

ChinaAMC ETF Series

ChinaAMC CES China A80 Index ETF

Annual Report

For the period from
22nd August 2013 (date of inception) to 31st December 2013



华夏基金
ChinaAMC

ANNUAL REPORT

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

For the period from 22nd August 2013 (date of inception)
to 31st December 2013

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

CONTENTS

	Pages
MANAGEMENT AND ADMINISTRATION	1 - 2
REPORT OF THE MANAGER TO THE UNITHOLDERS	3 - 4
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	5
STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE	6
INDEPENDENT AUDITORS' REPORT	7 - 8
AUDITED FINANCIAL STATEMENTS	
Statement of financial position	9
Statement of comprehensive income	10
Statement of changes in net assets attributable to unitholders	11
Statement of cash flows	12
Notes to financial statements	13 - 31
INVESTMENT PORTFOLIO	32 - 34
MOVEMENTS IN INVESTMENT PORTFOLIO	35 - 37
PERFORMANCE RECORD	38

IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about the Sub-Fund, please refer to the prospectus of the Sub-Fund which is available at our website: <http://etf.chinaamc.com.hk/HKen/A80>

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

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

MANAGEMENT AND ADMINISTRATION

Manager and RQFII Holder

China Asset Management (Hong Kong) Limited
37/F, Bank of China Tower,
1 Garden Road, Central
Hong Kong

Investment Adviser

China Asset Management Co., Ltd.
3/F Tower B, Tongtai Building,
No. 33 Finance Street
Xicheng District, Beijing
People's Republic of China

Directors of the Manager

Mr. Yang Minghui (appointed on 24 September 2013)
Mr. Teng Tianming
Mr. Zhou Quan
Ms. Chen Chia-Ling (appointed on 24 September 2013)
Mr. Fan Yonghong (resigned on 24 September 2013)
Mr. Wang Dongming (resigned on 24 September 2013)
Mr. Cheng Haiyong (resigned on 23 September 2013)

Administrator and Custodian

Citibank, N.A.
50/F, Citibank Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

Trustee

Cititrust Limited
50/F, Citibank Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

Registrar

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

PRC Custodian

Citibank (China) Co., Limited
Citigroup Tower
No. 33, Hua Yuan Shi Qiao Road
Lu Jia Zui Finance and Trade Area, Shanghai
People's Republic of China

Service Agent

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

Auditors

Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

Legal Counsel to the Manager

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

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

MANAGEMENT AND ADMINISTRATION (continued)

Participating Dealers

ABN AMRO Clearing Hong Kong Limited
Level 70, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

CIMB Securities Limited
Units 7706 – 08 Level 77
International Commerce Centre
1 Austin Road West Kowloon
Hong Kong

Credit Suisse Securities (Hong Kong) Limited
88/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Deutsche Securities Asia Limited
52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

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

The Hongkong and Shanghai Banking Corporation
Limited
Level 18, HSBC Main Building,
1 Queen's Road, Central
Hong Kong

Merrill Lynch Far East Limited
15th Floor, Citibank Tower
3 Garden Road, Central
Hong Kong

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

SG Securities (HK) Limited
Pacific Place 3, 38/F,
1 Queen's Road East

UBS Securities Hong Kong Limited
42/F, One Exchange Square, Central
Hong Kong

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The ChinaAMC CES China A80 Index ETF (the “Sub-Fund”), a sub-fund of ChinaAMC ETF Series, an umbrella unit trust established under Hong Kong law by a trust deed dated 28 May 2012 as amended by supplemental deed on 10 August 2012 (the “Trust Deed”) between China Asset Management (Hong Kong) Limited (the “Manager”) and Cititrust Limited (the “Trustee”). The Sub-Fund is a physical exchange traded fund investing directly in underlying A-Shares. Its RMB counter (stock code: 83180) and HKD counter (stock code: 03180) commenced trading on the Stock Exchange of Hong Kong Limited (the “SEHK”) on 26 August 2013. The Sub-Fund is an index-tracking fund that seeks to track the performance of the CES China A80 Index (the “Index”).

The Manager primarily use a full replication strategy through investing directly in securities included in the Index with substantially the same weightings in which they are included in the Index, through the Renminbi Qualified Foreign Institutional Investor (“RQFII”) investment quota of RMB2 billion (as of 31 December 2013) granted to the Manager by the State Administration of Foreign Exchange (the “SAFE”). The Manager may also use a representative sampling strategy where it is not possible to acquire certain securities which are constituents of the Index due to restrictions or limited availability. This means that the Sub-Fund will invest directly in a representative sample of securities that collectively has an investment profile that aims to reflect the profile of the Index, through the RQFII investment quota granted to the Manager by the SAFE. The securities constituting the representative sample may or may not themselves be constituents of the Index.

Performance of the Sub-Fund

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

A summary of the performance of the Sub-Fund is in below:
Total Returns in respective currency¹:

	1-Month	3-Month	Since Launch
The Index	-5.46%	-4.52%	0.72% ²
RMB Counter of the Sub-Fund (NAV-to-NAV)	-5.45%	-4.90%	-0.56% ²
RMB Counter of the Sub-Fund (Market-to-Market)	-6.99%	-5.78%	-3.69% ³
HKD Counter of the Sub-Fund (NAV-to-NAV)	-4.94%	-3.92%	0.42% ²
HKD Counter of the Sub-Fund (Market-to-Market)	-6.70%	-5.01%	-3.13% ³

¹ Source: Bloomberg, as of 31 December 2013. Performances of CES A80 Index and RMB Counter of the Sub-Fund are calculated in RMB while performances of HKD Counter of the Sub-Fund are calculated in HKD.

² Calculated since 23 August 2013

³ Calculated since 26 August 2013

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

Activities of the Sub-Fund

According to Bloomberg, the average daily trading volume of the Sub-Fund was approximately 219,014 units from 26 August 2013 to 31 December 2013. As of 31 December 2013, there were 12,600,000.000 units outstanding.

Activities of the Index

There was one rebalance for the Index from 26 August 2013 to 31 December 2013. As of 31 December 2013, the Sub-Fund comprised of all 80 constituent stocks in the Index.

China Asset Management (Hong Kong) Limited
7 April 2014

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, China Asset Management (Hong Kong) Limited, the Manager of ChinaAMC CES China A80 Index ETF (the “Sub-Fund”) has, in all material respects, managed the Sub-Fund in accordance with the provisions of the trust deed dated 28 May 2012 as amended by supplemental deed on 10 August 2012 (the “Trust Deed”), for the period ended 31 December 2013.

Cititrust Limited
7 April 2014

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

The Manager of the ChinaAMC CES China A80 Index ETF (a Sub-Fund of ChinaAMC ETF Series) is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code") and the trust deed dated 28 May 2012 as amended by supplemental deed on 10 August 2012 (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements the Manager is required to:

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

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

ChinaAMC ETF Series (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2013, the Trust has established with two Sub-Funds.

Trustee's responsibilities

The Trustee of the Sub-Fund is required to:

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

Independent Auditors' Report

To the unitholders of ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

We have audited the financial statements of ChinaAMC CES China A80 Index ETF (a sub-fund of ChinaAMC ETF Series (the "Trust") and referred to as the "Sub-Fund") set out on pages 9 to 31, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in assets attributable to unitholders and statement of cash flows for the period from 22 August 2013 (date of inception) to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Trustee's and Manager's responsibilities for the financial statements

The Trustee and the Manager of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Trustee and the Manager 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 Trustee and the Manager also have a responsibility to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 28 May 2012 as amended by supplemental deed on 10 August 2012 (the "Trust Deed"), and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code").

Auditors' responsibility

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

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

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

Independent Auditors' Report (continued)

To the unitholders of ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

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 its financial performance and cash flows for the period from 22 August 2013 (date of inception) to 31 December 2013 in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Hong Kong
7 April 2014

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	RMB
ASSETS		
Financial assets at fair value through profit or loss	11	84,499,471
Amounts due from broker		155,920
Other receivable		46,690
Cash and cash equivalents	13	<u>17,111,372</u>
TOTAL ASSETS		<u>101,813,453</u>
LIABILITIES		
Management fee payable	5	67,644
Custodian, fund administration and trustee fees payable	5	84,808
Withholding tax provision	7	1,071,909
Amount payable on redemption of units		16,735,905
Amounts due to broker	8	71,960
Formation cost payable		580,197
Other payables and accruals		<u>151,484</u>
TOTAL LIABILITIES		<u>18,763,907</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	10	<u>83,049,546</u>
NUMBER OF UNITS IN ISSUE		<u>12,600,000</u>
NET ASSET VALUE PER UNIT		<u>6.5912</u>

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

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF COMPREHENSIVE INCOME

For the period from 22 August 2013 (date of inception) to 31 December 2013

	Notes	RMB
INCOME		
Dividend income		308,710
Interest income		<u>6,467</u>
		<u>315,177</u>
EXPENSES		
Management fees	5	(388,400)
Brokerage fees		(210,564)
Custodian, fund administration and trustee fees	5	(102,660)
Audit fee		(50,340)
Data licensing fee		(26,513)
Formation costs		(1,000,000)
Other operating expenses		<u>(333,281)</u>
		<u>(2,111,758)</u>
LOSS BEFORE INVESTMENT GAINS		(1,796,581)
INVESTMENT GAINS/(LOSSES)		
Net change in unrealised gains/losses on financial assets at fair value through profit or loss		(899,116)
Net realised gains on financial assets at fair value through profit or loss		<u>3,538,579</u>
NET INVESTMENTS GAINS		<u>2,639,463</u>
PROFIT BEFORE TAX		842,882
Withholding tax	7	<u>(1,103,427)</u>
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>(260,545)</u>

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

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 22 August 2013 (date of inception) to 31 December 2013

	RMB
At 22 August 2013 (date of inception)	-
Issue of units	167,344,908
Redemption of units	(84,034,817)
Decrease in net assets attributable to unitholders	(<u>260,545</u>)
At 31 December 2013	<u><u>83,049,546</u></u>

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

ChinaAMC CES China A80 Index ETF
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF CASH FLOWS

For the period from 22 August 2013 (date of inception) to 31 December 2013

	Note	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		842,882
Adjustments for:		
Net change in unrealised gains/losses on financial assets at fair value through profit or loss	(3,538,579)
Net realised gains on financial assets at fair value through profit or loss		<u>899,116</u>
Operating loss before changes in working capital	(1,796,581)
Purchase of financial assets at fair value through profit or loss	(173,464,928)
Proceeds from sale of financial assets at fair value through profit or loss		91,520,960
Increase in other receivable	(46,690)
Increase in management fee payable		67,644
Increase in custodian, fund administration and trustee fees payable		84,808
Increase in formation cost payable		580,197
Increase in other payables and accruals		<u>151,484</u>
Cash used in operations	(82,903,106)
Tax paid	(<u>31,518</u>)
Net cash flows used in operating activities	(<u>82,934,624</u>)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of units		167,344,908
Payments on redemption of units	(<u>67,298,912</u>)
Net cash flows from financing activities		<u>100,045,996</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,111,372
Cash and cash equivalents at beginning of period		<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	<u><u>17,111,372</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash at bank	13	<u><u>17,111,372</u></u>
NET CASH USED IN OPERATING ACTIVITIES INCLUDES:		
Dividend received		277,839
Interest received		5,820

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. THE TRUST

ChinaAMC ETF Series (the “Trust”) is an umbrella unit trust governed by its trust deed dated 28 May 2012 as amended by supplemental deed on 10 August 2012 (the “Trust Deed”) between China Asset Management (Hong Kong) Limited (the “Manager”) and Cititrust Limited (the “Trustee”). It is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance of Hong Kong.

These financial statements relate to the second sub-fund of the Trust, ChinaAMC CES China A80 Index ETF (the “Sub-Fund”). The Sub-Fund commenced trading under the stock code 83180 (RMB counter) and 03180 (HKD counter) on the Stock Exchange of Hong Kong Limited (“SEHK”) on 26 August 2013.

The investment objective of the Sub-Fund is to provide investment results that closely correspond to the performance of the CES China A80 Index (the “Index”). The Sub-Fund is a physical exchange traded fund investing directly in the underlying A-Shares of the Index. As at 31 December 2013, the approved Renminbi Qualified Foreign Institutional Investor (“RQFII”) quota by the State Administration of Foreign Exchange (“SAFE”) was RMB2 billion.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standard Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the SFC (the “SFC Code”).

They have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. These financial statements are presented in Chinese Renminbi (“RMB”) and all values are rounded to the nearest RMB except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Sub-Fund has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	<i>Financial Instruments</i> ¹
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ²

¹ No mandatory effective date yet determined but is available for adoption

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Sub-Fund is as follows:

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Sub-Fund's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Sub-Fund will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

The IAS 32 Amendments clarify the meaning of currently has a legally enforceable right to setoff. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to impact the Sub-Fund's financial position or performance and become effective for annual period beginning on or after 1 January 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) Classification

The Sub-Fund classifies its financial assets and liabilities into the following categories in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets at fair value through profit or loss

Financial assets designated as at fair value through profit or loss upon initial recognition: these include equity securities. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Sub-Fund.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Fund includes in this category amounts relating to amounts due from broker.

Financial liabilities

This category includes all financial liabilities. The Sub-Fund includes in this category amounts relating to management fee payable, custodian, fund administration and trustee fee payable, amount payable on redemption of units, amounts due to broker, formation cost payable, other payables and net assets attributable to unitholders.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Recognition

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

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the financial asset.

(iii) Initial measurement

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Loans and receivables and financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gains/losses on financial assets at fair value through profit or loss. Interest and dividend earned on these instruments are recorded separately in interest income and dividend income.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either

- the Sub-Fund has transferred substantially all the risks and rewards of the asset, or
- the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained. The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
 - In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to by the Sub-Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- | | | |
|---------|---|--|
| Level 1 | — | Quoted (unadjusted) market prices in active markets for identical assets or liabilities |
| Level 2 | — | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 | — | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of financial assets

The Sub-Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as 'Credit loss expense'.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Sub-Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the profit or loss.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits, short-term deposits in banks and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as cash and cash equivalents.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

Redeemable units

Redeemable units are classified as an equity instrument when:

- (a) The redeemable units entitle the holder to a *pro-rata* share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation.
- (b) The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- (c) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- (d) The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a *pro-rata* share of the Sub-Fund's net assets.
- (e) The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund over the life of the instrument.

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

- (a) 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
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

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

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

Upon issuance of redeemable units, the consideration received is included in equity. Transaction costs incurred by the Sub-Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Own equity instruments that are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

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

Dividend income

Dividend income is recognised when the Sub-Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income as it accrues, using the effective interest method.

Net change in unrealised gains or losses on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities as 'at fair value through profit or loss' and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period.

Net realised gains or losses on disposal of financial investment

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the weighted average method. They represent the difference between an instrument's average cost and disposal amount.

Foreign currency

These financial statements are presented in RMB, which is the Sub-Fund's functional and presentation currency. Foreign currency transactions recorded by the Sub-Fund are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

Functional currency

The Sub-Fund's functional currency is RMB, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance is evaluated and its liquidity is managed in RMB. Moreover, the net asset value per unit at the time of issue or redemption is determined and units quoted on the SEHK are denominated in RMB. Therefore, the RMB is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Sub-Fund's presentation currency is also RMB.

Taxes

In some jurisdictions, dividend income, interest income and capital gains are subject to withholding tax deducted at the source of the income. The Sub-Fund presents the withholding tax separately from gross investment gains in the statement of comprehensive income. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Sub-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;
- or

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Sub-Fund are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Sub-Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Going concern

The Sub-Fund's management has made an assessment of the Sub-Fund ability to continue as a going concern and is satisfied that the Sub-Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Sub-Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Taxation

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

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for the withholding basis on such gains or income and withhold the tax for the account of the Sub-Fund. The Manager at present make a provision of 10% for the account of the Sub-Fund in respect of any potential PRC withholding income tax ("WIT") on capital gains. Upon any future resolution of the above-mentioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

5. TRANSACTIONS WITH THE TRUSTEE AND MANAGER AND THEIR CONNECTED PERSONS

The following is a summary of significant related party transactions entered into during the period between the Sub-Fund and the Manager and their connected persons. Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the period between the Sub-Fund, 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:

Management fee

The Manager is entitled to receive a management fee from the Sub-Fund, at a rate of 0.70% (up to maximum of 1%) per annum with respect to the net asset value of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears. The Manager is responsible for the payment of the investment advisory fees, if any, to the investment adviser, China Asset Management Co., Ltd., out of its fees received from the Sub-Fund.

The management fee incurred during the period from 22 August 2013 (date of inception) to 31 December 2013 was RMB388,400. As at 31 December 2013, a management fee of RMB67,644 was payable to the Manager.

Custodian, fund administration and trustee fees

Custodian fees and fund administration fees pertain to the amounts charged by Citibank, N.A. (the "Administrator and Custodian") as safe keeping and fund administration fees.

The Trustee is entitled to receive a trustee fee from the Sub-Fund which is accrued on each dealing day and is paid monthly in arrears. The trustee fee is calculated as a percentage per annum of the net asset value of the Sub-Fund at the current rate ranging from 0.07% to 0.10%, subject to a monthly minimum of US\$4,000.

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

The custodian, fund administration and trustee fees for the period from 22 August 2013 (date of inception) to 31 December 2013 was RMB102,660. As at 31 December 2013, custodian, fund administration and trustee fees of RMB72,808 and transaction fee of RMB12,000 were payable to both Citibank (China) Co., Limited (the "PRC Custodian") and the Trustee.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

5. TRANSACTIONS WITH THE TRUSTEE AND MANAGER AND THEIR CONNECTED PERSONS (continued)

Cash and cash equivalents

Bank balances are maintained with the Administrator and Custodian and the PRC Custodian of the Sub-Fund. Bank balances deposited with the Administrator and Custodian and the PRC Custodian at 31 December 2013 are summarised below:

	RMB
Cash at bank	<u>17,111,372</u>

The carrying amount of cash at bank approximates their fair value as at period end.

6. SOFT COMMISSION ARRANGEMENTS

The Manager and its connected persons have not received any soft dollar commissions or entered into any soft dollar arrangements in respect of the management of the Sub-Fund for the period from 22 August 2013 (date of inception) to 31 December 2013. The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

7. TAXATION

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

Distribution tax

A ten per cent (10%) PRC withholding tax has been levied on dividend and interest payments from PRC-listed companies to foreign investors. The Sub-Fund is subject to a distribution tax of ten per cent (10%). There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future. The distribution tax for the period from 22 August 2013 (date of inception) to 31 December 2013 was RMB31,518.

Capital gains tax

A ten per cent (10%) PRC withholding tax may also be payable on the gains derived from the sale of A-Shares by RQFII as described in note 4 above. As at 31 December 2013, PRC withholding tax on capital gains, including unrealised gains and realised gains, amounting to RMB1,071,909, was provided by the Sub-Fund for the period from 22 August 2013 (date of inception) to 31 December 2013.

8. AMOUNTS DUE TO BROKER

Amounts due to broker represent securities purchased but not settled as at 31 December 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

9. DISTRIBUTION

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

The Sub-Fund did not make any distribution during the period from 22 August 2013 (date of inception) to 31 December 2013.

10. THE REDEEMABLE UNITS

	Number of units
Units in issue at the beginning of the period	-
Issue of units	24,600,000
Redemption of units	(12,000,000)
Units in issue at the end of the period	<u>12,600,000</u>
	At last trade market prices RMB
Dealing net asset value at the end of the period	<u>83,049,546</u>
Dealing net asset value per unit at the end of the period	<u>6.5912</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.

Units are denominated in RMB and no fractions of a unit shall be created or issued by the Trustee. Units of the Sub-Fund are offered and issued at their dealing net asset value only in aggregations of a specified number of application units (the "Application Unit"). Units are redeemable only in an Application Unit or multiple thereof at the dealing net asset value. Currently, creation and redemption of units will be effected in cash.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	RMB
Financial assets designated as at fair value through profit or loss:	
Listed equity securities	<u>84,499,471</u>

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows an analysis of the Sub-Fund's financial assets measured at fair value at 31 December 2013:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<u>Financial assets at fair value through profit or loss</u>				
Listed equity securities	<u>84,087</u>	<u>412</u>	<u>-</u>	<u>84,499</u>

Transfers between Level 1 and Level 2

As at 31 December 2013, the Sub-Fund reclassified one listed equity securities from Level 1 to Level 2 following the suspension of the investments. The financial assets namely Shandong Gold Mining Co., Ltd (stock code: 600547) following the suspension of the investments. Transfers between levels of fair value hierarchy, are deemed to have occurred at the end of the reporting period.

The following table shows all transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets recognised at fair value:

	Transfer from Level 1 to Level 2 2013 RMB'000
Financial assets designated as at fair value through profit or loss	
- Listed equity securities	<u>412</u>
Total	<u>412</u>

Valuation techniques

Listed equity securities traded in active market with quoted market prices

When fair values of listed equity securities at the reporting date are based on quoted market prices or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Sub-Fund values these investments at last trade prices.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques (continued)

Listed equity securities temporarily suspended on year end date

In the absence of a quoted price in an active market, the Manager applied market approach in which they have used the last trade price before their suspension trading as there has been no expected material gap-down. Adjustments are made to the valuations when necessary to recognise the differences of timing between the date of suspension and resume which is within a reasonable time and the price fluctuation when the investments resume trading subsequent to year end. To the extent that the significant inputs are observable, the Sub-Fund categorises these investments as Level 2.

13. CASH AND CASH EQUIVALENTS

RMB

Cash at bank	<u>17,111,372</u>
--------------	-------------------

The cash at bank held with the Administrator and Custodian and the PRC Custodian of the Sub-Fund, was placed into accounts bearing floating interest.

14. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The SFC Code allows the Sub-Fund to invest in constituent securities issued by a single issuer for more than 10% of the Sub-Fund's net asset value provided that:

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

According to the prospectus dated 13 August 2013, as amended by the addendum dated 9 October 2013 (the "Prospectus"), the maximum deviation from the index weighting of any constituent will not exceed 4% or such other percentage as determined by the Manager after consultation with the SFC.

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

There were no investment of which A-Shares or basket of A-Shares accounted for more than 10% of the net asset value of the Sub-Fund as at 31 December 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk management

Risk is inherent in the Sub-Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling risks. In perspective of risk management, the Sub-Fund's objective is to create and protect value for unitholders.

The Sub-Fund is exposed to market risk (which includes price risk, interest rate risk and currency risk), credit risk and liquidity risk arising from the financial instruments it holds.

(a) Market risk

(i) Equity price risk

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

The Sub-Fund invested substantially all of its assets in A-Shares of those PRC companies comprising the Index in substantially the same weightings as constituted in the Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the Index.

When there are changes in the constituent A-Shares comprised in the Index and/or their respective weightings within the Index, the Manager will rebalance the composition of the relevant investment holdings or the underlying dynamic basket of A-Shares of selected constituent companies of the Index.

As at 31 December 2013, the Sub-Fund's investments were concentrated in the following industries.

	Fair value RMB	% of net asset value
A-Shares holdings - By sectors		
Consumer Discretionary	7,783,335	9.37%
Consumer Staples	5,619,797	6.77%
Energy	5,024,988	6.05%
Financials	47,015,290	56.61%
Health Care	1,015,514	1.22%
Industrials	8,671,033	10.44%
Information Technology	1,500,062	1.81%
Materials	4,713,039	5.67%
Telecommunication Services	761,444	0.92%
Utilities	2,394,969	2.88%
	<u>84,499,471</u>	<u>101.74%</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

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

As at 31 December 2013, if the Index was to increase by 5% with all other variables held constant, this would increase the pre-tax profit for the period by approximately RMB4 million. Conversely, if the Index was to decrease by 5%, this would decrease the pre-tax profit for the period by an approximately equal amount.

(ii) Interest rate risk

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

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

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Approximately 100% of the Sub-Fund's sales and purchases were denominated in the Sub-Fund's functional currency. Assets and liabilities held by the Sub-Fund are mainly denominated in RMB, the functional currency of the Sub-Fund. Therefore, the Manager considers the Sub-Fund is not exposed to significant currency risk and no sensitivity analysis is presented.

(b) Credit and counterparty risk

Credit risk is the risk of loss to the Sub-Fund that may arise on outstanding financial instruments should a counterparty default on its obligations. The Sub-Fund minimises exposure to credit risk by only dealing with creditworthy counterparties.

All transactions by the Sub-Fund in securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(b) Credit and counterparty risk (continued)

The Sub-Fund's financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank deposits and assets held with the custodian. The table below summarises the Sub-Fund's assets placed with banks and the PRC Custodian and their related credit ratings from Standard & Poor's ("S&P"):

As at 31 December 2013

	RMB	Credit rating	Source of credit rating
<u>Banks</u>			
Citibank, N.A.	507,734	A	S&P
Citibank (China) Co., Limited	16,650,328	A	S&P
<u>PRC Custodian</u>			
Citibank (China) Co., Limited	84,499,471	A	S&P

The Sub-Fund's maximum exposure to credit risk at the end of the reporting period is the carrying amount of total assets as shown on the statement of financial position.

(c) Liquidity risk

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

As at 31 December 2013, the Sub-Fund held liquid assets, comprising financial assets at fair value through profit or loss, cash and cash equivalent, other receivable, and amount due from broker that are expected to readily generate cash inflows for managing liquidity risk.

The table below summarises the maturity profile of Sub-Fund's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(c) Liquidity risk (continued)

At 31 December 2013

	Due on demand RMB'000	Due within 1 month RMB'000	1 months to 1 year RMB'000	Total RMB'000
<u>Financial assets</u>				
Cash and cash equivalents	17,111	-	-	17,111
Other receivable	-	47	-	47
Financial assets at fair value through profit or loss	-	84,499	-	84,499
Amounts due from broker	-	156	-	156
Total financial assets	<u>17,111</u>	<u>84,702</u>	<u>-</u>	<u>101,813</u>
<u>Financial liabilities</u>				
Management fee payable	-	68	-	68
Custodian, fund administration and trustee fee payable	-	85	-	85
Amounts due to broker	-	72	-	72
Amount payable on redemption of units	16,736	-	-	16,736
Other payables and accruals	-	-	151	151
Formation cost payable	-	-	580	580
Total financial liabilities	<u>16,736</u>	<u>225</u>	<u>731</u>	<u>17,692</u>

Capital management

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

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

16. SEGMENT INFORMATION

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

16. SEGMENT INFORMATION (continued)

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

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

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

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

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 7 April 2014.

ChinaAMC CES China A80 Index ETF
(a Sub-Fund of ChinaAMC ETF Series)

INVESTMENT PORTFOLIO

As at 31 December 2013

	Holdings Shares	Market Value RMB	% of NAV
<u>Financial assets at fair value through profit or loss (100%)</u>			
China (100%)			
Consumer Discretionary			
Byd Co Ltd	12,300	463,464	0.56%
Goertek Inc	20,500	719,140	0.87%
Great Wall Motor Co Ltd	11,786	485,230	0.58%
Gree Electric Appliances Inc of Zhuhai	67,201	2,194,785	2.64%
Midea Group Co Ltd	19,260	963,000	1.16%
SAIC Motor Co Ltd	92,407	1,306,635	1.57%
Shenzhen Overseas Chinese Town Co Ltd	101,620	538,585	0.65%
Suning Appliance Co Ltd 'A'cny1	123,200	1,112,496	1.34%
Consumer Staples			
Henan Shuanghui Investment& Development Co Ltd	18,783	884,304	1.06%
Inner Mongolia Yili Industrial Group Co Ltd	39,529	1,544,793	1.86%
Jiangsu Yanghe Brewery Joint-Stock Co Ltd	9,192	375,217	0.45%
Kweichow Moutai Co Ltd	12,245	1,572,013	1.90%
Luzhou Laojiao Co Ltd	20,093	404,673	0.49%
Wuliangye Yibin Co Ltd	53,563	838,797	1.01%
Energy			
China Coal Energy Co Ltd	51,119	243,838	0.29%
China Oilfield Services Limited	16,400	366,048	0.44%
China Petroleum & Chemical Corp(Sinopec)	154,694	693,029	0.83%
China Shenhua Energy Co Ltd	92,075	1,456,626	1.76%
Petrochina Co Ltd	98,484	759,312	0.91%
Shanxi Lu'an Environmental Energy Development Co Ltd	25,700	274,219	0.33%
Shanxi Xishan Coal & Electricity Power Co Ltd	44,362	314,970	0.38%
Guanghui Energy Co Ltd	88,251	771,314	0.93%
Yanzhou Coal Mining Co Ltd	16,400	145,632	0.18%
Financials			
Agricultural Bank Of China Co Ltd	727,702	1,804,701	2.17%
Bank Of Beijing Co Ltd	148,414	1,114,589	1.34%
Bank Of China Ltd	177,403	464,796	0.56%
Bank Of Communications Co Ltd	438,802	1,685,000	2.03%
China Citic Bank Corporation Limited	82,529	319,387	0.38%
China Construction Bank	267,739	1,108,439	1.33%
China Everbright Bank Co Ltd	452,925	1,204,781	1.45%
China Life Insurance Company Limited	41,800	632,434	0.76%

ChinaAMC CES China A80 Index ETF
(a Sub-Fund of ChinaAMC ETF Series)

INVESTMENT PORTFOLIO (continued)

As at 31 December 2013

	Holdings Shares	Market Value RMB	% of NAV
<u>Financial assets at fair value through profit or loss (100%)</u> (continued)			
China (100%)			
Financials (continued)			
China Merchants Bank Co Ltd	462,501	5,036,636	6.06%
China Merchants Securities Co Ltd	64,667	819,978	0.99%
China Minsheng Banking Corp Ltd	632,775	4,885,023	5.88%
China Pacific Insurance Group Co Ltd	88,598	1,641,721	1.98%
China Vanke Co Ltd	270,773	2,174,307	2.62%
Citic Securities Co Ltd	192,196	2,450,499	2.95%
Gf Securities Co Ltd	82,300	1,027,104	1.24%
Haitong Securities Company Limited	225,860	2,556,735	3.08%
Huatai Securities Co Ltd	78,698	705,134	0.85%
Huaxia Bank Co Ltd	124,010	1,062,766	1.28%
Industrial & Commercial Bank Of China Ltd	455,900	1,632,122	1.97%
Industrial Bank Co Ltd	319,329	3,237,996	3.90%
New China Life Insurance Co Ltd	22,851	522,831	0.63%
Ping An Bank Co Ltd	115,568	1,415,708	1.70%
Ping An Insurance Group Company of China Ltd	133,490	5,570,538	6.71%
Poly Real Estate Group Co Ltd	120,076	990,627	1.19%
Shanghai Pudong Development Bank Co Ltd	312,984	2,951,438	3.56%
Health Care			
Yunnan Baiyao Industry Co Ltd	9,957	1,015,514	1.22%
Industrials			
Air China Ltd	47,089	186,002	0.22%
Zoomlion Heavy Industry Science & Technology Co Ltd	123,759	674,487	0.81%
China CNR Corp Ltd	114,800	564,816	0.68%
China Communications Construction Company Limited	65,418	264,288	0.32%
China Railway Co Ltd	143,334	384,135	0.46%
China Railways Construction Co Ltd	86,382	405,132	0.49%
China Shipbuilding Industry Limited	169,870	952,971	1.15%
CSR Co Ltd	131,125	656,936	0.79%
China State Construction Engineering Co Ltd	420,470	1,320,276	1.59%
Daqin Railway Co Ltd	165,735	1,224,782	1.47%
Metallurgical Corporation Of China Co Ltd	136,371	238,649	0.29%
Sany Heavy Industry Co Ltd	85,367	548,056	0.66%
Shanghai International Port (Group) Co Ltd	127,300	672,143	0.81%
Wei chai Power Co Ltd	30,440	578,360	0.70%

ChinaAMC CES China A80 Index ETF
(a Sub-Fund of ChinaAMC ETF Series)

INVESTMENT PORTFOLIO (continued)

As at 31 December 2013

	Holdings Shares	Market Value RMB	% of NAV
<u>Financial assets at fair value through profit or loss (100%)</u> (continued)			
China (100%)			
Information Technology			
Hangzhou Hikvision Digital-A 'A'cny1	33,538	770,703	0.93%
Zte Corp-A 'A'cny1	55,804	729,359	0.88%
Materials			
Aluminum Corporation Of China Limited	81,161	275,947	0.33%
Anhui Conch Cement Co Ltd	55,267	937,328	1.13%
Baoshan Iron & Steel Co Ltd	138,806	567,717	0.68%
Inner Mongolia Baotou Steel Rare-Earth Hi-Tech Co Ltd	40,310	897,704	1.08%
Jiangxi Copper Co Ltd	22,795	323,233	0.39%
Jinduicheng Molybdenum Co Ltd	27,300	197,925	0.24%
Qinghai Salt Lake Industry Co Ltd	17,900	299,467	0.36%
Shandong Gold-Mining Co Ltd	20,495	353,539	0.43%
Zhongjin Gold Co Ltd	40,891	349,618	0.42%
Zijin Mining Group Co Ltd	221,022	510,561	0.61%
Telecommunication Services			
China United Network Communications Co Ltd	237,210	761,444	0.92%
Utilities			
China Yangtze Power Co Ltd	139,069	878,917	1.06%
Datang Power Generation	83,600	354,465	0.43%
Gd Power Development Co Ltd	241,758	568,132	0.68%
Huaneng Power International Inc	117,284	593,455	0.71%
TOTAL INVESTMENTS, AT FAIR VALUE		84,499,471	101.74%
TOTAL INVESTMENTS, AT COST		85,398,587	

ChinaAMC CES China A80 Index ETF
(a Sub-Fund of ChinaAMC ETF Series)

MOVEMENTS IN INVESTMENT PORTFOLIO

For the period from 22 August 2013 (date of inception) to 31 December 2013

INVESTMENTS	Holdings as at 22 August 2013 (date of inception)	Additions	Corporate Action	Disposals	Holdings as at 31 December 2013
<u>Financial assets at fair value through profit or loss</u>					
Listed Securities					
Agricultural Bank Of China Co Ltd	-	1,426,800	-	699,098	727,702
Air China Ltd	-	98,400	-	51,311	47,089
Aluminum Corporation Of China Limited	-	164,000	-	82,839	81,161
Anhui Conch Cement Co Ltd	-	114,800	-	59,533	55,267
Bank Of Beijing Co Ltd	-	295,200	-	146,786	148,414
Bank Of China Ltd	-	377,200	-	199,797	177,403
Bank Of Communications Co Ltd	-	902,000	-	463,198	438,802
Baoshan Iron & Steel Co Ltd	-	278,800	-	139,994	138,806
Byd Co Ltd	-	15,700	-	3,400	12,300
Zoomlion Heavy Industry Science & Technology Co Ltd	-	246,000	-	122,241	123,759
China Citic Bank Corporation Limited	-	162,500	-	79,971	82,529
China CNR Corp Ltd	-	229,600	-	114,800	114,800
China Coal Energy Co Ltd	-	100,319	-	49,200	51,119
China Communications Construction Company Limited	-	131,200	-	65,782	65,418
China Construction Bank	-	557,600	-	289,861	267,739
China Everbright Bank Co Ltd	-	934,800	-	481,875	452,925
China Life Insurance Co Ltd	-	82,800	-	41,000	41,800
China Merchants Bank Co Ltd	-	818,458	142,412	498,369	462,501
China Merchants Securities Co Ltd	-	131,200	-	66,533	64,667
China Minsheng Banking Corp Ltd	-	1,295,569	-	662,794	632,775
China Oilfield Services Limited	-	32,800	-	16,400	16,400
China Pacific Insurance Group Co Ltd	-	180,330	-	91,732	88,598
China Petroleum & Chemical Group(Sinopec)	-	311,600	-	156,906	154,694
China Railway Co Ltd	-	295,200	-	151,866	143,334
China Railway Construction Co Ltd	-	180,400	-	94,018	86,382
China Shenhua Energy Co Ltd	-	196,782	-	104,707	92,075
China Shipbuilding Industry Co Ltd	-	343,000	-	173,130	169,870
CSR Co Ltd	-	278,800	-	147,675	131,125
China State Construction Engineering Co Ltd	-	854,300	-	433,830	420,470

ChinaAMC CES China A80 Index ETF
(a Sub-Fund of ChinaAMC ETF Series)

MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

For the period from 22 August 2013 (date of inception) to 31 December 2013

INVESTMENTS (continued)	Holdings as at 22 August 2013 (date of inception)	Additions	Corporate Action	Disposals	Holdings As at 31 December 2013
<u>Financial assets at fair value through profit or loss (continued)</u>					
Listed Securities (continued)					
China United Network Communications Co Ltd	-	492,000	-	254,790	237,210
China Vanke Co Ltd	-	557,600	-	286,827	270,773
China Yangtze Power Co Ltd	-	278,800	-	139,731	139,069
Citic Securities Co Ltd	-	393,600	-	201,404	192,196
Daqin Railway Co Ltd	-	344,400	-	178,665	165,735
Datang Power Generation Co Ltd	-	165,600	-	82,000	83,600
Gd Power Development Co Ltd	-	492,000	-	250,242	241,758
Gf Securities Co Ltd	-	164,300	-	82,000	82,300
GoerTek Inc	-	25,600	-	5,100	20,500
Great Wall Motor Co Ltd	-	22,900	-	11,114	11,786
Gree Electric Appliances Inc of Zhuhai	-	137,628	-	70,427	67,201
Haitong Securities Company Limited	-	459,200	-	233,340	225,860
Hangzhou Hikvision Digital Technology Co Ltd	-	63,338	-	29,800	33,538
Henan Shuanghui Investment & Development Co Ltd	-	37,300	-	18,517	18,783
Huaneng Power International Inc	-	246,000	-	128,716	117,284
Huatai Securities Co Ltd	-	164,000	-	85,302	78,698
Huaxia Bank Co Ltd	-	262,331	-	138,321	124,010
Industria & Commercial Bank Of China Ltd	-	911,700	-	455,800	455,900
Industrial Bank	-	656,000	-	336,671	319,329
Inner Mongolia Baotou Steel Rare-Earth Hi-Tech Co Ltd	-	82,000	-	41,690	40,310
Inner Mongolia Yili Industrail Group Co Ltd	-	81,935	-	42,406	39,529
Jiangsu Yanghe Brewery Jiont-Stock Co Ltd	-	18,400	-	9,208	9,192
Jiangxi Copper Co Ltd	-	49,200	-	26,405	22,795
Jinduicheng Molybdenum Co Ltd	-	51,900	-	24,600	27,300
Kweichow Moutai Co Ltd	-	23,600	-	11,355	12,245
Luzhou Laojiao Co Ltd	-	39,800	-	19,707	20,093
Metallurgical Corporation Of China Co Ltd	-	278,800	-	142,429	136,371
Midea Group Co Ltd	-	39,600	-	20,340	19,260
New China Life Insurance Co Ltd	-	40,951	-	18,100	22,851

ChinaAMC CES China A80 Index ETF
(a Sub-Fund of ChinaAMC ETF Series)

MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

For the period from 22 August 2013 (date of inception) to 31 December 2013

INVESTMENTS (continued)	Holdings as at 22 August 2013 (date of inception)	Additions	Corporate Action	Disposals	Holdings As at 31 December 2013
<u>Financial assets at fair value through profit or loss (continued)</u>					
Listed Securities (Continued)					
Petrochina Co Ltd	-	196,734	-	98,250	98,484
Ping An Bank Co Ltd	-	229,600	-	114,032	115,568
Ping An Insurance (Group) Company of China	-	238,890	-	105,400	133,490
Poly Real Estate Group Co Ltd	-	245,948	-	125,872	120,076
Qinghai Salt Lake Industry Co Ltd	-	34,300	-	16,400	17,900
SAIC Motor Co Ltd	-	196,800	-	104,393	92,407
Sany Heavy Industry Co Ltd	-	180,393	-	95,026	85,367
Shandong Gold-Mining Co Lt	-	47,700	-	27,205	20,495
Shanghai International Port(Group) Co Ltd	-	152,800	-	25,500	127,300
Shanghai Pudong Development Bank Co Ltd	-	639,600	-	326,616	312,984
Shanxi Lu'an Environmental Energy Development Co Ltd	-	50,300	-	24,600	25,700
Shanxi Xishan Coal & Electricity Power Co Ltd	-	98,400	-	54,038	44,362
Shenzhen Overseas Chinese Town Co Ltd	-	213,200	-	111,580	101,620
Suning Appliance Co Ltd	-	246,200	-	123,000	123,200
Weichai Power Co Ltd	-	55,040	-	24,600	30,440
Wuliangye Yibin Co Ltd	-	114,800	-	61,237	53,563
Guanghui Energy Co Ltd	-	180,400	-	92,149	88,251
Yanzhou Coal Mining Co Ltd	-	32,800	-	16,400	16,400
Yunnan Baiyao Industry Co Ltd	-	19,500	-	9,543	9,957
Zhongjin Gold Co Ltd	-	82,000	-	41,109	40,891
Zijin Mining Group Co Ltd	-	459,200	-	238,178	221,022
ZTE Corporation	-	114,722	-	58,918	55,804

ChinaAMC CES China A80 Index ETF
(a Sub-Fund of ChinaAMC ETF Series)

PERFORMANCE RECORD

For the period from 22 August 2013 (date of inception) to 31 December 2013

1. NET ASSET VALUE (calculated in accordance with the Sub-Fund's Trust Deed)

	RMB
Net asset value attributable to unitholders at period end (note 10)	<u>83,049,546</u>
Net asset value per unit at period end (note 10)	<u>6.5912</u>

2. HIGHEST ISSUE AND LOWEST REDEMPTION PRICES PER UNIT

	Highest issue unit price RMB	Lowest redemption unit price RMB
During the period from 22 August 2013 (date of inception) to 31 December 2013	<u>7.4234</u>	<u>6.4855</u>

3. COMPARISON OF THE SCHEME PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE

The table below illustrates the comparison between the Sub-Fund's performance (Market-to-Market) and that of the Index during the period from 22 August 2013 (date of inception) to 31 December 2013:

	During the period ended 31 December 2013
The Index (since 23 August 2013)	0.72%
RMB Counter of the Sub-Fund (since 26 August 2013)	-3.69%
HKD Counter of the Sub-Fund (since 26 August 2013)	-3.13%

