



Sensible Asset Management HK

A joint venture between Ping An of China and Value Partners

VALUE CHINA ETF (3046 HK)

SEMI-ANNUAL REPORT 2010

For the period from 10 December 2009 (date of inception)
to 30 September 2010



Sensible Asset Management Hong Kong Limited

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In the event of inconsistency, the English text of this Semi-Annual Report shall prevail over the Chinese text.

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GENERAL INFORMATION

Investment Manager

Sensible Asset Management Hong Kong Limited
9th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

Sub-investment Manager

Value Partners Hong Kong Limited
9th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

Directors of the Investment Manager

Mr Chow Wai Chiu William
(appointed on 25 June 2010)

Mr Law Ka Kin
(resigned on 25 June 2010)

Mr Liew Shan Hock
(resigned on 11 August 2010)

Mr Martin Tornberg
(appointed on 11 August 2010)

Mr So Chun Ki Louis

Ms Yang Ledong

Trustee and Registrar

HSBC Institutional Trust Services
(Asia) Limited
1 Queen's Road Central
Hong Kong

Legal Advisor

Simmons & Simmons
35th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

Auditor

KPMG
8th Floor
Prince's Building
10 Chater Road
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GENERAL INFORMATION (Continued)

Awards

Value China ETF	
2010	<ul style="list-style-type: none">Value China ETF (3046 HK) Winner of the Best New ETF in Asia 2010 – Republic Partners Ltd., September 2010

MANAGER'S REPORT

Value China ETF (“the Fund”) is an index-tracking exchange traded fund whose units are listed and traded on the Stock Exchange of Hong Kong Limited (“SEHK”). The Fund aims to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Value-Stocks China Index (“the Index”) by holding a portfolio of the constituent stocks of the Index. The Index comprises 25 value stocks amongst Chinese companies’ shares listed in Hong Kong.

We are pleased to present the first semi-annual report of the Value China ETF for the period from 10 December 2009 (date of inception) to 30 September 2010.

Investment philosophy

The Fund’s investment is through the selection of a range of diversified, relatively under-valued and top-quality stocks, spanning H shares, Red Chips and P Chips (defined as the companies listed on the SEHK, which derive 50% or more of their sales revenue or operating assets from mainland China). The index methodology includes a stringent value screening process which includes valuation quality and contrarian screening criteria. Value screening helps to identify under-value companies based on forecast price-to-earnings, and dividend yield. Quality screening is applied to avoid value traps, based on three fundamental factors that include 3-year average return on equity, operating profit margin and net gearing. Contrarian screening is then used which aims to avoid consensus analysts’ “buy” calls that have lagged behind market movements. In all, the performance reflects our discipline of bottom-up stock selection captured under our 3R principles – selecting the Right Business, run by the Right People, at the Right Price.

Performance overview

The Fund achieved a total return of 5.4% for the period ended 30 September 2010, since its inception on 10 December 2009. For reference, the MSCI China Index and Hang Seng China Enterprises Index returned 4.3% and fell by 1.1%, respectively, over the same period. The out-performance of the Fund was largely attributable to the oil and gas sector stocks, which have been heavily weighted in the Fund since its launch. The historical tracking error for the Net Asset Value (“NAV”) of the Fund against the FTSE Value-Stocks China Index was low, which was at only 28 basis points for the period under review.

MANAGER'S REPORT (Continued)

Market outlook

We believe the outlook remains promising. Stock market sentiment in East and Southeast Asia has improved sharply during the third quarter of 2010, as the much-feared “hard landing” for the Chinese economy is looking less and less likely. The Chinese economy, which grew 9.1% last year, seems on track to grow 9.5% this year, easing to a “soft landing” of 8% to 8.5% growth next year. Meanwhile, large parts of Asia are experiencing negative real interest rates and surplus liquidity, as governments keep interest rates low and try to prevent their currencies from too much appreciation against a falling U.S. dollar. Regional economies are adjusting through rising inflation and asset prices – a setting generally positive for equities, but with clear winners and losers.

Chinese leaders are preparing the country's 12th five-year plan, covering 2011 to 2016. The plan will be made public early next year, but don't expect big surprises. The government can be expected to continue with efforts to promote a “harmonious society.” Look for significant new spending on “soft infrastructure” such as healthcare, education and social security, a continuing campaign to clean up the environment and further initiatives to rebalance the economy by encouraging domestic spending. Although rapid economic growth remains a priority, it is no longer the only one, and we have seen projections that Chinese economic growth in this current decade is likely to average 8% per annum, compared to 10.3% per annum during the period 2000 to 2009.

MANAGER'S REPORT (Continued)

Awards and distinctions

In its October 2010 edition, the widely followed AsianInvestor magazine, based in Hong Kong, published a list of “The 25 Most Influential People in Asian Hedge Funds.” Mr Cheah Cheng Hye, Chairman and Co-Chief Investment Officer of Value Partners, was among those named, and was described in the AsianInvestor list as “a godfather of the Asian hedge fund industry.”

The Value China ETF has been awarded as the “Best New ETF in Asia 2010” by Republic Partners Ltd. in September 2010. The ETF Award celebrate the industry’s outstanding achievements in Asia, and Republic Partners Ltd. selected the Value China ETF as the best new ETF from a shortlist of leading Asian ETFs.

Sensible Asset Management Hong Kong Limited

19 November 2010

All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in HKD, NAV to NAV, with dividends reinvested, updated as at 30 September 2010. Performance data is net of all fees.

Investors should note that investment involves risk. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the prospectus for details and risk factors in particular those associated with investment in emerging markets and the arrangement in the event that the Fund is de-listed. Investors should also note that the Fund is different from a typical retail investment fund, in particular, units in the Fund may only be created or redeemed directly by a participating dealer in large unit sizes.

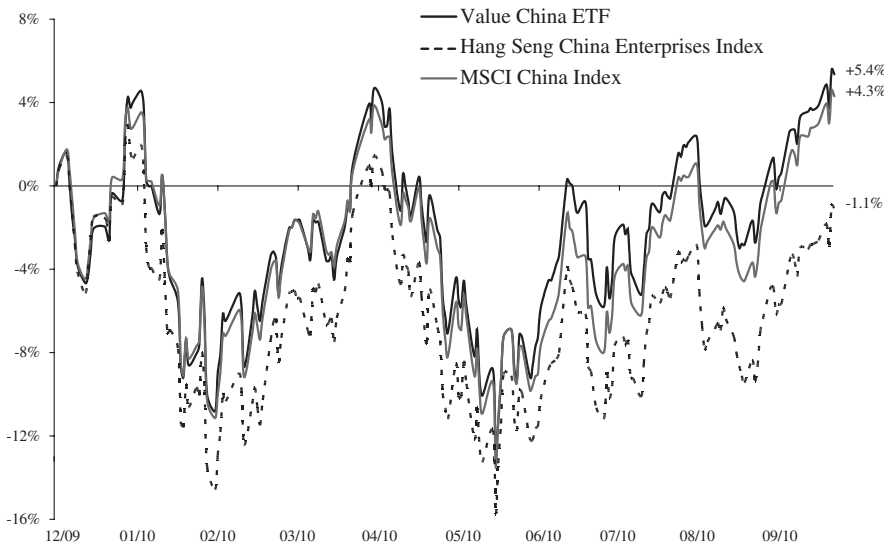
MANAGER'S REPORT (Continued)

Value China ETF

NAV per share = HK\$39.04 (as at 30 September 2010)

Since launch return compared to indices

From 10 December 2009 to 30 September 2010



Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in HKD, NAV to NAV, with dividends reinvested. Performance data is net of all fees.

INDEPENDENT REVIEW REPORT TO THE MANAGER OF VALUE CHINA ETF

Introduction

We have reviewed the interim financial statements of Value China ETF (the “Fund”) set out on pages 10 to 36 which comprise the interim statement of financial position of the Fund as at 30 September 2010 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 10 December 2009 (date of inception) to 30 September 2010, and a summary of significant accounting policies. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34, “Interim financial reporting” (“IAS 34”) issued by the International Accounting Standards Board. The Manager is responsible for the preparation and presentation of the interim financial statements in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

**INDEPENDENT REVIEW REPORT TO THE
MANAGER OF VALUE CHINA ETF (Continued)**

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 September 2010 are not prepared, in all material respects, in accordance with IAS 34.

KPMG

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

19 November 2010

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2010

	<i>Note</i>	30.9.2010 (Unaudited) <i>HK\$</i>
Assets		
Financial assets at fair value through profit or loss	3, 5, 12	410,673,195
Cash and cash equivalents	4, 10(c)	1,974,471
Dividends receivable		1,600,491
Prepayment		<u>75,650</u>
Total assets		<u>414,323,807</u>
Liabilities		
Manager's fees payable	8, 10(a)	231,655
Withholding tax payable	9	151,765
Audit fee payable		144,385
Trustee and registrar fees payable	7, 10(b)	<u>56,505</u>
Total liabilities		<u>584,310</u>
Total equity	11	<u><u>413,739,497</u></u>
Represented by:		
Net assets attributable to unitholders (at last traded prices)		413,852,232
Adjustment from last traded prices to bid prices		<u>(112,735)</u>
		<u><u>413,739,497</u></u>
Net asset value per unit at last traded prices based on 10,600,000 units outstanding	11	<u><u>39.04</u></u>

The notes on pages 14 to 36 form an integral part of these semi-annual financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 10 DECEMBER 2009 (DATE OF INCEPTION) TO 30 SEPTEMBER 2010

	<i>Note</i>	Period from 10.12.2009* to 30.9.2010 (Unaudited) HK\$
Dividend income		13,726,298
Net gain from financial assets at fair value through profit or loss	6	10,221,753
Net foreign exchange gain		<u>25,616</u>
Net investment income		<u>23,973,667</u>
Manager's fee	8, 10(a)	2,173,233
Trustee and registrar fees	7, 10(b)	520,281
Transaction fees		196,147
License fee		186,233
Auditor's remuneration		144,385
Bank charges	10(c)	55,523
Listing fee		30,000
Professional fees		10,329
Other operating expenses		<u>81,141</u>
Operating expenses		<u>3,397,272</u>
Profit before taxation		20,576,395
Withholding tax	9	<u>1,229,709</u>
Profit after taxation and total comprehensive income for the period		<u><u>19,346,686</u></u>

* *Date of inception*

The notes on pages 14 to 36 form an integral part of these semi-annual financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 10 DECEMBER 2009 (DATE OF INCEPTION) TO 30 SEPTEMBER 2010

	<i>Note</i>	Period from 10.12.2009* to 30.9.2010 (Unaudited) HK\$
Balance at the beginning of the period		----- -
Issue of redeemable units	<i>11</i>	474,607,725
Redemption of redeemable units	<i>11</i>	<u>(80,214,914)</u>
Net increase from unit transactions		----- 394,392,811
Profit after taxation and total comprehensive income for the period		<u>19,346,686</u>
Balance at the end of the period		<u><u>413,739,497</u></u>

* *Date of inception*

The notes on pages 14 to 36 form an integral part of these semi-annual financial statements.

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 10 DECEMBER 2009 (DATE OF INCEPTION) TO 30 SEPTEMBER 2010

	Period from 10.12.2009* to 30.9.2010 (Unaudited) HK\$
	<i>Note</i>
Operating activities	
Dividends received	12,125,807
Proceeds from sale of investments	165,578,145
Purchase of investments	(566,029,587)
Operating expenses paid	(3,014,761)
Withholding tax paid	<u>(1,077,944)</u>
Cash flows used in operating activities	<u>(392,418,340)</u>
Financing activities	
Proceeds from issue of redeemable units	474,607,725
Payments on redemption of redeemable units	<u>(80,214,914)</u>
Cash flows generated from financing activities	<u>394,392,811</u>
Net increase in cash and cash equivalents	1,974,471
Cash and cash equivalents at the beginning of the period	<u>—</u>
Cash and cash equivalents at the end of the period	4 <u><u>1,974,471</u></u>

* *Date of inception*

The notes on pages 14 to 36 form an integral part of these semi-annual financial statements.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS

1 GENERAL

Value China ETF (the “Fund”) is an open ended unit trust governed by its Trust Deed dated 20 November 2009 (the “Trust Deed”), as amended from time to time under the laws of Hong Kong. The Fund is authorised by the Hong Kong Securities and Futures Commission (the “SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance (“HKSF”), and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds (the “Code”). The Fund is also listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (a subsidiary of the Hong Kong Exchanges and Clearing Limited).

The investment objective of the Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Value-Stocks China Index (the “Index”).

To achieve the investment objective, Sensible Asset Management Hong Kong Limited (the “Manager”) intends primarily to use a full replication strategy to track the performance of the Index. Depending on the market conditions, the Manager may also utilise a representative sampling strategy or invest in derivatives to achieve the Fund’s investment objective.

Although the Fund will invest primarily in securities included in the Index, the Fund may also invest in other investments including, but not limited to, futures contracts, options on futures contracts, options, swaps, warrants and other financial instruments related to the Index or its constituents, local currency and foreign currency exchange contracts, cash and cash equivalents and other financial instruments which the Manager believes will help the Fund achieves its investment objective.

In order to maximise portfolio management efficiency, minimise transaction costs and tracking error, exposure to the Index may also be obtained through other index-tracking strategies or financial instruments from which the return to the Fund will substantially reflect the performance of the Index. Such strategies and instruments will be chosen based on their correlation to the Index or its constituents and cost efficiency in order to reflect the characteristics of the Index.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These semi-annual financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“IASB”).

The preparation of semi-annual financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies to and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The semi-annual financial statements are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants. The review report to the Manager of the Fund is included on pages 8 and 9.

(b) Basis of preparation

The measurement currency of the semi-annual financial statements is Hong Kong dollars (“HKD”) reflecting the fact that most of the transactions are denominated in HKD, and units of the Fund are issued in HKD.

The semi-annual financial statements are presented in HKD.

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

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation (Continued)

The preparation of semi-annual financial statements in accordance with International Financial Reporting Standards (“IFRSs”) requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of financial position, 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 financial position that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) Foreign currency translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to HKD at the foreign currency closing exchange rate ruling at the date of the statement of financial position. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to HKD at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to trading investments are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the statement of comprehensive income.

(d) Financial assets at fair value through profit or loss

(i) Classification

The Fund designates all its equity securities into the financial assets at fair value through profit or loss category. The category of financial assets at fair value through profit or loss comprises financial instruments held for trading and financial instruments designated at fair value through profit or loss upon initial recognition.

All of the Fund's investments are designated as financial assets at fair value through profit or loss. These investments are managed, evaluated and reported internally on a fair value basis upon initial recognition.

Financial assets that are classified as loans and receivables include dividends receivable and prepayment.

Financial liabilities that are not designated at fair value through profit or loss include accounts payable.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial assets at fair value through profit or loss (Continued)

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of IAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial instruments designated at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities are measured at amortised cost using the effective interest rate.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial assets at fair value through profit or loss (Continued)

(iv) *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the date of the statement of financial position without any deduction for estimated future selling costs. Financial assets are measured at current bid prices, while financial liabilities are measured at current asking prices.

(v) *Derecognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

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

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

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other financial assets

Financial assets that are stated at cost or amortised cost are reviewed at the date of each statement of financial position to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(f) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Interest income

Interest income is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(h) Dividend income

Dividend income relating to exchange-traded equity securities are recognised in the statement of comprehensive income on the ex-dividend date.

In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Fund recognises dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

(i) Expenses

All expenses, including manager's fees and trustee and registrar fees, are recognised in the statement of comprehensive income on an accrual basis.

(j) Foreign exchange gains and losses

Foreign exchange gains and losses on financial instruments designated at fair value through profit or loss are recognised together with other changes in the fair value. Included in the statement of comprehensive income line item, *Net foreign exchange gain* are foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as designated at fair value through profit or loss.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation

No provision for Hong Kong Profits Tax has been made in the semi-annual financial statements as the income of the Fund is exempt from taxation under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend and interest income received by the Fund may be subject to withholding tax imposed in the country of origin. Investment income is recorded gross of such taxes and the withholding tax is recognised in the statement of comprehensive income as incurred.

(l) Redeemable units

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

The Fund has only one class of redeemable units in issue and they are the most subordinate class of financial instrument in the Fund. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholder's share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

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

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Redeemable units (Continued)

- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's redeemable units meet these conditions and are classified as equity.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognised directly in equity as a deduction from the proceeds or part of the acquisition cost.

Repurchase of redeemable units

When redeemable units recognised as equity are redeemed, the amount paid on the redemption of the units is presented as a deduction from total equity.

(m) Related parties

For the purpose of these semi-annual financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating decisions. Related parties may be individuals or entities.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Segment reporting

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

3 FINANCIAL RISK MANAGEMENT

The investment objective of the Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Value-Stocks China Index (the "Index").

The Fund invests in listed securities and therefore the Fund is exposed to market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk arising from the financial instruments held.

The Fund's overall financial risk management program focuses on the analysis, evaluation and management of financial risks and seeks to minimise potential adverse effects on the Fund's financial performance.

The risk and respective risk management policies employed by the Fund to manage these risks are discussed below.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk

(i) Foreign exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund's overall currency positions are monitored on a daily basis by the Manager.

As at 30 September 2010, had the HKD weakened by 0.5% in relation to Renminbi, with all other variables held constant, the operating results and the equity would have increased by the amounts shown below.

	Net foreign currency exposure <i>HK\$</i>	Change in equity if the HKD weakened by 0.5% <i>HK\$</i>
As at 30 September 2010		
Renminbi	<u>1,365,891</u>	<u>6,829</u>

As the HKD is pegged to the United States dollars ("USD"), the Fund does not expect any significant movements in HKD/USD exchange rate. A 0.5% appreciation of the HKD against the above currency would have resulted in an equal but opposite effect on the semi-annual financial statements on the basis that all other variables remain constant.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk

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

All securities investments present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits stated in the Trust Deed. The Fund's overall market positions are monitored on a daily basis by the Manager.

As at 30 September 2010, the Fund's overall market exposures and estimated market sensitivity were as follows:

Fair value HK\$	Relevant benchmark index for the Fund	Reasonably possible change of the relevant benchmark index	Estimated change in operating profit and equity HK\$
As at 30 September 2010	FTSE Value-Stocks China Index	+/- 30%	<u>+/ - 122,855,155</u>
<u>410,673,195</u>			

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk

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

The Fund's interest rate risk arises from bank balances of HK\$1,974,471. The bank balances expose the Fund to cash flow interest rate risk.

As at 30 September 2010, if the interest rate had been 50 basis points higher or lower with all other variables held constant, the operating profit and the total equity would have been approximately HK\$9,872 higher or lower, gross of fees, for the period from 10 December 2009 (date of inception) to 30 September 2010, as a result of higher or lower interest income on bank balances.

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. Financial assets which potentially subject the Fund to concentrations of credit risk consist principally of financial assets held with custodians, bank balances and receivables.

The Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Manager considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the broker has received payment. In a purchase, payment is made when the securities have been received by the broker. If either party fails to meet its obligation, the trade will fail. Accordingly, there is no significant concentration of credit risk.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

The table below shows the major counterparties at the date of the statement of financial position. The credit ratings are issued by Standard & Poor's:

Counterparty	Credit rating	30.9.2010 HK\$
Bank A	AA-	1,974,471
Custodian A	AA-	<u>410,673,195</u>
		<u><u>412,647,666</u></u>

The Fund may invest in emerging markets where the clearing, settlement and registration systems available to effect trades are less developed than those in more mature markets. These can result in delays and other difficulties in settling trades and registering transfers of securities.

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability or selling a financial asset quickly at close to its fair value. The Manager monitors the liquidity of the Fund by conducting liquidity testing on the investment portfolio on a monthly and ad-hoc basis.

The Fund's equity investments are considered to be readily realisable under normal market conditions as they are all listed on the Stock Exchange.

The Fund is exposed to daily cash redemption of units. The Manager considered that there is no significant liquidity risk on redemption of units. The contractual maturity of all other liabilities is less than one month.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

4 CASH AND CASH EQUIVALENTS

	30.9.2010 <i>HK\$</i>
Current deposits with banks	<u>1,974,471</u>

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.9.2010 <i>HK\$</i>
Listed equity securities	<u>410,673,195</u>

6 NET GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Period from 10.12.2009* to 30.9.2010 <i>HK\$</i>
Realised loss	(17,401,284)
Change in unrealised gain	<u>27,623,037</u>
	<u>10,221,753</u>

* *Date of inception*

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

7 TRUSTEE AND REGISTRAR FEES

HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) is entitled to receive trustee and registrar fees of 0.15% per annum of the net asset value of the Fund, subject to a minimum of HK\$50,000 per month in the first year and HK\$80,000 per month thereafter. The fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

The Trustee is also entitled to receive a service fee of HK\$25,000 per annum accrued daily and payable quarterly in arrears as well as ad-hoc valuation fees of HK\$4,000 per calculation of net asset value other than at the valuation point on a regular dealing day.

8 MANAGER’S FEE

The Manager is entitled to receive a manager’s fee of 0.70% per annum of the net asset value of the Fund. The fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

9 TAXATION

No provision for Hong Kong Profits Tax has been made in the semi-annual financial statements as the income of the Fund is exempt from taxation under 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Certain dividends received by the Fund are subject to withholding tax imposed in the country of origin. During the year the average withholding tax rate suffered by the Fund was 10%.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

10 RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS

In addition to the transactions and balances disclosed elsewhere in these semi-annual financial statements, the Fund entered into the following material related party transactions for the period. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

- (a) The Fund appointed the Manager, an investment management company incorporated in Hong Kong, to implement the investment strategy as specified in the Trust Deed. Manager's fee of HK\$2,173,233 was charged to the statement of comprehensive income during the period. Included in liabilities as at 30 September 2010 is manager's fee payable of HK\$231,655.
- (b) The Fund appointed the Trustee, a registered trust company in Hong Kong, to implement the responsibility as specified in the Trust Deed. Trustee and registrar fees of HK\$520,281 were charged to the statement of comprehensive income during the period. Included in liabilities as at 30 September 2010 are trustee and registrar fees payable of HK\$56,505.
- (c) The Fund maintains a bank account with The HongKong and Shanghai Banking Corporation Limited, which is an intermediate holding company of the Trustee of the Fund. Information relating to the bank account is set out below:

	30.9.2010
	<i>HK\$</i>
Bank balances	1,974,471
	<hr style="border-top: 3px double black;"/>
	Period from
	10.12.2009*
	to 30.9.2010
	<i>HK\$</i>
Bank charges	55,523
	<hr style="border-top: 3px double black;"/>

* *Date of inception*

- (d) As at 30 September 2010, Value Partners Limited, a related party of the Manager, held 851,900 units of the Fund's outstanding redeemable units in issue.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

11 REDEEMABLE UNITS IN ISSUE

	Number of units Period from 10.12.2009* to 30.9.2010
At the beginning of the period	–
Issue of redeemable units	12,800,000
Redemption of redeemable units	<u>(2,200,000)</u>
At the end of the period	<u><u>10,600,000</u></u>

* *Date of inception*

The rights attaching to each unit are as follows:

The holders of the units have the right to receive notice of, attend and vote at meetings of the Fund, and are entitled to receive all dividends declared and paid by the Fund.

Any distributable profits of the Fund may be accumulated or distributed by the Manager, in its absolute discretion. Where distributions are made, the distributable amounts are allocated rateably among the unitholders of the relevant class in accordance with the number of units of the relevant class held by the unitholders respectively on the final record date.

The Fund does not have any externally imposed capital requirements.

In accordance with the Trust Deed, the net assets of the Fund are computed at last traded prices of the underlying financial instruments for the purpose of calculating redemption amounts of the redeemable units. However, for financial reporting purposes under IFRSs, the net assets are required to be valued at bid prices of the underlying financial instruments respectively.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

12 FAIR VALUE INFORMATION

The Fund's financial instruments are carried at fair value on the statement of financial position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including accounts receivables, accounts payables and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(a) Financial instruments carried at fair value

The Fund measures fair values 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.

The table below analyses financial instruments, measured at fair value at the end of the semi-annual period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

As at 30 September 2010

	Level 1 <i>HK\$</i>
Assets	
Listed equity securities	410,673,195
	<u>410,673,195</u>

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

12 FAIR VALUE INFORMATION (Continued)

(a) Financial instruments carried at fair value (Continued)

During the period from 10 December 2009 (date of inception) to 30 September 2010, there were no significant transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy.

(b) Financial instruments carried at other than fair value

The carrying amounts of all the Fund's financial assets and financial liabilities at the date of statement of financial position approximated their fair values.

13 SEGMENT REPORTING

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

The Manager considers that the Fund has a single operating segment which is investing in a diversified portfolio of equity securities with the objective as stated in the investment objective and policies of the Fund.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of financial position.

The Fund is established and domiciled in Hong Kong. The majority of the Fund's investment income is derived from its investments domiciled in Hong Kong (30 September 2010: 100%).

The Fund has no assets classified as non-current as at 30 September 2010.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

14 SOFT COMMISSION ARRANGEMENTS

The Manager and/or any company associated with it and its delegates may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Fund (as may be permitted under applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out (“brokers”) provided that the quality of transaction execution is consistent with best execution standards. The Manager will consider many judgemental factors deemed relevant in determining whether a broker will provide best execution, which may include the provision of research products and investment ideas, introductory services to potential investee companies, access to investment opportunities and initial public offerings and placements which are for the benefit of the Fund. The commission rates charged by brokers in these circumstances may be higher than those charged by other brokers who do not offer such services or by the same broker if it only provides execution services. Examples of research products and services that the Manager may receive from brokers include analyses and reports concerning industries, securities and, economic factors and trends. The Fund generally will pay customary full service brokerage rates where execution, research and other services cannot be unbundled for the same commission rate.

In particular case where execution, research and other services can be unbundled, the Fund will pay a brokerage commission that is discounted from customary full service brokerage rates if no research or other services are provided in addition to brokerage execution. In addition, the Manager has the discretion to cause the Fund to pay brokerage commission in excess of discounted rates, and up to full service brokerage rates, for quality brokerage execution and the provision of research or other appropriate services that the Manager determines to be beneficial to the Fund.

The Manager may pay brokers commissions for effecting portfolio transactions in excess of amounts other brokers would have charged for effecting similar transactions if the Manager determines in good faith that such amounts are reasonable in relation to the value of the research and other services provided, viewed in terms of the particular transaction or the Manager’s overall duty to its clients.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS (Continued)

15 POST BALANCE SHEET EVENT

Subsequent to the date of the statement of financial position, the Manager recommends payment of a semi-annual dividend of HK\$1.33 per unit. The estimated total semi-annual dividends, based on 9,400,000 units outstanding as at 15 November 2010, are HK\$12,502,000.

16 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 SEPTEMBER 2010

Up to the date of issue of these semi-annual financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 September 2010 and which have not been adopted in these semi-annual financial statements.

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

The following revised or amended standard may result in new or amended disclosures or presentation in the semi-annual financial statements:

		Effective for accounting periods beginning on or after
Improvements to IFRSs 2009		1 January 2010
Revised IAS 24	Related party disclosures	1 January 2011
IFRS 9	Financial instruments	1 January 2013

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30 SEPTEMBER 2010

	Holdings	Fair value HK\$	% of net asset
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Listed equity securities			
<i>Hong Kong</i>			
Agile Property Holdings Ltd	475,251	4,177,456	1.01
Bank of China Ltd – H Shares	13,382,129	54,599,086	13.20
Bank of Communications Co Ltd – H Shares	2,751,230	23,055,307	5.57
Chaoda Modern Agriculture (Holdings) Ltd	1,159,481	7,455,463	1.80
China CITIC Bank Corporation Ltd – H Shares	3,225,103	16,061,013	3.88
China Communications Construction Co Ltd – H Shares	1,542,088	11,334,347	2.74
China Communications Services Corporation Ltd – H Shares	592,381	2,701,257	0.65
China Mobile Ltd	706,066	56,096,944	13.56
China National Materials Co Ltd – H Shares	488,766	3,157,428	0.76
China Petroleum & Chemical Corporation – H Shares	5,815,849	39,954,883	9.66
CNOOC Ltd	4,314,836	64,808,837	15.67
COSCO Pacific Ltd	467,195	5,456,838	1.32
Country Garden Holdings Co Ltd	1,142,627	2,867,994	0.69
Dongfeng Motor Group Co Ltd – H Shares	896,230	14,232,132	3.44
Great Wall Motor Co Ltd – H Shares	149,884	3,147,564	0.76
Hopson Development Holdings Ltd	239,772	2,078,823	0.50
Jiangxi Copper Co Ltd – H Shares	481,081	9,458,052	2.29
Kingboard Chemical Holdings Ltd	219,632	8,598,593	2.08
Kingboard Laminates Holdings Ltd	307,930	2,426,488	0.59
KWG Property Holding Ltd	396,016	2,348,375	0.57
Minth Group Ltd	274,381	4,230,955	1.02
PetroChina Co Ltd – H Shares	6,406,216	57,848,130	13.98
Shanghai Industrial Holdings Ltd	187,037	7,322,499	1.77

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30 SEPTEMBER 2010

	Holdings	Fair value HK\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Listed equity securities (Continued)			
<i>Hong Kong (Continued)</i>			
Shui On Land Ltd	881,602	3,350,088	0.81
SOHO China Ltd	709,935	3,904,643	0.94
Total financial assets at fair value through profit or loss		410,673,195	99.26
Cash and cash equivalents		1,974,471	0.48
Other net assets*		1,091,831	0.26
Total net assets		413,739,497	100.00
Total investments, at cost		383,050,158	

* Other net assets mainly include dividends receivable.

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE PERIOD FROM 10 DECEMBER 2009 (DATE OF INCEPTION) TO 30 SEPTEMBER 2010

	% of net assets
	30.9.2010
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	
Listed equity securities	
Hong Kong	99.26
	<hr/>
Total financial assets at fair value through profit or loss	99.26
	<hr style="border-top: 1px dashed black;"/>
Cash and cash equivalents	0.48
Other net assets	0.26
	<hr style="border-top: 1px dashed black;"/>
Total net assets	100.00
	<hr style="border-top: 3px double black;"/>

PERFORMANCE RECORD (UNAUDITED)

FOR THE PERIOD FROM 10 DECEMBER 2009 (DATE OF INCEPTION) TO 30 SEPTEMBER 2010

Net asset value (at last traded prices)

	Net asset value per unit HK\$	Net asset value HK\$
As at 30 September 2010	39.04	413,852,232

Highest issue and lowest redemption prices (at last traded prices)

	Highest issue price HK\$	Lowest redemption price HK\$
Period ended 30 September 2010	39.12	32.34