 Price record

	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>
	USD	USD
During the year ended		
31 December 2021	17.86	6.43
31 December 2020	13.41	6.98
31 December 2019	8.53	6.25
31 December 2018 ¹	11.09	6.40

¹ The financial period of the Sub-Fund extended from 4 April 2018 (date of inception) to 31 December 2018.

2 Total net asset value and net asset value per unit

	<i>Total net asset value</i>	<i>Net asset value per unit</i>
	USD	USD
As at		
31 December 2021	2,580,937	6.88
31 December 2020	5,004,565	13.35
31 December 2019	6,283,262	8.38

3 Performance of the Sub-Fund and the underlying index

<i>For the year ended 31 December 2021</i>	<i>Performance</i>
CICC KraneShares CSI China Internet Index ETF	(48.43%)
CSI Overseas China Internet Index	<u>(48.91%)</u>

<i>For the year ended 31 December 2020</i>	<i>Performance</i>
CICC KraneShares CSI China Internet Index ETF	59.30%
CSI Overseas China Internet Index	<u>61.32%</u>

Investors should note that investments involve risks and not all investment risks are predictable. Prices of Sub-Fund's units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the Prospectus of the Trust including the full text of the risk factors stated therein (such as the arrangement in the event that the Sub-Fund is delisted) in detail before making any investment decision.

Underlying index constituent stocks disclosure (Unaudited)

Those constituent stocks held by CICC KraneShares CSI China Internet Index ETF that accounted for more than 10% of the underlying index as at 31 December 2021 are shown below:

CICC KraneShares CSI China Internet Index ETF

<i>Constituent stocks</i>	Weighting of the underlying index (%) 2021	% of net asset value 2021
Tencent Holdings Ltd	10.49	10.35