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**DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER \***  
**(\*THIS IS A SYNTHETIC ETF)**

**DA CHENG CSI HONG KONG PRIVATE-OWNED MAINLAND  
ENTERPRISES TRACKER**

**DA CHENG CSI HONG KONG STATE-OWNED MAINLAND  
ENTERPRISES TRACKER**

**(SUB-FUNDS OF DCI ETF TRUST)**

## **ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2011**



**DCI ETF TRUST**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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## **DCI ETF TRUST**

### **MANAGEMENT AND ADMINISTRATION FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **Directors of the Manager**

CAO Xiongfei  
CHEN Shangqian  
DU Peng  
LIAN Shaodong  
LIU Caihui  
XIAO Bing  
YANG Chunming

#### **Manager**

Da Cheng International Asset Management  
Company Limited  
Room 5811  
Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

#### **Trustee**

BOCI-Prudential Trustee Limited  
12/F & 25/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

#### **Listing Agent**

China Merchants Securities (HK) Co., Limited  
48/F, One Exchange Square  
Central  
Hong Kong

#### **Service Agent**

HK Conversion Agency Services Limited  
2/F, Infinitus Plaza  
199, Des Voeus Road Central  
Hong Kong

#### **Registrar**

Computershare Hong Kong Investor Services  
46/F, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

#### **Auditor**

PricewaterhouseCoopers  
21/F, Edinburgh Tower  
15 Queen's Road Central  
Hong Kong

#### **Legal Counsel to the Manager**

Simmons & Simmons  
13/F, One Pacific Place  
88 Queensway  
Hong Kong

**REPORT OF THE MANAGER TO THE UNITHOLDERS**
**DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER \* (\*THIS IS A SYNTHETIC ETF)  
 (A SUB-FUND OF DCI ETF TRUST)**
**Fund performance**

Da Cheng CSI China Mainland Consumer Tracker \* (\*This is a synthetic ETF) (the “CSI China Mainland Consumer ETF”) seeks to provide investment results, before fees and expenses, closely correspond to the performance of the CSI China Mainland Consumer Index (the “Index”) in Hong Kong dollar (“HKD”) terms. As of 31 December 2011, the Net Asset Value (“NAV”) per unit of the CSI China Mainland Consumer ETF was HKD 9.08 with a total of 6,500,000 units outstanding, aggregating a total asset size of approximately HKD59,032,271.

A summary of the performance of the CSI China Mainland Consumer ETF<sup>1</sup> is given below (as at 31 December 2011).

	2011	2010 <sup>2</sup>	Since Inception <sup>3</sup>
CSI China Mainland Consumer Price Index <sup>4</sup>	-19.065%	24.817%	1.021%
CSI China Mainland Consumer Total Return Index <sup>5</sup>	-18.241%	25.083%	2.267%
CSI Mainland China Consumer ETF NAV-to-NAV <sup>6</sup>	-17.379%	24.041%	2.483%
CSI Mainland China Consumer ETF Market-to-Market <sup>7</sup>	-21.607%	18.896%	-6.794%

Source: Da Cheng International Asset Management Ltd., Bloomberg

The difference in performance between CSI China Mainland Consumer Index and DCI China Consumer ETF is mainly attributed to fees and expenses, and a different currency exchange rate used for fund valuation and index calculation.

<sup>1</sup> Past performance figures shown are not indicative of the future performance of the Fund.

<sup>2</sup> The performance shown for 2010 covers the period from the date of inception of the Fund (15 July 2010) to 31 December 2010.

<sup>3</sup> Inception date is 15 July 2010.

<sup>4</sup> Price Index in RMB. An investor cannot invest directly in an index and the index performance returns do not reflect management fees, transaction costs or other expenses, which would reduce performance returns.

<sup>5</sup> Total Return Index in RMB. Total returns represent the rate that an investor would have earned (or lost) on an investment, assuming reinvestment of dividends and distributions.

<sup>6</sup> Unit's NAV in HKD. Units in the Fund are issued and redeemed at NAV and the Fund's returns have been calculated from NAV.

<sup>7</sup> Market closing price in HKD. Market returns are calculated using historical market closing prices of the ETF, and do not represent the returns you would receive if you trade units at other times.

## **REPORT OF THE MANAGER TO THE UNITHOLDERS (CONTINUED)**

### **DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER\* (THIS IS A SYNTHETIC ETF) (A SUB-FUND OF DCI ETF TRUST)**

#### **Fund activities**

Since the CSI China Mainland Consumer ETF listed on the Stock Exchange of Hong Kong on 15 July 2010, it continued to attract great interest in the consumer sector of the A share market from investors. As at 31 December 2011, there were 6,500,000 units outstanding.

#### **Index activities**

The CSI China Mainland Consumer Index underwent one regular semi-annual review during the year of 2011. There were involved addition and deletion of 6 stocks in the Index.

As at 31 December 2011, the CSI China Mainland Consumer ETF had exposure to all 50 index constituents indirectly.

#### **Market overview**

As at 31 December 2011, the return of CSI China Mainland Consumer Index and the CSI China Mainland Consumer ETF were 1.021% and 2.483%, respectively since the fund listed on 15 July 2010. The currency return of the Chinese Renminbi (RMB) against Hong Kong Dollar (HKD) was approximately 7.661%.

Compared to the return of -10.074% in CSI 300 Index, consumer sector outperformed in the Chinese A-share market, although the CSI China Mainland Consumer Index had a slightly loss in the index level due to the tightening of China macro policy.

In the coming years domestic consumption continues to be the key growth area for the Chinese economy, driven by rising income and wealth, favourably demographics and more accessible consumer credit. The government will continue to boost consumer confidence by optimizing income distribution, enhancing healthcare and pension coverage and increasing spending in social welfare and affordable housing.

**REPORT OF THE MANAGER TO THE UNITHOLDERS**
**DA CHENG CSI HONG KONG PRIVATED-OWNED MAINLAND ENTERPRISES TRACKER  
 (A SUB-FUND OF DCI ETF TRUST)**
**Fund performance**

Da Cheng CSI Hong Kong Private-Owned Mainland Consumer Enterprises Tracker (the “CSI HK Private-owned Mainland Enterprises ETF”) seeks to provide investment results, before fees and expenses, closely correspond to the performance of the CSI Hong Kong Private-owned Mainland Enterprises Index (the “Index”) in Hong Kong dollar (“HKD”) terms. As of 31 December 2011, the Net Asset Value (“NAV”) per unit of the CSI HK Private-owned Mainland Enterprises ETF was HKD 6.81 with a total of 1,000,000 units outstanding, aggregating a total asset size of approximately HKD6,807,399.

A summary of the performance of the CSI HK Private-owned Mainland Enterprises ETF<sup>1</sup> is given below (as at 31 December 2011).

	2011	2010 <sup>2</sup>	Since Inception <sup>3</sup>
CSI Hong Kong Private-owned Mainland Enterprises Index <sup>4</sup>	-24.361%	0.311%	-24.126%
CSI Private-owned Mainland Total Return Index <sup>5</sup>	-22.880%	0.351%	-22.610%
CSI HK Private-owned Mainland Enterprises ETF NAV-to-NAV <sup>6</sup>	-28.914%	0.314%	-28.691%
CSI HK Private-owned Mainland Enterprises ETF Market-to-Market <sup>7</sup>	-27.975%	0.630%	-27.521%

Source: Da Cheng International Asset Management Ltd., Bloomberg

The difference in performance between CSI Hong Kong Private-owned Mainland Enterprises Index and CSI HK Private-owned Mainland Enterprises ETF is mainly attributed to fees and expenses.

<sup>1</sup> Past performance figures shown are not indicative of the future performance of the Fund.

<sup>2</sup> The performance shown for 2010 covers the period from the date of inception of the Fund (20 December 2010) to 31 December 2010.

<sup>3</sup> Inception date is 20 December 2010.

<sup>4</sup> Price Index in HKD. An investor cannot invest directly in an index and the index performance returns do not reflect management fees, transaction costs or other expenses, which would reduce performance returns.

<sup>5</sup> Total Return Index in HKD. Total returns represent the rate that an investor would have earned (or lost) on an investment, assuming reinvestment of dividends and distributions.

<sup>6</sup> Unit’s NAV in HKD. Units in the Fund are issued and redeemed at NAV and the Fund’s returns have been calculated from NAV.

<sup>7</sup> Market closing price in HKD. Market returns are calculated using historical market closing prices of the ETF, and do not represent the returns you would receive if you trade units at other times.

## **REPORT OF THE MANAGER TO THE UNITHOLDERS (CONTINUED)**

### **DA CHENG CSI HONG KONG PRIVATED-OWNED MAINLAND ENTERPRISES TRACKER (A SUB-FUND OF DCI ETF TRUST)**

#### **Fund activities**

Since the CSI HK Private-owned Mainland Enterprises ETF listed on the Stock Exchange of Hong Kong on 20 December 2010, it continued to attract great interest in private-owned mainland enterprises listed in Hong Kong market from investors. As at 31 December 2011, there were 1,000,000 units outstanding.

#### **Index activities**

The CSI Hong Kong Private-owned Mainland Enterprises Index underwent one regular semi-annual review during the year of 2011. There were involved addition and deletion of 4 stocks in the Index.

As at 31 December 2011, the CSI HK Private-owned Mainland Enterprises ETF had exposure to all 40 index constituents directly.

#### **Market overview**

As at 31 December 2011, the return of CSI Hong Kong Private-owned Mainland Enterprises Index and the CSI HK Private-owned Mainland Enterprises ETF were -24.126% and -28.691%, respectively since the fund listed on 20 December 2010..

In the coming year, global economy may regain the momentum of growth but with a lower speed, and China economy may see a soft landing. Therefore, Chinese stocks listed in Hong Kong market should gradually recover from the trough, returning to their value. As a proxy of the private-owned economy in China, the index which our fund follows might benefit from the movement.

**REPORT OF THE MANAGER TO THE UNITHOLDERS**
**DA CHENG CSI HONG KONG STATED-OWNED MAINLAND ENTERPRISES TRACKER  
 (A SUB-FUND OF DCI ETF TRUST)**
**Fund performance**

Da Cheng CSI Hong Kong State-Owned Mainland Consumer Enterprises Tracker (the “CSI HK State-owned Mainland Enterprises ETF”) seeks to provide investment results, before fees and expenses, closely correspond to the performance of the CSI Hong Kong State-owned Mainland Enterprises Index (the “Index”) in Hong Kong dollar (“HKD”) terms. As of 31 December 2011, the Net Asset Value (“NAV”) per unit of the CSI HK State-owned Mainland Enterprises ETF was HKD 7.97 with a total of 1,500,000 units outstanding, aggregating a total asset size of approximately HKD11,950,480.

A summary of the performance of the CSI HK State-owned Mainland Enterprises ETF<sup>1</sup> is given below (as at 31 December 2011).

	2011	2010 <sup>2</sup>	Since Inception <sup>3</sup>
CSI Hong Kong State-owned Mainland Enterprises Index <sup>4</sup>	-16.989%	2.164%	-15.192%
CSI State-owned Mainland Total Return Index <sup>5</sup>	-14.486%	2.165%	-12.634%
CSI HK State-owned Mainland Enterprises ETF NAV-to-NAV <sup>6</sup>	-19.332%	2.066%	-17.665%
CSI HK State-owned Mainland Enterprises ETF Market-to-Market <sup>7</sup>	-17.970%	1.861%	-16.443%

Source: Da Cheng International Asset Management Co., Ltd., Bloomberg

The difference in performance between the CSI Hong Kong State-owned Mainland Enterprises Index and CSI HK State-owned Mainland Enterprises ETF is mainly attributed to fees and expenses.

<sup>1</sup> Past performance figures shown are not indicative of the future performance of the Fund.

<sup>2</sup> The performance shown for 2010 covers the period from the date of inception of the Fund (20 December 2010) to 31 December 2010.

<sup>3</sup> Inception date is 20 December 2010.

<sup>4</sup> Price Index in HKD. An investor cannot invest directly in an index and the index performance returns do not reflect management fees, transaction costs or other expenses, which would reduce performance returns.

<sup>5</sup> Total Return Index in HKD. Total returns represent the rate that an investor would have earned (or lost) on an investment, assuming reinvestment of dividends and distributions.

<sup>6</sup> Unit’s NAV in HKD. Units in the Fund are issued and redeemed at NAV and the Fund’s returns have been calculated from NAV.

<sup>7</sup> Market closing price in HKD. Market returns are calculated using historical market closing prices of the ETF, and do not represent the returns you would receive if you trade units at other times.

## **REPORT OF THE MANAGER TO THE UNITHOLDERS (CONTINUED)**

### **DA CHENG CSI HONG KONG STATE-OWNED MAINLAND ENTERPRISES TRACKER (A SUB-FUND OF DCI ETF TRUST)**

#### **Fund activities**

Since the CSI HK State-owned Mainland Enterprises ETF listed on the Stock Exchange of Hong Kong on 20 December 2010, it continued to attract great interest in state-owned mainland enterprises listed in Hong Kong market from investors. As at 31 December 2011, there were 1,500,000 units outstanding.

#### **Index activities**

The CSI Hong Kong State-owned Mainland Enterprises Index underwent one regular semi-annual review during the year of 2011. There were involved addition and deletion of 2 stocks in the Index.

As at 31 December 2011, the CSI HK State-owned Mainland Enterprises ETF had exposure to all 40 index constituents directly.

#### **Market overview**

As at 31 December 2011, the return of CSI Hong Kong State-owned Mainland Enterprises Index and the CSI HK State-owned Mainland Enterprises ETF were -15.192% and -17.665%, respectively since the fund listed on 20 December 2010.

In the coming year, global economy may regain the momentum of growth but with a lower speed, and China economy may see a soft landing. Therefore, Chinese stocks listed in Hong Kong market should gradually recover from the trough, returning to their value. As a proxy of the State-owned economy in China, the index which our fund follows might benefit from the movement.

**Da Cheng International Asset Management Company Limited**

27 April 2012

**REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

**DCI ETF TRUST**

We hereby confirm that, in our opinion, the Manager of Da Cheng CSI China Mainland Consumer Tracker<sup>\*</sup> (this is a synthetic ETF), Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker and Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker (the “Sub-Funds”) has, in all material respect, managed the Sub-Funds in accordance with the provisions of the Trust Deed dated 24 June 2010, as amended, for the period then ended.

**BOCI-Prudential Trustee Limited**

27 April 2012

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF DCI ETF TRUST**

We have audited the financial statements of Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF), Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker and Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker (each a separate sub-fund of DCI ETF Trust and referred to individually or collectively as the "Sub-Funds") set out on pages 11 to 45, which comprise the statements of financial position as at 31 December 2011, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the year then ended for Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF), and for the period from 20 December 2010 (date of commencement of operations) to 31 December 2011 for Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker and Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker, 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-Funds are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 24 June 2010 (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the Sub-Funds' preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Funds' 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.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of each of the Sub-Funds as at 31 December 2011, and of each of their financial performance and cash flows for the year then ended for Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF), and for the period from 20 December 2010 (date of commencement of operations) to 31 December 2011 for Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker and Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker, in accordance with International Financial Reporting Standards.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF DCI ETF TRUST**

**Emphasis of Matter**

We draw attention to Note 4 to these financial statements, which indicates that Management 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 Management has exercised significant judgment in their assessment of whether the potential tax charge could affect the valuation of the A Share Linked Products ("ALPs") held by Da Cheng CSI China Mainland Consumer Tracker\* (This is a synthetic ETF) as at 31 December 2011. Our opinion is not qualified in respect of this matter.

**Other Matters**

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Report on Other Legal and Regulatory Disclosure Requirements**

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 April 2012

**DCI ETF TRUST**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

		Da Cheng CSI China Mainland Consumer Tracker*	
	Note	(This is a synthetic ETF)	
		2011	2010
		HK\$	HK\$
<b>Assets</b>			
<b>Current assets</b>			
Investments	3.1, 3.2, 9.5	57,665,210	98,633,423
Cash and cash equivalents	3.2, 9.4	2,592,416	1,632,160
Prepayments and other receivables		13,233	15,000
<b>Total assets</b>		<u>60,270,859</u>	<u>100,280,583</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Management fee payable	9.1	194,445	649,576
Transaction costs payable	9.3	13,000	11,200
Maintenance fee payable	9.2	643,918	316,113
Securities lending expenses payable	3.2	280,522	289,826
Other payables		184,346	185,000
<b>Total liabilities</b>		<u>1,316,231</u>	<u>1,451,715</u>
<b>Equity</b>			
<b>Net assets attributable to unitholders (at bid market price)</b>	5	<u>58,954,628</u>	<u>98,828,868</u>

Approved by the Trustee and the Manager on 27 April 2012.

BOCI-Prudential Trustee Limited as the Trustee of the Trust.

Da Cheng International Asset Management Limited as the Manager of the Trust.

The notes on page 19 to 45 are an integral part of these financial statements.

**DCI ETF TRUST**
**STATEMENT OF FINANCIAL POSITION (CONTINUED)  
 AS AT 31 DECEMBER 2011**

	Note	Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker 2011 HK\$	Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker 2011 HK\$
<b>Assets</b>			
<b>Current assets</b>			
Investments	3.1, 3.2, 9.5	6,782,887	11,880,184
Cash and cash equivalents	3.2, 9.4	313,501	372,442
Prepayments and other receivables		1,903	677
<b>Total assets</b>		<u>7,098,291</u>	<u>12,253,303</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Management fee payable	9.1	10,578	18,084
Trustee fee payable		48,387	48,387
Other payables		252,964	252,963
<b>Total liabilities</b>		<u>311,929</u>	<u>319,434</u>
<b>Equity</b>			
<b>Net assets attributable to unitholders (at bid market prices)</b>	5	<u>6,786,362</u>	<u>11,933,869</u>

Approved by the Trustee and the Manager on 27 April 2012.

BOCI-Prudential Trustee Limited as the Trustee of the Trust.

Da Cheng International Asset Management Limited as the Manager of the Trust.

The notes on page 19 to 45 are an integral part of these financial statements.

DCI ETF TRUST

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011

		Da Cheng CSI China Mainland Consumer Tracker* (*This is a synthetic ETF)	
		Year ended 31 December 2011 HK\$	Period from 15 July 2010 (date of commencement of operations) to 31 December 2010 HK\$
	Note		
<b>Income</b>			
Net (loss) / gain on investments	7	(11,942,329)	33,376,999
Dividend income		787,170	466,801
Other (loss) / gain		(3,012)	1,014
<b>Total net (loss) / income</b>		<u>(11,158,171)</u>	<u>33,844,814</u>
<b>Expenses</b>			
Management fee	9.1	(830,605)	(797,768)
Transaction costs	9.3	(171,667)	(810,119)
Maintenance fee	9.2	(327,804)	(316,113)
Securities lending expenses	3.2	(527,975)	(504,201)
Legal and professional fees		(102,076)	(1,644,250)
Other operating expenses		(262,329)	(368,223)
<b>Total operating expenses</b>		<u>(2,222,456)</u>	<u>(4,440,674)</u>
<b>(Loss) / profit before tax</b>		(13,380,627)	29,404,140
Withholding tax	8	(363,613)	(165,272)
<b>Total comprehensive (loss) / income</b>		<u>(13,744,240)</u>	<u>29,238,868</u>

The notes on page 19 to 45 are an integral part of these financial statements.

**DCI ETF TRUST**
**STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)  
 FOR THE PERIOD FROM 20 DECEMBER 2010 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
 31 DECEMBER 2011**

		Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker	Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker
		Period from 20 December 2010 (date of commencement of operations) to 31 December 2011 HK\$	Period from 20 December 2010 (date of commencement of operations) to 31 December 2011 HK\$
	Note		
<b>Income</b>			
Net loss on investments	7	(11,479,843)	(9,300,014)
Dividend income		2,775,205	2,799,206
Other loss		(1,051)	(1,806)
<b>Total net loss</b>		<u>(8,705,689)</u>	<u>(6,502,614)</u>
<b>Expenses</b>			
Management fee	9.1	(784,606)	(536,255)
Transaction costs	9.3	(192,842)	(57,379)
Trustee fee		(460,107)	(454,990)
Legal and professional fees		(1,032,331)	(1,032,331)
Other operating expenses		(605,229)	(575,786)
<b>Total operating expenses</b>		<u>(3,075,115)</u>	<u>(2,656,741)</u>
<b>Loss before tax</b>		(11,780,804)	(9,159,355)
Withholding tax	8	(17,834)	(216,776)
<b>Total comprehensive loss</b>		<u>(11,798,638)</u>	<u>(9,376,131)</u>

The notes on page 19 to 45 are an integral part of these financial statements.

DCI ETF TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2011

		Da Cheng CSI China Mainland Consumer Tracker <sup>*</sup> (This is a synthetic ETF)	
		Year ended 31 December 2011 HK\$	Period from 15 July 2010 (date of commencement of operations) to 31 December 2010 HK\$
	Note		
<b>Net assets attributable to unitholders at 1 January / date of commencement of operations (at bid market prices)</b>		98,828,868	-
Proceeds on issue of units			
- in-kind	10.1	-	138,020,239
- cash component and cash subscription		-	5,979,761
Payments on redemption of units			
- in kind	10.2	(25,158,473)	(74,298,561)
- cash component and cash redemption		(971,527)	(111,439)
Net (decrease) / increase from unit transactions		(26,130,000)	69,590,000
Total comprehensive (loss) / income		(13,744,240)	29,238,868
<b>Net assets attributable to unitholders at 31 December (at bid market prices)</b>		58,954,628	98,828,868

The notes on page 19 to 45 are an integral part of these financial statements.

**DCI ETF TRUST**
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)  
 FOR THE PERIOD FROM 20 DECEMBER 2010 (DATE OF COMMENCEMENT  
 OF OPERATIONS) TO 31 DECEMBER 2011**

		Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker	Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker
		Period from 20 December 2010 (date of commencement of operations) to 31 December 2011 HK\$	Period from 20 December 2010 (date of commencement of operations) to 31 December 2011 HK\$
<b>Net assets attributable to unitholders at 20 December 2010 (date of commencement of operations) (at bid market prices)</b>		-	-
Proceeds on issue of units			
- in-kind	10.1	256,026,012	163,233,031
- cash component and cash subscription		9,033,988	11,636,969
Payments on redemption of units			
- in kind	10.2	(245,150,099)	(152,372,369)
- cash component and cash redemption		(1,324,901)	(1,187,631)
Net increase from unit transactions		18,585,000	21,310,000
Total comprehensive loss		(11,798,638)	(9,376,131)
<b>Net assets attributable to unitholders at 31 December 2011 (at bid market prices)</b>		6,786,362	11,933,869

The notes on page 19 to 45 are an integral part of these financial statements.

**DCI ETF TRUST**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Da Cheng CSI China Mainland Consumer Tracker <sup>*</sup> (This is a synthetic ETF)	
	Year ended 31 December 2011 HK\$	Period from 15 July 2010 (date of commencement of operations) to 31 December 2010 HK\$
<b>Cash flows from operating activities</b>		
Purchase of investments	(16,510,808)	(2,904,907)
Proceeds from sale of investments	20,378,220	1,370,161
Dividend received	773,978	466,801
Other income received	297	1,014
Transaction costs paid	(169,867)	(798,919)
Management fee paid	(1,285,736)	(148,192)
Securities lending expenses paid	(537,279)	(214,375)
Legal and professional fees paid	(102,076)	(1,644,250)
Other operating expenses paid	(251,333)	(198,223)
Withholding tax paid	(363,613)	(165,272)
<b>Net cash from / (used in) operating activities</b>	<u>1,931,783</u>	<u>(4,236,162)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units	-	5,979,761
Redemptions of units	(971,527)	(111,439)
<b>Net cash (used in) / from financing activities</b>	<u>(971,527)</u>	<u>5,868,322</u>
<b>Net increase in cash and cash equivalents</b>	960,256	1,632,160
Cash and cash equivalents at the beginning of the year	1,632,160	-
<b>Cash and cash equivalents at the end of the year</b>	<u>2,592,416</u>	<u>1,632,160</u>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	<u>2,592,416</u>	<u>1,632,160</u>

The notes on page 19 to 45 are an integral part of these financial statements.

**DCI ETF TRUST**
**STATEMENT OF CASH FLOWS (CONTINUED)  
 FOR THE PERIOD FROM 12 DECEMBER 2010 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
 31 DECEMBER 2011**

	Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker Period from 20 December 2010 (date of commencement of operations) to 31 December 2011 HK\$	Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker Period from 20 December 2010 (date of commencement of operations) to 31 December 2011 HK\$
<b>Cash flows from operating activities</b>		
Purchase of investments	(49,528,596)	(18,867,749)
Proceeds from sale of investments	42,141,779	8,548,215
Dividend received	2,772,700	2,797,261
Other income received	227	139
Transaction costs paid	(192,842)	(57,379)
Management fee paid	(774,028)	(518,171)
Trustee fee paid	(411,720)	(406,603)
Legal and professional fees paid	(1,032,923)	(1,032,923)
Other operating expenses paid	(352,349)	(322,910)
Withholding tax paid	(17,834)	(216,776)
<b>Net cash used in operating activities</b>	<u>(7,395,586)</u>	<u>(10,076,896)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units	9,033,988	11,636,969
Redemptions of units	(1,324,901)	(1,187,631)
<b>Net cash from financing activities</b>	<u>7,709,087</u>	<u>10,449,338</u>
<b>Net increase in cash and cash equivalents</b>	313,501	372,442
Cash and cash equivalents at the beginning of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	<u>313,501</u>	<u>372,442</u>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	<u>313,501</u>	<u>372,442</u>

The notes on page 19 to 45 are an integral part of these financial statements.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 1 General information

DCI ETF Trust (the "Trust") is an open ended umbrella unit trust established under Hong Kong law by a trust deed dated 24 June 2010 (the "Trust Deed"). The Trust is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under section 104(1) of the Hong Kong Securities and Futures Ordinance.

As at 31 December 2011, the Trust has established three sub-funds:

<b>Name of Sub-Fund</b>	<b>Listing date on The Stock Exchange of Hong Kong Limited</b>
Da Cheng CSI China Mainland Consumer Tracker <sup>*</sup> (This is a synthetic ETF)	15 July 2010
Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker	20 December 2010
Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker	20 December 2010

The manager of the Trust is Da Cheng International Asset Management Company Limited (the "Manager") and the trustee is BOCI-Prudential Trustee Limited (the "Trustee").

#### Investment Objective

##### Da Cheng CSI China Mainland Consumer Tracker<sup>\*</sup> (\*This is a synthetic ETF)

The investment objective of the Da Cheng CSI China Mainland Consumer Tracker<sup>\*</sup> (This is a synthetic ETF) is to provide investment results that, before fees and expenses, closely correspond to the performance of CSI China Mainland Consumer Index (the "Index"). To achieve the investment objective, the Manager intends to utilise a synthetic replication strategy through investment in derivatives to achieve the Sub-Fund's investment objective.

The Sub-Fund does not hold A Shares comprised in the Index directly but rather gain access to the Index through A Share Linked Products ("ALPs"). An ALP is a derivative instrument linked to either (a) an A Share of a PRC company which is at the relevant time, or will in a foreseeable future become, a constituent company of the Index or (b) the Index. An ALP represents only an obligation of the ALP Issuer to provide the Sub-Fund the economic performance equivalent to holding the underlying A Shares.

##### Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker

The investment objective of the Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker is to provide investment results that, before fees and expenses, closely correspond to the performance of the CSI Hong Kong Private-owned Mainland Enterprises Index. To achieve the investment objective, the Manager intends to utilise a full replication strategy to achieve the Sub-Fund's investment objective.

##### Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker

The investment objective of the Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker is to provide investment results that, before fees and expenses, closely correspond to the performance of the CSI Hong Kong State-owned Mainland Enterprises Index. To achieve the investment objective, the Manager intends to utilise a full replication strategy to achieve the Sub-Fund's investment objective.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

## 2 Principal accounting policies

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

### 2.1 Basis of presentation

The financial statements of the Sub-Funds have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager and the Trustee (the “Management”) to exercise its judgment in the process of applying the Sub-Funds’ accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

All references to net assets throughout the financial statements refer to net assets attributable to unitholders unless otherwise stated.

#### ***Standards and amendments to existing standards effective 1 January 2011***

The amendment to IAS 24, ‘Related party disclosures’, clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment 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 adoption of the amendment did not have a significant impact on the financial statement.

IFRS 7 (amendment) ‘Financial instruments: Disclosures’. This amendment was part of the IASB’s annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The adoption of the amendment did not have a significant impact on the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Sub-Funds.

‘Improvements to IFRS’ were issued in May 2010 and contain several amendments to IFRS, which the IASB considers non-urgent but necessary. ‘Improvements to IFRS’ comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. No material changes to accounting policies are expected as a result of these amendments.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

## 2 Principal accounting policies (Continued)

### 2.1 Basis of presentation (Continued)

#### ***New standards and amendments to standards that are relevant to the Sub-Funds but are not yet effective and have not been early adopted by the Sub-Funds***

IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Sub-Funds' financial position or performance, as it is expected that the Sub-Funds will continue to classify their financial assets and financial liabilities as being at fair value through profit or loss.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. The Management is considering the implications of the standard, the impact on the Sub-Funds and the timing of adoption by the Sub-Funds.

### 2.2 Foreign currency translation

#### **(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Funds operate, the functional currency. The performance of the Sub-Funds is measured and reported to the unitholders in Hong Kong dollar. The Management considers the Hong Kong dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong dollars, which is the Sub-Funds' functional and presentation currency.

#### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of assets and liabilities denominated in foreign currencies are recognised within "other (loss) / gain" in the statement of comprehensive income.

**DCI ETF TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**2 Principal accounting policies (Continued)**

**2.3 Financial assets and financial liabilities at fair value through profit or loss**

**(i) Classification**

The Sub-Funds classify their investments as financial assets at fair value through profit or loss. These financial assets are classified as held for trading.

Financial assets held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit trading. Derivatives are also categorised as financial assets or liabilities held for trading. The Sub-Funds do not classify any derivatives as hedges in a hedging relationship.

**(ii) Recognition, derecognition and measurement**

Regular purchases and sales of investments are recognised on trade date - the date on which the Sub-Funds commit to purchase or sell the investments. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Funds have transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the investments are presented in the statement of comprehensive income in the period which they arise.

**(iii) Fair value estimation**

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the closing of trading on the reporting date. The quoted market price used for financial assets held by the Sub-Funds is the current bid price.

Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) invests into ALPs, which are fair valued based on the quoted market prices of the securities underlying the ALPs, adjusted for the expected amount payable to the ALP issuers in respect of potential capital gains tax (if any) as described in note 4 below.

**2.4 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

## **DCI ETF TRUST**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **2 Principal accounting policies (Continued)**

##### **2.5 Units**

The Sub-Funds issue redeemable units, which are redeemable at the holder's option, are the most subordinated units in issue and are therefore classified as equity.

Units are issued and redeemed at the holder's option at prices based on the Sub-Funds' net asset value per share at the time of issue or redemption. The Sub-Funds' net asset value per share is calculated by dividing the net assets attributable to the holders of each class of units with total number of outstanding units of each respective class.

##### **2.6 Interest income**

Interest income is recognised on a time-proportionate basis using the effective interest method.

##### **2.7 Dividend income**

Dividend income is recognised when the Sub-Funds' right to receive payment is established.

##### **2.8 Expenses**

Expenses are accounted for on an accruals basis.

##### **2.9 Transactions costs**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

##### **2.10 Securities lending**

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 Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) is not entitled to the dividend income from the share collateral and does not retain substantially all the risk and rewards. Cash collateral received is treated as an off-balance sheet transaction and is therefore not included in the statement of financial position because Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) is not entitled to the interest income from the cash collateral and does not retain substantially all the risk and rewards.

Dividend income from the ALPs under securities lending arrangements is recognised as income by Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) in the statement of comprehensive income. Income from the share collateral and cash collateral is not an income to Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) and is paid to the counterparty who provides the collateral to Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF).

**DCI ETF TRUST**
**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2011**
**3 Financial risk management**

The objectives of the Sub-Funds are to provide investment results that closely correspond to the performance of the underlying indices. The Sub-Funds are exposed to various risks: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk, and liquidity risk which are stated below.

**3.1 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-Funds are designated to track the performance of the relevant Indices; therefore the exposures to market risk in the Sub-Funds will be substantially the same as the tracked indices. The Manager manages the Sub-Funds' exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned to the characteristics of the tracked indices.

*Da Cheng CSI China Mainland Consumer Tracker* <sup>\*</sup> (*This is a synthetic ETF*)

As at 31 December, the Sub-Fund invested in the following derivative financial instruments:

	<b>Notional market value HK\$</b>	<b>Fair value HK\$</b>
<b>As at 31 December 2011</b>		
Financial assets at fair value through profit or loss		
Long position		
-ALPs	57,665,210	57,665,210
<b>As at 31 December 2010</b>		
Financial assets at fair value through profit or loss		
Long position		
-ALPs	98,633,423	98,633,423

DCI ETF TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

3 Financial risk management (Continued)

3.1 Market risk (Continued)

(i) Market price risk (Continued)

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

	<u>As at 31 December 2011</u>		<u>As at 31 December 2010</u>	
	Fair value HK\$	% of Net asset	Fair value HK\$	% of Net asset
<b>ALPs – By sector</b>				
Agriculture, forestry, livestock farming, fishery	1,405,475	2.38%	1,902,845	1.93%
Communication and cultural Industry	834,386	1.42%	1,214,547	1.23%
Comprehensive	1,234,719	2.09%	3,245,827	3.28%
Electronics	780,951	1.32%	2,756,703	2.79%
Food & beverage	26,571,876	45.07%	33,851,879	34.25%
Machinery	13,116,684	22.25%	24,647,965	24.94%
Metals & non-metals	942,668	1.60%	1,879,131	1.90%
Petrochemicals	-	-	1,355,915	1.37%
Social Services	2,255,742	3.83%	4,075,790	4.12%
Textiles & apparel	1,382,796	2.35%	2,435,628	2.47%
Wholesale and retail trade	9,139,913	15.50%	21,267,193	21.52%
	<u>57,665,210</u>	<u>97.81%</u>	<u>98,633,423</u>	<u>99.80%</u>

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

Sensitivity analysis in the event of a possible change in the index by 3% as estimated by the Manager

As at 31 December 2011, if the CSI China Consumer Index had increased by 3% (2010: 3%) with all other variables held constant, this would have increased the post-tax profit for the period by approximately HK\$1,729,956 (2010: HK\$2,959,003). Conversely, if the CSI China Consumer Index had decreased by 3%, this would have decreased the post-tax profit for the year by equal amounts.

**DCI ETF TRUST**
**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2011**
**3 Financial risk management (Continued)**
**3.1 Market risk (Continued)**
**(i) Market price risk (Continued)**
Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker

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

	<u>As at 31 December 2011</u>	
	Fair value HK\$	% of Net asset
<b>Listed equities – By sector</b>		
Automobiles and components	159,360	2.35%
Banks	282,484	4.16%
Capital goods	168,628	2.48%
Consumer durables and apparel	237,244	3.50%
Energy	85,628	1.26%
Food, beverage and tobacco	1,277,365	18.82%
Household and personal products	581,477	8.57%
Insurance	582,489	8.58%
Materials	149,677	2.21%
Pharmaceuticals, biotechnology and life sciences	37,335	0.55%
Real estate	950,914	14.01%
Retailing	1,152,822	16.99%
Software and services	769,369	11.34%
Utilities	348,095	5.13%
	<u>6,782,887</u>	<u>99.95%</u>

The Sub-Fund held the relevant shares comprising the CSI Hong Kong Private-owned Mainland Enterprises Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the CSI Hong Kong Private-owned Mainland Enterprises Index.

Sensitivity analysis in the event of a possible change in the index by 3% as estimated by the Manager

As at 31 December 2011, if the CSI Hong Kong Private-owned Mainland Enterprises Index had increased by 3% with all other variables held constant, this would have increased the post-tax profit for the period by approximately HK\$203,487. Conversely, if the CSI Hong Kong Private-owned Mainland Enterprises Index had decreased by 3%, this would have decreased the post-tax profit for the year by equal amounts.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 3 Financial risk management (Continued)

##### 3.1 Market risk (Continued)

###### (i) Market price risk (Continued)

###### Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker

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

	As at 31 December 2011	
	Fair value HK\$	% of Net Asset
<b>Listed equities – By sector</b>		
Automobiles and components	146,300	1.23%
Banks	3,960,310	33.19%
Capital goods	370,140	3.10%
Diversified financials	30,117	0.25%
Energy	3,319,985	27.82%
Food, beverage and tobacco	130,507	1.09%
Insurance	777,421	6.51%
Materials	213,143	1.79%
Real estate	392,833	3.29%
Retailing	134,117	1.12%
Technology hardware and equipment	134,673	1.13%
Telecommunication services	1,968,042	16.49%
Transportation	184,812	1.55%
Utilities	117,784	0.99%
	<u>11,880,184</u>	<u>99.55%</u>

The Sub-Fund held the relevant shares comprising the CSI Hong Kong State-owned Mainland Enterprises Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the CSI Hong Kong State-owned Mainland Enterprises Index.

###### Sensitivity analysis in the event of a possible change in the index by 3% as estimated by the Manager

As at 31 December 2011, if the CSI Hong Kong State-owned Mainland Enterprises Index had increased by 3% with all other variables held constant, this would have increased the post-tax profit for the period by approximately HK\$356,406. Conversely, if the CSI Hong Kong State-owned Mainland Enterprises Index had decreased by 3%, this would have decreased the post-tax profit for the year by equal amounts.

**DCI ETF TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**3 Financial risk management (Continued)**

**3.1 Market risk (Continued)**

**(ii) Interest rate risk**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

As at 31 December 2011, interest rate risk arises only from bank balances which are reset monthly. As these interest bearing assets and liabilities are short-term in nature, the Manager considers that changes in their fair value and future cash flows in the event of a change in market interest rates will not be material. Therefore no sensitivity analysis has been disclosed for these bank balances.

**(iii) Currency risk**

Currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

As the Sub-Funds did not have significant amount of monetary assets and liabilities denominated in other currencies at the end of the reporting period, the Sub-Funds are not exposed to significant currency risk.

The Manager monitors the Sub-Funds' monetary foreign exchange exposure on a daily basis.

**3.2 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-Funds.

Financial assets which potentially subject the Sub-Funds to concentrations of credit and counterparty risk consist principally of investments issued by ALP Issuers and bank balances.

The Sub-Funds limit their exposures to credit and counterparty risk by transacting the majority of their investments and contractual commitment activity with well established broker-dealers, banks and regulated exchanges with minimum credit rating of A-.

All transactions in listed investments are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of investments sold is only made once the Sub-Funds' custodians have received payment. On a purchase, payment is made once the investments have been received by the broker. If either party fails to meet their obligation, the trade will fail.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 3 Financial risk management (Continued)

##### 3.2 Credit and counterparty risk (Continued)

###### (i) Da Cheng CSI China Mainland Consumer Tracker\* (This is a synthetic ETF)

Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) is subject to credit and counterparty risk associated with each ALP Issuer and may suffer losses potentially equal to the full value of the ALPs issued by an ALP Issuer if such ALP Issuer fails to perform its obligations under the ALPs. The ALPs constitute direct, general and unsecured contractual obligations of the ALP Issuer.

The Manager has entered into securities lending arrangements with the ALP Issuers or their affiliates, i.e., Goldman Sachs International and Merrill Lynch International & Co. C.V., in order to reduce the Sub-Fund's net relative exposure to each of their banking groups accordingly.

Under the securities lending arrangement, the ALP Issuer has agreed to provide share or cash collateral to the Sub-Fund in respect of the ALPs issued. The Sub-Fund will lend ALPs to the ALP Issuer in return for share or cash collateral. The purpose of the securities lending arrangement is to reduce the Sub-Fund's net counterparty exposure to each ALP Issuer to about 10% of the net asset value.

As at 31 December 2011, there were one securities lending arrangement: an arrangement between the Sub-Fund and Merrill Lynch International & Co. C.V., under which the value of share collateral held in custody by the Trustee from Merrill Lynch International & Co. C.V. amounted to approximately HK\$80,722,230 against ALPs lent to Merrill Lynch International & Co. C.V. valued at approximately HK\$51,953,801.

As at 31 December 2010, there were two securities lending arrangements: (1) an arrangement between the Sub-Fund and Goldman Sachs International, under which the amount of share collateral held in custody by the Trustee from Goldman Sachs International amounted to approximately HK\$7,776,283 against ALPs lent to Goldman Sachs International valued at approximately HK\$8,041,887, and (2) an arrangement between the Sub-Fund and Merrill Lynch International & Co. C.V., under which the value of share collateral held in custody by the Trustee from Merrill Lynch International & Co. C.V. amounted to approximately HK\$74,159,005 against ALPs lent to Merrill Lynch International & Co. C.V. valued at approximately HK\$67,551,622.

The collateral and ALPs 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. Financial effect of the share collateral in respect of the Sub-Fund's maximum exposure to credit risk amounted to approximately HK\$57,665,210 (2010: HK\$81,935,288).

As at 31 December 2011, the percentage of financial assets at fair value through profit or loss covered by share collateral is 140% (2010: 83%).

DCI ETF TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3 Financial risk management (Continued)**

**3.2 Credit and counterparty risk (Continued)**

**(i) Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) (Continued)**

The Sub-Fund pays a fee in respect of the collateral arrangements. As at 31 December 2011, the Sub-Fund had incurred expenses of HK\$527,975 (31 December 2010: HK\$504,201) representing 0.90% of the net asset value as at 31 December 2011 (31 December 2010, representing 0.51% of the net asset value) pursuant to the securities lending arrangements.

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

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 change over time.

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 exchanges may be suspended, and during the period of suspension or upon revocation, it may not be possible to realise the relevant collateral securities. While the Manager will endeavor to use a tax efficient arrangement in respect of any collateral, there is no guarantee that such arrangement will not be challenged by the tax authorities. If such arrangement is successfully challenged, the Sub-Funds may be required to pay the requisite tax (such as stamp duties) and other penalties.

Accordingly, the value of the collateral realised may not be sufficient to cover the value of the ALPs secured by such collateral.

DCI ETF TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

3 Financial risk management (Continued)

3.2 Credit and counterparty risk (Continued)

(i) Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF)  
(Continued)

The table below sets out the net exposure of the Sub-Fund to counterparties as at 31 December 2011 and 2010 respectively together with their credit ratings of senior long-term debt by Standard & Poor's Rating Services:

	2011 Net exposure to counterparties HK\$	2010 Net exposure to counterparties HK\$
<b>Bank balances</b>		
Bank of China (Hong Kong) Limited	2,592,416	1,632,160
- Rating	A+	A-
<b>ALP issuers</b>		
Goldman Sachs International		
- Financial assets at fair value through profit or loss	-	15,578,284
- Collateral obtained	-	(7,776,283)
	<u>-</u>	<u>7,802,001</u>
- Rating	A	A
Merrill Lynch International & Co. C.V. (The guarantor is rated)		
- Financial assets at fair value through profit or loss	57,665,210	83,055,139
- Collateral obtained	(57,665,210)	(74,159,005)
	<u>-</u>	<u>8,896,134</u>
- Rating	A	A

The Manager considers that none of these assets are impaired nor past due as at 31 December 2011. (31 December 2010: Nil)

DCI ETF TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

3 Financial risk management (Continued)

3.2 Credit and counterparty risk (Continued)

(ii) Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker

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

	2011 Net exposure to counterparties HK\$
<b>Bank balances</b>	
Bank of China (Hong Kong) Limited	313,501
- Rating	A+

The maximum exposure to credit risk at 31 December 2011 is the carrying amount of the assets as shown on the statement of financial position, excluding listed equities.

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

(iii) Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker

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

	2011 Net exposure to counterparties HK\$
<b>Bank balances</b>	
Bank of China (Hong Kong) Limited	372,442
- Rating	A+

The maximum exposure to credit risk at 31 December 2011 is the carrying amount of the assets as shown on the statement of financial position, excluding listed equities.

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

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 3 Financial risk management (Continued)

##### 3.3 Liquidity risk

Liquidity risk is the risk that the Sub-Funds 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, all of the Sub-Funds' non-derivative financial assets and liabilities have contractual maturities not later than one month (31 December 2010: Not later than one month for all of the Sub-Funds). As at 31 December 2011, each Sub-Fund held liquid assets, comprising bank balances and prepayments and other receivables that are expected to readily generate cash inflows for managing liquidity risk.

Da Cheng CSI China Mainland Consumer Tracker\* (This is a synthetic ETF) holds ALPs which do not have an active market. However, transactions with participating dealers are generally in-kind and where a participating dealer subscribes or redeems in cash, such transactions would be effected with an ALP Issuer nominated by the participating dealer.

Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker and Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker invest the majority of their assets in investments that are traded in active markets and can be readily disposed of.

##### 3.4 Fair value estimation

The Sub-Funds adopted the amendment to IFRS 7, which requires the Sub-Funds 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Sub-Funds. The Sub-Funds consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

**DCI ETF TRUST**
**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**
**3 Financial risk management (Continued)**
**3.4 Fair value estimation (Continued)**

The following tables analyse within the fair value hierarchy the Sub-Funds' financial assets (by class) measured at fair value at 31 December:

*Da Cheng CSI China Mainland Consumer Tracker\* (This is a synthetic ETF)*

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>31 December 2011</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- ALPs	-	-	57,665,210	57,665,210
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>31 December 2010</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- ALPs	-	-	98,633,423	98,633,423
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

*Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker*

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>31 December 2011</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Equity Securities	6,782,887	-	-	6,782,887
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

*Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker*

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>31 December 2011</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Equity Securities	11,880,184	-	-	11,880,184
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

Investment whose values are based on quoted market prices in active markets are classified within level 1. The Sub-Funds do not adjust the quoted price for these instruments.

Investments that trade in markets that are not considered to be active and are priced by the market maker supported by observable inputs are classified within level 2.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 3 Financial risk management (Continued)

##### 3.4 Fair value estimation (Continued)

Investments that trade in markets that are not considered to be active and are priced by the market maker based on unobservable inputs are classified within level 3. The level 3 investments included ALPs held by Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) which can only be traded with the relevant ALP Issuers. The value of each ALP is derived from the quoted market prices of the relevant underlying security, adjusted for the expected amount payable to the issuer in respect of potential capital gains tax (if any) which could vary as described in note 4 below.

For the ALPs, if the quoted market prices of the relevant underlying security was increased or decreased by 5%, this would have result in an increase or decrease in value of HK\$2,883,261 (2010: HK\$4,931,671).

The following table presents the movement in level 3 instruments held by Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) for the year ended 31 December 2011 by class of financial instrument.

	ALPs	
	2011 HK\$	2010 HK\$
Opening balance	98,633,423	-
Purchases	16,510,808	140,925,146
Sales	(45,536,692)	(75,668,722)
Net (loss) / gain on investments	(11,942,329)	33,376,999
Closing balance	<u>57,665,210</u>	<u>98,633,423</u>
Total( losses) / gains for the year included in the statement of comprehensive income for assets held at the end of the year	<u>(17,946,741)</u>	<u>19,347,530</u>

##### 3.5 Capital risk management

The Sub-Funds' capital is represented by the redeemable units outstanding. The Sub-Funds' objective is to provide investment results that correspond generally to the performance of the respective indices. The Manager may:

- Redeem and issue new units in accordance with the constitutive documents of the Sub-Funds;
- Exercise discretion when determining the amount of distributions of the Sub-Funds to the unitholders; and
- Suspend the creation and redemption of units under certain circumstances stipulated in the prospectuses.

The Sub-Funds do not have any internally and externally imposed capital requirements and therefore the Sub-Funds are not subject to significant capital risk.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 4 Critical accounting estimates, assumptions and management judgements

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

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition, the Management makes judgements in applying accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### 4.1 Functional currency

Management considers the Hong Kong dollar 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-Funds measure their performance and reports their results, as well as the currency in which the Sub-Funds determine the net asset value per unit at the time of issue or redemption. This determination also considers that the Sub-Funds are listed on The Stock Exchange of Hong Kong Limited and their shares are quoted in Hong Kong dollar.

##### 4.2 Taxation

In preparing these financial statements, 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.

##### *Da Cheng CSI China Mainland Consumer Tracker\* (This is a synthetic ETF)*

The Sub-Fund does not invest directly in A Shares but instead gains access to the A-Share market by investing into ALPs, which are derivative instruments linked to an A Share or the Index issued by one of more Qualified Foreign Institutional Investors (“QFIIs”) or their affiliates (“ALP Issuers”). An ALP represents only an obligation of each ALP Issuer to provide the economic performance equivalent to holding the underlying A Shares. Under the general taxing provision of PRC corporate tax law, a 10% withholding tax may be payable on the gains derived from the sale of A Shares by QFIIs. 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 to this tax risk. The Manager believes that presently there are insufficient grounds to reasonably justify making an adjustment for potential tax on gains on A Shares in determining the fair value of the ALPs as at 31 December 2011 as the Manager considers that:

- (a) it is uncertain whether the PRC will enforce tax on QFII gains;
- (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 QFIIs may benefit from tax treaties; and
- (c) at present, uncertainty remains as to the obligations of the Sub-Fund to bear such tax.

Any adverse change in taxation imposed on QFIIs is likely to have a subsequent impact on the fair value of the ALPs and accordingly the net assets attributable to unitholders of the Sub-Fund. The Manager estimates, on the basis of information provided by the ALP Issuers and the Trustee, the unrealised gains and realised gains which could be exposed to PRC taxation at the rate of 10% as at 31 December 2011 to be approximately HK\$791,905 (2010:HK\$1,663,281) and approximately HK\$3,695,272 (2010:HK\$1,971,032) respectively.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 4 Critical accounting estimates, assumptions and management judgements (Continued)

##### 4.2 Taxation (Continued)

As at 31 December 2011, withholding tax of HK\$304,145 (2010: HK\$155,916) arising from realised gains of HK\$3,041,448 (2010: HK\$1,559,160) was withheld by the ALP Issuers.

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.

##### Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker

The Sub-Fund invests in shares of companies in People's Republic of China ("PRC") listed on overseas stock exchanges including the H-shares listed in Hong Kong on the SEHK ("H-shares"). Under the PRC Corporate Income Tax Law, the Sub-Fund may be liable to pay PRC tax on the capital gains realised in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Manager believes that the Sub-Fund can sustain a position for filling a tax return based on the existing tax regulations and that the enforcement of PRC tax on capital gains is not probable.

##### Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker

The Sub-Fund invests in shares of companies in People's Republic of China ("PRC") listed on overseas stock exchanges including the H-shares listed in Hong Kong on the SEHK ("H-shares"). Under the PRC Corporate Income Tax Law, the Sub-Fund may be liable to pay PRC tax on the capital gains realised in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Manager believes that the Sub-Fund can sustain a position for filling a tax return based on the existing tax regulations and that the enforcement of PRC tax on capital gains is not probable.

#### 5 Net assets attributable to unitholders

Redeemable units of the Sub-Funds, which are represented by assets less liabilities, are classified as equity and accounted for in accordance with IFRS (the "Accounting NAV"). For the purpose of determining the net asset value per unit for subscriptions and redemptions and for various fee calculations (the "Dealing NAV"), the Trustee calculates the Dealing NAV in accordance with the provisions of the Sub-Fund's Trust Deed, which may be different from the accounting policies under IFRS.

	Da Cheng CSI China Mainland Consumer Tracker <sup>*</sup> (* This is a synthetic ETF)	
	2011 HK\$	2010 HK\$
Accounting NAV as reported in the statement of financial position	58,954,628	98,828,868
Difference between bid market prices and official closing prices in valuing listed investments (Note a)	77,643	39,483
Dealing NAV	<u>59,032,271</u>	<u>98,868,351</u>

**DCI ETF TRUST**
**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2011**
**5 Net assets attributable to unitholders (Continued)**

	Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker 2011 HK\$	Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker 2011 HK\$
Accounting NAV as reported in the statement of financial position	6,786,362	11,933,869
Difference between bid market prices and official closing prices in valuing listed investments (Note a)	21,037	16,611
Dealing NAV	<u>6,807,399</u>	<u>11,950,480</u>

Note a: Investments that are listed or traded on an exchange and investments with prices quoted by market makers are stated at the official closing prices for the purpose of the Dealing NAV. The accounting policy of the Sub-Funds for the purpose of compliance with IAS 39 - "Financial Instruments: Recognition and Measurements" and for reporting purpose is to value its investments at the relevant bid market prices at the end of the reporting period. Bid market prices for investments in ALPs are made reference to the bid market prices of the corresponding A-Shares of PRC companies linked.

**6 Movement of the redeemable units**

The movements of the redeemable units are as follows:

	Da Cheng CSI China Mainland Consumer Tracker <sup>†</sup> (This is a synthetic ETF)	Period from 15 July 2010 (date of commencement of operations) to 31 December 2010
Units in issue at the beginning of the period	9,000,000	
Issue of units	-	16,000,000
Redemption of units	(2,500,000)	(7,000,000)
Units in issue at the end of the period	<u>6,500,000</u>	<u>9,000,000</u>
Net assets attributable to unitholders (Dealing NAV)	<u>HK\$59,032,271</u>	<u>HK\$98,868,351</u>
Net assets attributable to unitholders (Dealing NAV) per unit	<u>HK\$9.08</u>	<u>HK\$10.99</u>

DCI ETF TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

6 Movement of the redeemable units (Continued)

	Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker <u>Period from</u> 20 December 2010 (date of commencement of operations) to 31 December 2011	Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker <u>Period from</u> 20 December 2010 (date of commencement of operations) to 31 December 2011
Units in issue at the beginning of the period	-	-
Issue of units	26,500,000	17,500,000
Redemption of units	(25,500,000)	(16,000,000)
	<u>1,000,000</u>	<u>1,500,000</u>
Units in issue at the end of the period		
Net assets attributable to unitholders (Dealing NAV)	<u>HK\$6,807,399</u>	<u>HK\$11,950,480</u>
Net assets attributable to unitholders (Dealing NAV) per unit	<u>HK\$6.81</u>	<u>HK\$7.97</u>

7 Net (loss) / gain on investments

	Da Cheng CSI China Mainland Consumer Tracker <sup>†</sup> (This is a synthetic ETF) <u>Period from</u> 15 July 2010 (date of commencement of operations) to 31 December 2010 HK\$	<u>Period from</u> 15 July 2010 (date of commencement of operations) to 31 December 2010 HK\$
Net realised gain on financial assets at fair value through profit or loss	6,004,412	14,029,469
Net fair value change in unrealised (loss) / gain on financial assets at fair value through profit or loss	(17,946,741)	19,347,530
	<u>(11,942,329)</u>	<u>33,376,999</u>

**DCI ETF TRUST**
**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2011**
**7 Net (loss) / gain on investments (Continued)**

	Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker	Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker
	Period from 20 December 2010 (date of commencement of operations) to 31 December 2011 HK\$	Period from 20 December 2010 (date of commencement of operations) to 31 December 2011 HK\$
Net realised loss on financial assets at fair value through profit or loss	(9,089,006)	(6,813,898)
Net fair value change in unrealised loss on financial assets at fair value through profit or loss	(2,390,837)	(2,486,116)
	<u>(11,479,843)</u>	<u>(9,300,014)</u>

**8 Taxation**

No provision for Hong Kong profits tax has been made as the Sub-Funds were authorised as collective investment schemes under Section 104 of the Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Inland Revenue Ordinance.

*PRC Withholding Tax*

The investments of Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) in the A Shares of PRC listed companies are held through the ALPs issued by one or more QFIs or their affiliates. A 10% withholding tax is withheld by QFIs/ALP Issuers on all PRC sourced dividends. A 10% withholding tax may also be payable on gains derived from sale of A Shares by QFIs as described in Note 4 above.

A 10% withholding tax on dividend income is withheld by brokers on all PRC sourced dividend income from investments of Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker and Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker in H-shares.

**9 Transactions with the Trustee, Manager and connected persons**

The following is a summary of significant related party transactions/transactions entered into during the period between the Sub-Funds and the Trustee, the Manager and their connected persons. Connected persons of the Manager are those defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC code"). All transactions entered into during the period between the Sub-Funds 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 the Manager's knowledge, the Sub-Funds do not have any other transactions with connected persons except for transactions disclosed below.

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 9 Transactions with the Trustee, Manager and connected persons (Continued)

##### 9.1 Management fee

###### Da Cheng CSI China Mainland Consumer Tracker\* (This is a synthetic ETF)

The Manager is entitled to receive a management fee, currently at the annual rate of 0.99% of the net asset value of the Sub-Fund. The fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

The Trustee fee, registrar fee and Index licensing fee of the Sub-Fund, totalling HK\$936,682, are paid by the Manager.

###### Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker

The Manager is entitled to receive a management fee, currently at the annual rate of 0.60% of the net asset value of the Sub-Fund. The fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

###### Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker

The Manager is entitled to receive a management fee, currently at the annual rate of 0.60% of the net asset value of the Sub-Fund. The fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

##### 9.2 ALP maintenance charge

###### Da Cheng CSI China Mainland Consumer Tracker\* (This is a synthetic ETF)

The ALP Issuers are entitled to an ALP maintenance charge out of the distribution payable under the ALPs at 0.4% per annum of the daily mark to market value of the ALPs issued by the relevant ALP Issuer held by the Sub-Fund, payable at the end of each quarter based on the period's number of actual days. As at 31 December 2011, the relevant ALP Issuer is Merrill Lynch International & Co. C.V.

**DCI ETF TRUST**
**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2011**
**9 Transactions with the Trustee, Manager and connected persons (Continued)**
**9.3 Transaction costs on investment**
*Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF)*

The ALP Issuers charge a 0.3% commission (excluding stamp duty) on each purchase and sale of each ALP acquired for the account of the Sub-Fund. The ALP Commission is an expense borne by the Sub-Fund. The ALP Commission will be adjusted for any stamp duty on the sale and purchase of A Shares, currently at 0.1% per cent on the sale of A Shares.

The ALP commission may be increased generally or in respect of specific ALP Issuers or transaction.

*Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker*

The brokers charge a 0.08% commission (excluding stamp duty) on each purchase and sale of each security acquired for the account of the Sub-Fund. The commission is an expense borne by the Sub-Fund.

*Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker*

The brokers charge a 0.08% commission (excluding stamp duty) on each purchase and sale of each security acquired for the account of the Sub-Fund. The commission is an expense borne by the Sub-Fund.

**9.4 Bank balances**

Bank balances are maintained with group companies of the Trustee, which carry interest at normal commercial rates. Bank balances held with the group companies of the Trustee as at 31 December were as follows:

<b>Sub-Funds</b>	As at 31 December 2011 HK\$	As at 31 December 2010 HK\$
Da Cheng CSI China Mainland Consumer Tracker* (*This is a synthetic ETF)	2,592,416	1,632,160
Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker	313,501	-
Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker	372,442	-
	<u>          </u>	<u>          </u>

## DCI ETF TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 9 Transactions with the Trustee, Manager and connected persons (Continued)

##### 9.5 Investment balances

Investment balances are maintained with group companies of the Trustee. Investment balances held with the group companies of the Trustee as at 31 December were as follows:

<b>Sub-Funds</b>	As at 31 December 2011 HK\$	As at 31 December 2010 HK\$
Da Cheng CSI China Mainland Consumer Tracker* (*This is a synthetic ETF)	57,665,210	98,633,423
Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker	6,782,887	-
Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker	11,880,184	-
	<u>                    </u>	<u>                    </u>

#### 10 Major non-cash transactions

##### 10.1 Subscriptions

###### Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF)

No subscription for the Sub-Fund during the year ended 31 December 2011 (2010 (since inception): all units issued were through in kind creation and the Sub-Fund issued 16,000,000 units in exchange for baskets consisting of investments valued at a total of HK\$138,020,239 plus the relevant cash component included in the statement of cash flows).

###### Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker

During the period, all units issued were through in kind creation and the Sub-Fund issued 26,500,000 units in exchange for baskets consisting of investments valued at a total of HK\$256,026,012 plus the relevant cash component.

###### Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker

During the period, all units issued were through in kind creation and the Sub-Fund issued 17,500,000 units in exchange for baskets consisting of investments valued at a total of HK\$163,233,031 plus the relevant cash component.

##### 10.2 Redemptions

###### Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF)

During the year ended 31 December 2011, 2,500,000 units (2010 (since inception): 7,000,000 units) of the Sub-Fund were redeemed in exchange for baskets consisting of investments valued at a total of HK\$25,158,473 (2010 (since inception): HK\$74,298,561) plus the relevant cash component included in the statement of cash flows.

###### Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker

During the period, 25,500,000 units of the Sub-Fund were redeemed in exchange for baskets consisting of investments valued at a total of HK\$245,150,099 plus the relevant cash component.

**DCI ETF TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**10 Major non-cash transactions (Continued)**

**10.2 Redemptions (Continued)**

*Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker*

During the period, 16,000,000 units of the Sub-Fund were redeemed in exchange for baskets consisting of investments valued at a total of HK\$152,372,369 plus the relevant cash component.

**11 Soft commission arrangements**

The Manager confirms that there have been no soft commission arrangements existing during the period in relation to directing transactions of the Sub-Funds through a broker or dealer.

**12 Investment limitation and prohibitions under the SFC code**

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Trade Funds (the "ETF Guidelines"), the Manager is permitted to overweight the holdings of Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF), Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker, and Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker relative to their respective weightings in their respective indices, on the condition that the maximum extra weighting in any constituent will not exceed 4%, 2.5% and 2.5% respectively.

The Manager and Trustee have confirmed that the Sub-Funds have complied with this limit during the period.

There was one ALP (2010: Nil) that accounted for more than 10% of the net asset value of Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) as at 31 December 2011.

There was no constituent stock that accounted for more than 10% of the net asset value of Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker as at 31 December 2011.

There was one constituent stock that accounted for more than 10% of the net asset value of Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker as at 31 December 2011.

During the year ended 31 December 2011, the Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) decreased by 40% (2010 (since inception): decreased by 31%), while the NAV per unit of the Da Cheng CSI China Mainland Consumer Tracker\* (\*This is a synthetic ETF) decreased by 17% (2010 (since inception): increased by 22%).

During the period from 20 December 2010 (date of commencement of operations) to 31 December 2011, the Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker decreased by 97% since its initial subscription of HK\$265,060,000 on 20 December 2010, while the NAV per unit of the Da Cheng CSI Hong Kong Private-owned Mainland Enterprises Tracker decreased by 29%.

During the period from 20 December 2010 (date of commencement of operations) to 31 December 2011, the Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker decreased by 93% since its initial subscription of HK\$174,870,000 on 20 December 2010, while the NAV per unit of the Da Cheng CSI Hong Kong State-owned Mainland Enterprises Tracker decreased by 18%.

## **DCI ETF TRUST**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **13 Segment information**

The Manager makes the strategic resource allocations on behalf of the Sub-Funds 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 objective of the Sub-Funds are to track the performance of their respective indices and invest in substantially all the index constituents with security weight and industry weight that are closely aligned to the characteristics of the tracked indices.

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

The Sub-Funds are domiciled in Hong Kong. All of the Sub-Funds' income is from investments in securities which constitute the relevant tracked indices. The Sub-Funds' investments have been categorised by relevant geography.

The Sub-Funds have no assets classified as non-current assets. The Sub-Funds have portfolios that closely correspond to the security weight and industry weight of the relevant tracked indices.

#### **14 Approval of the financial statements**

The financial statements were approved by the Manager and the Trustee on 27 April 2012.

**DCI ETF TRUST**
**DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER\* (\*THIS IS A SYNTHETIC ETF)  
 (A SUB-FUND OF DCI ETF TRUST)**
**INVESTMENT PORTFOLIO (UNAUDITED)  
 AS AT 31 DECEMBER 2011**

	Holdings	Fair value HK\$	% of Net assets
<b>Investments (97.81%)</b>			
<b>China (97.81%)</b>			
<b>ALPs issued by Merrill Lynch International &amp; Co. C.V. (97.81%)</b>			
Anhui Jianghuai Automobile Co Ltd	61,795	449,471	0.76%
Beijing Dabeinong Technology Group Co Ltd	5,458	216,541	0.37%
Beijing Gehua CATV Network Co Ltd	43,549	425,543	0.72%
Beijing Wangfujing Department Store Co Ltd	17,368	684,807	1.16%
Beijing Yanjing Brewery Co Ltd	41,465	680,376	1.15%
Beiqi Foton Motor Co Ltd	86,692	615,700	1.04%
China Hainan Rubber Industry Group Co Ltd	53,834	448,258	0.76%
China International Travel Service Co Ltd	18,129	582,283	0.99%
China South Publishing & Media Group Co Ltd	36,934	408,844	0.69%
Chongqing Brewery Co Ltd	19,913	693,715	1.18%
Chongqing Changan Automobile Co Ltd	128,775	596,054	1.01%
CITIC Guoan Information Industry Co Ltd	64,432	527,825	0.90%
Cofco Tunhe Co Ltd	34,445	252,226	0.43%
Dalian Zhangzidao Fishery Group Co Ltd	14,658	440,645	0.75%
Dashang Co Ltd	20,094	814,436	1.38%
FAW Car Co Ltd	55,775	604,429	1.03%
Fuyao Group Glass Industries Co Ltd	96,109	942,668	1.60%
Gree Electric Appliances Inc of Zhuhai	135,189	2,857,225	4.85%
Guangdong Midea Electric Appliances Co Ltd	139,130	2,085,281	3.54%
Haining China Leather Market Co Ltd	15,348	425,115	0.72%
Heilongjiang Agriculture Co Ltd	48,770	516,572	0.88%
Henan Shuanghui Investment & Development Co Ltd	20,716	1,774,418	3.01%
Huayu Automotive Systems Co Ltd	70,830	803,139	1.36%
Inner Mongolia Yili Industrial Group Co Ltd	109,598	2,748,495	4.66%
Jiangsu Yanghe Brewery Joint-Stock Co Ltd	18,492	2,919,897	4.95%
Jihua Group Co Ltd	79,344	330,336	0.56%
Jointown Pharmaceutical Group Co Ltd	19,516	248,773	0.42%
Kweichow Moutai Co Ltd	28,493	6,698,524	11.35%
Luzhou Lao Jiao Co Ltd	47,809	2,183,054	3.70%
New Hope Liuhe Co Ltd	27,422	562,104	0.95%
Qingdao Haier Co Ltd	110,138	1,200,299	2.04%
SAIC Motor Co Ltd	126,632	2,192,579	3.72%

**DCI ETF TRUST**

**DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER\* (\*THIS IS A SYNTHETIC ETF)  
(A SUB-FUND OF DCI ETF TRUST)**

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2011**

	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of Net Assets</b>
<b>Investments (97.81%) (Continued)</b>			
<b>China (97.81%) (Continued)</b>			
<b>ALPs issued by Merrill Lynch International &amp; Co. C.V. (97.81%) (Continued)</b>			
Shanghai Friendship Group Incorporated Co	36,838	516,492	0.88%
Shanghai Oriental Pearl (Group) Co Ltd	109,128	706,894	1.20%
Shanghai Pharmaceuticals Co Ltd	65,859	892,740	1.51%
Shanghai Yuyuan Tourist Mart Co Ltd	78,811	806,781	1.37%
Shanxi Xinghuacun Fen Wine Factory Co Ltd	8,884	687,524	1.17%
Shenzhen Agricultural Products Co Ltd	36,869	503,383	0.85%
Shenzhen Overseas Chinese Town Co Ltd	191,674	1,673,459	2.84%
Suning Appliance Co Ltd	287,608	2,965,346	5.03%
TCL Corporation	348,506	780,951	1.32%
Tianjin Faw Xiali Automobile Co Ltd	32,817	245,127	0.42%
Tsingtao Brewery Co Ltd	23,894	979,865	1.66%
Wanxiang Qianchao Co Ltd	54,630	377,957	0.64%
Weifu High-Technology Group Co Ltd	24,796	1,089,423	1.85%
Wuliangye Yibin Co Ltd	130,107	5,224,015	8.86%
Yantai Changyu Pioneer Wine Co Ltd	7,200	951,121	1.61%
Yonghui Superstores Co Ltd	10,486	387,132	0.66%
Youngor Group Co Ltd	91,533	1,052,460	1.79%
Zhejiang China Commodities City Group Co Ltd	93,218	894,908	1.52%
		<u>57,665,210</u>	<u>97.81%</u>
		-----	-----
Total investments		57,665,210	97.81%
Other net assets		<u>1,289,418</u>	<u>2.19%</u>
Net assets as at 31 December 2011		<u><u>58,954,628</u></u>	<u><u>100%</u></u>
		-----	
Total investments, at cost		<u><u>56,297,083</u></u>	

**DCI ETF TRUST**
**DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER\* (\*THIS IS A SYNTHETIC ETF)  
 (A SUB-FUND OF DCI ETF TRUST)**
**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)  
 FOR THE YEAR ENDED 31 DECEMBER 2011**

	Holdings				31 December 2011
	1 January 2011	Additions	Corporate action	Disposals	
<b>Investments</b>					
<b>China</b>					
<b>ALPs issued by Merrill Lynch International &amp; Co. C.V</b>					
Anhui Jianghuai Automobile Co Ltd	72,375	-	-	(10,580)	61,795
Anhui Xinhua Media Co Ltd	8,250	-	-	(8,250)	-
Beijing Dabeinong Technology Group Co Ltd	-	6,300	-	(842)	5,458
Beijing Gehua CATV Network Co Ltd	59,535	-	-	(15,986)	43,549
Beijing Wangfujing Department Store Co Ltd	-	19,800	-	(2,432)	17,368
Beijing Yanjing Brewery Co Ltd	56,625	-	-	(15,160)	41,465
Beiqi Foton Motor Co Ltd	600,000	-	-	(513,308)	86,692
China Hainan Rubber Industry Group Co Ltd	-	62,100	-	(8,266)	53,834
China International Travel Service Co Ltd	24,705	-	-	(6,576)	18,129
China National Medicines Corp Ltd	26,865	-	-	(26,865)	-
China South Publishing & Media Group Co Ltd	-	42,600	-	(5,666)	36,934
Chongqing Brewery Co Ltd	27,165	-	-	(7,252)	19,913
Chongqing Changan Automobile Co Ltd	64,725	83,820	-	(19,770)	128,775
CITIC Guoan Information Industry Co Ltd	88,020	-	-	(23,588)	64,432
Cofco Tunhe Co Ltd	47,025	-	-	(12,580)	34,445
Dalian Zhangzidao Fishery Group Co Ltd	-	16,900	-	(2,242)	14,658
Dashang Co Ltd	27,480	-	-	(7,386)	20,094
Dongfeng Automobile Co Ltd	74,910	-	-	(74,910)	-
Double Coin Holdings Ltd	5,280	-	-	(5,280)	-
FAW Car Co Ltd	76,125	-	-	(20,350)	55,775
Fuyao Group Glass Industries Co Ltd	131,145	-	-	(35,036)	96,109

## DCI ETF TRUST

### DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER\* (\*THIS IS A SYNTHETIC ETF) (A SUB-FUND OF DCI ETF TRUST)

#### STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)(CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

	Holdings				31 December 2011
	1 January 2011	Additions	Corporate action	Disposals	
<b>Investments (Continued)</b>					
<b>China (Continued)</b>					
<b>ALPs issued by Merrill Lynch International &amp; Co. C.V (Continued)</b>					
Gree Electric Appliances Inc of Zhuhai Guangdong Midea Electric Appliances Co Ltd	184,253 175,170	- -	- -	(49,064) (36,040)	135,189 139,130
Haining China Leather Market Co Ltd	-	17,700	-	(2,352)	15,348
Heilongjiang Agriculture Co Ltd	66,540	-	-	(17,770)	48,770
Henan Shuanghui Investment & Development Co Ltd	25,000	-	-	(4,284)	20,716
Hisense Electric Co Ltd	40,560	-	-	(40,560)	-
Huayu Automotive Systems Co Ltd	96,690	-	-	(25,860)	70,830
Inner Mongolia Yili Industrial Group Co Ltd	-	126,400	-	(16,802)	109,598
Jiangling Motors Corp Ltd	19,440	-	-	(19,440)	-
Jiangsu Sunshine Co Ltd	116,805	-	-	(116,805)	-
Jiangsu Yanghe Brewery Joint-Stock Co Ltd	4,215	17,115	-	(2,838)	18,492
Jihua Group Co Ltd	-	91,500	-	(12,156)	79,344
Jointown Pharmaceutical Group Co Ltd	-	22,500	-	(2,984)	19,516
Joyoung Co Ltd	21,360	-	-	(21,360)	-
Kweichow Moutai Co Ltd	35,325	-	-	(6,832)	28,493
Luzhou Lao Jiao Co Ltd	62,235	-	-	(14,426)	47,809
New Hope Liuhe Co Ltd	-	32,900	-	(5,478)	27,422
Orient Group Incorporation	124,800	-	-	(124,800)	-
Qingdao Haier Co Ltd	75,135	51,935	-	(16,932)	110,138
SAIC Motor Co Ltd	239,160	-	-	(112,528)	126,632
Shanghai Bailian Group	61,800	-	-	(61,800)	-
Shanghai Friendship Group Incorporated Co	-	44,944	-	(8,106)	36,838
Shanghai Jahwa United Co Ltd	23,745	-	-	(23,745)	-
Shanghai Jinjiang International Hotels Development Co Ltd	16,725	-	-	(16,725)	-
Shanghai Oriental Pearl (Group) Co Ltd	149,070	-	-	(39,942)	109,128
Shanghai Pharmaceuticals Co Ltd	74,565	1,400	-	(10,106)	65,859
Shanghai Yuyuan Tourist Mart Co Ltd	107,595	-	-	(28,784)	78,811
Shanxi Xinghuacun Fen Wine Factory Co Ltd	12,150	-	-	(3,266)	8,884
Shenzhen Agricultural Products Co Ltd	50,325	-	-	(13,456)	36,869

**DCI ETF TRUST**
**DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER\* (\*THIS IS A SYNTHETIC ETF)  
 (A SUB-FUND OF DCI ETF TRUST)**
**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)(CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2011**

	Holdings				31 December 2011
	1 January 2011	Additions	Corporate action	Disposals	
<b>Investments (Continued)</b>					
<b>China (Continued)</b>					
<b>ALPs issued by Merrill Lynch International &amp; Co. C.V (Continued)</b>					
Shenzhen Overseas Chinese Town Co Ltd	145,380	57,384	-	(11,090)	191,674
Sichuan Changhong Electric Co Ltd	186,480	-	42,645	(229,125)	-
Suning Appliance Co Ltd	392,730	-	-	(105,122)	287,608
TCL Corporation	237,885	164,085	-	(53,464)	348,506
Tianjin Faw Xiali Automobile Co Ltd	44,745	-	-	(11,928)	32,817
Tsingtao Brewery Co Ltd	32,550	-	-	(8,656)	23,894
V V Food & Beverage Co Ltd	78,255	-	-	(78,255)	-
Wanxiang Qianchao Co Ltd	-	63,000	-	(8,370)	54,630
Weifu High-Technology Group Co Ltd	-	28,600	-	(3,804)	24,796
Wuliangye Yibin Co Ltd	177,555	-	-	(47,448)	130,107
Xinjiang Guannong Fruit & Antler Co Ltd	16,935	-	-	(16,935)	-
Yantai Changyu Pioneer Wine Co Ltd	-	8,300	-	(1,100)	7,200
Yonghui Superstores Co Ltd	-	12,100	-	(1,614)	10,486
Youngor Group Co Ltd	104,175	1,400	-	(14,042)	91,533
Zhejiang China Commodities City Group Co Ltd	63,660	43,860	-	(14,302)	93,218

**DCI ETF TRUST**

**DA CHENG CSI CHINA MAINLAND CONSUMER TRACKER\* (\*THIS IS A SYNTHETIC ETF)  
(A SUB-FUND OF DCI ETF TRUST)**

**PERFORMANCE RECORD (UNAUDITED)  
AS AT 31 DECEMBER 2011**

**Net asset value**

	Net asset value per unit HK\$	Net asset value of the Sub-Fund HK\$
At end of financial period dated		
31 December 2011	9.08	59,032,271
31 December 2010	10.99	98,868,351

**Highest and lowest net asset value per unit**

	Highest net asset value HK\$	Lowest net asset value per unit HK\$
Financial period ended		
31 December 2011	11.65	8.86
31 December 2010 (since inception)	12.34	8.86

**DCI ETF TRUST**
**DA CHENG CSI HONG KONG PRIVATE-OWNED MAINLAND ENTERPRISES TRACKER  
 (A SUB-FUND OF DCI ETF TRUST)**
**INVESTMENT PORTFOLIO (UNAUDITED)  
 AS AT 31 DECEMBER 2011**

	Holdings	Fair value HK\$	% of Net assets
<b>Investments (99.95%)</b>			
<b>Hong Kong (99.95%)</b>			
<b>Listed Equities (99.95%)</b>			
Agile Property Hldgs Ltd	14,169	98,475	1.45%
Alibaba com Ltd	15,480	123,685	1.82%
Anta Sports Products Ltd	10,177	93,934	1.38%
Belle Intl Hldgs Ltd	47,528	641,628	9.45%
Bosideng Intl Hldgs Ltd	26,336	57,676	0.85%
BYD Co Ltd	5,661	94,765	1.40%
Chaoda Modern Agriculture (Hldgs) Ltd	30,271	33,298	0.49%
China Dongxiang (Group) Co Ltd	30,216	39,281	0.58%
China High Speed Transmission Equipment	9,597	32,630	0.48%
China Minsheng Bank Corp Ltd	42,099	282,484	4.16%
China Rongsheng Heavy Industries Group Hldgs Ltd	35,691	76,022	1.12%
China Yurun Food Group Ltd.	14,808	150,745	2.22%
China Zhongwang Hldgs Ltd	16,534	43,815	0.65%
ENN Energy Hldgs Ltd	7,203	178,274	2.63%
Evergrande Real Estate Group Ltd	61,207	197,087	2.90%
GCL Poly Energy Hldgs Ltd	78,986	169,820	2.50%
Geely Auto Hldgs Ltd	37,997	64,595	0.95%
Glorious Property Hldgs Ltd	31,796	43,243	0.64%
Golden Eagle Retail Group Ltd	8,077	132,463	1.95%
Gome Electrical Appliances Hldgs Ltd	103,058	184,474	2.72%
Hengan Intl Group Co Ltd	8,037	581,477	8.57%
Hopson Development Hldgs Ltd	7,152	28,751	0.42%
Huabao Intl Hldgs Ltd	1,698	6,690	0.10%
KWG Property Hldgs Ltd	14,758	38,518	0.57%
Li Ning Co Ltd	7,525	46,354	0.68%
Longfor Properties Co Ltd	15,772	137,690	2.03%
Nine Dragons Paper Hldgs Ltd	20,322	99,171	1.46%
Parkson Retail Group Ltd	15,229	144,219	2.13%
Ping An Insurance Group Co of China Ltd	11,399	582,489	8.58%
Renhe Commercial Hldgs Co Ltd	130,750	116,368	1.71%
Sany Heavy Equipment Int'l Hldgs Co Ltd	9,520	59,976	0.88%

**DCI ETF TRUST****DA CHENG CSI HONG KONG PRIVATE-OWNED MAINLAND ENTERPRISES TRACKER  
(A SUB-FUND OF DCI ETF TRUST)****INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2011**

	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of Net assets</b>
<b>Investments (99.95%) (Continued)</b>			
<b>Hong Kong (99.95%) (Continued)</b>			
<b>Listed Equities (99.95%) (Continued)</b>			
Shimao Property Hldgs Ltd	18,103	119,299	1.76%
Shougang Fushan Resources Group Ltd	32,934	85,628	1.26%
Shui On Land Ltd	26,572	62,444	0.92%
Sihuan Pharmaceutical Hldgs Group Ltd	13,626	37,335	0.55%
Soho China Ltd	21,173	109,041	1.61%
Tencent Hldgs Ltd	4,139	645,683	9.51%
Tingyi (Cayman Islands) Hldgs Corp	22,002	519,247	7.65%
Want Want China Hldgs Ltd	74,362	574,075	8.47%
Zhongsheng Group Hldgs Ltd	3,891	50,038	0.75%
		<u>6,782,887</u>	<u>99.95%</u>
		-----	-----
Total investments		6,782,887	99.95%
Other net assets		3,475	0.05%
Net assets as at 31 December 2011		<u>6,786,362</u>	<u>100%</u>
Total investments, at cost		<u>9,266,873</u>	

**DCI ETF TRUST**
**DA CHENG CSI HONG KONG PRIVATE-OWNED MAINLAND ENTERPRISES TRACKER  
 (A SUB-FUND OF DCI ETF TRUST)**
**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)  
 FOR THE PERIOD FROM 20 DECEMBER 2010 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
 31 DECEMBER 2011**

	Holdings				31 December 2011
	20 December 2010	Additions	Corporate action	Disposals	
<b>Investments</b>					
<b>Hong Kong</b>					
<b>Listed Equities</b>					
Agile Property Hldgs Ltd	-	421,547	-	(407,378)	14,169
Alibaba com Ltd	-	448,820	-	(433,340)	15,480
Anta Sports Products Ltd	-	295,073	-	(284,896)	10,177
Belle Intl Hldgs Ltd	-	1,500,805	-	(1,453,277)	47,528
Bosideng Intl Hldgs Ltd	-	670,288	-	(643,952)	26,336
BYD Co Ltd	-	163,977	-	(158,316)	5,661
Chaoda Modern Agriculture (Hldgs) Ltd	-	931,149	-	(900,878)	30,271
China Dongxiang (Group) Co Ltd	-	956,125	-	(925,909)	30,216
China High Speed Transmission Equipment	-	322,510	-	(312,913)	9,597
China Minsheng Bank Corp Ltd	-	1,224,457	-	(1,182,358)	42,099
China Rongsheng Heavy Industries Group Hldgs Ltd	-	760,731	-	(725,040)	35,691
China Yurun Food Group Ltd.	-	415,009	-	(400,201)	14,808
China Zhongwang Hldgs Ltd	-	479,513	-	(462,979)	16,534
ENN Energy Hldgs Ltd	-	216,951	-	(209,748)	7,203
Evergrande Real Estate Group Ltd	-	1,779,722	-	(1,718,515)	61,207
GCL Poly Energy Hldgs Ltd	-	2,290,269	-	(2,211,283)	78,986
Geely Auto Hldgs Ltd	-	1,109,625	-	(1,071,628)	37,997
Glorious Property Hldgs Ltd	-	922,178	-	(890,382)	31,796
Golden Eagle Retail Group Ltd	-	230,076	-	(221,999)	8,077
Gome Electrical Appliances Hldgs Ltd	-	2,989,810	-	(2,886,752)	103,058
Greentown China Hldgs Ltd	-	185,028	-	(185,028)	-
Guangzhou R&F Properties Co Ltd	-	286,365	-	(286,365)	-
Hengan Intl Group Co Ltd	-	254,122	-	(246,085)	8,037
Hidili Industry Intl Development Ltd	-	290,445	-	(290,445)	-
Hopson Development Hldgs Ltd	-	207,985	-	(200,833)	7,152
Huabao Intl Hldgs Ltd	-	535,603	-	(533,905)	1,698
KWG Property Hldgs Ltd	-	427,932	-	(413,174)	14,758
Li Ning Co Ltd	-	217,972	-	(210,447)	7,525
Longfor Properties Co Ltd	-	458,859	-	(443,087)	15,772
New World China Land Ltd	-	487,101	-	(487,101)	-
Nine Dragons Paper Hldgs Ltd	-	553,718	-	(533,396)	20,322
Parkson Retail Group Ltd	-	417,062	-	(401,833)	15,229
Ping An Insurance Group Co of China Ltd	-	372,439	-	(361,040)	11,399
Renhe Commercial Hldgs Co Ltd	-	3,648,371	-	(3,517,621)	130,750
Sany Heavy Equipment Int'l Hldgs Co Ltd	-	255,951	-	(246,431)	9,520

**DCI ETF TRUST****DA CHENG CSI HONG KONG PRIVATE-OWNED MAINLAND ENTERPRISES TRACKER  
(A SUB-FUND OF DCI ETF TRUST)****STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
FOR THE PERIOD FROM 20 DECEMBER 2010 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2011**

	Holdings				31 December 2011
	20 December 2010	Additions	Corporate action	Disposals	
<b>Investments (Continued)</b>					
<b>Hong Kong (Continued)</b>					
<b>Listed Equities (Continued)</b>					
Shimao Property Hldgs Ltd	-	526,734	-	(508,631)	18,103
Shougang Fushan Resources Group Ltd	-	955,794	-	(922,860)	32,934
Shui On Land Ltd	-	770,802	-	(744,230)	26,572
Sihuan Pharmaceutical Hldgs Group Ltd	-	336,178	-	(322,552)	13,626
Soho China Ltd	-	614,115	-	(592,942)	21,173
Tencent Hldgs Ltd	-	172,660	-	(168,521)	4,139
Tingyi (Cayman Islands) Hldgs Corp	-	663,220	-	(641,218)	22,002
Uni-President China Hldgs Ltd	-	304,623	-	(304,623)	-
Want Want China Hldgs Ltd	-	2,352,406	-	(2,278,044)	74,362
Yingde Gases Group Ltd	-	204,204	-	(204,204)	-
Zhongsheng Group Hldgs Ltd	-	112,984	-	(109,093)	3,891

**DCI ETF TRUST**

**DA CHENG CSI HONG KONG PRIVATE-OWNED MAINLAND ENTERPRISES TRACKER  
(A SUB-FUND OF DCI ETF TRUST)**

**PERFORMANCE RECORD (UNAUDITED)  
AS AT 31 DECEMBER 2011**

**Net asset value**

	Net asset value per unit HK\$	Net asset value of the Sub-Fund HK\$
At end of financial period dated		
31 December 2011	<u>6.81</u>	<u>6,807,399</u>

**Highest and lowest net asset value per unit**

	Highest net asset value HK\$	Lowest net asset value per unit HK\$
Financial period ended		
31 December 2011 (since inception)	<u>10.24</u>	<u>5.90</u>

**DCI ETF TRUST****DA CHENG CSI HONG KONG STATE-OWNED MAINLAND ENTERPRISES TRACKER  
(A SUB-FUND OF DCI ETF TRUST)****INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 DECEMBER 2011**

	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of Net assets</b>
<b>Investments (99.55%)</b>			
<b>Hong Kong (99.55%)</b>			
<b>Listed Equities (99.55%)</b>			
Agricultural Bank of China Ltd	99,004	329,683	2.76%
Air China Ltd	10,598	60,833	0.51%
Aluminum Corp of China Ltd	18,080	60,749	0.51%
Bank of China Ltd	282,154	806,960	6.76%
Bank of Communications Co Ltd	38,193	207,388	1.74%
Beijing Enterprise Hldgs Ltd	2,262	105,296	0.88%
China Agri-Industries Hldgs Ltd	8,585	50,308	0.42%
China Citic Bank Corp Ltd	38,613	168,739	1.41%
China Coal Energy Co Ltd	18,184	152,018	1.27%
China Communication Construction Co	19,513	118,054	0.99%
China Construction Bank Corp	208,785	1,127,438	9.45%
CHINA EverBright Ltd	2,489	30,117	0.25%
China Life Insurance Co Ltd	31,387	602,003	5.04%
China Mengniu Dairy Co Ltd	4,426	80,199	0.67%
China Merchants Bank Co Ltd	16,862	264,396	2.22%
China Merchants Hldgs (Int'l) Co Ltd	5,498	123,980	1.04%
China Mobile Ltd	18,561	1,407,851	11.81%
China Overseas Land & Investment Ltd	17,028	220,342	1.85%
China Pacific Insurance (Group) Co	5,597	123,694	1.04%
China Petroleum & Chemical Corp Ltd	70,781	578,281	4.85%
China Resources Cement Hldgs Ltd	8,700	50,286	0.42%
China Resources Enterprise Ltd	5,061	134,117	1.12%
China Resources Land Ltd	9,362	116,463	0.98%
China Resources Power Hldgs Co	7,905	117,785	0.99%
China Shenhua Energy Co Ltd	14,334	481,622	4.04%
China Taiping Insurance Hldgs Co Ltd	3,602	51,725	0.43%
China Telecom Corp Ltd	55,964	246,242	2.06%
China Unicom (Hong Kong) Ltd	19,190	313,948	2.63%
CITIC Pacific Ltd	6,665	92,777	0.78%
CNOOC Ltd	73,362	996,256	8.35%
Dongfeng Motor Group Co Ltd	11,000	146,300	1.23%

**DCI ETF TRUST**
**DA CHENG CSI HONG KONG STATE-OWNED MAINLAND ENTERPRISES TRACKER  
 (A SUB-FUND OF DCI ETF TRUST)**
**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
 AS AT 31 DECEMBER 2011**

	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of Net assets</b>
<b>Investments (99.55%) (Continued)</b>			
<b>Hong Kong (99.55%) (Continued)</b>			
<b>Listed Equities (99.55%) (Continued)</b>			
Industrial & Commercial Bank of China	229,003	1,055,703	8.85%
KunLun Energy Co Ltd	10,386	114,454	0.96%
Lenovo Group Ltd	26,049	134,673	1.13%
PetroChina Co Ltd	88,997	860,601	7.21%
Shanghai Industrial Hldgs Ltd	2,524	54,014	0.45%
Sinofert Hldgs Ltd	9,859	21,493	0.18%
Sino-Ocean Land Hldgs Ltd	15,694	56,028	0.46%
Yanzhou Coal Mining Co Ltd	8,258	136,752	1.14%
Zijin Mining Group Co Ltd	27,703	80,616	0.67%
		<hr/>	
		11,880,184	99.55%
		-----	-----
Total investments		11,880,184	99.55%
Other net assets		53,685	0.45%
		<hr/>	
Net assets as at 31 December 2011		11,933,869	100%
		<hr/> <hr/>	
Total investments, at cost		14,401,383	
		<hr/> <hr/>	

## DCI ETF TRUST

### DA CHENG CSI HONG KONG STATE-OWNED MAINLAND ENTERPRISES TRACKER (A SUB-FUND OF DCI ETF TRUST)

#### STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) FOR THE PERIOD FROM 20 DECEMBER 2010 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2011

	Holdings				31 December 2011
	20 December 2010	Additions	Corporate action	Disposals	
<b>Investments</b>					
<b>Hong Kong</b>					
<b>Listed Equities</b>					
Agricultural Bank of China Ltd	-	1,228,548	-	(1,129,544)	99,004
Air China Ltd	-	114,542	-	(103,944)	10,598
Aluminium Corp of China Ltd	-	205,816	-	(187,736)	18,080
Bank of China Ltd	-	3,504,418	-	(3,222,264)	282,154
Bank of Communications Co Ltd	-	427,769	-	(389,576)	38,193
Beijing Enterprise Hldgs Ltd	-	29,682	-	(27,420)	2,262
China Agri-Industries Hldgs Ltd	-	95,985	-	(87,400)	8,585
China Citic Bank Corp Ltd	-	445,541	-	(406,928)	38,613
China Coal Energy Co Ltd	-	214,336	-	(196,152)	18,184
China Communication Construction Co	-	231,185	-	(211,672)	19,513
China Construction Bank Corp	-	2,682,180	-	(2,473,395)	208,785
China Cosco Hldgs Ltd	-	127,182	-	(127,182)	-
CHINA EverBright Ltd	-	43,777	-	(41,288)	2,489
China Life Insurance Co Ltd	-	389,467	-	(358,080)	31,387
China Mengniu Dairy Co Ltd	-	62,994	-	(58,568)	4,426
China Merchants Bank Co Ltd	-	204,070	-	(187,208)	16,862
China Merchants Hldgs (Int'l) Co Ltd	-	63,522	-	(58,024)	5,498
China Mobile Ltd	-	227,797	-	(209,236)	18,561
China Overseas Land & Investment Ltd	-	213,220	-	(196,192)	17,028
China Pacific Insurance (Group) Co	-	66,221	-	(60,624)	5,597
China Petroleum & Chemical Corp Ltd	-	879,437	-	(808,656)	70,781
China Railway Group Ltd	-	207,471	-	(207,471)	-
China Resources Cement Hldgs Ltd	-	75,612	-	(66,912)	8,700
China Resources Enterprise Ltd	-	63,725	-	(58,664)	5,061
China Resources Land Ltd	-	107,578	-	(9,362)	9,362
China Resources Power Hldgs Co	-	98,129	-	(90,224)	7,905
China Shenhua Energy Co Ltd	-	178,182	-	(163,848)	14,334
China Taiping Insurance Hldgs Co Ltd	-	44,418	-	(40,816)	3,602
China Telecom Corp Ltd	-	724,284	-	(668,320)	55,964
China Unicom (Hong Kong) Ltd	-	245,902	-	(226,712)	19,190
CITIC Pacific Ltd	-	76,161	-	(69,496)	6,665
CNOOC Ltd	-	935,530	-	(862,168)	73,362
Dongfeng Motor Group Co Ltd	-	149,104	-	(138,104)	11,000
Industrial & Commercial Bank of China	-	2,906,950	-	(2,677,947)	229,003
KunLun Energy Co Ltd	-	129,274	-	(118,888)	10,386

**DCI ETF TRUST**

**DA CHENG CSI HONG KONG STATE-OWNED MAINLAND ENTERPRISES TRACKER  
(A SUB-FUND OF DCI ETF TRUST)**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
FOR THE PERIOD FROM 20 DECEMBER 2010 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2011**

	Holdings				31 December 2011
	20 December 2010	Additions	Corporate action	Disposals	
<b>Investments (Continued)</b>					
<b>Hong Kong (Continued)</b>					
<b>Listed Equities (Continued)</b>					
Lenovo Group Ltd	-	306,873	-	(280,824)	26,049
PetroChina Co Ltd	-	1,104,389	-	(1,015,392)	88,997
Shanghai Industrial Hldgs Ltd	-	28,148	-	(25,624)	2,524
Sinofert Hldgs Ltd	-	109,819	-	(99,960)	9,859
Sino-Ocean Land Hldgs Ltd	-	196,666	-	(180,972)	15,694
Yanzhou Coal Mining Co Ltd	-	103,514	-	(95,256)	8,258
Zijin Mining Group Co Ltd	-	286,743	-	(259,040)	27,703

**DCI ETF TRUST**

**DA CHENG CSI HONG KONG STATE-OWNED MAINLAND ENTERPRISES TRACKER  
(A SUB-FUND OF DCI ETF TRUST)**

**PERFORMANCE RECORD (UNAUDITED)  
AS AT 31 DECEMBER 2011**

**Net asset value**

	Net asset value per unit HK\$	Net asset value of the Sub-Fund HK\$
At end of financial period dated		
31 December 2011	<u>7.97</u>	<u>11,950,480</u>

**Highest and lowest net asset value per unit**

	Highest net asset value HK\$	Lowest net asset value per unit HK\$
Financial period ended		
31 December 2011 (since inception)	<u>10.55</u>	<u>6.96</u>