

**KRANESHARES CSI CHINA INTERNET UCITS ETF**  
**(a sub-fund of KraneShares ICAV)**

**Unaudited Condensed Semi-Annual Financial Statements**

For the period from 15 May 2018 (date of registration) to 31 March 2019

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Contents

For the period from 15 May 2018 (date of registration) to 31 March 2019

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## KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)

### Directors and Other Information

31 March 2019

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#### **Directors**

Feargal Dempsey (Irish) <sup>(1)(2)</sup>  
Jonathan Krane (*American*)  
Lorcan Murphy (Irish) <sup>(1)(2)</sup>  
Xiaolin Chen (*British*)

#### **Registered Office**

70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

#### **Manager**

DMS Investment Management Services  
(Europe) Limited  
3<sup>rd</sup> Floor  
76 Lower Baggot Street  
Dublin 2  
Ireland

#### **Investment Manager**

Krane Funds Advisors, LLC  
1270 Avenue of the Americas, 22nd Floor  
New York, New York 10020  
USA

#### **Administrator, Registrar and Transfer Agent**

SEI Investments – Global Fund Services Limited  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

#### **Depository**

SEI Investments - Depository and Custodial Services  
(Ireland) Limited  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

#### **ICAV Secretary**

Matsack Trust Limited  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

#### **Registrar**

Brown Brothers Harriman Fund Administration Services  
(Ireland) Limited  
30 Herbert Street  
Dublin 2  
Ireland

#### **Legal Advisers and Listing Sponsor**

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

#### **Independent Auditors**

KPMG Chartered Accountants  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

<sup>(1)</sup> Non-executive

<sup>(2)</sup> Independent

31 March 2019

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The KraneShares CSI China Internet UCITS ETF (the "Fund") seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the CSI Overseas China Internet Index (the "Underlying Index").

The Underlying Index is designed to measure the performance of the investable universe of publicly traded China-based companies whose primary business or businesses are in the Internet and Internet-related sectors ("China Internet Companies"), as defined by the index sponsor, China Securities Index Co., Ltd. ("CSI").

### **China review**

Global equity markets faced two main challenges: an uncertain rate hike cycle from the US Federal Reserve and trade tension between the US and China. Trade tensions initially had a negative impact on Chinese equities compared to the US, however, by the end of 2018, US equities experienced a steep decline exacerbated by hawkish Fed comments. This volatility in US markets caused the Fed to forgo raising rates for the foreseeable future and accompanied a temporary trade truce between the US and China. Both Chinese and US equity markets rebounded sharply in January 2019 and have since continued to climb, though trade concerns and global equity market volatility still lingers.

We see two key positive developments for the opening up of China's capital markets:

- On 28 February 2019, MSCI made a larger than expected China A-Share inclusion announcement. MSCI will increase the inclusion factor of China A-Shares in their Global Standard Indexes from 5% to 20% in 2019.
- On 1 April 2019, Bloomberg Barclays began including RMB-denominated bonds issued by the Chinese government and policy banks into their Global Aggregate Index, tracked by \$2.5 trillion in assets.

### **China capital market overview (21 November 2018 to 31 March 2019)**

- China's equity market, as measured by the MSCI China All Shares Index, was up for the period, returning 18.71%, while China's currency, the renminbi (RMB) depreciated 3.4% against the US dollar.
- The best performing sectors across China's equity markets included Real Estate (+28.16%), Information Technology (+25.17%) and Consumer Discretionary (+23.53%).
- The worst performing sectors across China's equity markets were Health Care (-0.93%), Energy (0.4%) and Materials (5.78%).

From the Fund's inception and ending on 31 March 2019 (the "reporting period"), the NAV of the Fund increased 17.40% for the year, while the Underlying Index increased 18.30%.

The Fund held 55% of the portfolio in Communication Services and 38% in the Consumer Discretionary Sector.

Krane Funds Advisors, LLC  
21 May 2019

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Statement of Financial Position (Unaudited)

31 March 2019

*(Expressed in United States Dollars)*

	Note	USD 31 March 2019 <sup>1</sup>
<b>Assets</b>		
Financial assets at fair value through profit or loss	7	41,084,340
Cash and cash equivalents	2(d)	11,006
Other receivables		2,846
<b>Total assets</b>		<u>41,098,192</u>
<b>Liabilities</b>		
TER fees payable	5	12,221
<b>Total liabilities</b>		<u>12,221</u>
<b>Net assets attributable to holders of redeemable participating shares</b>		<u><u>41,085,971</u></u>

<sup>1</sup> The Fund commenced operations on 21 November 2018.

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

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Schedule of Investments (Unaudited)

As at 31 March 2019

(Expressed in United States Dollars)

<u>Description</u>	<u>Quantity</u>	<u>Cost USD</u>	<u>Fair Value USD</u>	<u>% of Net Assets</u>
<b>Equities</b>				
<i>China</i>				
<i>Communications</i>				
21Vianet Group Inc	19,673	203,674	156,204	0.38%
51job Inc	7,235	479,970	563,462	1.37%
58.com Inc	24,665	1,438,071	1,619,997	3.94%
Alibaba Group Holding Ltd	21,644	3,191,419	3,948,948	9.61%
Autohome Inc	14,014	1,039,979	1,473,152	3.58%
Baidu Inc	16,201	2,862,167	2,670,735	6.50%
Baozun Inc	9,530	287,330	395,876	0.96%
China Literature Ltd	100,600	540,025	470,965	1.15%
Cogobuy Group	153,000	58,025	56,328	0.14%
Ctrip.com International Ltd	47,444	1,252,579	2,072,828	5.04%
Fang Holdings Ltd	59,925	103,143	80,899	0.20%
iQIYI Inc	70,269	1,299,905	1,680,834	4.09%
JD.com Inc	62,913	1,240,643	1,896,827	4.62%
Meituan Dianping	411,100	2,868,406	2,770,360	6.74%
Pinduoduo Inc	60,304	1,393,220	1,495,539	3.64%
Secoo Holding Ltd	8,820	84,126	77,263	0.19%
Sogou Inc	18,381	110,388	109,183	0.27%
Sohu.com Ltd	7,799	155,512	129,307	0.31%
Tencent Holdings Ltd	83,700	3,075,499	3,849,158	9.37%
Tian Ge Interactive Holdings Ltd	153,000	75,185	60,811	0.15%
Vipshop Holdings Ltd	103,832	561,811	833,771	2.03%
Weibo Corp	15,031	886,059	931,772	2.27%
Xunlei Ltd	10,824	52,842	39,616	0.10%
YY Inc	12,052	780,194	1,012,489	2.46%
<i>Consumer, Cyclical</i>				
Tuniu Corp	12,492	73,738	59,962	0.15%
<i>Consumer, Non-cyclical</i>				
Huifu Payment Ltd	134,400	55,169	66,772	0.16%
TAL Education Group	47,675	1,283,751	1,720,114	4.19%
<i>Financial</i>				
51 Credit Card Inc	106,500	58,216	77,332	0.19%
Fanhua Inc	11,386	267,446	298,996	0.73%
LexinFintech Holdings Ltd	20,172	171,640	211,806	0.52%
PPDAI Group Inc	22,320	98,208	84,370	0.21%
Qudian Inc	34,424	154,085	174,185	0.42%
Yirendai Ltd	3,414	48,001	46,294	0.11%
Yixin Group Ltd	616,000	161,996	149,881	0.36%
ZhongAn Online P&C Insurance Co Ltd	92,100	371,072	330,858	0.81%

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

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Schedule of Investments (Unaudited) (continued)

As at 31 March 2019

(Expressed in United States Dollars)

<u>Description</u>	<u>Quantity</u>	<u>Cost USD</u>	<u>Fair Value USD</u>	<u>% of Net Assets</u>
<b>Equities (continued)</b>				
<u>China (continued)</u>				
<i>Technology</i>				
Aurora Mobile Ltd	9,441	65,646	62,311	0.15%
Bilibili Inc	40,796	621,323	773,084	1.88%
Bitauto Holdings Ltd	8,746	152,705	139,236	0.34%
Changyou.com Ltd	5,151	102,296	88,082	0.21%
Cheetah Mobile Inc	10,391	75,174	66,710	0.16%
HUYA Inc	14,835	269,927	417,309	1.01%
Inke Ltd	249,000	69,877	61,854	0.15%
Kingsoft Corp Ltd	200,000	323,783	508,538	1.24%
Momo Inc	38,392	1,074,458	1,468,110	3.57%
NetEase Inc	8,177	1,859,358	1,974,337	4.81%
Sina Corp	17,162	1,029,034	1,016,677	2.47%
Tencent Music Entertainment Group	106,388	1,439,418	1,925,623	4.69%
<u>China Total</u>		<u>33,866,493</u>	<u>40,118,765</u>	<u>97.64%</u>
<u>Hong Kong</u>				
<i>Consumer, Cyclical</i>				
Alibaba Pictures Group Ltd	3,840,000	579,878	679,953	1.65%
<i>Financial</i>				
Chong Sing Holdings FinTech Gr	4,960,000	114,420	41,070	0.10%
HC Group Inc	136,500	79,067	73,728	0.18%
<i>Technology</i>				
NetDragon Websoft Holdings Ltd	68,000	120,523	170,824	0.42%
<u>Hong Kong Total</u>		<u>893,888</u>	<u>965,575</u>	<u>2.35%</u>
<b>Total Equities</b>		<u>34,760,381</u>	<u>41,084,340</u>	<u>99.99%</u>
<b>Total financial assets at fair value through profit or loss</b>			<u>41,084,340</u>	<u>99.99%</u>
Cash and cash equivalents			11,006	0.03%
Other net liabilities			(9,375)	(0.02%)
<b>Net assets attributable to holders of redeemable participating shares</b>			<u>41,085,971</u>	<u>100.00%</u>
			<b>Fair Value USD</b>	<b>% of Total Assets</b>
<b>UCITS Regulations analysis</b>				
Transferable securities admitted to official stock exchange listing			41,084,340	99.97%
<b>Total portfolio</b>			<u>41,084,340</u>	<u>99.97%</u>

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

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Statement of Comprehensive Income (Unaudited)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
*(Expressed in United States Dollars)*

	Note	USD For the period ended 31 March 2019 <sup>1</sup>
<b>Investment income</b>		
Dividend income	2(d)	12,366
Net gain on financial assets and liabilities at fair value through profit or loss	2(d)	5,930,457
Net gain on foreign exchange translation	2(d)	4,384
Total gain		<u>5,947,207</u>
<b>Expenses</b>		
TER fees	5	96,596
Total expenses		<u>96,596</u>
<b>Net increase in net assets resulting from operations attributable to holders of redeemable participating shares</b>		<u><u>5,850,611</u></u>

Gains and losses arose solely from continuing investment activities. There were no gains or losses other than those presented in the Statement of Comprehensive Income.

<sup>1</sup> The Fund commenced operations on 21 November 2018.

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



**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Statement of Changes in Net Assets (Unaudited)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

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	<b>USD</b>
	<b>For the</b>
	<b>period ended</b>
	<b>31 March 2019 <sup>1</sup></b>
<b>Net assets attributable to holders of redeemable participating shares at the beginning of the period</b>	-
Subscriptions of redeemable participating shares during the period	35,235,360
Net increase in net assets resulting from operations attributable to holders of redeemable participating shares	<u>5,850,611</u>
<b>Net assets attributable to holders of redeemable participating shares at the end of the period</b>	<u><u><b>41,085,971</b></u></u>

<sup>1</sup> The Fund commenced operations on 21 November 2018.

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

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Statement of Cash Flows (Unaudited)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
*(Expressed in United States Dollars)*

	<b>USD</b>
	<b>For the</b>
	<b>period ended</b>
	<b>31 March 2019 <sup>1</sup></b>
<i>Cash flows from operating activities:</i>	
Net increase in net assets resulting from operations attributable to holders of redeemable participating shares	5,850,611
<b>Operating profit before working capital charges</b>	<u>5,850,611</u>
Net increase in financial assets and financial liabilities at fair value through profit or loss	(41,084,340)
Increase in other receivables	(2,846)
Increase in fees payable	12,221
<b>Cash used in operations</b>	<u>(41,074,965)</u>
<b>Net cash used in operating activities</b>	<u>(35,224,354)</u>
<i>Cash flows from financing activities</i>	
Subscriptions of redeemable participating shares during the period	<u>35,235,360</u>
<b>Net cash provided by financing activities</b>	<u>35,235,360</u>
<b>Net increase in cash and cash equivalents</b>	11,006
Cash and cash equivalents at start of the period	-
Cash and cash equivalents at end of the period	<u><u>11,006</u></u>

<sup>1</sup> The Fund commenced operations on 21 November 2018.

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

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Notes to the Financial Statements (Unaudited)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

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**1. Nature of operations**

The KraneShares CSI China Internet UCITS ETF (the “Fund”) is a sub-fund of KraneShares ICAV (the “ICAV”). The Fund commenced operations on 21 November 2018. The ICAV was registered in Ireland pursuant to the Irish Collective Asset-management Vehicles Act 2015 (the “ICAV Act”) on 15 May 2018 and authorised on 11 October 2018 by the Central Bank of Ireland (the “Central Bank”) as an Undertaking for Collective Investment in Transferable Securities pursuant to the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No 352 of 2011), as amended and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investments in Transferable Securities) Regulations 2015, as amended (collectively the “UCITS Regulations”). The ICAV has been established for the purpose of investing in transferable securities in accordance with the UCITS Regulations.

The ICAV is organised in the form of an umbrella fund with segregated liability between sub-funds. Each sub-fund will have a distinct portfolio of investments and the investment objective and policy of each sub-fund will be formulated by each sub-fund’s respective investment manager. At 31 March 2019, the ICAV had one sub-fund in operation, KraneShares CSI China Internet UCITS ETF (the “Fund”). The Fund commenced operations on 21 November 2018.

The investment objective of the Fund is to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the investable universe of publicly traded China-based companies whose primary business or businesses are in the Internet and Internet-related sectors and which are listed outside of China (“China Internet Companies”).

DMS Investment Management Services (Europe) Limited (the “Manager”) has appointed Krane Funds Advisors LLC as Investment Manager and Distributor of the Fund pursuant to the investment management and distribution agreement between the ICAV, the Manager and the Investment Manager dated 11 October 2018.

The registered office of the ICAV is 70 Sir John Rogerson’s Quay, Dublin 2, Ireland. SEI Investments - Global Fund Services Limited (the “Administrator”) is the administrator. SEI Investments – Depositary and Custodial Services (Ireland) Limited (the “Depositary”) is the depositary. Brown Brothers Harriman has been appointed as the sub-custodian (the “Sub-Custodian”) in accordance with the requirements of the Central Bank to perform in whole or in part any of the Depositary’s duties.

**2. Basis of preparation and significant accounting policies**

**(a) Statement of compliance**

The unaudited condensed semi-annual financial statements are prepared in accordance with IAS 34 ‘Interim Financial Reporting’, the ICAV Act and the UCITS Regulations. This report presents financial statements for the period from 15 May 2018 (date of registration) to 31 March 2019. The Fund commenced operations on 21 November 2018. As such, there are no comparative figures to disclose.

**(b) Basis of preparation**

The financial statements are presented in United States Dollars (“USD”). The financial statements have been prepared under the going concern and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with International Financial Reporting Standards (“IFRS”) as adopted by the European Union requires management to make judgements, critical accounting estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. 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.

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

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**2. Basis of preparation and significant accounting policies (continued)**

**(b) Basis of preparation (continued)**

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 and future periods if the revision affects both current and future periods.

All references to net assets throughout this document refer to net assets attributable to holders of redeemable participating shares, unless otherwise stated.

**(c) Changes in relevant accounting standards**

**Standards, amendments and interpretations that are not yet effective for the period beginning 15 May 2018 and not early adopted**

There are no standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

**(d) Significant accounting policies**

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

**i. Foreign currency translation**

*Functional and presentation currency*

Functional currency is the currency of the primary economic environment in which the Fund operates. The functional currency of the Fund is USD, being the Fund's base currency. Investor subscriptions and redemptions are received and paid in the currency of the relevant Share Class.

All financial information presented in USD has been rounded to the nearest USD.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the period end date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'Net gain on foreign exchange translation'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'Net gains on financial assets and liabilities at fair value through profit or loss'.

**ii. Financial instruments at fair value through profit or loss**

*Classification*

The Fund classifies its investments as financial assets or financial liabilities at fair value through profit or loss.

*Initial Recognition and Initial Measurement*

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets are recognised at trade date at fair value, where after any gains and losses arising from changes in the fair value of the financial assets or financial liabilities are recorded in the Statement of Comprehensive Income in the period in which they arise. Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction cost that are directly attributable to their acquisition or issue.

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Notes to the Financial Statements (Unaudited) (continued)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

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**2. Basis of preparation and significant accounting policies (continued)**

**(d) Significant accounting policies (continued)**

**ii. Financial instruments at fair value through profit or loss (continued)**

*Subsequent measurement*

Subsequent to initial recognition, the Fund measure its financial instruments at fair value. 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 Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. 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. The Fund measures instruments in an active market at last traded price, or if unavailable the probable realisable value, because this price provides a reasonable approximation of the exit price.

*Amortised cost measurement*

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial 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, minus any reduction for impairment.

*Derecognition*

A financial asset shall only be derecognised when the contractual rights to the cash flow from the asset expire or it transfers the rights to receive the contractual cash flow in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

A financial liability should be removed from the Statement of Financial Position when, and only when, the obligation specified in the contract is either discharged, cancelled or expires.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when, and only when, there is a legal enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously. As at 31 March 2019, the Fund did not have any netting agreements in place.

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

**iii. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less. As at 31 March 2019, all cash and cash equivalents were held with Brown Brothers Harriman (“BBH”).

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Notes to the Financial Statements (Unaudited) (continued)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

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**2. Basis of preparation and significant accounting policies (continued)**

**(d) Significant accounting policies (continued)**

**iv. Expenses**

Expenses are recognised on an accrual basis.

**v. Income**

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents at fair value through profit or loss.

Dividend income is recognised when the right to receive payment is established and it is shown in the Statement of Comprehensive Income.

**vi. Redeemable participating shares**

Redeemable participating shares ("Participating Shares") are redeemable at the shareholder's option and are classified as financial liabilities. The distribution cost, if any, on these Participating Shares is recognised in the Statement of Comprehensive Income as finance costs.

The Participating Shares can be put back to the Fund with effect from any valuation day (the business day preceding each dealing day (being the day upon which redemptions and subscriptions occur, i.e. each business day; and / or any other day which the Directors have determined, subject to advance notice to all shareholders in the Fund and provided there is at least one dealing day per fortnight)) for cash equal to a proportionate share of the Fund's net asset value. The Participating shares are carried at the redemption amount that is payable at the Statement of Financial Position date if the shareholder exercised its right to put the share back to the Fund.

**3. Taxation**

Under current law and practice the ICAV 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.

Notwithstanding the above, Irish tax may arise on the happening of a "chargeable event". A chargeable event includes:

- a) Any distribution payments made to shareholders by the ICAV in respect of their shares;
- b) Any encashment, redemption, cancellation or transfer of shares;
- c) The holding of shares at the end of each eight year period beginning with the acquisition of such shares.

No Irish tax will arise on the ICAV 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 Section 739D of the Taxes Consolidation Act, 1997, as amended, are held by the ICAV or the ICAV has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations under the ICAV with the necessary signed statutory declarations; and
- b) Certain exempted Irish tax resident shareholders who have provided the ICAV with the necessary signed statutory declarations.

Capital gains, dividends and interest received by the ICAV may be subject to taxes, including withholding taxes in the countries in which the issuers of investments are located, which may be reflected in the Net Asset Value ("NAV") of the ICAV. Such taxes may not be recoverable by the ICAV or its shareholders.

The Fund has evaluated the tax positions and has concluded that there are no significant tax positions requiring recognition, measurement or disclosure in the financial statements. Tax penalties and interest, if any, would be accrued as incurred and would be classified as tax expense in the Statement of Comprehensive Income. During the period ended 31 March 2019, the Fund did not incur any interest or penalties.

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Notes to the Financial Statements (Unaudited) (continued)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

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**4. Share capital**

The authorised share capital of the ICAV is 500,000,000,002 shares of no par value divided into 2 Subscriber Shares of no par value and 500,000,000,000 shares of no par value. The Directors are empowered to issue up to all of the Shares of the ICAV on such terms as they think fit. The Subscriber Shares entitle the holders to attend and vote at any general meetings of the ICAV but do not entitle the holders to participate in the profits or assets of the ICAV except for a return of capital on a winding-up. The shares entitle the holders to attend and vote at general meetings of the ICAV and (other than the Subscriber Shares) to participate equally in the profits and assets of the Fund to which the Shares relate, subject to any differences between fees, charges and expenses applicable to different share classes. The ICAV may from time to time by ordinary resolution increase its capital, consolidate the shares or any of them into a smaller number of shares, sub-divide the shares or any of them into a larger number of shares or cancel any shares not taken or agreed to be taken by any person. The ICAV may by special resolution from time to time reduce its share capital in any way permitted by law. At a meeting of Shareholders, on a show of hands, each Shareholder shall have one vote and, on a poll, each Shareholder shall have one vote for each whole share held by such Shareholder.

The ICAV offers the Classes of Shares in the Fund as set out below. The ICAV may also create additional classes of shares in the Fund in the future with prior notification to, and clearance in advance by, the Central Bank.

<b>Class</b>	<b>Minimum Subscription Amount</b>	<b>Initial Offer Price</b>
Class USD	USD 5,000,000	N/A
Class EUR	EUR 5,000,000	EUR 25
Class GBP	GBP 5,000,000	GBP 25

Application was made to have all classes of shares in the Fund admitted to the Official List and to trading on the Main Securities Market of Euronext Dublin. It is expected that such classes of shares will be admitted to the Official List and to trading on the Main Securities Market of Euronext Dublin on launch. Currently one share class, the Class USD, have launched and been listed on the Main Securities Market.

Each of the Shares (other than the Subscriber Shares) entitles the Shareholder to participate equally on a pro rata basis in the dividends and net assets of the Fund in respect of which they are issued, save in the case of dividends declared prior to becoming a Shareholder. The Subscriber Shares entitle the Shareholders holding them to attend and vote at all meetings of the ICAV but do not entitle the holders to participate in the dividends or net assets of any Fund.

**Subscriptions**

The Class EUR and Class GBP Shares will be available during the offer period (9am on 14 December 2018 to 4pm on 14 December 2018) at the Initial Offer Price per Share set out on the Fund's Supplement under "Key Information".

Thereafter and, in the case of share classes which have already launched, shares will be issued on each dealing day at the appropriate Net Asset Value per Share with an appropriate provision for duties and charges. Investors may subscribe for shares for cash on each dealing day by making an application by the dealing deadline in accordance with the requirements set out in the "Purchase and Sale Information" section of the Prospectus. Consideration, in the form of cleared subscription monies/securities, must be received by the applicable settlement deadline.

**Redemptions**

Shareholders may effect a redemption of shares on any dealing day at the appropriate Net Asset Value per Share, subject to an appropriate provision for duties and charges, provided that a valid redemption request from the shareholder is received by the ICAV by the dealing deadline on the relevant dealing day, in accordance with the provisions set out in the "Purchase and Sale Information" section of the Prospectus. Settlement will normally take place within two business days of the dealing day but may take longer depending on the settlement schedule of the underlying markets. In any event, settlement will not take place later than 10 business days from the dealing deadline.

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Notes to the Financial Statements (Unaudited) (continued)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

**4. Share capital (continued)**

**Redemptions (continued)**

Shares will be redeemed at the applicable NAV per Share on the Dealing Day as of which the redemption is effected, subject to any applicable fees associated with such redemption.

The net assets and NAV per share of each class of shares as at 31 March 2019 is as follows:

<b>Class</b>	<b>Number of shares</b>	<b>NAV per share</b>	<b>Net Assets per Share Class USD</b>
Class USD	1,400,000	\$29.3471	41,085,971

Transactions in the shares of the Fund for the period from 21 November 2018 to 31 March 2019 is as follows:

<b>Class</b>	<b>Shares at start of period</b>	<b>Shares Issued</b>	<b>Shares Redeemed</b>	<b>Shares at end of period</b>
Class USD	-	1,400,000	-	1,400,000

**5. Fees and Expenses**

**TER Fees**

All of the following fees and expenses payable in respect to the Share Class of the Fund are paid as one single fee, which will not exceed an amount described listed below. This is referred to as the total expense ratio or "TER". The TER is calculated and accrued daily from the Net Asset Value of the Fund and payable monthly in arrears at the rate set out below. The following fees and operational expenses of the Fund shall be paid out of the TER:

- All the ordinary operating and administrative expenses of the ICAV or Share Class, including, but not limited to, Directors', auditors', legal advisors', Investment Manager's, Management Company's, Administrator's, Depository's, Distributor's, paying agent's, sub-custodian's, Index Providers' and other service providers' fees and expenses. This also includes formation expenses such as organisation and registration costs; accounting expenses covering fund accounting and administrative services; transfer agency expenses covering registrar and transfer agency services; administrative services and domiciliary agent services; the fees and reasonable out-of-pocket expenses of the Paying Agents and representatives; legal fees and expenses; ongoing registration, listing and quotation fees, including translation expenses; the cost of publication of the Share prices and postage, telephone, facsimile transmission and other electronic means of communication; and the costs of printing and distributing the Prospectus and Supplements, KIID(s), reports, accounts and any explanatory memoranda, any necessary translation fees.

<b>Class</b>	<b>TER</b>
Class USD	75 bps
Class EUR	75 bps
Class GBP	75 bps

During the period ended 31 March 2019, the Fund incurred fees of USD 95,596 in TER fees and as at 31 March 2019, USD 12,221 remained payable.



**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Notes to the Financial Statements (Unaudited) (continued)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

**5. Fees and Expenses (continued)**

**Administration Fees**

The following fees are payable to SEI Investments – Global Fund Services Limited, (the “Administrator”). The ICAV will be charged the greater of the basis point fee or the monthly minimum fee. The basis point fee is calculated based on the aggregate net assets of the ICAV and allocated to the Fund pro-rata based on the net assets of the Fund. Fees are invoiced and payable monthly in arrears.

Monthly NAV Calculation

<b>Net Assets</b>	<b>Basis Points</b>
First USD 1 billion	7.0
Next USD 1 billion	6.5
AUM over USD 2 billion	6.0
Monthly minimum per Fund Year 1	USD 4,167
Monthly minimum per Fund Year 2	USD 5,833
Monthly minimum per Fund Year 3	USD 7,500

The above fees are inclusive of the first USD share class. Additional share classes are charged an annual fixed fee of USD 12,000 per annum.

The Administration fees are included on the TER fees as described on page 15.

**Depository Fees**

The Fund will be charged the greater of the basis point fee or the monthly minimum fee. The basis point fee is calculated based on the aggregate net assets of the ICAV and allocated to the Fund pro-rata based on the net assets of the Fund. Fees are invoiced and payable monthly in arrears.

Monthly NAV Calculation

<b>Net Assets</b>	<b>Basis Points</b>
First USD 1 billion	3.00
Next USD 1 billion	2.50
AUM over USD 2 billion	2.00
Depository Annual Minimum Fee*	USD 20,000

\*Sub Custody Schedule may apply if financial instruments have to be held at a sub custodian.

The Depository fees are included on the TER fees as described on page 15.

**6. Foreign exchange rate**

The exchange rates as at 31 March 2019 used in the production of these financial statements to the presentation currency of USD is as follows:

	<b>31 March 2019</b>
HKD	0.127389

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Notes to the Financial Statements (Unaudited) (continued)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

**7. Fair value measurement**

As the Fund's investments are classified as financial assets and financial liabilities at fair value through profit or loss, the carrying value of the Fund's investments is a reasonable approximation of fair value. The Fund's accounting policy on fair value measurements is discussed in Note 2(d). The Fund measures fair values, as defined by IFRS 13 'Fair Value Measurement' ("IFRS 13"), using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.  
Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices 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 where all significant inputs are directly or indirectly observable from market data.  
Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using valuation techniques as described in Note 2.

The table below analyse the Fund's assets and liabilities measured at fair value as at 31 March 2019 by the level in the fair value hierarchy into which the fair value measurement is categorised:

<b>31 March 2019</b>	<b>Level 1 USD</b>	<b>Level 2 USD</b>	<b>Level 3 USD</b>	<b>Total USD</b>
<b>Financial assets at fair value through profit or loss</b>				
Equity securities	41,084,340			41,084,340
	<u>41,084,340</u>	<u>-</u>	<u>-</u>	<u>41,084,340</u>

Transfers between levels are recognised at the end of the reporting period. There were no transfers between levels during the period ended 31 March 2019.

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Notes to the Financial Statements (Unaudited) (continued)

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

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**8. Related Parties and Connected Persons**

**Related Party Transactions**

Expenses charged during the period ended 31 March 2019 by the Manager and Investment Manager are detailed in Note 5.

DMS Investment Management Services (Europe) Limited, the Manager of the Fund, receives fees which are paid in line with the underlying Management Agreement (see Note 5).

In line with the underlying Management Agreement certain costs and expenses of the ICAV shall be borne by the ICAV.

In line with the Administration Agreement dated 11 October 2018, SEI Investments – Global Fund Services Limited, the Administrator receives fees under the terms of this agreement and is due fees for provision of Administration Services (see Note 5).

In line with the Depositary Agreement dated 11 October 2018, SEI Investments - Depositary and Custodial Services (Ireland) Limited, the Depositary receives fees under the terms of this agreement and is due fees for provision of Depositary Services (see Note 5).

Foreign Account Tax Compliance Act (“FATCA”) services are provided by DMS FATCA Services Limited, a Company within the DMS Group. The fee for the provision of FATCA services are included in the TER Fees and the Manager reimburses DMS FATCA Services Limited directly.

Money Laundering Reporting Officer (“MLRO”) services are provided by DMS Investment Management Services (Europe) Limited. There were no fees charged in relation to MLRO services.

Other ancillary services are provided for by DMS Investment Management Services (Europe) Limited.

There were no other related party transactions for the financial period other than those disclosed above, and in Note 5, including any other emoluments or gains which have been paid or are payable, to any Director of the ICAV.

**Connected Persons**

In accordance with the requirements of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (the “Central Bank UCITS Regulations”), all transactions carried out with the ICAV by the Manager, Investment Manager, Investment Adviser, Depositary, delegates or sub-delegates of these parties (the “connected persons”) must be conducted at arm’s length and be in the best interests of shareholders of the ICAV. The Directors are satisfied that there are arrangements in place to ensure that the obligations set out in the Central Bank UCITS Regulations are applied to all transactions with connected persons and transactions with connected persons entered into during the financial period complied with the obligations set out in the Central Bank UCITS Regulations.

Shareholders should note that not all connected parties as defined by IAS 24 ‘Related Party Disclosures’ are deemed related parties as defined by the Central Bank UCITS Regulations.

**9. Distributions**

Subject to income being available for distribution, the Sub-Fund distributes income in respect of the Class USD, Class EUR Shares and Class GBP Shares, in accordance with the provisions set out in “Dividend Policy” of the Prospectus. There were no distributions made by the Fund for the period ended 31 March 2019.

For the period from 15 May 2018 (date of registration) to 31 March 2019  
(Expressed in United States Dollars)

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**10. Commitments and contingent liabilities**

As at 31 March 2019, the Fund did not have any significant commitments or contingent liabilities.

**11. Indemnities**

The Fund has entered into agreements that contain a variety of indemnities. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The Fund expects the risk of loss to be remote.

**12. Soft commissions**

The Investment Manager has not entered into soft commission arrangements with brokers in respect of which certain goods and services used to support investment decision making were received during the period ended 31 March 2019.

**13. Significant events during the reporting period**

The Fund commenced operations on 21 November 2018.

An updated Prospectus for the ICAV was issued on 13 December 2018 to provide for the following:

*Fees and expenses* – the calculation of the TER is to be on a daily basis, rather than monthly.

An updated supplement for the Fund was issued on 13 December 2018 to provide for the following:

*Key information*

- the introduction of Class GBP shares;
- an amendment to the offer period of Class EUR and Class GBP shares, to now be from 9am on 14 December 2018 to 4pm on 13 June 2019;
- the initial offer price of Class USD and Class EUR shares was amended to N/A and EUR 25 respectively;
- the TER of all share classes was amended to 0.75%.

*Subscriptions*

- Shares in share classes which have not already launched at the date of the supplement will be available during the offer period at the initial offer price per share. Thereafter and, in the case of share classes which have already launched, shares will be issued on each dealing day at the appropriate Net Asset Value per Share with an appropriate provision for duties and charges.

There were no other significant events during the reporting period that requires adjustments or disclosure in these financial statements.

**14. Events after the reporting period**

There were no events after the reporting period that requires adjustments or disclosure in these financial statements.

**15. Approval of the unaudited condensed semi-annual financial statements**

The unaudited condensed semi-annual financial statements were approved by the Board of Directors on 29 May 2019.

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Appendix 1 – Statement of Portfolio Changes (Unaudited)

31 March 2019

*(Expressed in United States Dollars)*

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<b>Purchases</b>	<b>Cost \$</b>
Tencent Holdings Ltd	3,502,219
Alibaba Group Holding Ltd	3,333,845
Baidu Inc	2,982,013
Meituan Dianping	2,868,406
NetEase Inc	2,531,241
Sina Corp	1,501,521
iQIYI Inc	1,490,011
Autohome Inc	1,486,340
Pinduoduo Inc	1,480,483
58.com Inc	1,468,000
TAL Education Group	1,450,730
Tencent Music Entertainment Group	1,441,545
JD.com Inc	1,416,852
Ctrip.com International Ltd	1,364,616
Momo Inc	1,290,793
Weibo Corp	1,051,939
YY Inc	977,836
Vipshop Holdings Ltd	893,374
Alibaba Pictures Group Ltd	851,460
China Literature Ltd	839,056
51job Inc	795,123
Bilibili Inc	676,227
Kingsoft Corp Ltd	648,290
ZhongAn Online P&C Insurance Co Ltd	577,618
Baozun Inc	442,289
Fanhua Inc	422,159

**KRANESHARES CSI CHINA INTERNET UCITS ETF (a sub-fund of KraneShares ICAV)**  
Appendix 1 – Statement of Portfolio Changes (Unaudited) (continued)

31 March 2019

*(Expressed in United States Dollars)*

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<b>Sales</b>	<b>Proceeds \$</b>
NetEase Inc	(698,798)
Sina Corp	(451,191)
Tencent Holdings Ltd	(422,373)
Autohome Inc	(405,121)
Vipshop Holdings Ltd	(322,830)
Kingsoft Corp Ltd	(314,086)
51job Inc	(311,556)
Alibaba Pictures Group Ltd	(270,336)
China Literature Ltd	(258,259)
YY Inc	(192,009)
JD.com Inc	(186,480)
ZhongAn Online P&C Insurance Co Ltd	(178,400)
Momo Inc	(176,819)
Yirendai Ltd	(175,091)
TAL Education Group	(166,606)
Baozun Inc	(162,482)
iQIYI Inc	(161,150)
Weibo Corp	(152,530)
Yixin Group Ltd	(149,464)
Fanhua Inc	(141,980)
Alibaba Group Holding Ltd	(139,318)
Sohu.com Ltd	(126,496)
Ctrip.com International Ltd	(111,877)
Baidu Inc	(110,088)
Tian Ge Interactive Holdings Ltd	(99,435)
Bitauto Holdings Ltd	(95,824)
Tuniu Corp	(86,967)
Pinduoduo Inc	(82,777)

In accordance with the UCITS regulations this statement presents the aggregate purchases and aggregate sales of a security exceeding 1.00% of the total value of purchases or sales for the period or at least the top 20 purchases and sales.

The full list of purchases and sales for the period ended 31 March 2019 is available on request from the Administrator.