

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

Annual Report

For the period from 24 October 2011

(date of initial offer) to 31 December 2012

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 24 OCTOBER 2011 (DATE OF INITIAL OFFER)  
TO 31 DECEMBER 2012

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## CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

### MANAGEMENT AND ADMINISTRATION

#### **MANAGER**

CMS Asset Management (HK) Co., Limited  
48th floor, One Exchange Square,  
8 Connaught Place, Central  
Hong Kong

#### **DIRECTORS OF THE MANAGER**

Pan Jie  
Wan Siu Wah (appointed on 9 November 2012)  
He Zhong  
Li Zhitao (resigned on 21 March 2012)  
Tang Weiqing (resigned on 2 March 2012)  
Liu Xingming (resigned on 10 October 2012)

#### **TRUSTEE**

Cititrust Limited  
50th floor, Citibank Tower, Citibank Plaza  
3 Garden Road, Central  
Hong Kong

#### **CUSTODIAN**

Citibank, N.A.  
50th floor, Citibank Tower, Citibank Plaza  
3 Garden Road, Central  
Hong Kong

#### **REGISTRAR**

Computershare Hong Kong Investor Services  
Limited  
46th floor, Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong

#### **CONVERSION AGENT**

HK Conversion Agency Services Limited  
2nd floor, Vicwood Plaza  
199 Des Voeux Road, Central  
Hong Kong

#### **LISTING AGENT**

China Merchants Securities (HK) Co. Limited  
45th floor, One Exchange Square,  
8 Connaught Place, Central  
Hong Kong

#### **LEGAL ADVISER TO THE MANAGER**

Baker & McKenzie  
23rd floor, One Pacific Place  
88 Queensway, Central  
Hong Kong

#### **PARTICIPATING DEALER(S)**

China Merchants Securities (HK) Co., Limited  
45th floor, One Exchange Square,  
8 Connaught Place, Central  
Hong Kong

Citigroup Global Markets Asia Limited  
50th floor, Citibank Tower, Citibank Plaza  
3 Garden Road, Central  
Hong Kong

Goldman Sachs (Asia) Securities Limited  
68th floor, Cheung Kong Center  
2 Queen's Road, Central  
Hong Kong

Nomura Securities (HK) Ltd  
32nd floor, Two International Finance Center  
8 Finance Street, Central  
Hong Kong

#### **AUDITOR**

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway, Central  
Hong Kong

## CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

### REPORT OF THE MANAGER TO THE UNITHOLDERS

#### **INTRODUCTION**

The CMS CSI Overseas Mainland Enterprises ETF (the Sub-Fund), a sub-fund of the CMS ETF Trust was launched on 24 October 2011 and was listed and commenced trading on the Stock Exchange of Hong Kong Limited (the "SEHK") on 1 November 2011 under the stock code 2842. The Sub-Fund is a Hong Kong unit trust authorized under the Securities and Futures Ordinance (Cap 571) of Hong Kong.

The Sub-Fund is benchmarked against the CSI Overseas Mainland Enterprises Index (the "Underlying Index") in Hong Kong dollar ("HKD") terms. As of 31 December 2012, the Sub-Fund invests in Chinese companies listed on the SEHK (H shares, Red chips and P chips), the New York Stock Exchange, the NASDAQ, the Singapore Stock Exchange and the Toronto Stock Exchange.

#### **FUND PERFORMANCE**

The CMS CSI Overseas Mainland Enterprises ETF seeks to provide investment results that, before fees and expenses, closely correspond to the performance of the CSI Overseas Mainland Enterprises Index in HKD. As at 31 December 2012, the Net Asset Value (NAV) per unit of the Sub-Fund was HKD12.1924, with 2,000,000 units outstanding and a total size of approximately HKD24.38 million.

A summary of the performance of the CSI Overseas Mainland Enterprises Index<sup>1</sup> and the Sub-Fund as at 31 December 2012 is given as follows:

	2012	2011 <sup>2</sup>	Since inception <sup>3</sup>
CSI Overseas Mainland Enterprises Index <sup>4</sup>	15.61	-4.61	10.28
CMS CSI Overseas Enterprises ETF NAV-to-NAV <sup>5</sup>	11.61	-5.10	5.92
CMS CSI Overseas Enterprises ETF Market-to-Market <sup>6</sup>	10.56	-6.09	3.83

The difference in performance between the CSI Overseas Mainland Enterprises Index and the Sub-Fund is mainly attributed to fee and expenses.

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

<sup>2</sup> The performance shown for 2011 covers the period from the date of listing 1 November 2011 to 30 December 2011.

<sup>3</sup> Inception date refers to the date of listing on SEHK, i.e 1 November 2011.

<sup>4</sup> Price index in HKD.

<sup>5</sup> Unit's NAV in HKD. Units in the Sub-Fund are issued and redeemed at the NAV.

<sup>6</sup> Market closing price in HKD. Market returns are calculated using historical market closing prices of the Sub-Fund, and do not represent the returns investors would receive if investors trade units at other times.

## CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

### FUND ACTIVITIES

The Sub-Fund had experienced some net redemptions during the reporting period as it has performed well since its inception. As at 31 December 2012, there were 2,000,000 units outstanding.

### INDEX ACTIVITIES

The CSI Overseas Mainland Enterprises Index had two regular reviews during the reporting period. The following changes were made on 1 January 2012 and 1 July 2012 respectively.

#### Changes as of 1 January 2012

##### **Inclusion**

Company	Code
Dongfeng Motor	489
Yanzhou Coal	1171
GCL Poly	3800
Qihoo 360	QIHU
Renren	RENN
51Job	JOBS

##### **Deletion**

Company	Code
China Everbright	165
BYD	1211
Sino-Ocean Land	3377
E House	EJ
JA Solar	JASO
Sino-Forest	TRE**

#### Changes as of 1 July 2012

##### **Inclusion\***

Company	Code
Brilliance China	1114
China Resources Cement	1313
Country Garden	2007

##### **Deletion**

Company	Code
Rongsheng	1101
Renhe	1387

\* A new stock was added to the Index only on review date to replace Alibaba.com after its delisting on 4 June 2012.

\*\* The Sub-Fund did not hold this stock as it was suspended before its inception.

#### Sources: CSI

As at 31 December 2012, the Sub-Fund held the same 80 constituents stocks as those in the CSI Overseas Mainland Enterprises Index as it adopts a full replication strategy.

CMS Asset Management (HK) Co., Limited  
25 April 2013

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the manager, CMS Asset Management (HK) Co., Limited (the "Manager"), of CMS CSI Overseas Mainland Enterprises ETF (the "Sub-Fund") has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 31 August 2011.

Cititrust Limited

25 April 2013

## INDEPENDENT AUDITOR'S REPORT

### TO THE UNITHOLDERS OF CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF (THE "SUB-FUND")

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Sub-Fund set out on pages 7 to 33, which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the period from 24 October 2011 (Date of initial offer) to 31 December 2012, and a summary of significant accounting policies and other explanatory information.

#### **Manager's and Trustee's Responsibilities for the Financial Statements**

The Manager and the Trustee of the Sub-Fund are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Manager and the Trustee are responsible for preparing the financial statements in accordance with the relevant disclosure provisions of the Sub-Fund's Trust Deed dated 31 August 2011 (the "Trust Deed"), as amended, and the relevant financial statement disclosure requirements specified in Appendix E of the Code on Unit Trusts and Mutual Funds (the "Code") issued by the Securities and Futures Commission of Hong Kong (the "SFC").

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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. We are also required to assess whether the financial statements have been prepared in accordance with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant financial statement disclosure requirements specified in Appendix E of the Code.

## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF  
CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF (THE "SUB-FUND") - continued

### **Report on the Financial Statements** - continued

#### **Auditor's Responsibility** - continued

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 entity's 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-Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, 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 the Sub-Fund as at 31 December 2012, and of the its financial performance and cash flows for the period from 24 October 2011 (Date of initial offer) to 31 December 2012 in accordance with International Financial Reporting Standards.

### **Report on matters under the relevant disclosure provisions of the Trust Deed, as amended, and the relevant financial statement disclosure requirements specified in Appendix E of the Code issued by the SFC**

In our opinion, the financial statements of the Sub-Fund have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant financial statement disclosure requirements specified in Appendix E of the Code issued by the SFC.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
25 April 2013



CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012

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	<u>NOTES</u>	HKD
ASSETS		
Current assets		
Investments	9	24,343,041
Other receivables		1,265
Bank balances	6(h)	<u>461,469</u>
Total assets		<u>24,805,775</u>
LIABILITIES		
Current liabilities		
Management fee payable	6(a)	60,274
Trustee fee payable	6(b)	15,350
Audit fee payable		168,438
Index license fee accrual		31,217
Other accounts payable and accruals		<u>166,725</u>
Total liabilities		<u>442,004</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	15	<u>24,363,771</u>
Capital		20,019,786
Retained earnings		<u>4,343,985</u>
TOTAL EQUITY		<u><u>24,363,771</u></u>

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The accompanying notes are an integral part of these financial statements

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD FROM 24 OCTOBER 2011 (DATE OF INITIAL OFFER)  
TO 31 DECEMBER 2012

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	<u>NOTES</u>	HKD
Income		
Dividend income	6(i)	1,670,938
Interest income	6(f)	189
		<u>1,671,127</u>
Expenses		
Set-up fee	7	(2,899,179)
Auditor's remuneration		(268,438)
Management fee	6(a)	(452,320)
Trustee fee	6(b)	(98,070)
Custodian fee and bank charges	6(c)	(25,284)
Transaction costs on investments	6(d)	(9,260)
Brokerage commission	6(g)	(6,748)
Index license fee		(130,034)
Other expenses		(359,718)
Interest expense	6(f)	(36)
		<u>(4,249,087)</u>
Net loss before investment and exchange gains		<u>(2,577,960)</u>
Net exchange gain		811
Realised gain on sale of investments		4,204,559
Unrealised gain on investments		2,854,267
		<u>7,059,637</u>
Profit before tax		4,481,677
Taxation	8	<u>(137,692)</u>
Profit for the period and total comprehensive income attributable to unitholders for the period		<u><u>4,343,985</u></u>

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The accompanying notes are an integral part of these financial statements

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE PERIOD FROM 24 OCTOBER 2011 (DATE OF INITIAL OFFER)  
TO 31 DECEMBER 2012

	<u>NOTES</u>	<u>Units</u> <u>HKD</u>	<u>Retained</u> <u>earnings</u> <u>HKD</u>	<u>Total</u> <u>HKD</u>
Net assets attributable to unitholders at 24 October 2011 (date of initial offer)		-	-	-
Proceeds from issuance of units				
- in-kind	16	69,735,764	-	69,735,764
- cash component and cash subscription	16	30,963,939	-	30,963,939
Payments for redemption of units				
- in-kind	16	(48,502,867)	-	(48,502,867)
- cash component and cash redemption	16	(32,177,050)	-	(32,177,050)
Net increase from unit transactions	11	<u>20,019,786</u>	<u>-</u>	<u>20,019,786</u>
Profit for the period and total comprehensive income for the period		<u>-</u>	<u>4,343,985</u>	<u>4,343,985</u>
Net assets attributable to unitholders at 31 December 2012 (at bid market prices)		<u><u>20,019,786</u></u>	<u><u>4,343,985</u></u>	<u><u>24,363,771</u></u>

The accompanying notes are an integral part of these financial statements

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM 24 OCTOBER 2011 (DATE OF INITIAL OFFER)  
TO 31 DECEMBER 2012

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	HKD
CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit before tax	4,481,677
Adjustments for:	
Dividend income	(1,670,938)
Interest income	(189)
Interest expense	36
Net exchange gain	(811)
Realised gain on sale of investments	(4,204,559)
Unrealised gain on investments	(2,854,267)
Operating cashflows before movements in working capital	(4,249,051)
Purchase of investments	(32,166,408)
Sale of investments	36,115,090
Increase in other receivables	(1,265)
Increase in management fee payable	60,274
Increase in trustee fee payable	15,350
Increase in audit fee payable	168,438
Increase in index license fee accrual	31,217
Increase in other accounts payable and accruals	166,725
CASH GENERATED FROM OPERATING ACTIVITIES	140,370
Dividend received	1,670,938
Interest received	189
Interest paid	(36)
Tax paid	(137,692)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,673,769
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of units	30,963,939
Payments for redemption of units	(32,177,050)
Net cash used in financing activities	(1,213,111)
Net increase in cash and cash equivalents	460,658
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	811
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	461,469
Analysis of balances of cash and cash equivalents	
Bank balances	461,469

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The accompanying notes are an integral part of these financial statements

## CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 24 OCTOBER 2011 (DATE OF INITIAL OFFER)  
TO 31 DECEMBER 2012

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#### 1. THE SUB-FUND

CMS ETF Trust (the "Trust") is an umbrella unit trust governed by its trust deed dated 31 August 2011 (the "Trust Deed") between the manager, CMS Asset Management (HK) Co., Limited (the "Manager"), and its trustee, Cititrust Limited (the "Trustee"), and authorised by the Securities and Futures Commission of Hong Kong ("SFC") pursuant to section 104(1) of the Securities and Futures Ordinance of Hong Kong.

As at 31 December 2012, the Trust has established one sub-fund, namely CMS CSI Overseas Mainland Enterprises ETF (the "Sub-Fund")

The Sub-Fund, with a date of initial offer on 24 October 2011, commenced trading under the stock code 2842 on the Stock Exchange of Hong Kong Limited ("SEHK") on 1 November 2011.

The objective of the Sub-Fund, an exchange-traded fund ("ETF"), is to provide investment returns that, before fees and expenses, correspond closely to the performance of the CSI Overseas Mainland Enterprises Index (the "Underlying Index"). The Underlying Index consists of securities of People's Republic of China (the "PRC") companies listed on the SEHK, the New York Stock Exchange, the Singapore Stock Exchange and other stock exchanges outside the PRC. The Underlying Index currently consists of 80 constituent securities listed and is compiled and managed by the China Securities Index Co., Ltd. In order to achieve its investment objective, the Sub-Fund will invest directly or indirectly in substantially all the constituent securities of the Underlying Index in substantially the same weightings (i.e. proportions) as these stocks have in the Underlying Index it seeks to benchmark.

The financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Sub-Fund.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

This is the first year of financial reporting for the Sub-Fund. The application of the new and revised IFRSs that have been issued and are mandatorily effective for its reporting period from 24 October 2011 (date of initial offer) to 31 December 2012 has no material impact on the amounts reported and/or disclosures set out in the financial statements.

The Sub-Fund has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual improvements to IFRSs 2009 - 2011 cycle <sup>1</sup>
Amendments to IFRS 7	Disclosures - Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures <sup>3</sup>
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance <sup>1</sup>
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities <sup>2</sup>
IFRS 9	Financial instruments <sup>3</sup>
IFRS 10	Consolidated financial statements <sup>1</sup>
IFRS 11	Joint arrangements <sup>1</sup>
IFRS 12	Disclosure of interests in other entities <sup>1</sup>
IFRS 13	Fair value measurement <sup>1</sup>
IAS 19 (as revised in 2011)	Employee benefits <sup>1</sup>
IAS 27 (as revised in 2011)	Separate financial statements <sup>1</sup>
IAS 28 (as revised in 2011)	Investments in associates and joint ventures <sup>1</sup>
Amendments to IAS 1	Presentation of items of other comprehensive income <sup>4</sup>
Amendments to IAS 32	Offsetting financial assets and financial liabilities <sup>2</sup>
IFRIC 20	Stripping costs in the production phase of a surface mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 9 Financial instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

The key requirements of IFRS 9 are as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Manager and the Trustee of the Sub-Fund anticipate that the adoption of IFRS 9 in the future will have no significant impact on amounts reported in respect of the Sub-Fund's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial instruments: Disclosures" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Manager and the Trustee of the Sub-Fund anticipate that the application of IFRS 13 may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The Manager and the Trustee of the Sub-Fund anticipate that the application of the other new and revised IFRSs will have no material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "IASB"), the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds (the "Code") issued by the SFC. A distribution statement is not presented because there was no distribution during the period.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The principal accounting policies are set out below.

Foreign currencies translation

*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates, the functional currency. The performance of the Sub-Fund is measured and reported to the unitholders in HKD. The Manager and the Trustee consider the HKD as the currency that most faithfully represents the economic effects of the underlying transactions, event and conditions. The financial statements are presented in HKD, which is the Sub-Fund's functional and presentation currency.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies translation - continued

*Functional and presentation currency* - continued

In preparing the financial statements of the Sub-Fund, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary items that are designated as at fair value through profit or loss are included in profit or loss for the period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

*Dividend income*

Dividend income from investments is recognised when the Sub-Fund's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Sub-Fund and the amount of income can be measured reliably). Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income.

*Interest income*

Interest income from an interest-bearing financial asset is recognised using the effective interest method when it is probable that the economic benefits will flow to the Sub-Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounted estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Expenses

All expenses are recognised in profit or loss in the period in which they are incurred.

The costs of establishing the Sub-Fund, preparation of the prospectus, seeking and obtaining SFC authorisation as well as the SEHK listing and all initial legal and printing costs in respect of the Sub-Fund have been expensed in the first accounting period of the Sub-Fund.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

The Sub-Fund currently incurs withholding taxes imposed by certain countries on investment income. Such income is recorded gross before any reduction in the withholding taxes in the statement of comprehensive income. Withholding taxes are shown as a separate line item in the statement of comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised when the Sub-Fund becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is designated as at FVTPL on initial recognition.

A financial asset is designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Sub-Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss on fair value changes recognised in profit or loss includes exchange difference but excludes any dividend or interest earned on the financial assets.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including other receivables and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Derecognition of financial assets*

The Sub-Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On the derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Cash and cash equivalents**

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

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

**Financial liabilities and equity instruments**

*Classification as debt or equity*

Debt and equity instruments issued by the Sub-Fund are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Sub-Fund after deducting all of its liabilities. Equity instruments issued by the Sub-Fund are recognised at the proceeds received, net of direct issue costs.

The Sub-Fund has redeemable units in issue. This is the most subordinate class of financial instruments issued by the Sub-Fund and, on liquidation of the Sub-Fund the unitholders are entitled to the residual net assets on a pro rata basis, after repayment of the nominal amount of the redeemable units. They rank pari passu in all material respects and have identical terms and conditions. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholder's share in the Sub-Fund's net asset at each redemption date at the Manager's discretion and also in the event of the Sub-Fund's liquidation.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial liabilities and equity instruments** - continued

*Equity instruments* - continued

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

- total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund; and
- the effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Fund's redeemable units meet the above conditions and are classified as equity.

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

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

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

*Financial liabilities*

Financial liabilities (including audit fee payable, management fee payable, trustee fee payable and other accounts payable) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Derecognition*

The Sub-Fund derecognises financial liabilities when, and only when, the Sub-Fund's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Sub-Fund's accounting policies, which are described in note 3, the Manager and the Trustee are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements and estimations in applying accounting policies

The following are critical judgements and estimations that the Manager and the Trustee have made in the process of applying the Sub-Fund's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

*Functional currency*

The Manager and the Trustee consider HKD to be the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. HKD is the currency in which the Sub-Fund measures its performance and reports its results, as well as the currency in which the Sub-Fund determines the net asset value per unit at the time of issue or redemption. This determination also considers that the Sub-Fund is listed on the Stock Exchange of Hong Kong Limited and its units are quoted in HKD.

5. SEGMENT INFORMATION

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

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

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

The Sub-Fund is domiciled in Hong Kong. All of the Sub-Fund's income come from investments in securities which constitute its tracked index.

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

6. TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS

The following is a summary of related party transactions entered into during the period between the Sub-Fund, the Trustee, the Manager and their connected persons. Connected persons are those as defined in the Code. All transactions entered into during the period between the Sub-Fund, the Trustee, the Manager and their 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-Fund does not have any other transactions with connected persons except for those disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee of up to a maximum of 1% per annum of the net asset value of the Sub-Fund. Currently the Manager levies at the annual rate of 0.55%. Management fees are accrued daily and calculated as at each dealing day and payable monthly in arrears.

In addition, the Manager is entitled to receive a servicing fee calculated at a maximum of 1% per annum of the net asset value of the Sub-Fund. This fee has been waived by the Manager for the period.

The management fee incurred during the period ended 31 December 2012 was HKD452,320. As at 31 December 2012, a management fee of HKD60,274 was payable to the Manager.

China Merchants Securities Investment Management (HK) Co., Limited held 72.5% in value of the Units of the Sub-Fund. The Manager and China Merchants Securities Investment Management (HK) Co., Limited are fellow subsidiaries, both were held by China Merchants Securities International Co., Limited.

(b) Trustee fee

The Trustee is entitled to receive a trustee fee at a minimum of not less than USD6,000 per month. The minimum charge of the trustee fee was waived for the first twelve months from the establishment of the Sub-Fund. With effect from 1 November 2012 to 31 October 2013, the minimum charge is agreed to reduce to USD3,000 per month. For the period from 1 November 2012 to 20 December 2012, the minimum trustee fee charge of USD3,000 was waived. Trustee fee is currently charged at the rate of 0.11% per annum, up to a maximum of 1% per annum, of the net asset value of the Sub-Fund. Trustee fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

The trustee fee incurred during the period ended 31 December 2012 was HKD98,070. As at 31 December 2012, a trustee fee of HKD15,350 was payable to the Trustee.



6. TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS - continued

(c) Custodian fee and bank charges

Custodian fee and bank charges pertain to the miscellaneous amounts charged by Citibank, N.A. (the "Custodian"), the indirect holding company of the Trustee, to the Sub-Fund as safekeeping fees.

The custodian fee and bank charges incurred during the period ended 31 December 2012 were HKD25,284. These were fully repaid at the end of the reporting period.

(d) Transaction costs on investments

Cititrust Limited is entitled to charge a transaction handling fee for the sale and purchase of the investments of the Sub-Fund of HKD15,000 per participating dealer and HKD250 per security per participating dealer for in-kind transactions and in-cash transactions respectively. The transaction costs and any duties and charges in constituting the relevant Basket(s) are charged to the participating dealer.

The transaction handling fees incurred from rebalancing transactions during the period ended 31 December 2012 were HKD9,260. These were fully repaid by the Sub-Fund at the end of the reporting period.

(e) Listing agent fee

Listing agent fee of HKD100,000 paid to China Merchants Securities (HK) Co., Ltd, the participating dealer and a fellow subsidiary of the Manager, is included in set-up fee for the agency services in relation to the listing of the Sub-fund in the SEHK. The amount was fully repaid at the end of the reporting period.

(f) Bank interest income and expenses

The bank balances of the Sub-Fund are maintained with the Custodian, and carry interest at normal commercial rates. During the period ended 31 December 2012, interest income amounting to HKD189 was earned by the Sub-Fund and interest expense of HKD36 related to bank overdraft was paid by the Sub-Fund.

(g) Brokerage commission

The Sub-Fund utilises the trading services of China Merchants Securities (HK) Co., Ltd and Citigroup Global Markets Asia Limited, a fellow subsidiary of the Trustee in its purchase and sale of investments. The details of the transactions and the brokerage commission are shown below:

The brokers charge a 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.

6. TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS - continued

(g) Brokerage commission - continued

*For the period from 24 October 2011 (date of initial offer) to 31 December 2012*

	Value of transactions effected <u>through broker</u> HKD	% of total transaction value in the <u>Sub-Fund</u> HKD	brokerage <u>commission</u> HKD	Average rate of <u>commission</u> HKD
China Merchants Securities (HK) Co., Ltd	7,775,434	79.30	5,729	0.07%
Citigroup Global Markets Asia Limited	2,029,482	20.70	1,019	0.05%

(h) Bank balances

As at 31 December 2012, bank balances which was held with Citibank, N.A., the indirect holding company of the Trustee, and is summarised below:

	HKD
Cash at bank	<u>461,469</u>

Cash at bank held with Citibank N.A. carries interest at normal commercial rates.

(i) Investments and dividend income

During the period, the Sub-Fund made investments in the stocks of the fellow subsidiary of the Manager, China Merchants Holdings (International) Company Limited and the associate of the ultimate holding company of the Manager, China Merchants Bank Co., Ltd. Details of such investments held as at 31 December 2012 are shown in the Investment Portfolio. Dividend income earned during the period ended 31 December 2012 from China Merchants Holdings (International) Company Limited is HKD13,105 and China Merchants Bank Co., Ltd is HKD34,962. The dividend income from both investments are fully received during the period ended.

7. SET-UP FEE

The set-up fee mainly comprises of the initial legal costs in respect of establishing the Sub-Fund, preparation of the prospectus and obtaining SFC authorization as well as the SEHK listing.

## 8. TAXATION

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

### Distribution tax

A 10% PRC withholding tax has been levied on dividend and interest payments from PRC-incorporated companies to foreign investors. As such, the Sub-Fund receives dividend income from these companies, net of withholding tax.

## 9. INVESTMENTS

	As at <u>31 December 2012</u> HKD
Listed equities in Canada	31,449
Listed equities in Hong Kong	21,779,979
Listed equities in Singapore	128,430
Listed equities in USA	2,403,183
	<u>24,343,041</u>

The Sub-Fund designates its investments at fair value through profit or loss upon initial recognition as it manages these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis.

The fair value of listed equities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the reporting date.

## 10. DISTRIBUTIONS

The Sub-Fund did not make any distribution during the period ended 31 December 2012.

## 11. ISSUED CAPITAL

	Number of <u>units</u>	Issued <u>capital</u> HKD
Balance at 24 October 2011 (date of initial offer)	-	-
Issue of units	9,000,000	100,699,703
Redemption of units	(7,000,000)	(80,679,917)
Balance at 31 December 2012	<u>2,000,000</u>	<u>20,019,786</u>

The creation and redemption of units of the Sub-Fund can only be facilitated by or through participating dealers. Investors other than the participating dealers make a request to create or redeem units through a participating dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a participating dealer.

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

## 12. SOFT COMMISSION ARRANGEMENTS

The Manager and any of its connected persons may affect transactions by or through the agency of another person with whom the Manager or any of its connected persons have a soft commission arrangement. Under such arrangements, that party will from time to time provide to or procure for the Manager or any of its connected persons, goods, services or other benefits. The nature of their provision can reasonably be expected to benefit the Sub-Fund as a whole and may contribute to an improvement in the Sub-Fund's performance. No direct payment is made for the provision of goods, services or other benefits to that party, but instead the Manager or any of its connected persons undertake to place business with that party.

The Manager and its connected persons did not receive any soft commissions or entered into any soft dollar arrangements in respect of the management of the Sub-Fund for the period from 24 October 2011 (date of initial offer) to 31 December 2012. The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

## 13. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE CODE

The Manager pursues a replication strategy for the Sub-Fund. As a result, the Sub-Fund invests directly or indirectly in substantially all the constituent securities of the Underlying Index in approximately the same weightings (i.e. proportions) as these stocks have in the Underlying Index it seeks to benchmark. When a security ceases to be a constituent security of the Underlying Index, rebalancing, which involves selling the outgoing security and using the proceeds to acquire the incoming security, occurs.

Pursuant to the SFC guidelines for regulating Index Tracking Exchange Traded Funds, more than 10% of the net asset value of the Sub-Fund may be invested in constituent securities issued by a single issuer provided that:

- it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Underlying Index; and
- the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature.

The following table presents the constituent stock that account for more than 10% of the net asset value of the Sub-Fund and its respective weightings in the Underlying Index as at 31 December 2012:

	Weighting in the Sub-Fund's net <u>asset value</u> HKD	Weighting in the Underlying <u>Index</u> HKD
China Construction Bank-H	10.35%	10.33%

## 14. FINANCIAL INSTRUMENTS

Capital management

The Sub-Fund's capital is represented by the number of redeemable units issued at each period end. As at 31 December 2012, redeemable units that are classified as equity amounted to HKD 24,363,771.

The Manager manages the capital of the Sub-Fund in accordance with the Sub-Fund's investment objectives and policies stated in the offering document. There were no changes in the policies and procedures during the period with respect to the Manager's approach to capital management of the Sub-Fund.

The Sub-Fund is not subject to any internally and externally imposed capital requirements and, therefore, is not subject to significant capital risk.

The Sub-Fund's redeemable units entitle their holders to dividends when declared and to payment of a proportionate share of the Sub-Fund's net asset value on redemption or upon the winding up of the Sub-Fund. The total expected cash outflow on redemption of all the Sub-Fund's units equals the Sub-Fund's equity.

Categories of financial instruments

The table below provides a reconciliation of the line items in the Sub-Fund's statement of financial position to the categories of financial instruments as mentioned in note 3.

*As at 31 December 2012*

	Designated as through <u>profit or loss</u> HKD	Loans and <u>receivables</u> HKD	Financial <u>liabilities</u> HKD	Total carrying <u>amount</u> HKD
<b>Financial assets</b>				
Investments	24,343,041	-	-	24,343,041
Other receivables	-	1,265	-	1,265
Bank balances	-	461,469	-	461,469
	<u>24,343,041</u>	<u>462,734</u>	<u>-</u>	<u>24,805,775</u>
<b>Financial liabilities</b>				
Management fee payable	-	-	(60,274)	(60,274)
Trustee fee payable	-	-	(15,350)	(15,350)
Audit fee payable	-	-	(168,438)	(168,438)
Other accounts payable	-	-	(49,052)	(49,052)
	<u>-</u>	<u>-</u>	<u>(293,114)</u>	<u>(293,114)</u>

The financial instruments that are not accounted for at fair value through profit or loss are short-term financial assets and liabilities whose carrying amounts approximate their fair value at the end of the reporting period.

14. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives

The objective of the Sub-Fund is to provide investment results that closely correspond to the performance of the Underlying Index. To manage tracking errors and financial risks, the Manager primarily adopts a full replication strategy to achieve the investment objective of the Sub-Fund. When there is a change in the constituent stock of the Index or the weighting of the constituent stocks in the Index, the Manager will be responsible for implementing any adjustment to the Sub-Fund's portfolio of stocks to ensure that the Fund's investment portfolio closely corresponds to the composition of the Index and the weighting of each constituent stock.

The Sub-Fund is exposed to various risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk which are stated below.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Sub-Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

Currency risk is the risk that the value of financial instruments denominated in foreign currencies will fluctuate due to the changes in exchange rates.

The Sub-Fund holds assets denominated in currencies other than its functional currency, HKD, and are therefore exposed to currency risk with respect to these currencies. The Manager considers that there is no currency risk to the United States dollar ("USD") which is a linked currency with HKD.

The Sub-Fund is exposed to currency risk related to HKD against Canadian dollar ("CAD"), Renminbi ("RMB") and Singapore dollar ("SGD"). The table below summarised the Sub-Fund's exposure in monetary assets, which are denominated in a currency other than the HKD and USD.

*As at 31 December 2012*

	CAD <u>HKD Equivalent</u>	RMB <u>HKD Equivalent</u>	SGD <u>HKD Equivalent</u>
Monetary assets	<u>117</u>	<u>1,148</u>	<u>-</u>

Foreign currency sensitivity analysis

No sensitivity analysis has been prepared as the Manager considered the currency risk exposure to be insignificant to the Sub-Fund.

14. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives - continued

**Market risk** - continued

*Interest rate risk*

The Manager and the Trustee are of the opinion that the Sub-Fund's exposure to interest rate risk is minimal because the majority of the Sub-Fund's financial assets and financial liabilities are non-interest bearing. Since the Manager considers that the impact of interest rate changes on the fair value of financial instruments is not material, no sensitivity analysis has been disclosed.

*Market price risk*

The Sub-Fund invests all, or substantially all, of its assets in listed equities which are linked to constituent securities comprising the Underlying Index in substantially the same weightings as constituted in the Underlying Index. Since the Sub-Fund is designated to track the performance of the Underlying Index, the Sub-Fund is therefore exposed to substantially the same market price risk as the Underlying Index.

The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the Sub-Fund's investment portfolio, such as security weighting and industry weighting, are closely aligned to the characteristics of the Underlying Index.

As at 31 December 2012, the Sub-Fund's investments were concentrated in the following industries:

	Fair value of underlying investments HKD	% of net assets value
<i>Investments - By industry sector</i>		
Consumer discretionary	1,235,598	5.07%
Consumer staples	1,109,607	4.55%
Energy	4,380,362	17.98%
Financials	10,084,670	41.39%
Health care	149,579	0.61%
Industrials	715,885	2.94%
Information technology	3,422,770	14.05%
Materials	136,633	0.56%
Telecommunications services	2,862,853	11.75%
Utilities	245,084	1.01%
	<u>24,343,041</u>	<u>99.91%</u>

14. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives - continued

**Market risk** - continued

*Market price risk* - continued

	Fair value of underlying investments HKD	% of net assets value
<i>Investments - By location of exchange</i>		
Canada	31,449	0.13%
Hong Kong	21,779,979	89.39%
Singapore	128,430	0.53%
USA	2,403,183	9.86%
	<u>24,343,041</u>	<u>99.91%</u>

Market price sensitivity analysis

As at 31 December 2012, if the CSI Overseas Mainland Enterprises Index were to increase by 3% with all other variables held constant, this would increase the profit for the year by approximately HKD730,291. Conversely, if the CSI Overseas Mainland Enterprises Index were to decrease by 3%, this would decrease the profit for the year by an equal amount.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Sub-Fund.

The Manager monitors the credit rating and financial positions of the brokers it used to further mitigate this risk.

The table below sets out the exposure of the Sub-Fund to counterparties as at 31 December 2012 with their credit rating by Standard & Poor's Rating Services:

	HKD	Rating
Bank balances		
Citibank, N.A.	461,469	A
Other receivables	<u>1,265</u>	N/A
	<u>462,734</u>	



14. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives - continued

**Credit risk** - continued

The Sub-Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Manager considers the risk to be well established.

All transactions in securities are settled or paid for upon delivery using approved reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the brokers have received payments.

The bank balances are held with Citibank N.A., the indirect holding company of the Trustee. The Manager and Trustee consider the associated credit risk is not significant as the counterparty is a reputable bank in Hong Kong.

**Liquidity risk**

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Sub-Fund's equity investments are considered to be readily realizable under normal market conditions as they are all listed on different Stock Exchanges.

As at 31 December 2012, the Sub-Fund held liquid assets, comprising bank balances and other receivables that are expected to readily generate cash inflows for managing liquidity risk.

Although the redeemable units of the Sub-Fund are listed on the SEHK and are readily transferable in the open market, the unitholders may also demand the Sub-Fund to redeem their units at the Manager's discretion. The underlying investments of the Sub-Fund are listed shares which can be readily disposed for cash. Thus, the liquidity risk is considered low.

All other financial liabilities are repayable on demand or have contractual maturities less than three months.

Fair value of financial instruments

*Fair value of financial instruments carried at amortised cost*

The Manager and the Trustee consider that the carrying amounts of financial assets and financial liabilities recognised and carried at amortised cost in the financial statements approximate their fair values at the end of the reporting period.

14. FINANCIAL INSTRUMENTS - continued

Fair value of financial instruments - continued

*Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 December 2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HKD	HKD	HKD	HKD
<b>Financial assets at FVTPL</b>				
Equity securities	24,343,041	-	-	24,343,041

There were no transfers between all levels during the period.

15. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Redeemable units of the Sub-Fund, which is represented by assets less liabilities, are classified as equity. 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.

	HKD
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's Trust Deed)	24,384,787
Adjustment from last traded price to bid price	(21,016)
Net assets attributable to unitholders (calculated in accordance with IFRSs)	24,363,771
Units in issue	2,000,000
Net assets value per unit	12.1819

16. MAJOR NON-CASH TRANSACTIONS

Units are issued/redeemed through in-kind creation/redemption of a Basket with the remaining balances in cash. For each application unit size for creation/redemption, the Sub-Fund receives/delivers a Basket consisting of constituent securities as determined by the Manager on a daily basis.

(a) Subscriptions

During the period ended 31 December 2012, the Sub-Fund issued 9,000,000 units, totalling HKD100,699,703 in exchange for Baskets consisting of investments valued at HKD69,735,764 by the Manager where the value of investments is determined by the last traded price as at the valuation point on the day of application for subscription order. The remaining balances of HKD30,963,939 was settled in cash.

(b) Redemptions

During the period ended 31 December 2012, the Sub-Fund redeemed 7,000,000 units, totalling HKD80,679,917 in exchange for Baskets consisting of investments valued at HKD48,502,867 by the Manager where the value of investments is determined by the last traded price as at the valuation point on the day of application for redemption order. The remaining balances of HKD32,177,050 was settled in cash.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Manager and the Trustee and authorised for issue on [Date].

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# CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

## INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2012

<u>Security name and location of exchange</u>	<u>Holdings</u>	<u>Bid Price</u> HKD equivalent	<u>Fair value</u> HKD	<u>% of total net assets value</u>
LISTED EQUITIES				
<u>CANADA</u>				
SILVERCORP METALS INC COM NPV	800	39.31	31,449	0.13
<u>HONG KONG</u>				
AGILE PROPERTY HOLDINGS LTD	6,896	10.88	75,028	0.31
AGRICULTURAL BK CH 'H' CNY1	119,888	3.84	460,370	1.89
BANK OF CHINA LTD - H CNY1	401,512	3.47	1,393,247	5.72
BANK OF COMMUNICATIONS - H 'H' CNY1.00	42,572	5.83	248,195	1.02
BEIJING ENTERPRISES HLDGS	2,888	50.45	145,700	0.60
BELLE INTERNATIONAL HOLDINGS HKD0.01	24,280	16.70	405,476	1.66
BRILLIANCE CHINA AUTOMOTIVE	6,000	9.56	57,360	0.24
CHINA CITIC BANK CORP LTD-H	43,348	4.60	199,401	0.82
CHINA COAL ENERGY CO - H 'H' CNY1	19,576	8.37	163,851	0.67
CHINA COMMUNICATIONS CONST-H 'H' CNY1	21,924	7.47	163,772	0.67
CHINA CONSTRUCTION BANK-H	405,420	6.22	2,521,712	10.35
CHINA LIFE INSURANCE CO-H 'H' CNY1	36,272	25.35	919,495	3.77
CHINA MENGNIU DAIRY CO HKD0.1	6,108	21.95	134,071	0.55
CHINA MERCHANTS BANK - H CHINA MERCHANTS	18,880	17.08	322,470	1.32
CHINA MERCHANTS HLDGS INTL	6,124	24.80	151,875	0.62
CHINA MOBILE (HK) LTD	25,376	90.25	2,290,184	9.40
CHINA OVERSEAS LAND & INVEST	19,772	23.10	456,733	1.87
CHINA PACIFIC INSURANCE GR-H 'H' CNY1	9,048	28.65	259,225	1.06
CHINA PETROLEUM & CHEMICAL-H	81,544	8.78	715,956	2.94
CHINA RESOURCES CEMENT	8,000	5.07	40,560	0.17
CHINA RESOURCES ENTERPRISE	5,852	27.95	163,563	0.67
CHINA RESOURCES LAND LTD SHS	10,944	20.95	229,277	0.94
CHINA RESOURCES POWER HOLDIN HKD1	9,400	19.70	185,180	0.76
CHINA SHENHUA ENERGY CO - H CNY1'H'	16,540	33.85	559,879	2.30
CHINA TAIPING INSURANCE HOLDIN	4,128	15.70	64,810	0.27
CHINA TELECOM CORP LTD SHS H	67,280	4.30	289,304	1.19
CHINA UNICOM HONG KONG LTD	22,852	12.40	283,365	1.16
CHINA YURUN FOOD GROUP LTD	7,132	5.63	40,153	0.16
CITIC PACIFIC LIMITED	6,912	11.54	79,764	0.33
CNOOC LTD HKD0.02	86,944	16.78	1,458,920	5.99
COUNTRY GARDEN HOLDINGS CO HKD0.10	32,000	4.06	129,920	0.53
DONGFENG MOTOR GRP CO LTD-H	14,000	11.88	166,320	0.68
EVERGRANDE REAL ESTATE GROUP USD0.01	29,872	4.24	126,657	0.52
GCL POLY ENERGY HOLDINGS LTD	38,400	1.56	59,904	0.25
GOME ELECTRICAL APPLIANCES HKD0.1(POST C	50,212	0.92	46,195	0.19
HENGAN INTL GROUP CO LTD HKD0.1	4,184	69.80	292,043	1.20
IND & COMM BK OF CHINA-H	333,076	5.50	1,831,918	7.52
KUNLUN ENERGY COMPANY LTD	14,980	16.16	242,077	0.99
LENOVO GROUP LTD	30,176	7.01	211,534	0.87
LONGFOR PROPERTIES	7,656	15.10	115,606	0.47
NINE DRAGONS PAPER HOLDINGS	9,232	7.00	64,624	0.27
PARKSON RETAIL GROUP LTD	6,636	6.24	41,409	0.17
PETROCHINA CO LTD	102,552	10.94	1,121,919	4.60
PING AN INSURANCE GROUP CO-H 'H' CNY1	9,108	64.85	590,654	2.42
SHANGHAI INDUSTRIAL ORD SHS	2,600	27.05	70,330	0.29
SHIMAO PROPERTY HOLDINDS LTD HKD0.10	6,952	14.60	101,499	0.42
TENCENT HOLDINGS LTD ORD HKD0.0001	5,348	248.20	1,327,374	5.45
TINGYI (CAYMAN ISLN) HLDG CO	10,872	21.35	232,117	0.95
WANT WANT CHINA HOLDINGS LTD	38,504	10.68	411,223	1.69
YANZHOU COAL MINING CO ORD CL H	9,200	12.80	117,760	0.48

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

INVESTMENT PORTFOLIO  
AS AT 31 DECEMBER 2012

<u>Security name and location of exchange</u>	<u>Holdings</u>	<u>Bid Price</u> HKD equivalent	<u>Fair value</u> HKD	<u>% of total net assets value</u>
LISTED EQUITIES - continued				
<u>SINGAPORE</u>				
COSCO INVESTMENT (S) LTD	5,600	5.68	31,803	0.13
YANGZIJIANG SHIPBUILDING NPV	9,600	6.06	58,175	0.24
YANLORD LAND GROUP LTD NPV	4,000	9.61	38,453	0.16
<u>UNITED STATES</u>				
51JOB INC-ADR ADR EA REP 2 ORD USD0.0001	40	361.65	14,466	0.06
ASIAINFO HOLDINGS INC COM	240	84.25	20,220	0.08
BAIDU.COM - ADR SPON ADR REP A	1,668	777.34	1,296,595	5.32
CHANGYOU.COM LTD-ADR SPON ADS REP 2 CL A	52	203.54	10,584	0.04
CHINA LODGING GROUP-SPON ADS CHINA LODGI	92	131.84	12,129	0.05
CTRIIP.COM INTERNATIONAL-ADR ADS EA REP 1	688	176.56	121,476	0.50
E-COMMERCE CHINA-SPON ADR	160	31.86	5,097	0.02
FOCUS MEDIA HOLDING-ADR SP ADR RP 10 ORD	436	198.89	86,716	0.36
GIANT INTERACTIVE GROUP-ADR ADR EACH REP	576	41.85	24,108	0.10
HOME INNS & HOTELS MANAG-ADR	104	223.92	23,288	0.10
LDK SOLAR CO LTD - ADR ADR EACH REPR 1 O	380	10.93	4,153	0.02
MINDRAY MEDICAL INTL LTD-ADR SPON ADR EA	436	253.53	110,539	0.45
NETEASE INC-ADR	376	329.57	123,917	0.51
NEW ORIENTAL EDUCATIO-SP ADR SPONS ADR E	708	150.52	106,569	0.44
PACTERA TECHNOLOGY INTERNATIONAL LTD	228	61.54	14,032	0.06
QIHOO 360 TECHNOLOGY CO-ADR	280	229.89	64,369	0.26
RENREN INC-ADR SPON ADR EA REPR 3 CL A	760	26.51	20,146	0.08
SHANDA GAMES LTD-ADR ADR EACH REP 2 SHS	432	23.41	10,112	0.04
SINA CORP ORD	336	389.25	130,787	0.54
SOHU COM INC COM	156	366.93	57,240	0.23
SOUFUN HOLDINGS LTD-ADR	112	193.54	21,676	0.09
SUNTECH POWER HOLDINGS-ADR	620	11.63	7,208	0.03
TRINA SOLAR LTD-SPON ADR ADR REP 100 ORD	404	33.56	13,559	0.06
WUXI PHARMATECH INC-ADR ADR EACH REPR 8	320	122	39,040	0.16
YINGLI GREEN ENERGY HOLD-ADR ADR EACH RE	476	18.21	8,668	0.04
YOUKU TUDOU INC	400	141.22	56,488	0.23
TOTAL INVESTMENTS			24,343,041	99.91
OTHER NET ASSETS			20,730	0.09
NET ASSET VALUE AS AT 31 DECEMBER 2012			24,363,771	100.00
TOTAL INVESTMENTS, AT COST			21,488,774	

# CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

## STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS FOR THE PERIOD FROM 24 OCTOBER 2011 (DATE OF INITIAL OFFER) TO 31 DECEMBER 2012

<u>Security name and location of exchange</u>	<u>Holdings as at 24.10.2011</u>	<u>Additions</u>	<u>Corporate action</u>	<u>Disposals</u>	<u>Holdings as at 31.12.2012</u>
LISTED EQUITIES					
<u>CANADA</u>					
SILVERCORP METALS INC COM NPV	-	3,600	-	2,800	800
<u>HONG KONG</u>					
AGILE PROPERTY HOLDINGS LTD	-	31,752	-	24,856	6,896
AGRICULTURAL BK CH 'H' CNY1	-	561,996	-	442,108	119,888
BANK OF CHINA LTD - H CNY1	-	1,668,884	-	1,267,372	401,512
BANK OF COMMUNICATIONS - H 'H' CNY1.00	-	200,034	-	157,462	42,572
BEIJING ENTERPRISES HLDGS	-	12,996	-	10,108	2,888
BELLE INTERNATIONAL HOLDINGS HKD0.01	-	115,650	-	91,370	24,280
BRILLIANCE CHINA AUTOMOTIVE	-	12,000	-	6,000	6,000
CHINA CITIC BANK CORP LTD-H	-	204,066	-	160,718	43,348
CHINA COAL ENERGY CO - H 'H' CNY1	-	93,852	-	74,276	19,576
CHINA COMMUNICATIONS CONST-H 'H' CNY1	-	101,178	-	79,254	21,924
CHINA CONSTRUCTION BANK-H	-	1,744,350	-	1,338,930	405,420
CHINA LIFE INSURANCE CO-H 'H' CNY1	-	170,064	-	133,792	36,272
CHINA MENGNIU DAIRY CO HKD0.1	-	27,486	-	21,378	6,108
CHINA MERCHANTS BANK - H CHINA MERCHANTS	-	89,370	-	70,490	18,880
CHINA MERCHANTS HLDGS INTL	-	28,098	-	21,974	6,124
CHINA MOBILE (HK) CO LTD	-	137,952	-	112,576	25,376
CHINA OVERSEAS LAND & INVEST	-	93,384	-	73,612	19,772
CHINA PACIFIC INSURANCE GR-H 'H' CNY1	-	40,716	-	31,668	9,048
CHINA PETROLEUM & CHEMICAL-H	-	383,508	-	301,964	81,544
CHINA RESOURCES CEMENT	-	16,000	-	8,000	8,000
CHINA RESOURCES ENTERPRISE	-	27,414	-	21,562	5,852
CHINA RESOURCES LAND LTD SHS	-	49,248	-	38,304	10,944
CHINA RESOURCES POWER HOLDIN HKD1	-	43,290	-	33,890	9,400
CHINA SHENHUA ENERGY CO - H CNY1 'H'	-	77,670	-	61,130	16,540
CHINA TAIPING INSURANCE HOLDIN	-	19,476	-	15,348	4,128
CHINA TELECOM CORP LTD SHS H	-	317,160	-	249,880	67,280
CHINA UNICOM HONG KONG LTD	-	107,694	-	84,842	22,852
CHINA YURUN FOOD GROUP LTD	-	33,174	-	26,042	7,132
CITIC PACIFIC LIMITED	-	33,354	-	26,442	6,912
CNOOC LTD HKD0.02	-	408,348	-	321,404	86,944
COUNTRY GARDEN HOLDINGS CO HKD0.10	-	64,000	-	32,000	32,000
DONGFENG MOTOR GRP CO LTD-H	-	63,000	-	49,000	14,000
EVERGRANDE REAL ESTATE GROUP USD0.01	-	137,124	-	107,252	29,872
GCL POLY ENERGY HOLDINGS LTD	-	172,800	-	134,400	38,400
GOME ELECTRICAL APPLIANCES HKD0.1 (POST C	-	230,904	-	180,692	50,212
HENGAN INTL GROUP CO LTD HKD0.1	-	19,584	-	15,400	4,184
IND & COMM BK OF CHINA-H	-	1,452,502	-	1,119,426	333,076
KUNLUN ENERGY COMPANY LTD	-	64,410	-	49,430	14,980
LENOVO GROUP LTD	-	136,692	-	106,516	30,176
LONGFOR PROPERTIES	-	35,352	-	27,696	7,656
NINE DRAGONS PAPER HOLDINGS	-	42,624	-	33,392	9,232
PARKSON RETAIL GROUP LTD	-	32,112	-	25,476	6,636
PETROCHINA CO LTD	-	482,184	-	379,632	102,552
PING AN INSURANCE GROUP CO-H 'H' CNY1	-	41,886	-	32,778	9,108
SHANGHAI INDUSTRIAL ORD SHS	-	12,330	-	9,730	2,600
SHIMAO PROPERTY HOLDINDS LTD HKD0.10	-	40,554	-	33,602	6,952
TENCENT HOLDINGS LTD ORD HKD0.0001	-	25,200	-	19,852	5,348
TINGYI (CAYMAN ISLN) HLDG CO	-	51,084	-	40,212	10,872
WANT WANT CHINA HOLDINGS LTD	-	181,278	-	142,774	38,504
YANZHOU COAL MINING CO ORD CL H	-	41,400	-	32,200	9,200

# CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

<u>Security name and location of exchange</u>	<u>Holdings as at 24.10.2011</u>	<u>Additions</u>	<u>Corporate action</u>	<u>Disposals</u>	<u>Holdings as at 31.12.2012</u>
LISTED EQUITIES - continued					
<u>SINGAPORE</u>					
COSCO CORP SINGAPORE LTD	-	25,200	-	19,600	5,600
YANGZIJANG SHIPBUILDING NPV	-	43,200	-	33,600	9,600
YANLORD LAND GROUP LTD NPV	-	18,000	-	14,000	4,000
<u>UNITIED STATES</u>					
51JOB INC-ADR ADR EA REP 2 ORD USD0.0001	-	180	-	140	40
ALIBABA.COM LTD	-	34,686	-	34,686	-
ASIAINFO HOLDINGS INC COM	-	480	-	240	240
BAIDU.COM - ADR SPON ADR REP A	-	7,956	-	6,288	1,668
BYD CO LTD-H	-	12,690	-	12,690	-
CHANGYOU.COM LTD-ADR SPON ADS REP 2 CL A	-	234	-	182	52
CHINA EVERBRIGHT LTD	-	19,710	-	19,710	-
CHINA LODGING GROUP-SPON ADS CHINA LODGI	-	414	-	322	92
CHINA REAL ESTATE INFORM-ADR SPON ADS EA	-	666	-	666	-
CHINA RONGSHENG HEAVY INDUSTRY	-	79,992	-	79,992	-
CTRIIP.COM INTERNATIONAL-ADR ADS EA REP 1	-	3,276	-	2,588	688
E-COMMERCE CHINA-SPON ADR	-	1,782	-	1,622	160
E-HOUSE CHINA HOLDINGS-ADS ADR EACH REPR	-	1,489	-	1,489	-
FOCUS MEDIA HOLDING-ADR SP ADR RP 10 ORD	-	1,962	-	1,526	436
GIANT INTERACTIVE GROUP-ADR ADR EACH REP	-	2,592	-	2,016	576
HOME INNS & HOTELS MANAG-ADR	-	468	-	364	104
JA SOLAR HOLDINGS CO LTD-ADR ADR REPR 3	-	3,132	-	3,132	-
LDK SOLAR CO LTD - ADR ADR EACH REPR 1 O	-	1,710	-	1,330	380
MINDRAY MEDICAL INTL LTD-ADR SPON ADR EA	-	2,142	-	1,706	436
NETEASE INC-ADR	-	1,782	-	1,406	376
NEW ORIENTAL EDUCATIO-SP ADR SPONS ADR E	-	3,546	-	2,838	708
PACTERA TECHNOLOGY INTERNATIONAL LTD	-	1,026	-	798	228
QIHOO 360 TECHNOLOGY CO LTD ADS EA 2 REP	-	1,260	-	980	280
RENHE COMMERCIAL HOLDINGS HKD0.01	-	292,896	-	292,896	-
RENREN INC-ADR SPON ADR EA REPR 3 CL A	-	3,420	-	2,660	760
SHANDA GAMES LTD-ADR ADR EACH REP 2 SHS	-	1,944	-	1,512	432
SHANDA INTERACTIVE ENTER-ADR SPONSORED A	-	774	-	774	-
SINA CORP ORD	-	1,512	-	1,176	336
SINO-OCEAN LAND HOLDINGS	-	90,216	-	90,216	-
SOHU COM INC COM	-	702	-	546	156
SOUFUN HOLDINGS LTD-ADR	-	1,692	-	1,580	112
SUNTECH POWER HOLDINGS-ADR	-	2,880	-	2,260	620
TRINA SOLAR LTD-SPON ADR ADR REP 100 ORD	-	1,818	-	1,414	404
WUXI PHARMATECH INC-ADR ADR EACH REPR 8	-	1,440	-	1,120	320
YINGLI GREEN ENERGY HOLD-ADR ADR EACH RE	-	2,502	-	2,026	476
YOUKU INC	-	2,592	-	2,192	400

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

PERFORMANCE RECORD

FOR THE PERIOD FROM 24 OCTOBER 2011 (DATE OF INITIAL OFFER)  
TO 31 DECEMBER 2012

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1. NET ASSET VALUE (CALCULATED IN ACCORDANCE WITH THE SUB-FUND'S TRUST DEED)

	<u>Net asset value HKD</u>	<u>Net asset value per unit HKD</u>
At the end of financial period 31 December 2012	<u>24,384,787</u>	<u>12.1924</u>

2. HIGHEST AND LOWEST NET ASSET VALUE PER UNIT

	<u>Highest net asset value per unit HKD</u>	<u>Lowest net asset value per unit HKD</u>
Financial period ended 31 December 2012 (since date of initial offer)	<u>12.7426</u>	<u>10.5663</u>

3. COMPARISON OF THE SUB-FUND'S PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE

The table below illustrates the comparison between the Sub-Fund's performance (calculated in accordance with the Sub-Fund's Trust Deed) and that of the Underlying Index during the period from 24 October 2011 (date of initial offer) to 31 December 2012:

	<u>Sub-fund's performance</u>	<u>Underlying index's performance</u>
Performance	9.24%	13.84%

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