

Ping An of China CSI RAFI
A-Share 50 ETF* **2818**
(*This is a synthetic ETF)

Ping An of China CSI RAFI A-Share 50 ETF*

(*This is a synthetic ETF)

(a Sub-Fund of Ping An of China Trust)

(formerly known as PARagon CSI RAFI 50 ETF*, a Sub-Fund of PARagon Trust)

Annual Report

For the year ended 31 December 2011

Manager



中国平安资产管理(香港)
PING AN OF CHINA ASSET MANAGEMENT (HONG KONG)



Ping An of China CSI RAFI A-Share 50 ETF*
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IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and are subject to change. For more information about the Sub-Fund, please refer to the prospectus of the Sub-Fund which is available at our website: <http://asset.pingan.com.hk>

Investors should not rely on the information contained in this report for their investment decisions.

Ping An of China CSI RAFI A-Share 50 ETF*

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(a Sub-Fund of Ping An of China Trust)

(Formerly known as PAragon CSI RAFI 50 ETF*, a Sub-Fund of PAragon Trust)

MANAGEMENT AND ADMINISTRATION

Manager

Ping An of China Asset Management (Hong Kong) Company Limited

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Hong Kong

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LO Sai Lai

YAO Jun

YAO Bo Jason

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MAK Wai Lam William

CHAN Tak Yin

RUDD Benjamin Jeremy Kenneth

TUNG Hoi

WAN Fang

YU Wenjie

Investment Adviser

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Trustee, Custodian and Registrar

HSBC Institutional Trust Services (Asia) Limited

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Legal Adviser to the Manager

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23rd Floor, One Pacific Place

88 Queensway

Hong Kong

Auditor

Ernst & Young

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Participating Dealers

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3 Garden Road, Central

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52nd Floor, Two International Finance Centre

8 Finance Street, Central

Hong Kong

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REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The Ping An of China CSI RAFI A-Share 50 ETF* (*This is a synthetic ETF)(formerly known as PAragon CSI RAFI 50 ETF*) (the “Sub-Fund”), a Sub-Fund of the Ping An of China Trust (formerly known as PAragon Trust) (the “Trust”) with inception date of 4 May 2010, commenced trading under the stock code 2818 on the Stock Exchange of Hong Kong on 7 May 2010. The Sub-Fund is a Hong Kong unit trust authorized pursuant to section 104 of the Securities and Futures Ordinance (Cap. 571 of the laws of the Hong Kong SAR). It is an index-tracking fund, which seeks to track the performance of the CSI RAFI 50 Index (an A Shares index). The Manager of the Sub-Fund is Ping An of China Asset Management (Hong Kong) Company Limited and the Trustee is HSBC Institutional Trust Services (Asia) Limited.

The name of the Trust was changed from PAragon Trust to Ping An of China Trust and the name of the Sub-Fund was changed from PAragon CSI RAFI 50 ETF to Ping An of China CSI RAFI A-Share 50 ETF on 12 October 2011.

The Sub-Fund aims to achieve its investment objective by investing in Base Securities (each of which is a financial derivative) which tracks the performance of the constituent A Shares of the CSI RAFI 50 Index by a representative sampling strategy. PRC withholding tax is not currently enforced on capital gains realized by QFIIs on the sale of A Shares. There is a risk that the PRC tax authorities may seek to collect tax on capital gains without giving any prior warning, and possibly, on a retrospective basis. Any capital gains tax levied on and payable by a QFII may be passed on to the Sub-Fund to the extent that the tax is attributable to its holdings of Base Securities. The Base Securities Issuer(s) may withhold an amount equal to 10% of any gain on a Base Security on account of the PRC capital gain tax. Tax provisions are not made at the Index Fund level but are made by the Base Securities Issuer(s), and therefore any retrospective enforcement of capital gain tax which exceeds the amount withheld by the Base Securities Issuer(s) may result in a substantial loss to the Sub-Fund. In the worst case scenario where the assets of the Sub-Fund are not sufficient to meet the tax liability, the Sub-Fund may become insolvent and may have to be terminated.

Performance of the Sub-Fund

The Sub-Fund aims to generate an investment return, before fees and taxes, that closely correspond to the performance of the CSI RAFI 50 Index denominated in Hong Kong dollar (“HKD”). As at 31 December 2011, the Net Asset Value (“NAV”) per unit of the Sub-Fund was HKD23.2428, and the total outstanding units were 16,000,000. The total size of the Sub-Fund was approximately HKD372 million.

A summary of the performance of the Sub-Fund (Note 1) is given below:

Performance (in HKD) (As at 31 December, 2011)	1-Month	3-Month	2011	Since inception (Note 5)
CSI RAFI 50 Index (Note 2)	-0.88%	-1.09%	-11.26%	-17.63%
NAV of the Sub-Fund (Note 3)	-1.37%	-2.29%	-13.07%	-20.62%
Ping An of China CSI RAFI 50 ETF* (Note 4) Market-to-market (MKT)	-1.62%	1.67%	-17.06%	-15.92% (Note 6)

Ping An of China CSI RAFI A-Share 50 ETF*

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REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

Activities of the Sub-Fund

According to data released by Bloomberg, the average daily trading volume of the Sub-Fund was approximately 4900 units during 2011. As at 31 December 2011, the total outstanding units were 16,000,000.

Activities of the Index

One review of the CSI RAFI 50 Index was conducted at the end of June in 2011. As at 31 December 2011, the Sub-Fund comprised of all 50 constituent stocks in the CSI RAFI 50 Index.

Notes:

1. Past performance figures shown are not indicative of the future performance of the Sub-Fund.
2. An investor cannot invest directly in the CSI RAFI 50 Index and the index returns do not reflect management fees, transaction costs or other expenses, which will reduce performance returns.
3. Units in the Sub-Fund are issued and redeemed at NAV and its returns are calculated from NAV. The Sub-Fund does not publish a bid price.
4. Market returns are calculated using historical market closing prices on the Hong Kong Stock Exchange (when NAV is normally determined for the Sub-Fund) since 7 May 2010 and do not represent the returns you would receive if you traded units at other times.
5. Inception date is 4 May 2010, with an initial issue price of HK\$29.2811 per unit.
6. Since listing date of 7 May 2010.

Ping An of China Asset Management (Hong Kong) Company Limited

23 April 2012

Ping An of China CSI RAFI A-Share 50 ETF*

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REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the Ping An of China CSI RAFI A-Share 50 ETF* (a Sub-Fund of Ping An of China Trust) (formerly known as PAragon CSI RAFI 50 ETF* a Sub-Fund of PAragon Trust) has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 19 April 2010, as amended, for the year ended 31 December 2011.

HSBC Institutional Trust Services (Asia) Limited

23 April 2012

Ping An of China CSI RAFI A-Share 50 ETF*

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STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's Responsibilities

The Manager of the Ping An of China CSI RAFI A Share 50 ETF* (a Sub-Fund of Ping An of China Trust) (Formerly known as PAragon CSI RAFI 50 ETF* a Sub-Fund of PAragon Trust) is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the “SFC Code”) and the Trust Deed dated 19 April 2010, as amended, (the “Trust Deed”) to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Sub-Fund will continue in operation unless it is inappropriate to assume this.

The Manager is also required to manage the Sub-Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

Ping An of China Trust (the “Trust”) is an umbrella unit trust governed by its Trust Deed. As at 31 December 2011, the Trust has established with only one Sub-Fund.

Trustee's responsibilities

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period on the conduct of the Manager in the management of the Sub-Fund.

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INDEPENDENT AUDITORS' REPORT

To the unitholders of Ping An of China CSI RAFI A-Share 50 ETF* (*This is a synthetic ETF)
(a Sub-Fund of Ping An of China Trust)
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We have audited the accompanying financial statements of Ping An of China CSI RAFI A-Share 50 ETF* (the "Sub-Fund") of Ping An of China Trust (the "Trust") set out on pages 8 to 39, which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the relevant disclosure provisions of the Trust Deed dated 19 April 2010, as amended, (the "Trust Deed"), and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code") and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with the disclosure requirements of Appendix E of the SFC Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements, and whether the financial statements are in accordance with the relevant disclosure provision of the Trust Deed and the disclosure requirements of Appendix E of the SFC Code.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT (continued)

To the unitholders of Ping An of China CSI RAFI A-Share 50 ETF* (*This is a synthetic ETF)

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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Sub-Fund as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the disclosure requirements of Appendix E of the SFC Code.

Hong Kong

23 April 2012

Ping An of China CSI RAFI A-Share 50 ETF*

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK\$	2010 HK\$
ASSETS			
Financial assets at fair value through profit or loss	11	371,727,479	588,340,896
Other receivables		765,165	37,981
Cash and cash equivalents	12	<u>1,821,655</u>	<u>2,452,993</u>
TOTAL ASSETS		<u>374,314,299</u>	<u>590,831,870</u>
LIABILITIES			
Management fee payable	6	309,167	492,251
Trustee fee payable	6	70,000	76,121
Risk mitigation expenses payable	3	662,292	1,345,003
Accounts payable and accrued liabilities		<u>1,656,759</u>	<u>966,257</u>
TOTAL LIABILITIES		<u>2,698,218</u>	<u>2,879,632</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	5	<u>371,616,081</u>	<u>587,952,238</u>
NET ASSET VALUE PER UNIT		<u>23.23</u>	<u>26.73</u>

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

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STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

		For the Period From 4 May 2010 Year ended (date of inception) 31 December 2011 to 31 December 2010
HK\$	Notes	HK\$
INCOME		
Dividend income		9,493,241
		<u>9,493,241</u>
EXPENSES		
Management fee	6	(4,776,162)
Trustee fee	6	(875,000)
Base security fee and charges	6	(1,473,482)
Transaction fee	6	(692,775)
Risk mitigation expenses	3	(8,107,507)
Accounting and professional fee		(174,675)
Audit fee		(174,480)
Preliminary expenses		-
Safe custody and bank charges		(145,236)
Legal fee		(1,308,268)
Index licensing fee		(479,315)
Other operating expenses		(20,721)
		<u>(18,227,621)</u>
LOSS BEFORE INVESTMENT AND EXCHANGE LOSSES		(8,734,380)
INVESTMENT AND EXCHANGE DIFFERENCES		
Net realised losses on financial assets at fair value through profit or loss		(5,375,418)
Net change in unrealised losses on financial assets at fair value through profit or loss	11	(36,397,933)
Net exchange losses		(17,304)
		<u>(41,790,655)</u>
LOSS BEFORE TAXATION		(50,525,035)
TAXATION	9	(2,091,522)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(52,616,557)

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

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STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2011

		For the Period From 4 May 2010 Year ended (date of inception) 31 December 2011 to 31 December 2010 HK\$
BALANCE BROUGHT FORWARD	Notes	<u>587,952,238</u> -
Proceeds on issue of units		
- In-kind		- 634,123,443
- Cash component and cash subscription		- 17,259,557
Payment on redemption of units		
- In-kind	(163,718,077)	-
- Cash component and cash redemption	(1,523)	-
Net (decrease)/increase from unit transactions	(163,719,600)	651,383,000
Total comprehensive loss for the year	(52,616,557)	(63,430,762)
Net assets attributable to unitholders at 31 December		<u>371,616,081</u> <u>587,952,238</u>

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

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STATEMENT OF CASH FLOWS

Year ended 31 December 2011

		For the Period From 4 May 2010 (date of inception) to 31 December 2010 HK\$
	Year ended 31 December 2011	
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(50,525,035)	(62,999,020)
Adjustments for:		
Dividend income	(9,493,241)	(3,664,452)
Net realised losses on financial assets at fair value through profit or loss	5,375,418	3,978,263
Net change in unrealised losses on financial assets at fair value through profit or loss	<u>36,397,933</u>	<u>52,247,670</u>
	(18,244,925)	(10,437,539)
Purchase of financial assets at fair value through profit or loss	(58,143,864)	(43,358,893)
Proceeds from sales of investments	69,265,853	32,915,507
Increase in other accounts receivable	(727,184)	(37,981)
(Decrease)/increase in management fee payable	(183,084)	492,251
(Decrease)/increase in trustee fee payable	(6,121)	76,121
(Decrease)/increase in risk mitigation expenses payable	(682,711)	1,345,003
(Decrease)/increase in accounts payable and accrued liabilities	<u>(357,540)</u>	<u>943,276</u>
Cash used in operations	(9,079,576)	(18,062,255)
Dividend received	9,493,241	3,664,452
Taxation paid	<u>(1,043,480)</u>	<u>(408,761)</u>
Net cash flows used in operating activities	<u>(629,815)</u>	<u>(14,806,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash component received on issue of units	-	17,259,557
Cash component paid on redemption of units	<u>(1,523)</u>	<u>-</u>
Net cash flows (used in)/from financing activities	<u>(1,523)</u>	<u>17,259,557</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(631,338)	2,452,993
Cash and cash equivalents at the beginning of the year	<u>2,452,993</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12 <u><u>1,821,655</u></u>	<u><u>2,452,993</u></u>

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STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2011

			For the Period From 4 May 2010 Year ended (date of inception) 31 December 2011 to 31 December 2010 HK\$
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	Notes		
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	12	<u>1,821,655</u>	<u>2,452,993</u>

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

Ping An of China CSI RAFI A-Share 50 ETF*

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NOTES TO FINANCIAL STATEMENTS

31 December 2011

1. THE TRUST

Ping An of China Trust (formerly known as PAragon Trust) (the “Trust”) is an umbrella unit trust governed by its Trust Deed dated 19 April 2010, as amended (the “Trust Deed”) and authorised by the Securities & Futures Commission of Hong Kong (The “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. Authorisation by the SFC does not imply official approval or recommendation.

These financial statements relate to the first sub-fund of the Trust, namely Ping An of China CSI RAFI A-Share 50 ETF* (formerly known as PAragon CSI RAFI 50 ETF*) (the “Sub-Fund”). The manager of the Trust is Ping An of China Asset Management (Hong Kong) Company Limited (the “Manager”) and the trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”). The Trustee and the Manager (the “Management”) are responsible for the preparation of the financial statements.

The name of the Trust was changed from PAragon Trust to Ping An of China Trust and the name of the Sub-Fund was changed from PAragon CSI RAFI 50 ETF* (*This is a synthetic ETF) to Ping An of China CSI RAFI A-Share 50 ETF* (*This is a synthetic ETF) on 12 October 2011.

The investment objective of the Sub-Fund is to provide investment results that closely correspond to the performance of the CSI RAFI 50 Index, which is the first fundamental index in China A share market co-developed by CSI and Research Affiliates consisting of the 50 largest economic scale stocks in China’s A share market (an A Share index). The Sub-Fund does not invest directly in A shares but rather gains access to the CSI RAFI 50 Index through base securities (“Base Securities”, each of which is a financial derivative) which track the performance of the constituent A Shares of the CSI RAFI 50. Base Securities do not provide the Sub-Fund any legal or equitable interest of any type in the underlying A Shares but represent an obligation of each Base Securities issuer to provide the economic performance equivalent to holding the underlying A Shares.

As at 31 December 2011, there were two Base Securities issuers for the Sub-Fund. They are Citigroup Global Markets Holdings Inc. and UBS AG, London Branch (the “Base Securities Issuer”).

2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest Hong Kong dollar except where otherwise indicated.

The preparation of financial statements in uniformity with International Financial Reporting Standards (“IFRSs”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual reports could differ from these estimates.

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2.1 BASIS OF PREPARATION (continued)

Statement of compliance

The financial statements have been prepared in accordance with IFRSs as issued by the International Accounting Standard Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed dated 19 April 2010, as amended, and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Sub-Fund has adopted the following new and revised IFRSs for the first time for the current year’s financial statements.

IFRS 1 Amendment	<i>Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>
IAS 24 Amendment	<i>Related Party Disclosures</i>
IAS 32 Amendment	<i>Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
I(IFRIC)-Int 14 Amendments	<i>Amendments to I(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i>
I(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to IFRSs 2010	<i>Amendments to a number of IFRSs issued in May 2010</i>

Other than as further explained below regarding the impact of IAS 24 (Revised) and amendments to IAS 1 included in *Improvements to IFRSs 2010*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these IFRSs are as follows:

IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Sub-Fund.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRSs issued but not yet effective up to the date of issuance of the Sub-Fund's financial statements are listed below. The Sub-Fund intends to adopt applicable standards when they become effective.

IAS 1 Financial Statement Presentation — Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Sub-Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Sub-Fund's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial asset. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Fund's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Sub-Fund will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 Fair Value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Sub-Fund is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial assets and liabilities at fair value through profit or loss

(a) *Classification*

The Sub-Fund classifies its investments as financial assets and financial liabilities at fair value through profit or loss, which comprise financial instruments held for trading. These investments are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in prices.

(b) *Initial measurement*

The Sub-Fund recognises a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

All purchases and sales of financial instruments that require delivery within the timeframe established by regulation or market convention are recognised on the trade date, which is the date on which the Sub-Fund commits to purchase or sell the investment.

Realised gains and losses on investments are calculated on a weighted average cost basis and are recorded in profit or loss. All investments are measured initially at fair value, with transaction costs for such investments being recognised in profit or loss.

(c) *Subsequent measurement*

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss at their fair values. Subsequent changes of those financial instruments are recorded in profit or loss as they arise. The fair value of investments is based on their quoted market prices on a recognised exchange at the statement of financial position date without any deduction for estimated future selling costs.

(d) *Fair value*

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date.

In case of Base Securities held by the Sub-Fund, they only have nominal exercise price and have been fair valued based on the quoted market prices of the securities underlying the Base Securities, adjusted for the expected amount payable to the issuer in respect of potential capital gains tax (if any). Please refer to Note 4 for details.

Unrealised gains and losses arising from change in fair value, and realised gains and losses are dealt with in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset, or (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset.

The Sub-Fund derecognises a financial liability when the obligation under the liability is justified, discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Cash equivalents are short term, highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank.

Redeemable units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation.
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Sub-Fund's net assets.
- The total expected cash flows attributable to the redeemable units over the life of the instrument 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 Sub-Fund over the life of the instrument.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

In addition to the redeemable units having all the above features, the Sub-Fund must have no other financial instrument or contract that has:

- Total cash flows 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 Sub-Fund
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under the revised IAS 32.

The Sub-Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Sub-Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

No gain or loss is recognised in profit or loss on the purchase, sale issuance or cancellation of Sub-Funds' own equity instruments.

Risk mitigation expenses

The Manager is required to manage the Sub-Fund with a single counterparty net exposure of no more than 10% of the Net Asset Value of the Sub-Fund. In order to mitigate the potential counterparty risks with an aim to reducing the net exposure of the Sub-Fund to each Base Securities Issuer to no more than 10% of the NAV of the Sub-Fund, the Manager and the Trustee (acting in accordance with the direction of the Manager) have, on behalf of the Sub-Fund, entered into collateral arrangements with the respective Base Securities Issuer or its affiliate for the provision of collateral by way of a securities borrowing and lending agreement.

Where the gross exposure to a Base Securities Issuer exceeds 10% by the end of each trading day, the relevant Base Securities Issuer or its affiliated collateral provider(s) has to procure collateral to be delivered to the Sub-Fund to limit the net exposure of the Sub-Fund to the counterparty risk of the relevant Base Securities Issuer to no more than 10% of the Net Asset Value of the Sub-Fund.

Base Securities on loan are included in the investment portfolio of the Sub-Fund as the Sub-Fund is entitled to the dividend income from the Base Securities on loan and retains substantially all the risks and rewards. Relevant risk mitigation expenses paid by the Sub-Fund are accounted for in profit or loss. The risk mitigation expenses for the year/period were HK\$8,107,507 (Period from 4 May 2010 (date of inception) to 31 December 2010: HK\$3,738,588). As at 31 December 2011, risk mitigation expenses of HK\$662,292 (2010: HK\$1,345,003) were payable to the Base Securities Issuers.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk mitigation expenses (continued)

Collateral received for the purpose of securities on loan generally consists of share or cash collateral. Share collateral received is treated as an off-balance sheet transaction and is therefore not included in the statement of financial position because the Sub-Fund is not entitled to the dividend income from the share collateral and does not retain substantially all the risks and rewards. Cash collateral received (if any) is treated as an on-balance sheet transaction with a corresponding liability shown separately.

Dividend income from the Base Securities on loan is recognized as income by the Sub-fund in profit or loss. Income from the share collateral is not income of the Sub-Fund and is paid to the counterparty who provides the collateral to the Sub-Fund. Income from the cash collateral is recognised as income in profit or loss.

Amounts due to and due from broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that are financial liabilities, other than those classified as at fair value through profit or loss. Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

Interest income and expense

Interest income and expense is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income and expense

Dividend income is recognised when the Sub-Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

Foreign currency translation

The functional currency and presentation currency of the Sub-Fund are Hong Kong dollars ("HK\$")

The functional currency reflects the currency in which the Sub-Fund primarily generates and expends cash from its activities.

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at each year end. Realised and unrealised exchange gains or losses on foreign currency transactions are dealt with in profit or loss as foreign currency gains or losses.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The Sub-Fund currently incurs withholding taxes imposed by certain countries on investment income.

Such income is recorded gross of withholding taxes in profit or loss. Withholding taxes are shown as a separate item in profit or loss.

Preliminary Expenses

Preliminary expenses are charged to profit or loss as incurred.

Related parties

A party is considered to be related to the Sub-Fund if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Sub-Fund;

(ii) has significant influence over the Sub-Fund; or

(iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Sub-Fund are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Sub-Fund are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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4. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that gave a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Functional currency

The Management considers Hong Kong dollar to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Hong Kong dollar is the currency in which the Sub-Fund measures its performance and reports its results, as well as the currency in which the Sub-Fund determine the net asset value per unit at the time of issue or redemption. This determination also considers that the Sub-Fund is listed on the stock exchange of Hong Kong and its shares are quoted in Hong Kong dollars.

Taxation

In preparing these financial statements, the Management has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

Valuation of Base Securities

The Sub-Fund does not hold A Shares directly but rather gains access to the CSI RAFI 50 ETF Index through Base Securities, being derivative instruments linked to A Shares, issued by one or more Base Securities issuers. Each Base Securities issuer, through a QFII, may buy and sell the underlying A Shares to which the Base Securities issuer aims to track in order to hedge the obligations of the Base Securities bought or sold by the Sub-Fund.

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4. CRITICAL ACCOUNTING ESTIMATES (continued)

Valuation of Base Securities (continued)

Generally, under current PRC laws and regulations, capital gains realised on the sale of A Shares are subject to 10% withholding tax. The Manager considers that the charge for PRC tax on gains on A Shares is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing the fair value of its Base Securities as to what a market participant would pay to acquire an investment subject to this tax risk. The Manager believes that presently there are insufficient grounds to reasonably justify making an adjustment for potential tax gains on A shares in determining the Base securities returns as at 31 December 2011 as the Manager considers that,

- (a) it is uncertain whether PRC tax authorities may impose or enforce a capital gain tax on realised gains on the relevant A Shares of the Base Securities per sale and purchase transaction relating to such A Shares without setting off such gains and losses arising out of other transactions on other A Shares in the underlying dynamic basket;
- (b) if the PRC were to enforce the tax, it is uncertain from which date the tax would be calculated and payable and the extent to which the QFII may benefit from tax treaties;
- (c) at present, uncertainty remain as to the obligation of the Sub-Fund to bear such tax.

Any adverse change in taxation imposed on QFIIs is likely to have a subsequent impact on return on Base Securities and the net assets attributable to unitholders of the Sub-Fund. The Manager estimates, on the basis of information provided by the QFIIs/Base Securities Issuers and the Trustee, the unrealised gains and realised gains which could be exposed to PRC taxation at the rate of 10% for the year ended 31 December 2011 to be approximately HK\$4.6 million (2010: HK\$7.9 million) and approximately HK\$10 million (2010: HK\$0.2 million), respectively.

The Manager continues to monitor the situation and will make an appropriate adjustment if and when it is considered that there are sufficient grounds to do so. Such adjustment could be significant as indicated above.

For the year ended 31 December 2011, Base Securities issuers have withheld amounts totaling HK\$1,785,664 (2010: HK\$431,742) from the Base Security returns in respect of the distribution tax and potential PRC capital gains tax. Under the relevant agreements with the QFIIs/Base Securities issuers, some or all of the amount withheld could be refunded in the future, pending clarification of the tax rules and tax collection measures adopted by the PRC authorities, or further amounts may be determined to be payable as stated above. The Manager considers that the amount deducted is not material at 31 December 2011.

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5. RECONCILIATION BETWEEN NET ASSET VALUE PER STATEMENT OF FINANCIAL POSITION AND NET ASSET VALUE UNDER TRUST DEED

The net asset value per unit of each class will be determined on each valuation date or such other time as the Manager and the Trustee may determine. The net asset value per unit in the Sub-Fund is calculated by valuing the assets of the Sub-Fund, deducting the liabilities attributable to the Sub-Fund and dividing the resultant amount by the number of undivided units in the Sub-Fund represented by units of the relevant class in issue.

In accordance with the provisions of the Trust Deed, the Sub-Fund's investment positions are valued based on the last traded market price for the purpose of determining the trading net asset value per unit for subscriptions and redemptions. As described in note 3 and consistent with the requirements of IAS 39, in preparing the statement of financial position at 31 December 2011, the quoted market price used for financial assets held by the Sub-Fund is the closing bid prices, and the appropriate quoted market prices for financial liabilities are the closing asking prices.

A reconciliation of the net asset value as reported in the statement of financial position to the net asset value as determined for the purposes of processing share subscriptions and redemptions (dealing net asset value) is provided below:

	2011	2010
	HK\$	HK\$
Net assets as per statement of financial position (calculated in accordance with IFRSs)	371,616,081	587,952,238
Adjustments from bid market prices to last traded market prices	269,350	288,344
	<hr/>	<hr/>
Net asset value attributable to unitholders (calculated in accordance with the Sub-Fund's Trust Deed)	<u>371,885,431</u>	<u>588,240,582</u>

6. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS

The following is a summary of significant related party transactions entered into during the year/period between the Sub-Fund and the Trustee, Manager and their connected persons. Connected persons of the Manager are those as defined in the "SFC Code". All Transactions entered into during the year between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of Manager's knowledge, the Sub-Fund does not have any other transactions with Connected Persons except for those disclosed below:

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6. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS (continued)

Management fee

The Manager is entitled to receive a fee, calculated at an annual rate of 0.97 per cent (0.97%) on the net asset value of the Sub-Fund at each dealing day and payable monthly in arrears. The Manager is responsible for the payment of the investment advisory fees to the investment advisor, Ping An Asset Management Co., Ltd., out of its fees received from the Sub-Fund. The management fee for year ended 31 December 2011 was HK\$4,776,162 (Period from 4 May 2010 (date of inception) to 31 December 2010: HK\$2,069,633). As at 31 December 2011, a management fee of HK\$309,167 (2010: HK\$492,251) was payable to the Manager.

Fee and charges paid to the Trustee/Custodian and its Connected Persons

Safe custody fee and bank charges pertain to the amount charged by The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") to the Fund as safe keeping fees. The safe custody fee and bank charges for year ended 31 December 2011 were HK\$145,236 (Period from 4 May 2010 (date of inception) to 31 December 2010: HK\$65,322). As at 31 December 2011, no safe custody fee was payable to the Trustee (2010: Nil).

Trustee fee

The Trustee, is entitled to receive a trustee fee, accrued daily and calculated as at each dealing day and payable monthly in arrears. The trustee fee is calculated as a percentage per annum of the net asset value of the Sub-Fund at the rate of 0.15 per cent (0.15%) per annum for the first HK\$800 million of the net asset value, 0.12 per cent (0.12%) per annum for the portion between HK\$800 million to HK\$1.6 billion of the net asset value, and 0.10 per cent (0.10%) per annum for the portion above HK\$1.6 billion of the net asset value, and is currently subject to a monthly minimum of HK\$70,000.

Under the terms of the Trust Deed, the Trustee may, after consulting the Manager, on giving not less than one (1) month's notice to unitholders, increase the rate of the trustee fee payable in respect of the Sub-Fund up to or towards the maximum rate of one per cent (1%) per annum of the net asset value of the Sub-Fund accrued daily and calculated as at each dealing day and payable monthly in arrears.

The trustee fee for the year ended 31 December 2011 was HK\$875,000 (Period from 4 May 2010 (date of inception) to 31 December 2010: HK\$568,348). As at 31 December 2011, a trustee fee of HK\$70,000 (2010: HK\$76,121) was payable to the Trustee.

Base Security charges

Execution fee

The Base Securities issuer charges an execution fee (inclusive of local broker commissions and market charges plus the PRC stamp duty which is currently 0.1 per cent (0.1%) for any sale or purchase of securities) of the rebalance purchase or sale amount of the A Shares underlying the Base Securities that the Manager purchases or sells on behalf of the Sub-Fund from the Base Securities issuer for the purpose of rebalancing the index constituents. Such execution fee is included in the purchase or sale price of the Base Securities payable by the Sub-Fund and is accordingly an expense borne by the Sub-Fund.

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6. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS (continued)

Base Security charges (continued)

Base Security maintenance fee

In addition to the execution fee, the Base Securities issuers are entitled to charge a Base Security maintenance fee, payable at the end of each quarter, equal to 0.3 per cent (0.3%) to 0.4 per cent (0.4%) per annum of the average daily mark to market value of all Base Securities held by the Sub-Fund during each quarter (based on the actual number of days in that quarter). The mark to market value of the Base Securities shall be by reference to the last traded prices of the underlying A Shares constituting the Base Securities, converted into US dollars and/or Hong Kong dollars at such reference exchange rate reasonably determined by the Base Securities issuer and agreed by the Manager.

As at 31 December 2011, the relevant Base Securities issuers are Citigroup Global Markets Holdings Inc. and UBS AG, London Branch.

Transaction costs on investment

The Base Securities issuer may charge an additional commission of 0.3 per cent (0.3%) on the sale and purchase of each Base Security acquired for the account of the Sub-Fund. Also 0.1 per cent (0.1%) stamp duty is payable on the sale of each Base Security. The commission will be adjusted from time to time for any change in the stamp duty payable on the sale and purchase of the underlying A Shares.

In addition to the above, the value of the Base Securities is subject to downward adjustments made by the relevant Base Securities issuer to cover its various hedging and transactional costs, including costs and charges associated with the collateral or credit support arrangement, which may therefore adversely affect the value of the Base Securities. Such costs and charges will therefore be indirectly borne by the Sub-Fund. Any collateral or credit support arrangement for the Sub-Fund may also incur additional fees and charges, stamp duties or other taxes or levies, which may be borne by the Sub-Fund.

Bank balance

Bank balances are maintained with HSBC, Hong Kong Branch, an affiliate of the Trustee. Bank balances deposited with affiliates of the Trustee at 31 December 2011 are summarised below:

	2011 HK\$	2010 HK\$
Bank balances deposited with Trustee's affiliates	<u>1,821,655</u>	<u>2,452,993</u>

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7. MAJOR NON-CASH TRANSACTIONS

Subscription

During the year, the Sub-Fund did not issue any units. For the period from 4 May 2010 (date of inception) to 31 December 2010, the Sub-Fund issued 22,000,000 units in exchange for a basket of Base Securities linked to the equity securities of the Sub-Fund's underlying index valued at a total of HK\$634,123,443 plus the relevant cash component included in the statement of cash flows.

Redemption

During the year, the Sub-Fund redeemed 6,000,000 (Period from 4 May 2010 date of inception to 31 December 2010: Nil) units in exchange for a basket of Base Securities linked to the equity securities of the Sub-Fund's underlying index valued at a total of HK\$163,718,077 (Period from 4 May 2010 date of inception to 31 December 2010: Nil) plus the relevant cash component included in the statement of cash flows.

8. SOFT COMMISSION ARRANGEMENTS

The Manager (and its Connected Persons) has not received any soft dollar commissions or entered into any soft dollar arrangements in respect of the management of the Sub-Fund. The Manager (and its Connected Persons) has not retained any cash rebates from any broker or dealer.

9. TAXATION

No provision for Hong Kong profit tax has been made for the Sub-Fund as the dividend income and realised gain on disposal of investment of the Sub-Fund are excluded from the charge to profits tax under Section 14, Section 26 or Section 26A of the Hong Kong Inland Revenue Ordinance.

Distribution Tax

A ten per cent (10%) PRC withholding tax has been levied on dividend and interest payments from PRC listed companies to foreign investors. As such, the QFII will pass on this tax liability to the Sub-Fund in the form of a distribution Tax and therefore, the Sub-Fund is subject to a distribution tax of ten per cent (10%). There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future.

Capital gains Tax

A 10% withholding may also be payable on the gains derived from the sale of A Shares by QFIIs as described in note 4 above.

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10. DISTRIBUTIONS

The Manager may in its absolute discretion distribute income to unitholders at such time or times as it may determine in each financial year or determine that no distribution shall be made in any financial year. The amount to be distributed to unitholders, if any, will be derived from the net income of the Sub-Fund.

The Sub-Fund did not make any distribution during the year ended 31 December 2011 (Period from 4 May 2010 (date of inception) to 31 December 2010: Nil)

11. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit and loss

	2011 HK\$	2010 HK\$
Derivatives:		
Base Securities, at fair value	<u>371,727,479</u>	<u>588,340,896</u>
Net change in unrealised gains/losses on financial assets at fair value through profit or loss	<u>(36,397,933)</u>	<u>(52,247,670)</u>

12. CASH AND CASH EQUIVALENTS

	2011 HK\$	2010 HK\$
Cash at bank	<u>1,821,655</u>	<u>2,452,993</u>

The cash at bank held with HSBC Hong Kong Branch, an affiliate company of the Trustee, was placed in non-interest bearing accounts.

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13. THE REDEEMABLE UNITS

	2011 Units	2010 Units
Units in issue at the beginning of the year	22,000,000	-
Issue of units	-	22,000,000
Redemption of units	(6,000,000)	-
Units in issue at the end of the year	<u>16,000,000</u>	<u>22,000,000</u>

	HK\$ At bid market prices 2011	HK\$ At last traded market prices 2011	HK\$ At bid market prices 2010	HK\$ At last traded market prices 2010
Dealing net asset value (in accordance with Sub-Fund's Trust Deed, note 5)	<u>371,616,081</u>	<u>371,885,431</u>	<u>587,952,238</u>	<u>588,240,582</u>

Dealing net asset value per unit (in accordance with Sub-Fund's Trust Deed)	<u>23.2260</u>	<u>23.2428</u>	<u>26.7251</u>	<u>26.7382</u>
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The creation and redemption of units of the Sub-Fund can only be facilitated by or through Participating Dealers. Investors other than the Participating Dealers make a request to create or redeem units through a Participating Dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a Participating Dealer.

The Trustee shall receive subscription proceeds from the Participating Dealers for the creation of units and pay redemption proceeds for the redemption of units to the relevant Participating Dealer in such form and manner as prescribed by the Trust Deed.

Units are denominated in Hong Kong dollars (HK\$) and no fractions of a unit shall be created or issued by the Trustee. Units of the Sub-Fund are offered and issued at their dealing net asset value only in aggregations of a specified number of application units generally in exchange for a basket of equity securities included in the Sub-Fund's underlying index (Index Shares constituting the relevant Basket) or Base Securities linked to such equity securities together with the payment of a cash component. Units are redeemable only in an application unit or multiple thereof, in exchange for portfolio securities and cash components at the dealing net asset value. Normally, creation and redemption of units will be effected "in kind". Creation/redemption applications in cash may only be effected at the Manager's discretion under certain circumstance.

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14. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

Pursuant to SFC Guidelines for regulating Index Tracking Exchange Traded Funds (the ETF guidelines), the Sub-Fund is permitted to overweight underlying holdings of A shares relative to the respective weighting in the CSI RAFI 50 ETF Index to which the Base Securities are linked, subject to a maximum extra limit of 4% of the latest available net asset value of the Sub-Fund.

The Manager and Trustee have confirmed that the Sub-Fund has complied with this limit during the year.

There were no Base Securities of which underlying A shares or Basket of A shares accounted for more than 10% of the net asset value of the Sub-Fund as at 31 December 2011 (2010: Nil).

15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY

Risk Management

The Sub-Fund's objective in managing risk is the creation and protection of unitholders value. Risk is inherent in the Sub-Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Sub-Fund's continuing profitability. The Sub-Fund is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds. Please refer to Note 1 for details of the investment objective and policies of the Sub-Fund.

The Sub-Fund's Manager is responsible for identifying and controlling risks. The board of directors supervises the Manager and is ultimately responsible for the overall risk management approach within the Sub-Fund.

The Sub-Fund itself is subject to various risks. The main risks associated with the investments, assets and liabilities of the Sub-Fund are set out below:

(a) Market risk

(i) Market 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 (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund invested all, or substantially all, of its assets in Base Securities which are linked to A Shares of those PRC companies comprising the CSI RAFI 50 Index in substantially the same weightings as constituted in the CSI RAFI 50 Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the CSI RAFI 50 Index.

Ping An of China CSI RAFI A-Share 50 ETF*

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

Risk Management (continued)

(a) Market risk (continued)

(i) Market price risk (continued)

Where there are changes in the constituent A Shares comprised in the CSI RAFI 50 Index and/or their respective weightings within the CSI RAFI 50 Index, the Manager will rebalance the holding of the relevant Base Securities (where each of the Base Securities tracks the performance of an A Share) or the underlying dynamic basket of A Shares of selected constituent companies of the CSI RAFI 50 Index (where each of the relevant Base Securities tracks the performance of a Basket of A Shares) by notifying, through the relevant Participating Dealer, the QFII to hedge its obligations under the Base Securities.

As at 31 December 2011, the Sub-Fund's investments were concentrated in the following industries.

	2011		2010	
	Fair value HK\$	% of net asset value	Fair value HK\$	% of net asset value
Base securities - By Sectors				
Basic Materials	42,580,175	11.45	89,673,559	15.24
Communications	19,797,583	5.32	28,411,895	4.83
Consumer, Cyclical	11,578,718	3.11	37,794,929	6.43
Consumer, Non-cyclical	3,480,062	0.94	10,298,871	1.75
Energy	34,980,550	9.41	55,049,973	9.36
Financial	200,496,851	53.92	275,067,866	46.77
Industrial	41,581,821	11.18	63,711,969	10.83
Utilities	17,231,719	4.63	28,331,834	4.81
	<u>371,727,479</u>	<u>99.96</u>	<u>588,340,896</u>	<u>100.02</u>

Sensitivity analysis in the event of a possible change in the index by 5% as estimated by the Manager

As at 31 December 2011, if the CSI RAFI 50 Index were to increase by 5% with all other variables held constant, this would increase the pre-tax profit for the year by approximately HK\$19 million (2010: HK\$29 million). Conversely, if the CSI RAFI 50 Index were to decrease by 5% this would decrease the pre-tax profit for the year by approximately equal amounts.

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

(a) Market risk (continued)

ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates.

The Manager considers that the Sub-Fund is not subject to significant amount of risk due to fluctuations in the prevailing level of market interest rate. As the Sub-Fund has no investments in fixed income assets, the Manager considers that changes in their fair value in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis has been disclosed.

iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

As the Sub-Fund has transactional currency exposures. Such exposures arise from purchases and sales of financial instruments by operating units in currencies other than the Sub-Fund's functional currency. Approximately 100% of the Sub-Fund's sales and purchases were denominated in currencies other than the Sub-Fund's functional currency.

As at 31 December 2011, the Sub-Fund held deposits of HK\$2 million (2010: HK\$2 million), and financial instrument of HK\$372 million (2010: HK\$588 million) and all these assets were denominated in United State dollar. Under the pegging currency mechanism between Hong Kong dollar and United States dollar, the currency risk exposure in relation to these assets is minimal.

The following table demonstrates the sensitivity at the statement of financial position date to a reasonably possible change in the United States dollar exchange rate, with all other variables held constant, of the Sub-Fund's profit before tax and the equity.

	Increase/ (decrease) in USD rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
2011		HK\$ 000'	HK\$ 000'
If Hong Kong dollar strengthens against USD	1%	(505)	(3,716)
If Hong Kong dollar weakens against USD	1%	505	3,716

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

iii) Currency risk (continued)

	Increase/ (decrease) in USD rate	Increase/ (decrease) in profit before tax HK\$ 000'	Increase/ (decrease) in equity HK\$ 000'
2010			
If Hong Kong dollar strengthens against USD	1%	(630)	(5,880)
If Hong Kong dollar weakens against USD	1%	630	5,880

(b) Credit and counterparty risk

Credit and counterparty 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 Sub-Fund.

The Sub-Fund is subject, to credit and counterparty risk associated with each Base Security Issuer and may suffer losses potentially equal to the full value of the Base Security issued by a Base Securities issuer if such Base Securities issuer fails to perform its obligations under the Base Securities.

In order to mitigate the potential counterparty risks with an aim to reducing the net exposure of the Sub-Fund to the Base Securities issuers, the Manager and the Trustee (acting in accordance with the direction of the Manager) have, on behalf of the Sub-Fund, entered into collateral or credit support arrangements, for the provision of collateral with the Base Securities issuers or their affiliates, namely, Citigroup Global Markets Limited and UBS AG, London Branch. The collateral may comprise cash or listed constituent stocks of Hang Seng Index and/or Hang Seng China Enterprises Index and/or Hang Seng Composite Index.

Prior to 31 October 2011

The Manager had procedures in place and closely monitored to ensure that there were appropriate levels of collateral or credit support to ensure that the net exposure did not exceed ten per cent (10%) of the net asset value of the Sub-Fund, taking into account factors such as market fluctuations. Where the net exposure of the Sub-Fund to a Base Securities issuer was below ten per cent (10%) of its net asset value, no collateral or credit support arrangement was sought.

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

(b) Credit and counterparty risk (continued)

From 31 October 2011

Additional authorization conditions have been imposed by the Hong Kong Securities and Futures Commission (“SFC”) on the Fund on 29 August 2011 in relation to collateral taken by the Fund. Accordingly under the current collateral arrangements which is effective from 31 October 2011 the Manager will seek to obtain collateral or credit support representing at least 100% of the Fund’s gross total counterparty risk exposure to each Base Securities Issuer with the value of the collateral marked to market by the end of each trading day. Depending on evolving market practice, prevailing market conditions, cost effectiveness and commercial practicability, the Manager should exercise prudence and professional judgment to determine whether it should obtain collateral exceeding the 100% level.

Where collateral taken is in the nature of equity securities, such collateral shall be subject to an additional requirement such that the market value of such equity collateral represents at least 120% of the related gross counterparty risk exposure. The Manager will apply prudent haircut on non-equity collateral taking into account factors such as credit quality, liquidity, duration and other relevant terms of the collateral held.

As at 31 December 2011, there were two loans outstanding: (1) a loan between the Sub-Fund and Citigroup, under which the value of share collateral obtained by the Trustee from Citigroup amounted to approximately HK\$56,042,981 (2010: HK\$162,225,544) against Base Securities lent to Citigroup valued at approximately HK\$44,893,263 (2010: HK\$172,569,358) and (2) a loan between the Sub-Fund and UBS AG, under which the value of share collateral obtained by the Trustee from UBS AG amounted to approximately HK\$388,958,868 (2010: HK\$318,049,119) against Base Securities lent to UBS AG valued at approximately HK\$322,420,913 (2010: HK\$315,737,278).

The collateral and Base Securities are marked to market every day by the borrower or an affiliate of the borrower. The Trustee may demand the provision of additional collateral to eliminate any deficiency. Likewise the borrower may demand the return of collateral to eliminate any excess.

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

(b) Credit and counterparty risk (continued)

The details of share collateral holding more than 30% of the net asset value as at financial position date are as follows:

Collateral provider	Value of the Collateral HK\$	% of the scheme secured	Credit rating of collateral provider
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31 December 2011

Citigroup Global Markets Limited	56,042,981	15.08 %	A-
UBS AG, London Branch	388,958,868	104.67 %	A

31 December 2010

Citigroup Global Markets Limited	162,225,544	27.59%	A
UBS AG, London Branch	318,049,119	54.09%	A+

The Sub-Fund pays a fee in respect of the collateral agreements. As at 31 December 2011, the Sub-Fund had incurred expenses of HK\$8,107,507 (2010: HK\$3,738,588) representing 2.18% (2010: 0.64%) of the net asset value as at 31 December 2011 pursuant to the securities lending arrangements.

Under the securities lending agreements, both the lender and borrower are obliged to pay and deliver any sum or money or property to which the original owner would have been entitled including dividends and interest.

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

(b) Credit and counterparty risk (continued)

Collateral may involve risks including settlement, operational and realisation risks. For example, collateral is subject to fluctuations in market value and the prices of subject securities may go down as well as up. The value of the collateral securities may be lower upon realisation of the securities. In case of collateral securities which are listed securities, the listing of such securities may be suspended or revoked or the trading of such securities on the stock exchange may be suspended, and during the year of suspension or upon revocation, it may not be possible to realise the relevant collateral securities.

The table below sets out the net exposure of the Sub-Fund to counterparties as at 31 December 2011 with their credit ratings of senior long-term debt by Standard & Poor's Rating Services:

	Net exposure to Counterparties HK\$	% of Net Asset Value
31 December 2011		
<u>Base Securities issuers</u>		
- Citigroup Global Markets Holdings Inc. Rating	(10,611,493) A-	(1.8%)
- UBS AG, London Branch Rating	(62,662,877) A	(10.66%)
Custodian & Bank		
- The Hongkong and Shanghai Banking Corporation Limited Rating	1,821,655 A+	0.49%
31 December 2010		
Base Securities issuers		
- Citigroup Global Markets Holdings Inc. Rating	50,178,314 A	8.53 %
- UBS AG, London Branch Rating	57,887,919 A+	9.85 %
Custodian & Bank		
- The Hongkong and Shanghai Banking Corporation Limited Rating	2,452,993 AA-	0.42%

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

(b) Credit and counterparty risk (continued)

The Maximum exposure to credit risk at the end of the reporting period is the carrying amount of the assets as shown on the statement of financial position.

The Manager considers that none of these assets are impaired nor past due as at 31 December 2011.

(c) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash, resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

As at 31 December 2011 the Sub-Fund held liquid assets, comprising bank balances and other receivables that are expected to readily generate cash inflows for managing liquidity risk.

The Base Securities held by the Sub-Fund may or may not be listed and have no active secondary market. Accordingly, the Sub-Fund is likely to have to rely entirely on the respective Base Securities issuer and/or their Connected Person to liquidate, from time to time, the Base Securities which they have issued to the Sub-Fund. Base Securities issuer or its Connected Persons will repurchase the Base Security at the request of the Manager from time to time at the mark-to-market values. However, such repurchase is only subject to:

- (i) market and other disruption events and other legal or regulatory restrictions relating to the underlying A Shares; and
- (ii) the trading limit on the underlying A Shares to ensure compliance with or address relevant laws, regulations, rules or policies promulgated, issued or announced by the relevant regulatory or governmental authorities or bodies.

Further, the Sub-Fund is subject to tracking error associated with the costs and expenses related to the unwinding of such hedging arrangements.

The table below summarises the Sub-Fund's maturity analysis for financial liabilities as below:

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

(c) Liquidity risk (continued)

As at 31 December 2011

	<1 month HK\$	>1 to 3 months HK\$	> 3 to 12 months HK\$	> 1 to 5 years HK\$	Total HK\$
Financial assets					
Financial assets at fair value					
through profit or loss	371,727,479	-	-	-	371,727,479
Other receivables	-	-	-	765,165	765,165
Cash and cash equivalents	1,821,655	-	-	-	1,821,655
Total	<u>373,549,134</u>	<u>-</u>	<u>-</u>	<u>765,165</u>	<u>374,314,299</u>
Financial liabilities					
Management fee payable	309,167	-	-	-	309,167
Trustee fee payable	70,000	-	-	-	70,000
Risk mitigation					
expenses payable	662,292	-	-	-	662,292
Accounts payable and	-	585,736	-	1,071,023	1,656,759
accrued liabilities					
Total	<u>1,041,459</u>	<u>585,736</u>	<u>-</u>	<u>1,071,023</u>	<u>2,698,218</u>

As at 31 December 2010

	<1 month HK\$	>1 to 3 months HK\$	> 3 to 12 months HK\$	> 1 to 5 years HK\$	Total HK\$
Financial assets					
Financial assets at fair value					
through profit or loss	588,340,896	-	-	-	588,340,896
Other receivables	-	-	15,000	22,981	37,981
Cash and cash equivalents	2,452,993	-	-	-	2,452,993
Total	<u>590,793,889</u>	<u>-</u>	<u>15,000</u>	<u>22,981</u>	<u>590,831,870</u>
Financial liabilities					
Management fee payable	492,251	-	-	-	492,251
Trustee fee payable	76,121	-	-	-	76,121
Risk mitigation					
expenses payable	296,404	1,048,599	-	-	1,345,003
Accounts payable and	778	942,498	-	22,981	966,257
accrued liabilities					
Total	<u>865,554</u>	<u>1,991,097</u>	<u>-</u>	<u>22,981</u>	<u>2,879,632</u>

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

(d) Fair value estimation

The Sub-Fund adopted amendments to IFRS 7 which requires the Sub-Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2);

Inputs for the assets or liability that are not based on the observable market data (level 3).

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31 December 2011				
Financial assets at fair <u>value through profit or loss</u>				
Listed equity securities	-	-	371,727,479	371,727,479

As at 31 December 2010				
Financial assets at fair <u>value through profit or loss</u>				
Listed equity securities	-	-	588,340,896	588,340,896

The following table represents the movement in level 3 instruments held by the Sub-Fund for the year ended 31 December 2011.

	2011 HK\$	2010 HK\$
Base Securities		
Opening balance	588,340,896	-
Purchase	58,143,864	677,482,336
Sales	(232,983,930)	(32,915,507)
Losses recognised in profit or loss	(41,773,351)	(56,225,933)
Closing balance	371,727,479	588,340,896

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

(e) Capital management

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Sub-Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

The Manager manages the capital of the Sub-Fund in accordance with the Sub-Fund's investment objectives and policies stated in the Prospectus.

16. SEGMENT INFORMATION

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

The Manager considers that each Sub-Fund has a single operating segment which is investing in securities. The objectives of the Sub-Fund are to track the performance of its respective index and invest in substantially all the index constituents with security weight and industry weight that are closely aligned to the characteristics of the tracked index.

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

The Sub-Fund is domiciled in Hong Kong. All of the Sub-Fund's income is from investments in securities which constitute its tracked index. The Sub-Fund's investments could not be categorized by relevant geography and no geographical information for performance is provided.

The Sub-Fund has no assets classified as non-current assets. The Sub-Fund has portfolios that closely correspond to the security weight and industry weight of its tracked index.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 23 April 2012.

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INVESTMENT PORTFOLIO

As at 31 December 2011

	Holdings	Market	% of
	Shares	Value	NAV
		HK\$	

Financial assets at fair value through profit or loss (99.96%)

China (99.96%)

LISTED BASE SECURITIES ISSUED BY CITIGROUP
GLOBAL MARKETS HOLDINGS INC., PROVIDING
EXPOSURE FROM THE FOLLOWING

Agricultural Bank of China	176,985	563,952	0.15
Air China Ltd	19,691	154,565	0.04
Aluminum Corp of China Ltd	42,524	337,098	0.09
Angang Steel Co Ltd	100,614	563,005	0.15
Bank of Beijing Co Ltd	75,137	858,406	0.23
Bank of China Ltd	171,552	613,303	0.17
Bank of Communications Co Ltd	545,194	3,008,369	0.81
Baoshan Iron & Steel Co Ltd	279,110	1,670,274	0.45
China CITIC Bank Corp Ltd	45,540	226,514	0.06
China Coal Energy Co Ltd	29,096	323,363	0.09
China Construction Bank Corp	192,911	1,079,471	0.29
China COSCO Holdings Co Ltd	59,124	340,030	0.09
China Everbright Bank Co Ltd	44,238	154,714	0.04
China Life Insurance Co Ltd	27,642	601,519	0.16
China Merchants Bank Co Ltd	190,833	2,788,258	0.75
China Minsheng Banking Corp Ltd	329,851	2,384,088	0.64
China Pacific Insurance Group Co Ltd	44,237	1,048,593	0.28
China Petroleum & Chemical Corp (Sinopec)	160,515	1,422,139	0.38
China Railway Co Ltd	217,282	675,469	0.18
China Railway Construction Co Ltd	157,339	733,684	0.20
China Shenhua Energy Co Ltd	41,406	1,296,851	0.35
China State Construction Engineering Co Ltd	416,100	1,487,569	0.40
China United Network Communications Co Ltd	382,364	2,466,475	0.66
China Vanke Co Ltd	152,071	1,406,420	0.38
China Yangtze Power Co Ltd	94,667	743,090	0.20
CITIC Securities Co Ltd	123,567	1,478,921	0.40
Daqin Railway Co Ltd	131,358	1,204,648	0.32
Datang International Power Generation Co Ltd	41,335	263,423	0.07
GD Power Development Co Ltd	163,667	559,674	0.15
Haitong Securities Co Ltd	118,944	1,081,559	0.29
Hebei Iron & Steel Co Ltd	181,208	633,741	0.17
Hua Xia Bank Co Ltd	37,037	512,363	0.14
Huaneng Power International Inc	125,077	826,262	0.22
Hunan Valin Steel Co Ltd	75,208	257,181	0.07

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INVESTMENT PORTFOLIO (CONTINUED)

As at 31 December 2011

	Holdings Shares	Market Value HK\$	% of NAV
<u>Financial assets at fair value through profit or loss</u>			
<u>(99.96 %) (continued)</u>			
China (99.96%) (continued)			
LISTED BASE SECURITIES ISSUED BY CITIGROUP GLOBAL MARKETS HOLDINGS INC., PROVIDING EXPOSURE FROM THE FOLLOWING (continued)			
Industrial and Commercial Bank of China Ltd	322,688	1,680,271	0.45
Industrial Bank Co Ltd	88,070	1,362,080	0.37
Kweichow Moutai Co Ltd	2,100	497,294	0.13
Maanshan Iron and Steel Co Ltd	114,414	346,789	0.09
Metallurgical Corp of China Co Ltd	128,456	419,300	0.11
Minmetals Development Co Ltd	13,043	352,759	0.09
Petrochina Co Ltd	85,809	1,027,011	0.28
Ping An Insurance (Group) Co of China Ltd	38,123	1,620,675	0.44
Saic Motor Co Ltd	27,816	484,244	0.13
Shanghai Electric Group Co Ltd	25,099	158,002	0.04
Shanghai International Port Group Co Ltd	36,125	115,110	0.03
Shanghai Pudong Development Bank Co Ltd	160,949	1,688,666	0.45
Shanxi Taigang Stainless Steel Co Ltd	131,751	604,126	0.16
Suning Appliance Co Ltd	40,581	422,619	0.11
Wuhan Iron and Steel Co Ltd	207,023	740,113	0.20
Yanzhou Coal Mining Co Ltd	5,359	147,438	0.04
		45,431,488	12.19

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INVESTMENT PORTFOLIO (CONTINUED)

As at 31 December 2011

	Holdings Shares	Market Value HK\$	% of NAV
Financial assets at fair value through profit or loss (99.96 %) (continued)			
China (99.96%) (continued)			
LISTED BASE SECURITIES ISSUED BY UBS AG LONDON BRANCH, PROVIDING EXPOSURE FROM THE FOLLOWING			
Agricultural Bank of China	1,296,039	4,129,748	1.11
Air China Ltd	143,222	1,124,224	0.30
Aluminum Corp of China Ltd	303,669	2,407,256	0.65
Angang Steel Co Ltd	745,929	4,173,992	1.12
Bank of Beijing Co Ltd	554,648	6,336,602	1.71
Bank of China Ltd	1,298,586	4,642,481	1.25
Bank of Communications Co Ltd	3,969,399	21,903,056	5.89
Baoshan Iron & Steel Co Ltd	2,043,885	12,231,192	3.29
China CITIC Bank Corp Ltd	342,698	1,704,563	0.46
China Coal Energy Co Ltd	209,925	2,333,038	0.63
China Construction Bank Corp	1,388,324	7,768,639	2.09
China COSCO Holdings Co Ltd	440,474	2,533,224	0.68
China Everbright Bank Co Ltd	322,441	1,127,676	0.30
China Life Insurance Co Ltd	201,836	4,392,161	1.18
China Merchants Bank Co Ltd	1,391,836	20,336,094	5.47
China Minsheng Banking Corp Ltd	2,387,923	17,259,368	4.64
China Pacific Insurance Group Co Ltd	318,320	7,545,454	2.03
China Petroleum & Chemical Corp (Sinopec)	1,179,019	10,445,934	2.81
China Railway Co Ltd	1,566,192	4,868,852	1.31
China Railway Construction Co Ltd	1,152,172	5,372,670	1.44
China Shenhua Energy Co Ltd	300,728	9,418,907	2.53
China State Construction Engineering Co Ltd	3,013,977	10,775,052	2.90
China United Network Communications Co Ltd	2,686,746	17,331,108	4.66
China Vanke Co Ltd	1,113,594	10,299,010	2.77
China Yangtze Power Co Ltd	690,579	5,420,712	1.46
CITIC Securities Co Ltd	904,863	10,829,918	2.92
Daqin Railway Co Ltd	955,719	8,764,635	2.36
Datang International Power Generation Co Ltd	299,139	1,906,376	0.51
GD Power Development Co Ltd	484,045	1,655,236	0.45
Haitong Securities Co Ltd	867,269	7,886,082	2.12
Hebei Iron & Steel Co Ltd	1,321,881	4,623,028	1.24
Hua Xia Bank Co Ltd	272,233	3,766,018	1.01
Huaneng Power International Inc	886,606	5,856,946	1.57

Ping An of China CSI RAFI A-Share 50 ETF*

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INVESTMENT PORTFOLIO (CONTINUED)

As at 31 December 2011

	Holdings Shares	Market Value HK\$	% of NAV
<u>Financial assets at fair value through profit or loss</u> <u>(99.96 %) (continued)</u>			
China (99.96%) (continued)			
LISTED BASE SECURITIES ISSUED BY UBS AG LONDON BRANCH, PROVIDING EXPOSURE FROM THE FOLLOWING (continued)			
Hunan Valin Steel Co Ltd	555,913	1,900,996	0.51
Industrial and Commercial Bank of China Ltd	2,356,504	12,270,566	3.30
Industrial Bank Co Ltd	644,921	9,974,272	2.68
Kweichow Moutai Co Ltd	8,570	2,029,434	0.55
Maanshan Iron and Steel Co Ltd	820,600	2,487,240	0.67
Metallurgical Corp of China Co Ltd	940,098	3,068,627	0.83
Minmetals Development Co Ltd	94,223	2,548,343	0.69
Petrochina Co Ltd	628,999	7,528,220	2.02
Ping An Insurance (Group) Co of China Ltd	277,820	11,810,613	3.18
Saic Motor Co Ltd	200,831	3,496,233	0.94
Shanghai Electric Group Co Ltd	187,455	1,180,059	0.32
Shanghai International Port Group Co Ltd	263,060	838,224	0.23
Shanghai Pudong Development Bank Co Ltd	1,177,704	12,356,388	3.32
Shanxi Taigang Stainless Steel Co Ltd	933,912	4,282,325	1.15
Suning Appliance Co Ltd	287,658	2,995,731	0.81
Wuhan Iron and Steel Co Ltd	1,488,609	5,321,819	1.43
Yanzhou Coal Mining Co Ltd	37,716	1,037,649	0.28
		<u>326,295,991</u>	<u>87.77</u>
TOTAL EXPOSURE		<u>371,727,479</u>	<u>99.96</u>
TOTAL INVESTMENTS, AT COST		<u>460,373,083</u>	

Ping An of China CSI RAFI A-Share 50 ETF*

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MOVEMENTS IN INVESTMENT PORTFOLIO

For the year ended 31 December 2011

INVESTMENTS	Holdings As at 1 January 2011	Additions	Corporate Action	Disposals	Holdings As at 31 December 2011
Financial assets at fair value through profit or loss					
LISTED BASE SECURITIES					
ISSUED BY CITIGROUP					
GLOBAL MARKETS HOLDINGS					
INC., PROVIDING EXPOSURE					
FROM THE FOLLOWING					
Agricultural Bank of China	-	176,985	-	-	176,985
Air China Ltd	61,295	4,773	-	(46,377)	19,691
Aluminum Corp of China Ltd	149,153	6,219	-	(112,848)	42,524
Angang Steel Co Ltd	413,367	-	-	(312,753)	100,614
Bank of Beijing Co Ltd	246,998	15,018	-	(186,879)	75,137
Bank of China Ltd	704,820	-	-	(533,268)	171,552
Bank of Communications Co Ltd	1,711,664	79,013	49,563	(1,295,046)	545,194
Baoshan Iron & Steel Co Ltd	1,511,714	-	-	(1,232,604)	279,110
China CITIC Bank Corp Ltd	129,921	13,917	6,324	(104,622)	45,540
China Coal Energy Co Ltd	129,787	-	-	(100,691)	29,096
China Construction Bank Corp	686,959	25,705	-	(519,753)	192,911
China COSCO Holdings Co Ltd	242,901	-	-	(183,777)	59,124
China Everbright Bank Co Ltd	-	44,238	-	-	44,238
China Life Insurance Co Ltd	79,457	8,302	-	(60,117)	27,642
China Merchants Bank Co Ltd	725,371	14,279	-	(548,817)	190,833
China Minsheng Banking Corp Ltd	1,558,956	-	-	(1,229,105)	329,851
China Pacific Insurance Group Co Ltd	163,531	4,435	-	(123,729)	44,237
China Petroleum & Chemical Corp (Sinopec)	696,131	-	-	(535,616)	160,515
China Railway Co Ltd	745,572	35,809	-	(564,099)	217,282
China Railway Construction Co Ltd	477,749	41,054	-	(361,464)	157,339
China Shenhua Energy Co Ltd	203,264	-	-	(161,858)	41,406
China State Construction Engineering Co Ltd	1,499,775	168,837	-	(1,252,512)	416,100
China United Network Communications Co Ltd	1,570,928	-	-	(1,188,564)	382,364
China Vanke Co Ltd	729,517	-	-	(577,446)	152,071
China Yangtze Power Co Ltd	470,523	11,928	-	(387,784)	94,667
CITIC Securities Co Ltd	461,353	11,273	-	(349,059)	123,567
Daqin Railway Co Ltd	374,640	40,170	-	(283,452)	131,358
Datang International Power Generation Co Ltd	55,654	27,789	-	(42,108)	41,335

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MOVEMENTS IN INVESTMENT PORTFOLIO (CONTINUED)

For the year ended 31 December 2011

INVESTMENTS (CONTINUED)	Holdings				Holdings
	As at 1	January	Additions	Corporate	As at 31
		2011		Action	December 2011

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

LISTED BASE SECURITIES
ISSUED BY CITIGROUP GLOBAL
MARKETS HOLDINGS INC.,
PROVIDING EXPOSURE FROM
THE FOLLOWING (continued)

Everbright Securities Co Ltd	44,571	40,584	-	(85,155)	-
GD Power Development Co Ltd	-	163,667	-	-	163,667
Haitong Securities Co Ltd	207,607	68,414	-	(157,077)	118,944
Hebei Iron & Steel Co Ltd	857,465	-	92,416	(768,673)	181,208
Hua Xia Bank Co Ltd	240,086	-	-	(203,049)	37,037
Huaneng Power International Inc	513,877	-	-	(388,800)	125,077
Hunan Valin Steel Co Ltd	381,921	-	-	(306,713)	75,208
Industrial and Commercial Bank of China Ltd	1,566,484	-	-	(1,243,796)	322,688
Industrial Bank Co Ltd	294,477	-	225,044	(431,451)	88,070
Kweichow Moutai Co Ltd	11,275	-	274	(9,449)	2,100
Maanshan Iron and Steel Co Ltd	598,493	-	-	(484,079)	114,414
Metallurgical Corp of China Co Ltd	589,527	-	-	(461,071)	128,456
Minmetals Development Co Ltd	122,704	-	-	(109,661)	13,043
Petrochina Co Ltd	330,569	5,347	-	(250,107)	85,809
Ping An Insurance (Group) Co of China Ltd	139,919	4,068	-	(105,864)	38,123
Saic Motor Co Ltd	209,971	-	-	(182,155)	27,816
Shanghai Electric Group Co Ltd	39,888	63,229	-	(78,018)	25,099
Shanghai International Port Group Co Ltd	302,590	-	-	(266,465)	36,125
Shanghai Pudong Development Bank Co Ltd	410,067	31,196	29,943	(310,257)	160,949
Shanxi Taigang Stainless Steel Co Ltd	541,296	-	-	(409,545)	131,751
Shenergy Co Ltd	232,300	-	28,271	(260,571)	-
Suning Appliance Co Ltd	166,725	-	-	(126,144)	40,581
Wuhan Iron and Steel Co Ltd	898,130	248,624	248,624	(1,188,355)	207,023
Yanzhou Coal Mining Co Ltd	42,008	-	-	(36,649)	5,359
Youngor Group Co Ltd	154,275	-	-	(154,275)	-

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MOVEMENTS IN INVESTMENT PORTFOLIO (CONTINUED)

For the year ended 31 December 2011

INVESTMENTS (CONTINUED)	Holdings As at 1 January 2011	Additions	Corporate Action	Disposals	Holdings As at 31 December 2011
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Financial assets at fair value through profit or loss (Continued)

LISTED BASE SECURITIES
ISSUED BY UBS AG LONDON
BRANCH, PROVIDING
EXPOSURE FROM THE
FOLLOWING

Agricultural Bank of China	-	1,296,039	-	-	1,296,039
Air China Ltd	105,756	37,466	-	-	143,222
Aluminum Corp of China Ltd	257,341	46,328	-	-	303,669
Angang Steel Co Ltd	713,188	32,741	-	-	745,929
Bank of Beijing Co Ltd	426,153	128,495	-	-	554,648
Bank of China Ltd	1,216,046	158,140	-	(75,600)	1,298,586
Bank of Communications Co Ltd	2,997,099	611,446	360,854	-	3,969,399
Baoshan Iron & Steel Co Ltd	2,757,678	-	-	(713,793)	2,043,885
China CITIC Bank Corp Ltd	224,154	118,544	57,116	(57,116)	342,698
China Coal Energy Co Ltd	223,923	-	-	(13,998)	209,925
China Construction Bank Corp	1,310,630	77,694	-	-	1,388,324
China COSCO Holdings Co Ltd	419,083	21,391	-	-	440,474
China Everbright Bank Co Ltd	-	322,441	-	-	322,441
China Life Insurance Co Ltd	137,088	64,748	-	-	201,836
China Merchants Bank Co Ltd	1,270,115	180,189	-	(58,468)	1,391,836
China Minsheng Banking Corp Ltd	2,689,694	-	-	(301,771)	2,387,923
China Pacific Insurance Group Co Ltd	282,142	36,178	-	-	318,320
China Petroleum & Chemical Corp (Sinopec)	1,201,046	-	-	(22,027)	1,179,019
China Railway Co Ltd	1,286,348	279,844	-	-	1,566,192
China Railway Construction Co Ltd	824,271	327,901	-	-	1,152,172
China Shenhua Energy Co Ltd	350,700	-	-	(49,972)	300,728
China State Construction Engineering Co Ltd	2,587,592	426,385	-	-	3,013,977
China United Network Communications Co Ltd	2,936,276	-	-	(249,530)	2,686,746
China Vanke Co Ltd	1,322,489	-	-	(208,895)	1,113,594
China Yangtze Power Co Ltd	811,804	90,984	-	(212,209)	690,579
CITIC Securities Co Ltd	795,984	108,879	-	-	904,863
Daqin Railway Co Ltd	799,469	156,250	-	-	955,719
Datang International Power Generation Co Ltd	96,019	203,120	-	-	299,139
Everbright Securities Co Ltd	76,902	60,368	-	(137,270)	-

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MOVEMENTS IN INVESTMENT PORTFOLIO (CONTINUED)

For the year ended 31 December 2011

INVESTMENTS (CONTINUED)	Holdings As at 1 January 2011	Additions	Corporate Action	Disposals	Holdings As at 31 December 2011
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Financial assets at fair value through profit or loss (Continued)

LISTED BASE SECURITIES
ISSUED BY UBS AG LONDON
BRANCH, PROVIDING
EXPOSURE FROM THE
FOLLOWING (continued)

GD Power Development Co Ltd	-	971,850	-	(487,805)	484,045
Haitong Securities Co Ltd	358,190	509,079	-	-	867,269
Hebei Iron & Steel Co Ltd	1,479,401	-	674,159	(831,679)	1,321,881
Hua Xia Bank Co Ltd	414,225	-	-	(141,992)	272,233
Huaneng Power International Inc	886,606	-	-	-	886,606
Hunan Valin Steel Co Ltd	658,938	-	-	(103,025)	555,913
Industrial and Commercial Bank of China Ltd	2,811,769	-	-	(455,265)	2,356,504
Industrial Bank Co Ltd	508,067	-	396,693	(259,839)	644,921
Kweichow Moutai Co Ltd	19,453	-	1,157	(12,040)	8,570
Maanshan Iron and Steel Co Ltd	1,032,591	-	-	(211,991)	820,600
Metallurgical Corp of China Co Ltd	1,017,121	-	-	(77,023)	940,098
Minmetals Development Co Ltd	211,701	-	-	(117,478)	94,223
Petrochina Co Ltd	628,999	-	-	-	628,999
Ping An Insurance (Group) Co of China Ltd	259,700	18,120	-	-	277,820
Saic Motor Co Ltd	362,264	-	-	(161,433)	200,831
Shanghai Electric Group Co Ltd	68,824	118,631	-	-	187,455
Shanghai International Port Group Co Ltd	522,067	81,656	-	(340,663)	263,060
Shanghai Pudong Development Bank Co Ltd	736,974	219,638	221,092	-	1,177,704
Shanxi Taigang Stainless Steel Co Ltd	933,912	-	-	-	933,912
Shenergy Co Ltd	481,383	-	240,691	(722,074)	-
Suning Appliance Co Ltd	287,658	-	-	-	287,658
Wuhan Iron and Steel Co Ltd	1,549,562	564,812	395,913	(1,021,678)	1,488,609
Yanzhou Coal Mining Co Ltd	72,478	-	-	(34,762)	37,716
Youngor Group Co Ltd	266,175	45,862	-	(312,037)	-

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PERFORMANCE RECORD For the year ended 31 December 2011

Net asset value attributable to unitholders **(calculated in accordance with the Sub-Fund's Trust Deed)**

HK\$

31 December 2011	<u>371,885,431</u>
31 December 2010	<u><u>588,240,582</u></u>

Net asset value per unit

HK\$

31 December 2011 (note 13)	<u>23.2428</u>
31 December 2010 (note 13)	<u><u>26.7382</u></u>

Highest and lowest net asset value per unit

	Highest HK\$	Lowest HK\$
Financial year ended 31 December 2011	<u>30.4853</u>	<u>22.9276</u>
Financial year ended 31 December 2010	<u><u>31.1996</u></u>	<u><u>25.4014</u></u>

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