

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

Annual Report

For the year ended 31 December 2013

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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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 (resigned on 4 July 2013)
Wan Siu Wah
He Zhong

TRUSTEE

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3 Garden Road, Central
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REGISTRAR

Computershare Hong Kong Investor Services
Limited
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183 Queen's Road East, Wanchai
Hong Kong

CONVERSION AGENT

HK Conversion Agency Services Limited
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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,
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3 Garden Road, Central
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Goldman Sachs (Asia) Securities Limited
68th floor, Cheung Kong Center
2 Queen's Road, Central
Hong Kong

Nomura International (HK) Ltd
30th floor, Two International Finance Center
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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. (HKD) (the "Underlying Index"). As of 31 December 2013, 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 Hong Kong dollar ("HKD") terms. As at 31 December 2013, the Net Asset Value (NAV) per unit of the Sub-Fund was HKD 12.8637, with 1,500,000 units outstanding and a total size of HKD 19.30 million.

A summary of the performance of the CSI Overseas Mainland Enterprises Index¹ as at 31 December 2013 is given as follows:

	2013 (%)	2012 (%)	Since inception ² (%)
CSI Overseas Mainland Enterprises Index ³	7.86	15.61	18.95
CMS CSI Overseas Enterprise Index NAV-to-NAV ⁴	5.51	11.61	11.75
CMS CSI Overseas Enterprises Index Market-to-Market ⁵	7.7	10.56	11.83

The difference in performance between the CSI Overseas Mainland Enterprises Index is mainly attributed to fee and expenses as the fund size is small as at 31 December 2013.

¹ Past performance figures shown are not indicative of the future performance of the fund.

² Inception date refers to the date of listing, i.e 1 November 2011.

³ Price index in HKD.

⁴ Unit's NAV in HKD. Units in the Fund are issued and redeemed at the NAV.

⁵ Market closing price in HKD. Market returns are calculated using historical market closing prices of the ETF, and do not represent the returns investors would receive if investors trade units at other time.

Source: CSI, CMS Asset Management and Bloomberg

FUND ACTIVITIES

The Sub-Fund had experienced net redemptions during the reporting period. As at 31 December 2013, there were 1,500,000 units outstanding.

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF INDEX ACTIVITIES

The CSI Overseas Mainland Enterprises Index had three regular reviews during the reporting period. The following changes were made on 2 January 2013, 1 July 2013 and 16 December 2013 respectively. With effect from 16 December 2013, the CSI changed the regular review to the second Friday of June and December, the first change being made on 16 December 2013.

Changes as of 2 January 2013

Inclusion

Company	Bloomberg Code
Minsheng Bank	1988
PICC	2328
SunArt	6808
Spreadtrum	SPRD
21Vianet	VNET
TAL Education	XRS

Deletion

Company	Bloomberg Code
Taiping Insurance	966
Yurun Food	1068
Parkson	3368
Dangdang	DANG
LDK Solar	LDK
Suntech Power	STP

Changes as of 1 July 2013

Inclusion

Company	Bloomberg Code
Guangdong Investment	270
LionGold Corp	LIGO
People's food	PFH
YY Inc	YY

Deletion

Company	Bloomberg Code
Gome	493
AsiaInfo	ASIA
Trina Solar	TSL
Yingli Green	YGE

Changes as of 16 December 2013

Inclusion

Company	Bloomberg Code
ENN Energy	2688
China State Construction	3311
Vipshop	VIPS

Deletion

Company	Bloomberg Code
Yanzhou Coal	1171
China coal	1898
China Aviation Oil	CAO

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF
INDEX ACTIVITIES - continued

Sources: CSI

As at 31 December 2013, the Sub-Fund held 79 constituents stocks compared to 80 stocks in the CSI Overseas Mainland Enterprises Index as one of the component stocks Spreadtrum was deleted on 26 December 2013 due to privatization but the newly included stock Hollysys Automation had yet to be included in the Sub-Fund.

In December 2013, the sub-Fund applied to the Immigration Department to qualify itself as an Eligible Collective Investment Scheme under the Capital Investment Entrant Scheme (CIES). On 11 April 2014, the Sub-Fund obtained the approval and it can now be offered to capital investors under the CIES.

CMS Asset Management (HK) Co., Limited
25 April 2014

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 2014

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 8 to 39, which comprise the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, 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, 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 Hong Kong Securities and Futures Commission (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 Sub-Fund'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 2013, and of the its financial performance and cash flows for the year then ended 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 2014

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	<u>NOTES</u>	<u>2013</u> HKD	<u>2012</u> HKD
CURRENT ASSETS			
Investments	9	19,209,788	24,343,041
Other receivables		730	1,265
Bank balances	6(h)	483,372	461,469
Total current assets		<u>19,693,890</u>	<u>24,805,775</u>
CURRENT LIABILITIES			
Management fee payable	6(a)	26,669	60,274
Trustee fee payable	6(b)	70,354	15,350
Audit fee payable		230,001	168,438
Index license fee accrual		32,091	31,217
Other accounts payable and accruals		39,187	166,725
Total current liabilities		<u>398,302</u>	<u>442,004</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	15	<u>19,295,588</u>	<u>24,363,771</u>
Capital		14,084,742	20,019,786
Retained earnings		<u>5,210,846</u>	<u>4,343,985</u>
TOTAL EQUITY		<u><u>19,295,588</u></u>	<u><u>24,363,771</u></u>
REPRESENTED BY:			
Net assets attributable to unitholders (at last traded market prices) ¹		<u>19,295,588</u>	<u>24,384,787</u>
Adjustment for difference in valuation inputs ¹	15	<u>-</u>	<u>(21,016)</u>
Net assets attributable to unitholders (calculated in accordance with IFRS)		<u><u>19,295,588</u></u>	<u><u>24,363,771</u></u>
Units in issue	11	<u>1,500,000</u>	<u>2,000,000</u>
Net asset value per unit		<u>12.8637</u>	<u>12.1819</u>

¹Prior to the application of IFRS 13 from 1 January 2013, the Sub-Fund utilised bid market prices for its listed financial assets in accordance with IAS 39.

The accompanying notes are an integral part of these financial statements

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

		1.1.2013 to 31.12.2013 HKD	24.10.2011 (date of initial offer) to 31.12.2012 HKD
	<u>NOTES</u>		
Income			
Dividend income	6(i)	713,049	1,670,938
Interest income	6(f)	8	189
		<u>713,057</u>	<u>1,671,127</u>
Expenses			
Set-up fee	7	-	(2,899,179)
Auditor's remuneration		(217,863)	(268,438)
Management fee	6(a)	(119,962)	(452,320)
Trustee fee	6(b)	(279,239)	(98,070)
Custodian fee and bank charges	6(c)	(9,776)	(25,284)
Transaction costs on investments	6(d)	(4,305)	(9,260)
Brokerage commission	6(g)	(2,675)	(6,748)
Index license fee		(125,580)	(130,034)
Other expenses		(391,448)	(359,718)
Interest expense	6(f)	-	(36)
		<u>(1,150,848)</u>	<u>(4,249,087)</u>
Net loss before investment and exchange gain/(loss)		<u>(437,791)</u>	<u>(2,577,960)</u>
Net exchange (loss)/gain		(511)	811
Net realised gains on sale of investments		684,144	4,204,559
Net change in unrealised gains on investments		663,338	2,854,267
Change in adjustment for difference in valuation inputs ¹		21,016	-
		<u>1,367,987</u>	<u>7,059,637</u>
Profit before tax		930,196	4,481,677
Taxation	8	<u>(63,335)</u>	<u>(137,692)</u>
Profit and total comprehensive income attributable to unitholders for the year/period		<u>866,861</u>	<u>4,343,985</u>

¹Prior to the application of IFRS 13 from 1 January 2013, the Sub-fund utilised bid market prices for its listed financial assets in accordance with IAS 39.

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 YEAR ENDED 31 DECEMBER 2013

	<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	20,019,786	-	20,019,786
Profit and total comprehensive income for the period		-	4,343,985	4,343,985
Net assets attributable to unitholders at 31 December 2012 (at bid market prices ¹)		20,019,786	4,343,985	24,363,771
Payments for redemption of units				
- in-kind	16	(5,030,526)	-	(5,030,526)
- cash component and cash redemption	16	(904,518)	-	(904,518)
Net decrease from unit transactions	11	(5,935,044)	-	(5,935,044)
Profit and total comprehensive income for the year		-	866,861	866,861
Net assets attributable to unitholders at 31 December 2013 (at last traded market prices ¹)		14,084,742	5,210,846	19,295,588
			<u>2013</u>	<u>2012</u>
Number of units in issue				
Units in issue at the beginning of the year/period			2,000,000	-
Issue of units			-	9,000,000
Redemption of units			(500,000)	(7,000,000)
Units in issue at the end of the year/period			1,500,000	2,000,000

¹Prior to the application of IFRS 13 from 1 January 2013, the Sub-Fund utilised bid market prices for its listed financial assets in accordance with IAS 39.

The accompanying notes are an integral part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	1.1.2013 to 31.12.2013 HKD	24.10.2011 (date of initial offer) to 31.12.2012 HKD
OPERATING ACTIVITIES		
Net profit before tax	930,196	4,481,677
Adjustments for:		
Dividend income	(713,049)	(1,670,938)
Interest income	(8)	(189)
Interest expense	-	36
Net exchange loss/(gain)	511	(811)
Net realised gains on sale of investments	(684,144)	(4,204,559)
Net change in unrealised gains on investments	(663,338)	(2,854,267)
Change in adjustment for difference in valuation inputs ¹	(21,016)	-
Operating cash flows before movements in working capital	(1,150,848)	(4,249,051)
Purchase of investments	(2,041,766)	(32,166,408)
Sale of investments	3,512,991	36,115,090
Decrease/(increase) in other receivables	535	(1,265)
(Decrease)/increase in management fee payable	(33,605)	60,274
Increase in trustee fee payable	55,004	15,350
Increase in audit fee payable	61,563	168,438
Increase in index license fee accrual	874	31,217
(Decrease)/increase in other accounts payable and accruals	(127,538)	166,725
CASH GENERATED FROM OPERATING ACTIVITIES	277,210	140,370
Dividend received	713,049	1,670,938
Interest received	8	189
Interest paid	-	(36)
Tax paid	(63,335)	(137,692)
NET CASH GENERATED FROM OPERATING ACTIVITIES	926,932	1,673,769
FINANCING ACTIVITIES		
Proceeds from issuance of units	-	30,963,939
Payments for redemption of units	(904,518)	(32,177,050)
Net cash used in financing activities	(904,518)	(1,213,111)
Net increase in cash and cash equivalents	22,414	460,658
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(511)	811
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	461,469	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	483,372	461,469
Analysis of balances of cash and cash equivalents		
Bank balances	483,372	461,469

¹Prior to the application of IFRS 13 from 1 January 2013, the Sub-Fund utilised bid market prices for its listed financial assets in accordance with IAS 39.

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013, 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")

The Sub-Fund has applied the following new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory effective for an accounting period that begins on or after 1 January 2013.

Amendments to IFRSs	Annual improvements to IFRSs 2009 – 2011 Cycle
Amendments to IFRS 7	Disclosures - Offsetting financial assets and financial liabilities
Amendments to IFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 27 (as revised in 2011)	Separate financial statements
IAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to IAS 1	Presentation of items of other comprehensive income

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Sub-Fund's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

IFRS 13 Fair value measurement

The Sub-Fund has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

According to IFRS 13, if an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. As a result of the adoption of IFRS 13, the Sub-Fund's investments were revalued from bid-ask (as required by IAS 39) to last traded prices where such prices are within the bid-ask spread to be consistent with the inputs prescribed in the Sub-Fund's Trust Deed for the calculation of its net asset value per unit for subscriptions, redemptions and for various fee calculations. The revaluation on 1 January 2013 resulted in a net increase in financial assets and liabilities of HK\$21,016 which is equivalent to the adjustment for valuation inputs as at 31 December 2012, being the bid-ask spread versus last trade price.

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

IFRS 13 requires prospective application. The change in valuation inputs is considered to be a change in estimate in accordance with IAS 8 and is applied prospectively. Accordingly the net increase in the financial assets and liabilities as a result of the change is recognized in the statement of profit or loss and other comprehensive income in the current period.

Amendments to IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Sub-Fund does not have other comprehensive income and have decided to retain the use of the previous terminology 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 IFRS 10, IFRS 12 and IAS 27	Investment entities ¹
Amendments to IAS 19	Defined benefit plans: employee contributions ²
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures ³
Amendments to IAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting ¹
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle ⁴
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle ²
IFRS 9	Financial instruments ³
IFRS 14	Regulatory deferral accounts ⁵
IFRIC 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

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

IFRS 9 Financial instruments

IFRS 9, issued in 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

The key requirements of IFRS 9 are as follows:

- 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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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.

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 year/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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Sub-Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 year/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 year/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 year/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 profit or loss and other 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 year/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 had 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 of withholding taxes in the statement of profit or loss and other comprehensive income. Withholding taxes are shown as a separate line item in the statement of profit or loss and other 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.

Interest 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 of financial liabilities

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 profit or loss and other 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 year/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 year/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 financial period from 24 October 2011 to 31 December 2012 and for the year ended 31 December 2013.

The management fee incurred during the year was HKD119,962 (2012: HKD452,320). As at 31 December 2013, a management fee of HKD26,669 (2012: HKD60,274) was payable to the Manager.

(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 was 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 year was HKD279,239 (2012: HKD98,070). As at 31 December 2013, a trustee fee of HKD70,354 (2012: 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 direct holding company of the Trustee, to the Sub-Fund as safekeeping fees.

The custodian fee and bank charges incurred during the year was HKD9,776 (2012: HKD25,284). These were fully repaid as at 31 December 2013 and 31 December 2012.

(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 year were HKD4,305 (2012: HKD9,260). These were fully repaid by the Sub-Fund as at 31 December 2013 and 31 December 2012.

(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 as at 31 December 2012.

(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 year, interest income amounting to HKD8 (2012: HKD189) was earned by the Sub-Fund and interest expense of HKDNil (2012: 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, an affiliate 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 year ended 31 December 2013

	Value of transactions effected through broker HKD	% of total transaction value in the Sub-Fund	Brokerage commission HKD	Average rate of commission HKD
China Merchants Securities (HK) Co., Ltd	2,886,555	0.54%	1,443	0.05%
Citigroup Global Markets Asia Limited	2,463,107	0.46%	1,232	0.05%

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

	Value of transactions effected through broker HKD	% of total transaction value in the Sub-Fund	Brokerage commission HKD	Average rate of commission 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 2013 and 31 December 2012, bank balances which were held with the Custodian, Citibank, N.A., the direct holding company of the Trustee, and is summarised below:

	As at 31 December 2013 HKD	As at 31 December 2012 HKD
Cash at bank	<u>483,372</u>	<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 year, the Sub-Fund invested 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 2013 are shown in the Investment Portfolio included in the Sub-Fund's financial statements as at 31 December 2013. Dividend income earned during the year from China Merchants Holdings (International) Company Limited and China Merchants Bank Co., Ltd. are HKD3,884 (2012: HKD13,105) and HKD12,732 (2012: HKD34,962) respectively. The dividend income from both investments were fully received during the year.

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

(j) Holdings in the Sub-Fund

China Merchants Securities Investment Management (HK) Co., Limited held 100% (2012: 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.

7. SET-UP FEE

The set-up fee incurred during the period ended 31 December 2012 mainly comprised 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. Dividend income is recorded gross of withholding taxes.

9. INVESTMENTS

	As at 31 December 2013 HKD	As at 31 December 2012 HKD
Listed equities in Canada	10,684	31,449
Listed equities in Hong Kong	16,063,161	21,779,979
Listed equities in Singapore	119,627	128,430
Listed equities in USA	3,016,316	2,403,183
	<u>19,209,788</u>	<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 last traded market prices where the prices are within the bid-ask spread at the reporting date.

Prior to the application of IFRS 13 from 1 January 2013, the Sub-Fund utilised bid market prices for its listed financial assets in accordance with IAS 39.

10. DISTRIBUTIONS

The Sub-Fund did not make any distribution during the year/period ended 31 December 2013 and 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	<u>(7,000,000)</u>	<u>(80,679,917)</u>
Balance at 31 December 2012	2,000,000	20,019,786
Redemption of units	<u>(500,000)</u>	<u>(5,935,044)</u>
Balance at 31 December 2013	<u><u>1,500,000</u></u>	<u><u>14,084,742</u></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 year/period ended 31 December 2013 and 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.

There was no constituent stock that accounted 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 2013.

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:

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 year/period end. As at 31 December 2013, net assets attributable to redeemable unitholders that are classified as equity amounted to HKD19,295,588 (2012: 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 year 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.

14. FINANCIAL INSTRUMENTS - continued

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 2013

	Designated at fair value through profit or loss HKD	Loans and receivables HKD	Financial liabilities HKD	Total carrying amount HKD
Financial assets				
Investments	19,209,788	-	-	19,209,788
Other receivables	-	730	-	730
Bank balances	-	483,372	-	483,372
	<u>19,209,788</u>	<u>484,102</u>	<u>-</u>	<u>19,693,890</u>
Financial liabilities				
Management fee payable	-	-	(26,669)	(26,669)
Trustee fee payable	-	-	(70,354)	(70,354)
	<u>-</u>	<u>-</u>	<u>(97,023)</u>	<u>(97,023)</u>

As at 31 December 2012

	Designated at fair value through profit or loss HKD	Loans and receivables HKD	Financial liabilities HKD	Total carrying amount HKD
Financial assets				
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>
Financial liabilities				
Management fee payable	-	-	(60,274)	(60,274)
Trustee fee payable	-	-	(15,350)	(15,350)
Other accounts payable	-	-	(49,052)	(49,052)
	<u>-</u>	<u>-</u>	<u>(124,676)</u>	<u>(124,676)</u>

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 Sub-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") and Renminbi ("RMB"). 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 2013

	<u>CAD HKD Equivalent</u>	<u>RMB HKD Equivalent</u>
Monetary assets	<u>82</u>	<u>648</u>

As at 31 December 2012

	<u>CAD HKD Equivalent</u>	<u>RMB HKD Equivalent</u>
Monetary assets	<u>117</u>	<u>1,148</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 is 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 2013 and 31 December 2012, the Sub-Fund's investments were concentrated in the following industries:

As at 31 December 2013

	Fair value of underlying investments HKD	% of net assets value
<i>Investments - By industry sector</i>		
Consumer discretionary	921,653	4.78%
Consumer staples	1,011,282	5.24%
Energy	2,331,028	12.08%
Financials	7,232,688	37.49%
Health care	163,611	0.85%
Industrials	677,819	3.51%
Information technology	4,372,839	22.66%
Materials	84,631	0.44%
Telecommunications services	1,998,044	10.36%
Utilities	416,193	2.15%
	<u>19,209,788</u>	<u>99.56%</u>

14. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives - continued

Market risk - continued

Market price risk - continued

As at 31 December 2013 - continued

	Fair value of underlying <u>investments</u> HKD	% of net <u>assets value</u>
<i>Investments - By location of exchange</i>		
Canada	10,684	0.06%
Hong Kong	16,063,161	83.25%
Singapore	119,627	0.62%
USA	3,016,316	15.63%
	<u>19,209,788</u>	<u>99.56%</u>

As at 31 December 2012

	Fair value of underlying <u>investments</u> HKD	% of net <u>assets value</u>
<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>

	Fair value of underlying <u>investments</u> HKD	% of net <u>assets value</u>
<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>

14. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives - continued

Market risk - continued

Market price risk - continued

Market price sensitivity analysis

As at 31 December 2013, if the Underlying Index were to increase by 3% (2012: 3%) with all other variables held constant, this would increase the profit for the year by approximately HKD576,294 (2012: HKD730,291). Conversely, if the Underlying Index were to decrease by 3% (2012: 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 uses to mitigate this risk.

The table below sets out the exposure of the Sub-Fund to counterparties as at 31 December 2013 and 31 December 2012 with their credit rating by Standard & Poor's Rating Services:

<i>As at 31 December 2013</i>	HKD	Rating
Bank balances and investments		
Citibank, N.A.	19,693,160	A
Other receivables	730	N/A
	<u>19,693,890</u>	
 <i>As at 31 December 2012</i>	 HKD	 Rating
Bank balances and investments		
Citibank, N.A.	24,804,510	A
Other receivables	1,265	N/A
	<u>24,805,775</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 direct holding company of the Trustee. The Manager considers 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 realisable under normal market conditions as they are all listed on different Stock Exchanges.

As at 31 December 2013 and 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 considers 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 year/period.

14. FINANCIAL INSTRUMENTS - continued

Fair value of financial instruments - continued

Fair value of financial assets that are measured at fair value on a recurring basis

The fair value of financial assets are determined by the Manager, in which the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to last traded prices that fall within the bid-ask spread.

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

		As at 31 December 2013		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		<u>HKD</u>	<u>HKD</u>	<u>HKD</u>
Financial assets at FVTPL				<u>Total</u>
				<u>HKD</u>
Equity securities		<u>19,193,276</u>	<u>16,512</u>	<u>-</u>
				<u>19,209,788</u>

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

The Level 2 investment represents a suspended stock and its valuation was based on last available trade price.

There were no transfers between all levels during the year/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 Dealing NAV is calculated in accordance with the provisions of the Sub-Fund's Trust Deed, which may be different from the accounting policies under IFRS).

In the prior year, the Sub-Fund utilised bid market prices for its listed financial assets in accordance with IAS 39. This resulted in a difference from the dealing NAV per unit calculated by the Sub-Fund using last traded market prices. A reconciliation of the Sub-Fund's net asset value as reported in the statement of financial position as at 31 December 2012 to its Dealing NAV is provided below:

<i>As at 31 December 2012</i>	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	<u>(21,016)</u>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>24,363,771</u>
Units in issue	<u>2,000,000</u>
Net assets value per unit	<u>12.1819</u>

The Sub-Fund applied IFRS 13 from 1 January 2013 as described in note 2 to the financial statements. As a result, there is no difference between net assets attributable to unitholders calculated in accordance with the Sub-Fund's Trust Deed and net assets attributable to unitholders calculated in accordance with IFRSs. The net asset value per unit as at year ended 31 December 2013 is HKD12.8637.

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 year, the Sub-Fund did not issue any units.

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.

16. MAJOR NON-CASH TRANSACTIONS - continued

(b) Redemptions

During the year, the Sub-Fund redeemed 500,000 units (2012: 7,000,000 units), totalling HKD5,935,044 (2012: HKD80,679,917) in exchange for Baskets consisting of investments valued at HKD5,030,526 (2012: 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 HKD904,518 (2012: 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 25 April 2014.

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

INVESTMENT PORTFOLIO
AS AT 31 DECEMBER 2013

<u>Security name and location of exchange</u>	<u>Holdings</u>	<u>Fair value</u> HKD	<u>% of total</u> <u>net asset value</u>
LISTED EQUITIES			
<u>CANADA</u>			
SILVERCORP METALS INC COM NPV	600	10,684	0.06
		10,684	0.06
<u>HONG KONG</u>			
AGILE PROPERTY HOLDINGS LTD	4,572	37,993	0.20
AGRICULTURAL BK CH 'H' CNY1	79,416	302,575	1.57
BANK OF CHINA LTD - H CNY1	269,034	960,451	4.97
BANK OF COMMUNICATIONS - H 'H' CNY1.00	34,029	186,139	0.96
BEIJING ENTERPRISES HLDGS	1,926	148,109	0.77
BELLE INTERNATIONAL HOLDINGS HKD0.01	17,160	153,925	0.80
BRILLIANCE CHINA AUTOMOTIVE	9,600	121,344	0.63
CHINA CITIC BANK CORP LTD-H	28,761	121,084	0.63
CHINA COMMUNICATIONS CONST-H 'H' CNY1	14,943	93,394	0.48
CHINA CONSTRUCTION BANK-H	307,815	1,800,718	9.33
CHINA LIFE INSURANCE CO-H 'H' CNY1	23,964	581,127	3.01
CHINA MENGNIU DAIRY CO HKD0.1	4,731	174,101	0.90
CHINA MERCHANTS BANK - H CHINA MERCHANTS	15,567	257,167	1.33
CHINA MERCHANTS HLDGS INTL	4,293	121,492	0.63
CHINA MINSHENG BANKING-H	18,600	160,146	0.83
CHINA MOBILE (HK) LTD	19,482	1,566,353	8.12
CHINA OVERSEAS LAND & INVEST	13,179	287,302	1.49
CHINA PACIFIC INSURANCE GR-H 'H' CNY1	8,496	258,278	1.34
CHINA PETROLEUM & CHEMICAL-H	82,055	519,408	2.69
CHINA RESOURCES CEMENT	6,000	31,260	0.16
CHINA RESOURCES ENTERPRISE	4,089	105,292	0.55
CHINA RESOURCES LAND LTD SHS	7,608	146,226	0.76
CHINA RESOURCES POWER HOLDING HKD1	6,450	118,551	0.61
CHINA SHENHUA ENERGY CO - H CNY1 'H'	10,905	266,627	1.38
CHINA STATE CONSTRUCTION INT HKD0.1	6,000	83,400	0.43
CHINA TELECOM CORP LTD SHS H	44,760	175,459	0.91
CHINA UNICOM HONG KONG LTD	22,089	256,232	1.33
CITIC PACIFIC COMMON	6,024	71,445	0.37
CNOOC LTD HKD0.02	57,408	827,823	4.29
COUNTRY GARDEN HOLDINGS CO HKD0.10	30,000	140,400	0.73
DONGFENG MOTOR GRP CO LTD-H	9,750	118,365	0.61
ENN ENERGY HOLDINGS LTD	3,000	172,050	0.89
EVERGRANDE REAL ESTATE GROUP USD0.01	20,604	60,988	0.32
GCL POLY ENERGY HOLDINGS LTD	25,800	61,920	0.32

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2013

<u>Security name and location of exchange</u>	<u>Holdings</u>	<u>Fair value</u> HKD	<u>% of total</u> <u>net asset value</u>
LISTED EQUITIES - continued			
<u>HONG KONG</u> - continued			
GUANGDONG INVESTMENT LTD	8,400	63,672	0.33
HENGAN INTL GROUP CO LTD HKD0.1	2,838	259,961	1.35
IND & COMM BK OF CHINA-H	224,307	1,175,369	6.09
KUNLUN ENERGY COMPANY LTD	10,335	141,176	0.73
LENOVO GROUP LTD	19,932	187,959	0.97
LONGFOR PROPERTIES	5,442	58,991	0.31
NINE DRAGONS PAPER HOLDINGS	6,324	42,687	0.22
PETROCHINA CO LTD-H	67,764	575,994	2.99
PICC PROPERTY & CASUALTY -H 'H'CNY1	9,990	114,885	0.60
PING AN INSURANCE GROUP CO-H 'H' CNY1	6,981	484,830	2.51
SHANGHAI INDUSTRIAL ORD SHS	1,815	51,455	0.27
SHIMAO PROPERTY HOLDINGS LTD HKD0.10	4,614	82,221	0.43
SUN ART RETAIL GRO HKD0.30	9,600	105,024	0.54
TENCENT HOLDINGS LTD ORD HKD0.0001	3,591	1,776,109	9.21
TINGYI (CAYMAN ISLN) HLDG CO	7,554	169,210	0.88
WANT WANT CHINA HOLDINGS LTD	25,578	286,474	1.48
		16,063,161	83.25
<u>SINGAPORE</u>			
COSCO INVESTMENT (S) LTD	4,200	19,473	0.10
LIONGOLD CORP LTD LIONGOLD CORP LTD	2,250	2,349	0.01
PEOPLE'S FOOD HLDGS LTD	2,250	16,512	0.09
YANGZIJANG SHIPBUILDING NPV	9,000	65,495	0.34
YANLORD LAND GROUP LTD NPV	2,100	15,798	0.08
		119,627	0.62
<u>UNITED STATES</u>			
21VIANET GROUP INC-ADR	150	27,354	0.14
AIR CHINA LTD-A 'A'CNY1	39	23,556	0.12
BAIDU.COM - ADR SPON ADR REP A	1,137	1,568,191	8.13
CHANGYOU.COM LTD-ADR SPON ADS REP 2 CL A	39	9,692	0.05
CHINA LODGING GROUP-SPON ADS CHINA LODGI	99	23,382	0.12
CTIP.COM INTERNATIONAL-ADR ADS EA REP 1	441	169,671	0.88
GIANT INTERACTIVE GROUP-ADR ADR EACH REP	432	37,650	0.20
HOME INNS & HOTELS MANAG-ADR	78	26,393	0.14
MINDRAY MEDICAL INTL LTD-ADR SPON ADR EA	327	92,190	0.48
NETEASE INC-ADR	252	153,580	0.80
NEW ORIENTAL EDUCATIO-SP ADR SPONS ADR E	501	122,366	0.63
PACTERA TECHNOLOGY INTERNATIONAL LTD	246	13,638	0.07

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

INVESTMENT PORTFOLIO
AS AT 31 DECEMBER 2013

<u>Security name and location of exchange</u>	<u>Holdings</u>	<u>Fair value</u> HKD	<u>% of total</u> <u>net asset value</u>
LISTED EQUITIES - continued			
<u>UNITED STATES</u> - continued			
QIHOO 360 TECHNOLOGY CO-ADR	285	181,315	0.94
RENREN INC-ADR SPON ADR EA REPR 3 CL A	660	15,608	0.08
SHANDA GAMES LTD-ADR ADR EACH REP 2 SHS	324	11,506	0.06
SINA CORP ORD	225	146,982	0.76
SOHU COM INC COM	102	57,679	0.30
SOUFUN HOLDINGS LTD-ADR	99	63,260	0.33
TAL EDUCATION GROUP- ADR ADS EA REPR 2 C	75	12,788	0.07
VIPSHOP HOLDINGS LTD - ADS SPON ADR EA R	105	68,127	0.35
WUXI PHARMATECH INC-ADR ADR EACH REPR	240	71,421	0.37
YOUKU TUDOU INC	426	100,084	0.51
YY INC-ADR ADS EA REPR 20 ORD CL'A'	51	19,883	0.10
		<u>3,016,316</u>	<u>15.63</u>
TOTAL INVESTMENTS		19,209,788	99.56
OTHER NET ASSETS		<u>85,800</u>	<u>0.44</u>
NET ASSET VALUE AS AT 31 DECEMBER 2013		<u>19,295,588</u>	<u>100.00</u>
TOTAL INVESTMENTS, AT COST		<u>15,671,166</u>	

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2013

<u>Security name and location of exchange</u>	<u>Holdings as at 1.1.2013</u>	<u>Additions</u>	<u>Corporate action</u>	<u>Disposals</u>	<u>Holdings as at 31.12.2013</u>
LISTED EQUITIES					
<u>CANADA</u>					
SILVERCORP METALS INC COM NPV	800	-	-	200	600
<u>HONG KONG</u>					
AGILE PROPERTY HOLDINGS LTD	6,896	-	-	2,324	4,572
AGRICULTURAL BK CH 'H' CNY1	119,888	-	-	40,472	79,416
BANK OF CHINA LTD - H CNY1	401,512	-	-	132,478	269,034
BANK OF COMMUNICATIONS - H 'H' CNY1.00	42,572	4,800	-	13,343	34,029
BEIJING ENTERPRISES HLDGS	2,888	-	-	962	1,926
BELLE INTERNATIONAL HOLDINGS HKD0.01	24,280	-	-	7,120	17,160
BRILLIANCE CHINA AUTOMOTIVE	6,000	7,600	-	4,000	9,600
CHINA CITIC BANK CORP LTD-H	43,348	-	-	14,587	28,761
CHINA COAL ENERGY CO - H 'H' CNY1	19,576	-	-	19,576	-
CHINA COMMUNICATIONS CONST-H 'H' CNY1	21,924	-	-	6,981	14,943
CHINA CONSTRUCTION BANK-H	405,420	38,000	-	135,605	307,815
CHINA LIFE INSURANCE CO-H 'H' CNY1	36,272	-	-	12,308	23,964
CHINA MENGNIU DAIRY CO HKD0.1	6,108	200	-	1,577	4,731
CHINA MERCHANTS BANK - H CHINA MERCHANTS	18,880	-	2,307	5,620	15,567
CHINA MERCHANTS HLDGS INTL	6,124	-	-	1,831	4,293
CHINA MINSHENG BANKING-H	-	26,000	-	7,400	18,600
CHINA MOBILE (HK) LTD	25,376	1,350	-	7,244	19,482
CHINA OVERSEAS LAND & INVEST	19,772	-	-	6,593	13,179
CHINA PACIFIC INSURANCE GR-H 'H' CNY1	9,048	5,100	-	5,652	8,496
CHINA PETROLEUM & CHEMICAL-H	81,544	16,000	22,963	38,452	82,055
CHINA RESOURCES CEMENT	8,000	-	-	2,000	6,000
CHINA RESOURCES ENTERPRISE	5,852	-	-	1,763	4,089
CHINA RESOURCES LAND LTD SHS	10,944	-	-	3,336	7,608
CHINA RESOURCES POWER HOLDING HKD1	9,400	-	-	2,950	6,450
CHINA SHENHUA ENERGY CO - H CNY1'H'	16,540	-	-	5,635	10,905
CHINA STATE CONSTRUCTION INT HKD0.1	-	6,000	-	-	6,000
CHINA TAIPING INSURANCE HOLDING	4,128	-	-	4,128	-
CHINA TELECOM CORP LTD SHS H	67,280	-	-	22,520	44,760
CHINA UNICOM HONG KONG LTD	22,852	6,000	-	6,763	22,089
CHINA YURUN FOOD GROUP LTD	7,132	-	-	7,132	-
CITIC PACIFIC COMMON	6,912	840	-	1,728	6,024
CNOOC LTD HKD0.02	86,944	-	-	29,536	57,408
COUNTRY GARDEN HOLDINGS CO HKD0.10	32,000	8,000	-	10,000	30,000
DONGFENG MOTOR GRP CO LTD-H	14,000	-	-	4,250	9,750
ENN ENERGY HOLDINGS LTD	-	3,000	-	-	3,000

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2013

<u>Security name and location of exchange</u>	<u>Holdings as at 1.1.2013</u>	<u>Additions</u>	<u>Corporate action</u>	<u>Disposals</u>	<u>Holdings as at 31.12.2013</u>
LISTED EQUITIES - continued					
<u>HONG KONG</u> - continued					
EVERGRANDE REAL ESTATE GROUP USD0.01	29,872	-	-	9,268	20,604
GCL POLY ENERGY HOLDINGS LTD	38,400	-	-	12,600	25,800
GOME ELECTRICAL APPLIANCES HKD0.1(POST C	50,212	-	-	50,212	-
GUANGDONG INVESTMENT LTD	-	11,200	-	2,800	8,400
HENGAN INTL GROUP CO LTD HKD0.1	4,184	-	-	1,346	2,838
IND & COMM BK OF CHINA-H	333,076	-	-	108,769	224,307
KUNLUN ENERGY COMPANY LTD	14,980	-	-	4,645	10,335
LENOVO GROUP LTD	30,176	-	-	10,244	19,932
LONGFOR PROPERTIES	7,656	-	-	2,214	5,442
NINE DRAGONS PAPER HOLDINGS	9,232	-	-	2,908	6,324
PARKSON RETAIL GROUP LTD	6,636	-	-	6,636	-
PETROCHINA CO LTD-H	102,552	-	-	34,788	67,764
PICC PROPERTY & CASUALTY -H 'H' CNY1	-	12,000	1,320	3,330	9,990
PING AN INSURANCE GROUP CO-H 'H' CNY1	9,108	800	-	2,927	6,981
SHANGHAI INDUSTRIAL ORD SHS	2,600	-	-	785	1,815
SHIMAO PROPERTY HOLDINGS LTD HKD0.10	6,952	-	-	2,338	4,614
SUN ART RETAIL GRO HKD0.30	-	12,800	-	3,200	9,600
TENCENT HOLDINGS LTD ORD HKD0.0001	5,348	-	-	1,757	3,591
TINGYI (CAYMAN ISLN) HLDG CO	10,872	-	-	3,318	7,554
WANT WANT CHINA HOLDINGS LTD	38,504	-	-	12,926	25,578
YANZHOU COAL MINING CO ORD CL H	9,200	-	-	9,200	-
<u>SINGAPORE</u>					
COSCO INVESTMENT (S) LTD	5,600	-	-	1,400	4,200
LIONGOLD CORP LTD LIONGOLD CORP LTD	-	3,000	-	750	2,250
PEOPLE'S FOOD HLDGS LTD	-	3,000	-	750	2,250
YANGZIJANG SHIPBUILDING NPV	9,600	3,400	-	4,000	9,000
YANLORD LAND GROUP LTD NPV	4,000	-	-	1,900	2,100
<u>UNITED STATES</u>					
21VIANET GROUP INC-ADR	-	200	-	50	150
AIR CHINA LTD-A 'A' CNY1	40	12	-	13	39
ASIAINFO HOLDINGS INC COM	240	-	-	240	-
BAIDU.COM - ADR SPON ADR REP A	1,668	-	-	531	1,137
CHANGYOU.COM LTD-ADR SPON ADS REP 2 CL A	52	-	-	13	39
CHINA LODGING GROUP-SPON ADS CHINA LODGI	92	40	-	33	99
CTRIIP.COM INTERNATIONAL-ADR ADS EA REP 1	688	-	-	247	441
E-COMMERCE CHINA-SPON ADR	160	-	-	160	-
FOCUS MEDIA HOLDING-ADR SP ADR RP 10 ORD	436	-	(436)	-	-
GIANT INTERACTIVE GROUP-ADR ADR EACH REP	576	-	-	144	432
HOME INNS & HOTELS MANAG-ADR	104	-	-	26	78
LDK SOLAR CO LTD - ADR ADR EACH REPR 1 O	380	-	-	380	-

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2013

<u>Security name and location of exchange</u>	<u>Holdings as at 1.1.2013</u>	<u>Additions</u>	<u>Corporate action</u>	<u>Disposals</u>	<u>Holdings as at 31.12.2013</u>
LISTED EQUITIES - continued					
<u>UNITED STATES</u> - continued					
MINDRAY MEDICAL INTL LTD-ADR SPON ADR EA	436	-	-	109	327
NETEASE INC-ADR	376	-	-	124	252
NEW ORIENTAL EDUCATIO-SP ADR SPONS ADR E	708	-	-	207	501
PACTERA TECHNOLOGY INTERNATIONAL LTD	228	100	-	82	246
QIHOO 360 TECHNOLOGY CO-ADR	280	100	-	95	285
RENREN INC-ADR SPON ADR EA REPR 3 CL A	760	120	-	220	660
SHANDA GAMES LTD-ADR ADR EACH REP 2 SHS	432	-	-	108	324
SINA CORP ORD	336	-	-	111	225
SOHU COM INC COM	156	-	-	54	102
SOUFUN HOLDINGS LTD-ADR	112	20	-	33	99
SUNTECH POWER HOLDINGS-ADR	620	-	-	620	-
TAL EDUCATION GROUP- ADR ADS EA REPR 2 C	-	100	-	25	75
TRINA SOLAR LTD-SPON ADR ADR REP 100 ORD	404	-	-	404	-
VIPSHOP HOLDINGS LTD - ADS SPON ADR EA R	-	105	-	-	105
WUXI PHARMATECH INC-ADR ADR EACH REPR 8	320	-	-	80	240
YINGLI GREEN ENERGY HOLD-ADR ADR EACH RE	476	-	-	476	-
YOUKU TUDOU INC	400	180	-	154	426
YY INC-ADR ADS EA REPR 20 ORD CL'A'	-	80	-	29	51

CMS CSI OVERSEAS MAINLAND ENTERPRISES ETF

PERFORMANCE RECORD

FOR THE YEAR ENDED 31 DECEMBER 2013

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 year 31 December 2013	<u>19,295,588</u>	<u>12.8637</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 year ended 31 December 2013	<u>13.3003</u>	<u>10.2819</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 for the financial year/period ended 31 December:

	<u>Sub-fund's performance</u>	<u>Underlying index's performance</u>
From 1 January 2013 to 31 December 2013	5.51%	7.86%
From 24 October 2011 (date of initial offer) to 31 December 2012	9.24%	13.84%
