

KraneShares ETC Plc

Interim report and condensed unaudited financial statements

For the financial period from 01 January 2025 to 30 June 2025

Registered number: 760531

KraneShares ETC Plc

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KraneShares ETC Plc

Directors and other information

Directors	Jonathan Krane (American) Benjamin Murahwi (Irish) Caroline Jones (Irish) (Appointed on 29 April 2025, resigned 05 May 2025) Matthew Tracey (Irish)
Registered Office	4 th Floor 35 Shelbourne Road Ballsbridge Dublin 4 Ireland
Company Secretary and Corporate Service Provider	Waystone Centralised Services (IE) Limited* 4 th Floor 35 Shelbourne Road Ballsbridge Dublin 4 Ireland
Administrator	SEI Global Services, Inc 1 Freedom Valley Drive Oaks PA 19456 United States
Arranger & Investment Advisor	Krane Funds Advisors, LLC 280 Park Ave 32nd Floor New York, NY 10017 United States

*Waystone Corporate Services (IE) Limited has merged with Waystone Centralised Services (IE) Limited effective from 1st March 2025.

KraneShares ETC Plc

Directors and other information (continued)

Trustee & Security Trustee	Waystone Centralised Services (IE) Limited* 4 th Floor 35 Shelbourne Road Ballsbridge Dublin 4 Ireland
Custodian & Banker	Brown Brothers Harriman & Co. 140 Broadway New York New York 10005-1101 United States
Account Bank & Principal Paying Agent	Citibank N.A., London Branch Canada Square London United Kingdom
Solicitor	Matheson 70 Sir John Rogerson's Quay Dublin 2 Ireland
Independent Auditor	Grant Thornton Chartered Accountants and Statutory Audit Firm 13-18 City Quay Dublin 2 Ireland
Broker	StoneX Financial Inc. 230 S. LaSalle Street Suite 10-500 Chicago Illinois 60604 United States

*Waystone Corporate Services (IE) Limited has merged with Waystone Centralised Services (IE) Limited effective from 1st March 2025.

KraneShares ETC Plc

Directors' report

The Board of Directors (the "Directors") present their half yearly financial report and the unaudited financial statements of KraneShares ETC Plc (the "Company") for the financial period ended 30 June 2025. The Company falls within the Irish regime for the taxation of qualifying companies as set out in Section 110 of the Taxes Consolidation Act 1997 (as amended).

Principal activities

The Company is a public limited liability company, incorporated on 25 March 2024 in Ireland under the Companies Act 2014 (the "Act"). The Company has been established for the purpose of issuing KraneShares ETC Securities (the "ETC securities" or "debt at fair value through profit and loss"). The return on each Series of ETC securities is linked to the performance of specified reference indices comprised of one or more futures contracts in respect of major global carbon allowances.

The ETC securities will be issued under the KraneShares ETC Securities Programme of the Company (the "Programme"). ETC securities are designed to track the price of one or more futures contracts in respect of major global carbon allowances, and to provide investors with a similar return that the investor would have gained through investing directly in the underlying types of Carbon Allowance referenced by the Reference Index (less applicable fees). The aggregate number of ETC securities that will be issued under the Programme will not at any time exceed USD 50,000,000,000, this being the Programme maximum number of ETC securities.

The Authorized Participants, in respect of each Series, are such entities which, from time to time, are party to an authorized participant agreement with the Company. The Authorised Participants are the only entities permitted to buy ETC securities directly from the Company or to request that the Company buy back ETC securities. Authorised Participants may, but do not have to, act as market makers for the ETC securities by buying and selling ETC securities to and from investors either on exchanges or in over-the-counter transactions.

The ETC securities will be backed by Futures contracts, cash and other assets held with a broker or in a segregated custody account of the Company with the Custodian.

Business review and key performance indicators

The Company is a Special Purpose Vehicle (the "SPV") whose sole business is the issue of asset-backed securities. The Company has established a Programme for the issue of Securities whose return is linked to the performance of carbon future contracts.

Financial period from 1 January 2025 to 30 June 2025 USD

(a) Net gain on financial assets at FVTPL	292,571
(b) Net loss on debt at FVTPL	(315,246)
(c) Net loss on financial liabilities at FVTPL	(158,664)
(d) Financial assets at FVTPL	190,914
(e) Financial liabilities at FVTPL	(578,966)
(f) Debt at FVTPL	(8,739,110)

Under this Programme, the noteholders (the "Noteholders") were seeking and obtained exposure to performance of the Carbon Allowance Linked Securities listed on Deutsche Börse, London Stock Exchange and Borsa Italiana. The KraneShares Global Carbon Strategy ETC is intended to track the level of its reference index, the S&P Global Carbon Credit Index, which offers broad coverage of cap and-trade carbon allowances by tracking the most traded carbon credit futures contracts. The index covers the major European and North American cap-and-trade programs: European Union Allowances (EUA), California Carbon Allowances (CCA), United Kingdom Allowances (UKA), Washington State Carbon Allowances (WCA), and the Regional Greenhouse Gas Initiative (RGGI), which covers the Northeast US Power Market. For the financial period end 30 June 2025, the performance of the Carbon-Linked securities indicated a 4.35% growth in comparison to the issue date 02 October 2024. The fair value of the ETC Securities issued by the Company is determined by reference to the fair value associated with future contracts designated at fair value through profit or loss. Refer to note 11 and note 13 for the fair value of the future contracts as at 30 June 2025.

KraneShares ETC Plc

Directors' report (continued)

Significant events during the financial period

The significant events that occurred during the financial period are those disclosed in this report.

As at 30 June 2025, securities were listed in following exchanges:

	Exchange	Ticker	Currency	Listing Date	SEDOL	ISIN
1	Deutsche Börse	KRBN GY	EUR	03-Oct-24	BSRH0H6	XS2879867773
2	Borsa Italiana	KRBN IM	EUR	03-Oct-24	BSTJGN8	XS2879867773
3	London Stock Exchange	KRBN LN	USD	16-Jan-25	BSRH0B0	XS2879867773
4	London Stock Exchange	KRBP LN	GBP	16-Jan-25	BR4Y040	XS2879867773

Waystone Corporate Services (IE) Limited has merged with Waystone Centralised Services (IE) Limited effective from 1st March 2025.

On 29 April 2025, Caroline Jones was appointed as an Alternate Director. On 05 May 2025, Caroline Jones resigned as an Alternate Director.

There have been no other significant events after the financial period end up to the date of signing of these financial statements that require disclosure and/or adjustment to the financial statements.

Future developments

The plan for the foreseeable future is to continue with the issuance of ETC securities under the Programme mentioned above which may include listings on other stock exchanges.

Going concern

The Directors have assessed the ability of the Company to continue in operational existence for foreseeable future from the date of approval of the financial statements ('the period of assessment') and have concluded that it is appropriate to prepare the financial statements on a going concern basis.

The nature of the Company's business dictates that the outstanding ETC securities may be redeemed at any time by any authorised participant who has entered into an authorised participant agreement with the Company. As the redemption of ETC securities will coincide with the sale of an equal amount of the Futures Contract, no liquidity risk is considered to arise. The Company has entered into its primary service contracts with service providers on a non-recourse basis and these costs are being met by Krane Funds Advisors, LLC. Therefore, the Directors are confident that the Company will have the ability to continue to pay its operating costs and any redemptions that may arise within the period of assessment.

Based on the above, the Directors have concluded that the Company has no material uncertainties which would cast a significant doubt on the Company's ability to continue as a going concern over the period of assessment.

Results and dividends for the financial period

The results for the financial period and the Company's financial position at the end of the financial period are set out on page 11 and 12 respectively. Profit for the financial period before taxation amounted to \$250. The tax on ordinary activities for the financial year is \$63. No dividends are recommended by the Directors for the financial period under review.

Directors' report (continued)

Directors, Company Secretary and their interests

In accordance with the requirements of Section 329 of the Companies Act 2014, the Directors and Company Secretary have confirmed that they had no beneficial interests in the shares, debentures, or other securities of the Company during the financial period. Waystone Centralised Services (IE) Limited provides Corporate Services to the Company and the Company has no employees. The Corporate service provider received fees during the financial period which includes Directors' fees of USD 1,000 on an annual basis. Benjamin Murahwi, Matthew Tracey and Caroline Jones (appointed 29 April 2025, resigned 05 May 2025) are employees of Waystone Centralised Services (IE) Limited and are Company Directors during the financial period. Further information is set out in note 21 to the financial statements. Jonathan Krane is an indirect owner of the Arranger and Investment Advisor. The Arranger received fees included in the administrative expenses during the financial period which includes an allocation of Directors' fees of USD 1,000 on an annual basis.

Shares and shareholders

The authorized share capital of the Company is USD 1,000,000 and issued share capital is USD 25,000. The shares are held by Waystone Centralised Services (IE) Limited (the "Share Trustee") under the terms of a declaration of trust (the "Declaration of Trust") under which the Share Trustee hold the benefit of the shares on trust for charitable purposes. The Share Trustee has no beneficial interest in and derives no benefit from its holding of the shares. There are no other rights that pertain to the shares and the shareholders.

The shareholder's rights and the operations of the shareholders meetings are defined in the Company's Constitution and complies with the Companies Act 2014.

Principal risk and uncertainties

The operations of the Company are subject to various risks. Information about the financial risk management objectives and policies of the Company, along with exposure of the Company to credit risk, operational risk, market risk, and liquidity risk, are disclosed in note 22 to the financial statements.

As a public limited company, the Company may be subject to the Irish implementation of the Central Securities Depositories Regulation (CSDR). However, following recent industry discussions within the Irish Debt Securities Association (IDSA), and in light of the omnibus proposals package announced by the European Commission, it is anticipated that the Company may ultimately be brought out of scope of CSDR. The Company continues to monitor these developments and will assess the regulatory impact accordingly.

The Directors will continue to monitor and respond to any potential imposition of tariffs, including associated retaliatory tariffs, that may be introduced by the US government. Such tariffs could have an adverse impact on the market for Carbon Futures, potentially affecting pricing dynamics, market liquidity, and trading volumes.

Market conditions, interest rates, and economic, regulatory, or financial developments could significantly affect a single industry or a group of related industries, and the securities of companies in that industry or group of industries could react similarly to these or other developments. Depending on the composition of Company's Underlying Index, the Company may be subject to principal risks, as outlined in prospectus.

Political donations

The Electoral Act, 1997 requires companies to disclose all political donations over EUR 200 in aggregate made during a financial period. The Directors, on enquiry, have satisfied themselves that no such donations more than this amount have been made by the Company during the period ended 30 June 2025.

Directors' report (continued)

Accounting records

The Corporate Services Provider is responsible for keeping adequate accounting records, as outlined in Section 281 to 285 of the Companies Act 2014, that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy;
- enable the Directors to ensure that the financial statements comply with the Companies Act and enable those financial statements to be audited.

In this regard Waystone Centralised Services (IE) Limited being the Corporate Services Provider of the Company have been appointed for the purpose of maintaining adequate accounting records. Accordingly, the accounting records are kept at the Company's registered address of 4th Floor, 35 Shelbourne Road, Ballsbridge, Dublin 4, Ireland.

Research and development costs

The Company did not incur any research and development costs during the financial period.

Audit committee

In accordance with Section 1551(11)(c) of the Companies Act 2014, if the sole business of the Public Interest Entity (PIE) Irish SPV relates to the issuing of asset backed securities, the PIE SPV is exempt from the requirement to establish an audit committee.

Given the contractual obligations of the Administrator, Corporate Service Provider and the limited recourse nature of the securities the Company may participate in, the Directors has concluded that there is currently no need for the Company to have a separate audit committee for the Directors to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. Accordingly, the Company has availed itself of the exemption under Section 1551 of the Companies Act 2014.

Corporate governance statement

Introduction

For the financial period from 1 January 2025 to 30 June 2025, the Company had been following the listing rules of the Deutsche Börse, Borsa Italiana and London Stock Exchange. For the period ended 30 June 2025, the Company had been following the Companies Act 2014. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

Financial Reporting Process

The Directors are responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors have established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator to perform certain administrative functions for the Company in relation the ETC securities, including, among other things, assisting in the making of certain non-discretionary determinations and calculations in accordance with the Terms and Conditions of the ETC securities, including, without limitation, the determination and publication of the Carbon Entitlement, the Cash Value per ETC Security and the Total Expense Ratio on a daily basis and the Corporate Services Provider to maintain the accounting records of the Company. Waystone Centralised Services (IE) Limited are contractually obliged to maintain proper books and records as required by the Corporate Services agreement. Waystone Centralised Services (IE) Limited is also obliged to prepare, for review and approval by the Directors, the annual report including financial statements intended to give a true and fair view.

Directors' report (continued)

Corporate governance statement (continued)

Financial Reporting Process (continued)

The Directors evaluate and discuss significant accounting and reporting issues as the need arises. From time to time the Board of Directors may examine and evaluate the Administrator and Corporate Services Provider financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications, and independence. The Corporate Services Provider has operating responsibility for internal control in relation to the financial reporting process and reports to the Directors.

Risk Assessment

The Directors are responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Directors have also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements. More specifically:

- The Corporate Services provider has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected;
- Regular training on accounting rules and recommendations is provided to the accountants employed by the Corporate Services provider;
- Accounting bulletins, issued by the Corporate Services provider, are distributed to all accountants employed by the Corporate Services provider; and
- The Company's financial statements are prepared by the accountants employed by the Corporate Services provider, Waystone Centralised Services (Ireland) Limited.

Control Activities

The Corporate Service Provider are contractually obliged to design and maintain control structures to manage the risks which the Board of Directors judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

Monitoring

The Directors have a quarterly process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditor.

Given the contractual obligations on the Administrator and Corporate Services provider, the Directors have concluded that there is currently no need for the Company to have a separate internal audit function for the Directors to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

Capital Structure

The sole shareholder in the Company is Waystone Centralised Services (IE) Limited holding 25,000 shares. No person has any special rights of control over the Company's share capital. With regard to the appointment and replacement of Directors, the Company is governed by the Constitution, Irish Statute comprising the Companies Act 2014. The Constitution may be amended by special resolution of the shareholders.

Powers of directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Constitution. The Directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the Directors. The Directors have delegated the day-to-day administration of the Company to the Administrator.

Directors' report (continued)

Corporate governance statement (continued)

Diversity report

The Company has not adopted a formal diversity policy in relation to its Board of Directors. Under S.I. No. 360/2017 – European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, only certain large undertakings that exceed specific size thresholds are required to disclose such a policy. As the Company does not meet these thresholds, it is not subject to the mandatory diversity disclosure requirements under these Regulations.

Independent auditor

Grant Thornton, Chartered Accountants and Statutory Audit Firm were appointed on 17 February 2025 and have expressed their willingness to continue in office in accordance with Section 382(1) of the Companies Act 2014.

Directors' compliance statement

The Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations and have, complied with its relevant obligations as defined in Section 225 of the Companies Act 2014;

Pursuant to Section 225(2)(b) of the Act, the Directors confirm that:

- there is an adequate structure in place, that is designed to secure material compliance with the Company's relevant obligations; and
- relevant arrangements and structures have been put in place that provide a reasonable assurance of compliance in all material respects by the Company with its relevant obligations, which arrangements and structures may, if the Directors so decide, include reliance on the advice of one or more than one person employed by the Company or retained by it under a contract for services, being a person who appears to the Directors to have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

Responsibility statement

Each Director whose names and functions appear on page 2 confirm to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS Accounting Standards as adopted by European Union ('IFRS') as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the presented Directors' report provides a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

This statement is made in accordance with the Transparency (Directive 2004/109/EC) Regulations, 2007.

On behalf of the Board



Benjamin Murahwi
Director

Date: 09/30/2025



Matthew Tracey
Director

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' report and the unaudited financial statements, in accordance with the applicable laws and regulations.

Irish Company law requires the Directors to prepare financial statements giving a true and fair view of the state of affairs of the Company and the profit or loss of the Company for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with IFRS Accounting Standards as adopted by European Union ('IFRS').

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position, of the Company as at the financial period and of the profit or loss of the company for the financial period, and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend to liquidate the Company or cease operations or have no realistic alternative but to do so.

The Directors are responsible for ensuring that the Company maintains adequate accounting records for the purpose of providing a true explanation of the transactions of the company, facilitating a reasonably accurate analysis of the financial statements, and ensuring compliance with the Companies Act 2014, and that the statements are in a position to be audited. The Directors also have the additional responsibility of safeguarding the assets of the company and adopting a duty of care by taking appropriate steps in preventing and detecting fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

On behalf of the Board



Benjamin Murahwi
Director

Date: 09/30/2025



Matthew Tracey
Director

KraneShares ETC Plc

Statement of comprehensive income

For the financial period from 1 January 2025 to 30 June 2025

		Unaudited Financial Period ended 30-June- 2025	Audited Financial Period ended 30-June- 2024
	Note	USD	USD
Investment income			
Net gain on financial assets at fair value through profit or loss	4	292,571	-
Net loss on financial liabilities at fair value through profit and loss	7,13	(315,246)	-
Net loss on debt at fair value through profit and loss	6	(158,664)	-
Total investment gain		(181,339)	-
Interest and similar income	5	111,468	-
Administrative expenses	8	(41,979)	-
Net loss on foreign exchange translation	9	112,100	-
Profit for the financial period before taxation		250	-
Tax on ordinary activities	10	(63)	-
Total comprehensive income for the financial period		188	-

All of the items dealt with in arriving at the income for the financial period are from continuing operations, no income is recognized in other comprehensive income.

The notes on pages 15 to 36 form an integral part of the unaudited financial statements.

KraneShares ETC Plc

Statement of financial position As at 30 June 2025

	Note	Unaudited 30-June-25 USD	Audited 31-December-24 USD
Assets			
Cash and cash equivalents	14	222,070	616,213
Margin account	15	8,926,403	11,302,651
Financial assets at fair value through profit or loss	11	190,914	293,438
Other receivables	16	25,000	25,000
Total assets		9,364,387	12,237,302
Liabilities			
Other payables	17	20,748	7,781
Financial liabilities at fair value through profit or loss	13	578,966	263,720
Debt at fair value through profit or loss	12	8,739,110	11,940,426
Total liabilities		9,338,824	12,211,927
Equity			
Called up share capital	18	25,000	25,000
Retained earnings	18	563	375
Total equity		25,563	25,375
Total liabilities and equity		9,364,387	12,237,302

On behalf of the Board:



Benjamin Murahwi
Director

Date: 09/30/2025



Matthew Tracey
Director

The notes on pages 15 to 36 form an integral part of the unaudited financial statements.

KraneShares ETC Plc

Statement of changes in equity

For the financial period from 01 January 2025 to 30 June 2025

	Called up share capital USD	Retained earnings USD	Total equity USD
Balance as at 01 January 2025	25,000	375	25,375
Issue of shares during the financial period	-	-	-
Total comprehensive income for the financial period	-	188	188
Balance as at 30 June 2025	25,000	563	25,563

The notes on pages 15 to 36 form an integral part of the unaudited financial statements.

KraneShares ETC Plc

Statement of cash flows

For the financial period from 01 January 2025 to 30 June 2025

		Unaudited Financial Period ended from 01-January-2025 to 30-June-25 USD	Audited Financial Period ended from 25-March 2024 to 31-December-24 USD
	<i>Note</i>		
Cash flows from operating activities			
Operating profit before taxation		250	500
<i>Adjustments for:</i>			
Unrealised gain on financial assets at fair value through profit or loss	4	102,520	(293,438)
Unrealised loss on financial liabilities at fair value through profit or loss	7	315,246	263,720
Unrealised loss on debt at fair value through profit or loss	6	48,684	315,426
Taxation		66	(125)
<i>Movements in working capital</i>			
Increase in other receivables	16	-	(25,000)
Increase in other payable	17	12,843	7,781
Net cash used in operating activities		479,609	268,864
Cash flows from investing activities			
Net proceeds from future contracts disposed		-	-
Net cash flows provided by investing activities		-	-
Cash flows from financing activities			
Net proceeds from the issue of Notes	12	(3,250,000)	11,625,000
Proceeds from share issued	18	0	25,000
Net cash flows provided by financing activities		(3,250,000)	11,650,000
Increase in cash and cash equivalents		(2,770,391)	11,918,864
Cash and cash equivalents at the start of the financial period		11,918,864	-
Cash and cash equivalents at end of financial period	14,15	9,148,473	11,918,864
Cash and cash equivalents components :			
Cash and cash equivalents		222,070	616,213
Margin account		8,926,403	11,302,651
Total		9,148,473	11,918,864

The notes on pages 15 to 36 form an integral part of the unaudited financial statements.

**Notes to the financial statements
for the financial period from 01 January 2025 to 30 June 2025**

1. General information

The Company is a public limited liability company, incorporated on 25 March 2024 under the name of Kraneshares ETC Plc in Ireland under the Companies Act 2014 (the "Act"). The Company has been established for the purpose of issuing KraneShares ETC Securities (the "ETC securities"). The return on KraneShares Global Carbon Strategy ETC securities is linked to the performance of specified reference indices comprised of one or more futures contracts in respect of major global carbon allowances. At year-end, the Company had one series of securities in issue - KraneShares Global Carbon Strategy ETC. The securities are listed on Deutsche Borse, Borsa Italiana and on London Stock Exchange. The Company is a qualifying Company within the meaning of Section 110 of the Taxes Consolidation Act 1997.

The Company has no direct employees.

2. Basis of preparation

(a) Statement of compliance

The unaudited financial statements for the financial period from 01 January 2025 to 30 June 2025 have been prepared in accordance with IFRS Accounting Standards as adopted by European Union ('IFRS') and in accordance with the Companies Act, 2014.

The material accounting policy information, set out below, have been applied in preparing the financial statements for the financial period ended 30 June 2025.

The financial statements of the Company have been prepared on a going concern basis.

The nature of the Company's business dictates that the outstanding ETC may be redeemed at any time by any authorised participant who has entered into an authorised participant agreement with the Company. As the redemption of ETC securities will coincide with the sale of an equal amount of the Futures Contract, no liquidity risk is considered to arise. The Company has entered into its primary service contracts with service providers on a non-recourse basis and these costs are being met by Krane Funds Advisors, LLC. Therefore, the Directors are confident that the Company will have the ability to continue to pay its operating costs and any redemptions that may arise within the period of assessment.

Therefore, the Directors believe that the Company will continue in operational existence for the foreseeable future and is financially sound. The Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Financial assets at fair value through profit and loss ("Future Contracts")
- Financial liabilities at fair value through profit or loss ; and
- Debt at fair value through profit and loss.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

2. Basis of preparation (continued)

(c) Functional and presentation currency

The financial statements are presented in United States Dollar ("USD") which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The financial liabilities designated at fair value through profit or loss are primarily denominated in USD. The Directors of the Company believe that USD most faithfully represents the economic effects of the underlying transactions, events and conditions.

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.

Net gain on foreign exchange translation

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

(d) Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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. There are no significant estimates or judgements in the financial statements for the financial period ended 30 June 2025.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

2. Basis of preparation (continued)

(e) Standards, amendments, or interpretations

Standards not yet effective, but available for early adoption

The following new and revised IFRS Standards that have been issued but are not yet effective:

Standard	Title of Standard or Interpretation	Effective Date
Amendments to IAS 21	Lack of exchangeability	01 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	01 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	01 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	01 January 2027

The Company has not early adopted the above new standards or interpretations that are not yet effective. The Directors anticipate that the adoption of those standards or interpretations will have no material impact on the financial statements of the Company in the year of initial application.

3. Material accounting policy information

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

(a) Financial instruments

Classification

The Company has classified financial assets and financial liabilities into the following categories:

Financial assets at fair value through profit and loss ("Future Contracts"):

- Derivative financial instruments

Financial assets at amortised cost:

- Cash and cash equivalents
- Margin account
- Other receivables carried at amortised cost

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

Classification (continued)

Financial liabilities at fair value through profit or loss:

- Derivative financial instruments

Debt at fair value through profit and loss

- ETC Securities issued

Financial liabilities at amortised cost:

- Other payables

The classification is determined by both:

Characteristics of the contractual cash flows

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Business model assessment

The Company makes an assessment of the objective of the business model at a series level, as this reflects how portfolios of assets are managed to achieve a particular objective, rather than management’s intentions for individual assets.

The assessment considers the following:

- The strategy for the series as communicated by management;
- How the performance of the Series is evaluated and reported to senior management;

Financial assets that are held for trading or managed within a business model that is evaluated on a fair value basis are measured at FVTPL because the business objective is neither hold-to-collect contractual cash flows nor hold-to-collect-and sell contractual cash flows.

Initial Recognition

All financial assets and all financial liabilities (including financial liabilities at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company issues ETC securities to provide investors with exposure to the performance of the Future contracts. The ETC securities are issued in the form of debt instruments that are backed by fully allocated future holdings of the relevant ETC. An ETC security is issued or redeemed when a corresponding amount of Future Contract has transferred into or from the allocated accounts maintained by the Custodian. The Company has designated its debt instruments as financial liabilities issued at fair value through profit or loss.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss at their fair value. The Company measures financial liabilities which are classified at fair value through profit or loss at their fair value. Subsequent changes in the fair value of financial liabilities and financial assets designated at fair value through profit or loss are recognized directly in the Statement of comprehensive income.

The exchange quoted price of the ETC securities is determined by reference to the underlying Future Contracts. Changes in the fair value of the ETC securities are recognized in the statement of comprehensive income. Any return in excess of the principal amount per ETC Security shall be characterised as an interest payment in respect of the ETC Securities. The ETC securities have been designated as at fair value through profit or loss in order to eliminate an accounting mismatch, that would otherwise arise with the Future Contracts, enabling both the ETC securities and the Future Contracts to be measured at fair value with gains or losses on both being recognized in the statement of comprehensive income.

Impairment of financial assets

The 'expected credit loss' (ECL) model is used to measure impairment of financial assets. The ECL model applies to financial assets measured at amortized cost, but not to investments in equity instruments.

Fair value measurement principles

The Futures contracts are recorded at fair value less costs to sell using the last available prices quoted in active markets.

The fair value of the ETC securities is determined by reference to the underlying Future Contracts. Changes in the fair value of the ETC securities are recognized in the statement of comprehensive income.

Derivative financial instruments

Derivatives are financial instruments whose value is derived from an underlying variable, such as interest rates, foreign exchange rates, commodity prices, equity prices, or market indices. Derivatives require little or no initial investment and are settled at a future date, either through physical delivery or more commonly by net cash settlement.

Futures contracts are purchased or sold to gain exposure to or manage exposure to changes in the value of carbon allowances or foreign currencies (foreign currency exchange rate risk). The Company measures derivative financial instruments at their fair value through profit or loss both on initial recognition and on an ongoing basis.

Derivatives are not formally designated into a qualifying hedge relationship and therefore all changes in their fair value are recognised immediately in the Statement of comprehensive income.

Derivative contracts that have a positive fair value are presented as financial assets at fair value through profit or loss in the Statement of Financial Position. Similarly, derivative contracts with a negative fair value are presented as derivative liabilities at fair value through profit or loss.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

Derivative financial instruments (continued)

Derivatives include futures contracts that are exchange-traded agreements between the Company and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and on a specified date. Depending on the terms of a contract, it is settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash amount on the settlement date. Most futures contracts (by volume) are liquidated prior to expiry to avoid physical delivery. Upon entering a futures contract, the Company is required to deposit initial margin with the broker in the form of cash in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract.

Cash deposited as initial margin are designated in the Statement of financial position and are shown as margin account in the Statement of financial position. Pursuant to the contract, the Company agree to receive from or pay to the broker an amount of cash equal to the daily fluctuation in market value of the contract ("variation margin"). When the contract is closed, derivative is derecognised on net basis and a realized gain or loss is recorded in the Statement of comprehensive income equal to the difference between the notional amount of the contract at the time it was opened and the notional amount at the time it was closed. The use of futures contracts involves the risk of an imperfect correlation in the movements in the price of futures contracts and interest rates, foreign currency exchange rates or underlying assets.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability

The Company derecognises financial liability when its contractual obligations are discharged, cancelled or expired.

(b) 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 30 June 2025 all cash and cash equivalents were held with the Custodian.

(c) Margin account

Cash collateral provided by the Company is identified in the statement of financial position as margin accounts and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Company classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

(d) Other receivables

Other receivables do not carry any interest, are short-term in nature and have been reviewed for impairment. Other receivables are accounted for at amortized cost.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

3. Significant accounting policies (continued)

(e) Other payables

Other payables are accounted at amortized cost.

(f) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(g) Share capital

Share capital is issued in United States Dollar ("USD"). Dividends are recognized as a liability in the financial period in which they are approved.

(h) Interest and similar income

Interest income is recognised on a time-proportionate basis using the effective interest method. Interest income from cash and cash equivalents and margin account is recognised in other income.

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

Net changes in the fair value of derivative financial instruments relate to futures contracts entered into by the Company. These contracts are used to hedge exposure to carbon credits, ensuring that the Company's cash holdings remain economically backed by carbon-related exposure through a forward contract structure.

These derivatives are not designated as accounting hedges under IFRS 9. As such, gains or losses arising from changes in the fair value of these contracts are recognized in the Statement of Comprehensive Income in the period in which they occur. The fair value of these futures contracts is determined by reference to quoted market prices at the reporting date.

(j) Net loss on financial liabilities at fair value through profit and loss

Net changes in the fair value of derivative financial instruments relate to futures contracts entered into by the Company. These contracts are used to hedge exposure to carbon credits, ensuring that the Company's cash holdings remain economically backed by carbon-related exposure through a forward contract structure.

These derivatives are not designated as accounting hedges under IFRS 9. As such, gains or losses arising from changes in the fair value of these contracts are recognized in the Statement of Comprehensive Income in the period in which they occur. The fair value of these futures contracts is determined by reference to quoted market prices at the reporting date.

(k) Net loss on debt at fair value through profit and loss

Net changes in fair value of financial liabilities designated at fair value through profit or loss relates to ETC Securities issued and includes all realised and unrealised fair value changes. Any return in excess of the principal amount per ETC Security shall be characterised as an interest payable in respect of the ETC Securities.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

(l) Administrative expenses

All of the following fees and expenses payable in respect of the Company are paid as one single fee, which will not exceed an amounts described listed below. This is referred to as the total expense ratio or “TER”. Each Series (currently one in issue) pays an “all in one” operational fee to the Arranger. The TER is calculated and accrued daily from the Net Asset Value of each ETC Security and payable monthly in arrears to the Arranger at the rate set out below. The following fees and operational expenses of the Company shall be paid out of the TER:

All the ordinary operating and administrative expenses of the Company, including, but not limited to, corporate service providers’ auditors’, legal advisors’, Investment Advisor, Manager’s, Administrator’s, Custodian’s, Index Providers’, and Central Bank of Ireland Levies. These expenses are not recognised by the Company.

The Arranger has agreed to bear the cost of all fees and operational expenses which are over and above the total expense ratio or “TER” of each class of security.

The TER rate for the Company is listed below.

Class	TER
KraneShares Global Carbon Strategy ETC Securities	78bps

(m) Taxation

Corporation tax is provided on taxable profits at current rates applicable to the Company’s activities in accordance with Section 110 of the Taxes Consolidation Act 1997. Deferred taxation is accounted for, without discounting, in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the reporting date. Provision is made at the tax rates which are expected to apply in the periods in which the temporary differences reverse. Deferred tax assets are recognized only to the extent that it is considered more likely than not that they will be recovered.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefit will be realised.

Withholding tax is a generic term used for withholding tax deducted at source from the income. The Company records the withholding tax separately from the gross investment income in the Statement of comprehensive income.

(n) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The Company has no employees, and has only one business unit, thus all administrating and operating functions are carried out and reviewed by the Administrator, SEI Global Services Inc and Corporate Services provider, Waystone Centralised Services (Ireland) Limited.

The Company's principal activity is to invest in Futures contracts which are the revenue generating segment of the Company. The Chief Operating Decision Maker ("CODM") of the operating segment is the Director. The Company is an SPV whose principal activities are the issuance of ETC securities and investment in Futures Contracts. Only one Series is in issue at the period end.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

4. Net gain on financial assets at fair value through profit or loss

	Unaudited	Audited
	Financial	Financial
	period from	period from
	01-January to	25-March to
	30-June-25	30-June-24
	USD	USD
Realised gain on financial assets at fair value through profit or loss	395,091	-
Unrealised gain (loss) on financial assets at fair value through profit or loss	(102,520)	-
Net gain on financial assets at fair value through profit or loss	<u>292,571</u>	<u>-</u>

5. Interest and similar income

	Unaudited	Audited
	Financial	Financial
	period from	period from
	01-January to	25-March to
	30-June-25	30-June-24
	USD	USD
Interest income from cash and cash equivalents	11,695	-
Interest income from margin account	99,773	-
	<u>111,468</u>	<u>-</u>

6. Net loss on debt at fair value through profit and loss

	Unaudited	Audited
	Financial	Financial
	period from	period from
	01-January to	25-March to
	30-June-25	30-June-24
	USD	USD
Net realised loss on debt at fair value through profit or loss	109,980	-
Net unrealised loss on debt at fair value through profit or loss	48,684	-
	<u>158,664</u>	<u>-</u>

Each ETC Security represents a debt security having a principal amount equal to the Issue Price per ETC Security on the Series Issue Date of that Series. Any return in excess of the principal amount per ETC Security is characterised as an interest payment in respect of the ETC securities. Interest is paid on redemption date.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

7. Net loss on financial liabilities at fair value through profit and loss

	Unaudited Financial period from 01-January to 30-June-25 USD	Audited Financial period from 25-March to 30-June-24 USD
Unrealised loss on financial liabilities at fair value through profit and loss	315,246	-
	<u>315,246</u>	<u>-</u>

8. Administrative expenses

	Unaudited Financial period from 01-January to 30-June-25 USD	Audited Financial period from 25-March to 30-June-24 USD
Arranger fees*	41,979	-
	<u>41,979</u>	<u>-</u>

*As described in Note 3(h), each Series pays an “all in one” operational fee to the Arranger, which accrues daily equal to the Total Expense Ratio ("TER"). The Arranger agrees to pay the costs and expenses of the Company in exchange for the Company agreeing to pay the Arranger the TER. Fees to arranger are paid monthly.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

9. Net loss on foreign exchange translation

	Unaudited Financial period from 01-January to 30-June-25 USD	Audited Financial period from 25- March to 30-June-24 USD
Net loss on foreign exchange translation	112,100	-
	<u>112,100</u>	<u>-</u>

10. Tax on ordinary activities

	Unaudited Financial period from 01-January to 30-June-25 USD	Audited Financial period from 25- March to 30-June-24 USD
Profit on ordinary activities before taxation	250	-
Corporation tax at 25%	63	-
Current tax charge	<u>63</u>	<u>-</u>

*The Company is a qualifying company within the meaning of Section 110 of the TCA, 1997. As such, the profits are chargeable to corporation tax under Case III of Schedule D of the TCA at a rate of 25%, but are computed in accordance with the provisions applicable to Case I of Schedule D of the TCA. There was no deferred tax during the financial period.

11. Financial assets at fair value through profit or loss

	30-June-25 USD	31-December-24 USD
At the start of financial period	293,438	-
Fair value gain/(loss) on derivative instruments	(102,524)	293,438
Fair value gain at the end of financial period	<u>190,914</u>	<u>293,438</u>

As at 30 June 2025, the Company held open futures contracts with StoneX, with maturity dates in December 2025 and December 2026.

12. Debt at fair value through profit or loss

	30-June-25 USD	31-December-24 USD
At the start of financial period	11,940,426	-
Debt issued/(redeemed)	(3,250,000)	11,625,000
Net loss on debt at fair value through profit and loss	48,684	315,426
At the end of financial period	<u>8,739,110</u>	<u>11,940,426</u>

The ETC Securities can be redeemed at the option of the Securities holders. Security holders may request redemption of the Certificates at any time, subject to the applicable notice periods and procedures. The final maturity date of the Certificates is 02 October 2084.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

13. Financial liabilities at fair value through profit or loss

	Unaudited 30-June-25 USD	Audited 31-December-24 USD
At the start of financial period	263,720	-
Fair value loss on derivative instruments	315,246	263,720
Fair value loss at the end of financial period	<u>578,966</u>	<u>263,720</u>

As at 30 June 2025, the Company held open future contracts with StoneX, with maturity dates in March 2025, December 2025 and December 2026.

	Unaudited 30-June-25 USD	Audited 31-December-24 USD
14. Cash and cash equivalents		
Cash at bank	222,070	616,213
	<u>222,070</u>	<u>616,213</u>

As of 30 June 2025, the cash at bank are held with Brown Brothers Harriman. Credit ratings are disclosed in note 22.

15. Margin Account

	Unaudited 30-June-25 USD	Audited 31-December-24 USD
Margin account with StoneX	8,926,403	11,302,651
	<u>8,926,403</u>	<u>11,302,651</u>

Margin accounts represent margin deposits held in respect of open exchange-traded futures contracts. As of 30 June 2025, the Margin account is held with StoneX. Upon entering into a futures contract, the Company is required to deposit initial margin with the broker in the form of cash in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract. Credit ratings are disclosed in note 22.

16. Other receivables

	Unaudited 30-June-25 USD	Audited 31-December-24 USD
Other receivables	25,000	25,000
	<u>25,000</u>	<u>25,000</u>

KraneShares ETC Plc

Notes to the financial statements (continued) for the financial period from 01 January 2025 to 30 June 2025

17. Other payables

	Unaudited 30-June-25 USD	Audited 31-December-24 USD
Accrued fee payable*	20,560	7,656
Corporation tax payable	188	125
	20,748	7,781
	20,748	7,781

18. Capital and reserves

	Unaudited 30-June-25 USD	Audited 31-December-24 USD
<i>Authorised:</i>		
1,000,000 ordinary shares of USD 1 each	1,000,000	1,000,000
	1,000,000	1,000,000

	USD	USD
<i>Issued, paid and held in trust:</i>		
25,000 ordinary shares of USD 1 each	25,000	25,000
	25,000	25,000

	USD	USD
<i>Presented as follows:</i>		
Called up share capital presented as equity	25,000	25,000
	25,000	25,000

	Unaudited 30-June-25 USD	Audited 31-December-24 USD
At 01 January 2025	375	-
Profit during the financial period	188	375
At 30 June 2025	563	375
	563	375

In consideration for the allotment of 25,000 ordinary shares in the Company, the contribution is held by Waystone Centralised Services (IE) Limited for the account of, and to the order of, the Company, as its share capital.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

19. Offsetting

None of the financial assets or financial liabilities are offset in the Statement of Financial Position. The disclosures set out in the table below include financial assets and financial liabilities that are not subject to and enforceable master netting agreement or similar agreement that cover similar financial instruments.

Offsetting Financial Assets

Counterparty	Gross Amount of recognised financial assets	Gross amounts of financial liabilities offset in the Statement of Financial Position	Net amount of financial assets presented in the Statement of Financial Position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
	USD	USD	USD	USD	USD	USD
StoneX	190,914	-	190,914	(190,914)	-	-
Total	190,914	-	190,914	(190,914)	-	-

Offsetting Financial Liabilities

Counterparty	Gross Amount of recognised financial liabilities	Gross amounts of financial assets offset in the Statement of Financial Position	Net amount of financial liabilities presented in the Statement of Financial Position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
	USD	USD	USD	USD	USD	USD
StoneX	578,966	-	578,966	(190,914)	-	388,052
Total	578,966	-	578,966	(190,914)	-	388,052

20. Ownership of Company

The sole shareholder of the Company is Waystone Centralised Services (IE) Limited holding 25,000 shares of the Company. All shares are held in trust for charity under the terms of declaration of trust.

The Share Trustee has appointed the Directors to run the day-to-day activities of the Company. The Directors have considered the issue as to who is the ultimate controlling party. It has been determined that control of the day-to-day activities of the Company rests with the Directors.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

21. Related party transactions

Transactions with Corporate Services provider

Waystone Centralised Services (IE) Limited provided Corporate services during the financial period, including making available individuals to act as Directors of the Company, Company secretarial services and acting as Share Trustee and Note Trustee. The Company incurred an amount of (EUR 21,000) for the financial period ended 30 June 2025 relating to the above services provided by Waystone Centralised Services (IE) Limited.

All costs and expenses are paid by the Arranger in exchange for a TER paid by the Company. The Corporate Services provider provided Company Secretary and corporate services duties during the financial period on an arm's length basis.

Benjamin Murahwi , Matthew Tracey, and Caroline Jones (appointed 29 April 2025, resigned 05 May 2025) are employees of Waystone Centralised Services (IE) Limited and Company Directors from March 2024 and allocated Director's remuneration of USD 1,000 annually.

Transactions with Arranger

As at 30 June 2025, Krane Funds Advisors LLC acted as the Arranger of the Company during the financial period which is considered as a key related party to the Company as it has a key contract with the Company and is responsible for the reimbursement of the operational costs of the Company. The Arranger paid the Company USD 500 annually in respect of each Series of ETC securities issued under the Programme. During the financial period ended 30 June 2025, the total expense ratio amounted to USD 41,979 of which USD 5,364 is still payable as at the period end. In return for this, the Arranger pays all operating expenses as described in note 3(l) and 8 to the financial statements. Jonathan Krane is an indirect owner of the Arranger and Investment Advisor and allocated USD 1,000 Director's remuneration during financial period.

Transactions with Administrator

SEI Global Services Inc provided certain administrative functions for the Company in relation the ETC securities, including, among other things, assisting in the making of certain non-discretionary determinations and calculations in accordance with the Terms and Conditions of the ETC securities, including, without limitation, the determination and publication of the Carbon Entitlement, the Cash Value per ETC Security and the Total Expense Ratio on a daily basis during the financial period. The Company incurred an amount of USD 6,148 for the financial period ended 31 December 2024 relating to administration services provided by SEI Global Services Inc.

All costs and expenses are paid by the Arranger in exchange for a TER paid by the Company.

22. Financial risk management

Risk management framework

The Company has exposure to the following risks from its use of financial instruments:

- (a) Credit risk;
- (b) Operational risk;
- (c) Market risk; and
- (d) Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

22. Financial risk management (continued)

(a) Credit Risk

Credit/Counterparty risk refers to the risk that the Custodian or Broker will default on its contractual obligations resulting in the Company being unable to make payment of amounts due to the Exchange traded commodity holders (“ETC holders”). Accordingly, the Company and the ETC holders are exposed to the creditworthiness of the Custodian and Broker. Consequently, credit risks are ultimately borne by the ETC holders who are therefore concerned with the Company's procedures and policies in place to mitigate the risks. The Company has sufficient and adequate control structures in place to manage and mitigate the risks.

The Company's exposure to credit risk and credit ratings are continuously monitored by the Directors and the Arranger, through the credit ratings assigned by well-known credit ratings agencies.

Rating Agency	Counterparty	Holding account	Short term 30 th June 2025
Standard & Poor's	Brown Brothers Harriman & Co.	Cash and cash equivalents	A3
Fitch	Brown Brothers Harriman & Co.	Cash and cash equivalents	A+/F1
Standard & Poor's	StoneX Financial Inc.	Margin account	BB-
Moody's	StoneX Financial Inc.	Margin account	Ba3

The maximum gross exposure to credit risk at the end of the financial year was:

	30-June-25 USD	31-Dec-24 USD
Cash and cash equivalents	222,070	616,213
Margin account	8,926,403	11,302,651
Financial assets at fair value through profit or loss	190,914	293,438
Other receivables	25,000	25,000
	<u>9,364,387</u>	<u>12,237,302</u>

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

22. Financial risk management (continued)

(a) Credit Risk

Concentration risk

Concentration risk can arise from the type of assets held in the portfolio, the maturity of assets, the concentration of sources of funding, concentration of counterparties or geographical locations.

The table below outlines the fair value of financial asset and liabilities at fair value through profit and loss as at the financial period end based on emissions trading

	Unaudited 30-June-25	Audited 31-December-24
By emission trading systems		
Fair value of financial asset	USD	USD
European Union Allowances (EUA)	-	252,398
Regional Greenhouse Gas Initiative (RGGI)	1,330	41,040
Washington State Carbon Allowances (WCA)	5,580	
United Kingdom Allowances (UKA)	59,316	-
Euro Currency	124,688	-
Total	190,914	293,438
Fair value of financial liability		
California Carbon Allowances (CCA)	(430,380)	(29,780)
United Kingdom Allowances (UKA)	-	(43,565)
Washington State Carbon Allowances (WCA)	-	(57,000)
European Union Allowances (EUA)	(148,586)	-
Euro Currency	-	(133,375)
Total	(578,966)	(263,720)

Cap-and-trade programs, also known as emissions trading systems, are market-based policies that set a limit (the "cap") on emissions and allow companies to trade permits to emit pollutants, creating a financial incentive for emissions reductions

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Board has established processes to manage operational risks. Those processes include appropriate segregation of responsibilities and specific control activities. The Board delegates management and administration function to the Administrator and Corporate Services Provider.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

22. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices of the Futures contracts will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises of price risk, interest rate risk and currency risk. The ETC holders are exposed to the market risk of the asset's portfolio. Market risk embodies the potential for both gains and losses and price risk.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk), whether those changes are caused by factors specific to the individual financial instrument or its seller, or factors affecting similar financial instruments traded in the market. The Investment Advisor monitors the price risk of the financial assets at fair value through profit or loss on a daily basis.

The Company uses the hierarchy below for determining and disclosing the fair value of financial instruments by valuation technique:

The level in the fair value hierarchy in which each fair value measurement is categorised includes:

- Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

	Fair Value Hierarchy	Valuation technique and key inputs
Financial assets at fair value through profit or loss	Level 1	Quoted prices in active markets
Financial liabilities at fair value through profit or loss	Level 1	Quoted prices in active markets
Debt at fair value through profit or loss	Level 2	Valuation based on observable market prices of carbon credits from exchanges, adjusted by TER.

The Company does not consider market risk to be a significant risk to the Company as any fluctuation in the value of the Futures contracts is ultimately borne by the ETC holders of the relevant securities. Nonetheless, the price risk is managed by constant monitoring of the market prices of financial instruments.

Futures contracts held by the Company are classified as level 1. The fair value of these contracts is determined by reference to the exchange-quoted prices of the underlying futures contracts.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

22. Financial risk management (continued)

(c) Market risk (continued)

Price risk (continued)

ETC securities issued by the Company are classified within level 2. The exchange quoted price of the ETC securities is determined by reference to underlying future contracts and adjusted for the Total Expense Ratio payable to the Arranger. This valuation technique represents the price of the ETC securities to which Authorized Participants subscribe and request buybacks of ETC securities directly with the Company. There are no significant unobservable inputs to this valuation technique.

30 June 2025	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss	190,914	-	-	190,914
Financial liabilities at fair value through profit or loss	(578,966)	-	-	(578,966)
Debt at fair value through profit or loss	-	8,739,110	-	8,739,110
	<u>(388,052)</u>	<u>8,739,110</u>	<u>-</u>	<u>8,351,058</u>

Sensitivity analysis:

Any changes in the values of the Future contracts held by the Company would not have any effect on the equity or profit or loss of the Company as any fair value fluctuations are ultimately borne by the holders of the ETC Securities issued by the Company. A 10% change in the value of the portfolio of Futures Contracts held will result in a change in value of USD 2,972. This will be offset by an equal change in the value of ETC securities issued, resulting in a net zero impact to the equity or profit of the Company. Therefore, the Company is fully economically hedged against changes in prices of underlying securities.

Foreign exchange risk

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

The ETC Securities issued by the Company are denominated in US Dollars, however, the underlying Futures Contracts and cash held on deposit are denominated in other currencies, including EUR and British Sterling Pounds. Accordingly the value of any portion of the underlying collateral denominated in another currency may be affected by changes in the exchange rate between USD and that other currency, which could ultimately result in returns for investors being less than anticipated.

The closing exchange rates used are as follows:

Currency	30 June 2025	31 December 2024
EUR	0.848599	0.965300
GBP	0.728300	0.798799

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

22. Financial risk management (continued)

Foreign exchange risk (continued)

Foreign exchange risk sensitivity analysis:

30 June 2025:

Asset class	EUR	GBP	10% movement EUR	10% movement GBP
Financial assets at fair value through profit or loss	-	59,316	-	5,932
Financial liabilities at fair value through profit or loss	(148,586)	-	(14,859)	-
Margin account	504,258	509,067	50,426	50,907
Total	355,672	568,383	35,567	56,839

Interest rate risk

Interest rate risk is the risk that the fair value of the ETC securities will fluctuate because of changes in market interest rates. Changes in exchange rates and interest rates may have a positive or negative impact on the price, demand, production costs, direct investment costs of Future contracts and the returns from investments in Future contracts are therefore influenced by and may be correlated to these factors. Although the ETC Securities do not pay periodic interest, they do entitle holders to an amount on redemption that reflects the fair value movements of the underlying carbon credit-linked futures contracts. The value of the ETC Securities is primarily driven by the performance of carbon credit-linked futures rather than changes in interest rates. As a result, the Company is not subject to significant interest rate risk.

The Interest Rate Sensitivity Gap

30 June 2025:

Assets	Fixed	Floating	Non-Interest Bearing	Total
	USD	USD	USD	USD
Financial assets at fair value through profit and loss	-	-	190,914	190,914
Cash and Cash equivalents	-	222,070	-	222,070
Margin accounts	-	8,926,403	-	8,926,403
Other receivables	-	-	25,000	25,000
Total assets	-	9,148,473	215,914	9,364,387

Liabilities	Fixed	Floating	Non-Interest Bearing	Total
	USD	USD	USD	USD
Other payables	-	-	20,748	20,748
Financial liabilities at fair value through profit and loss	-	-	578,966	578,966
Debt at fair value through profit and loss	-	8,739,110	-	8,739,110
Total liabilities	-	8,739,110	599,714	9,338,824

Cumulative gap	-	409,363	(383,800)	25,563
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Interest rate sensitivity analysis:

10% change in the interest rate	-	40,936	(38,380)	(2,556)
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Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

22. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company does not have significant exposure to liquidity risk due to the buy-back of ETC securities being settled from proceeds from the sale of Future contracts and the cash held on deposit with Custodian. ETC securities can be issued and redeemed daily. Final maturity date of ETC securities is 02 October 2084.

The Company manages liquidity risk by maintaining adequate levels of cash and highly liquid investments, including futures contracts, to meet redemption requests and other short-term obligations. The Company closely monitors the daily liquidity position and ensures that the proceeds from the sale of futures contracts and cash held with the Custodian are sufficient to settle any buy-back of ETC securities.

Operational expenses are settled by Arranger, Krane Fund Advisors, LLC, in exchange for the Company paying “TER”. The Securities are limited recourse obligations of the Company that are payable solely out of amounts received in respect of the financial assets.

The following table demonstrates the liquidity risk profile for the Company:

30 June 2025	Carrying Value USD	Up to 1 year USD	1 year to 5 years USD	Over 5 years USD
Debt at fair value through profit or loss	8,739,110	-	-	8,739,110
Financial liabilities designated at fair value through profit or loss	578,966	260,520	3,200	-
Other payables	20,748	20,748	-	-
	9,338,824			8,739,110

23. Capital management

The primary objective of the Company’s capital management is to ensure that it maintains an adequate capital base to meet its obligations as they fall due and to preserve the going concern status of the Company. The Company is a Special Purpose Vehicle (SPV) established in Ireland under the Companies Act 2014 as a Public Limited Company, and its activities are governed by its constitutional documents and the terms of the relevant transaction documents.

The Company operates under a limited recourse arrangement. Its liabilities are limited to the proceeds of the financial assets it holds. The capital of the Company is not actively managed for return, but solely to meet legal and contractual obligations.

Notes to the financial statements (continued)
for the financial period from 01 January 2025 to 30 June 2025

24. Subsequent events

There have been no significant events after the financial period end up to the date of signing of these financial statements that require disclosure and/or adjustment to the financial statements.

25. Commitments and Contingencies

The Company had no commitments or contingencies as at the financial period-end.

26. Charges

All series assets as specified in note 11, 14 and 15 have charges assigned by way of security in favor of the Trustee for itself and on behalf of the noteholders.

27. Approval of financial statements

The Board of Directors approved these financial statements on 30 September 2025.