

ANNUAL REPORT

CHINA UNIVERSAL INTERNATIONAL ETF SERIES
– C-SHARES CSI CONSUMER STAPLES INDEX ETF
(A Sub-Fund of China Universal International ETF Series, an umbrella
unit trust established under the laws of Hong Kong)

For the period from 5 May 2014 (date of inception) to 31 December
2014

CHINA UNIVERSAL INTERNATIONAL ETF SERIES – C-SHARES CSI CONSUMER STAPLES
INDEX ETF
(A Sub-Fund of China Universal International ETF Series)

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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://www.99fund.com.hk>

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

CHINA UNIVERSAL INTERNATIONAL ETF SERIES – C-SHARES CSI CONSUMER STAPLES
INDEX ETF
(A Sub-Fund of China Universal International ETF Series)

MANAGEMENT AND ADMINISTRATION

MANAGER AND RQFII HOLDER

China Universal Asset Management (Hong Kong) Company
Limited
3710-11, Two International Finance Centre
8 Finance Street
Central
Hong Kong

DIRECTORS OF THE MANAGER

LIN Lijun
LI Wen
ZHANG Hui

ADVISER

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Pudong District
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RQFII CUSTODIAN

Bank of China Limited
No. 1, Fuxingmen Nei Dajie
Beijing 100818
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LEGAL ADVISER TO THE MANAGER

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18 Chater Road
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TRUSTEE

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

CUSTODIAN

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

REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

SERVICE AGENT OR CONVERSION AGENT

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

AUDITORS

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

PARTICIPATING DEALERS

Barclays Bank Plc
41/F Cheung Kong Center
2 Queen's Road Central, Hong Kong

BOCI Securities Limited
20/F, Bank of China Tower,
1 Garden Road, Hong Kong

China International Capital Corporation Hong Kong
Securities Limited
29/F, One International Centre
1 Harbour View Street, Central, Hong Kong

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

CITIC Securities Brokerage (HK) Limited
26/F CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road, Central, Hong Kong

KGI Securities (Hong Kong) Limited
41/F, Central Plaza
18 Harbour Road, Wan Chai, Hong Kong

Morgan Stanley Hong Kong Securities Limited
Level 46, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

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

Orient Securities (Hong Kong) Limited
28/F & 29/F
100 Queen's Road Central, Hong Kong

CHINA UNIVERSAL INTERNATIONAL ETF SERIES – C-SHARES CSI CONSUMER STAPLES INDEX ETF

(A Sub-Fund of China Universal International ETF Series)

REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The C-Shares CSI Consumer Staples Index ETF (the "Sub-Fund"), is a sub-fund of China Universal International ETF Series, a Hong Kong umbrella unit trust, authorised under Section 104 of the Securities and Futures Ordinance of Hong Kong. The Sub-Fund seeks to track the performance of CSI Consumer Staples Index (the "Index"). Both the RMB counter (stock code: 83107) and the HKD counter (stock code: 3107) commenced trading on the Hong Kong Stock Exchange (the "HKEx") on 12 May 2014.

The Sub-Fund is a physical ETF, and mainly invests in A shares listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange through the RMB Qualified Foreign Institutional Investor ("RQFII") investment quota of RMB300 million granted to the Manager by the State Administration of Foreign Exchange.

Performance of the Sub-Fund

The C-Shares CSI Consumer Staples Index ETF seeks to provide investment result that, before deduction of fees and expenses, closely corresponds to the performance of the Index. There can be no assurance that the Sub-Fund will achieve investment objective.

A summary of the performance of the CSI Consumer Staples Index and the Sub-Fund as at 31 December 2014 is given as follows:

Total Returns in respective currency¹:

	1-Month	3-Month	Since Launch
CSI Consumer Staples Index	8.22%	8.32%	22.42%
RMB Counter of the Sub-Fund (NAV-to-NAV)	7.82%	7.43%	21.55%
RMB Counter of the Sub-Fund (Market-to-Market)	6.03%	3.02%	16.70%
HKD Counter of the Sub-Fund (NAV-to-NAV)	6.82%	6.50%	22.00%
HKD Counter of the Sub-Fund (Market-to-Market)	5.89%	3.90%	18.38%

Activities of the Sub-Fund

According to Wind Information Co., Ltd, a service provider of financial data and information in the People's Republic of China ("PRC"), the average daily trading volume of the RMB Counter of the Sub-Fund is 7,484 units, while the average daily trading volume of the HKD Counter of the Sub-Fund is 4,911 units. As of 31 December 2014, there were 3,900,000 units outstanding.

Activities of the Index

The CSI Consumer Staples Index had two regular rebalances during the period from 5 May 2014 (date of inception) to 31 December 2014. The changes were made on 16 June 2014 and 15 December 2014 respectively.

16 June 2014:

Inclusion List²:

Code	Company
002311	Guangdong Haid Group Co Ltd
600518	Kangmei Pharmaceutical Co Ltd
002714	Muyuan Foodstuff Co., Ltd
600811	Orient Group Incorporation
600998	Jointown Pharmaceutical Group Co Ltd

¹ Source: Wind Info, as of 31 December 2014, the performances of CSI Consumer Staples Index and the RMB counter of the Sub-Fund are calculated in RMB, and the performances of the HKD counter of the Sub-Fund are calculated in HKD.

² Source: China Securities Index Co. Ltd. www.csindex.com.cn

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REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

Deletion List²:

Code	Company
600598	Heilongjiang Agriculture Company Limited
002299	Fujian Sunner Development Co Ltd

15 December 2014

Inclusion List²

Code	Company
603288	Foshan Haitian Flavouring and Food Company Ltd.
002505	Hunan Dakang Pasture Farming Co Ltd
603369	Jiangsu King's Luck Brewery Joint-Stock Co., Ltd.
002299	Fujian Sunner Development Co Ltd
300146	By-Health Co., Ltd
002727	Yunnan Hongxiang Yixintang Pharmaceutical Co., Ltd.

Deletion List²:

Code	Company
000799	Jiugui Liquor Co Ltd
000759	Zhongbai Holdings Group Co Ltd
002447	Dalian Yi Qiao Sea Cucumber Co Ltd
002262	Jiangsu Nhwa Pharmaceutical Co Ltd

As of 31 December 2014, all the stocks held by the Sub-Fund were constituent stocks of CSI Consumer Staples index.

For and on behalf of

China Universal Asset Management (Hong Kong) Company Limited, the Manager

31 March 2015

² Source: China Securities Index Co. Ltd. www.csindex.com.cn

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REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, China Universal Asset Management (Hong Kong) Limited, the Manager of C-Shares CSI Consumer Staples Index ETF (the "Sub-Fund") has, in all material respects, managed the Sub-Fund in accordance with the provisions of the trust deed dated 31 May 2013 as amended by a supplemental deed dated 7 April 2014 (collectively, the "Trust Deed") for the period from 5 May 2014 (date of inception) to 31 December 2014.

On behalf of
BOCI-Prudential Trustee Limited, the Trustee

31 March 2015

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STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

The Manager of the C-Shares CSI Consumer Staples Index ETF (a Sub-Fund of China Universal International 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 31 May 2013 as amended by a supplemental deed dated 7 April 2014 (collectively, 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 judgements 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.

China Universal International ETF Series (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2014, the Trust has established three 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 China Universal International ETF Series – C-Shares CSI Consumer Staples Index ETF

(A Sub-Fund of China Universal International ETF Series, an umbrella unit trust established under the laws of Hong Kong)

We have audited the financial statements of C-Shares CSI Consumer Staples Index ETF (a sub-fund of China Universal International ETF Series (the "Trust") and referred to as the "Sub-Fund") set out on pages 8 to 32, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in assets attributable to unitholders and statement of cash flows for the period from 5 May 2014 (date of inception) to 31 December 2014, 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 Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants, 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 of the Sub-Fund (the "Trust Deed") and the disclosure requirements specified in Appendix E to 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 audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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 have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the disclosure requirements specified in Appendix E to 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' judgement, 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 China Universal International ETF Series – C-Shares CSI Consumer Staples Index ETF

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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 2014, and of its financial performance and cash flows for the period from 5 May 2014 (date of inception) to 31 December 2014 in accordance with Hong Kong 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 to the SFC Code.

Certified Public Accountants
Hong Kong
31 March 2015

CHINA UNIVERSAL INTERNATIONAL ETF SERIES – C-SHARES CSI CONSUMER STAPLES
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STATEMENT OF COMPREHENSIVE INCOME

For the period from 5 May 2014 (date of inception) to 31 December 2014

	Notes	RMB
INCOME		
Dividend income		741,891
Interest income		<u>5,484</u>
		<u>747,375</u>
EXPENSES		
Management fee	5	(155,950)
Brokerage commission	5	(54,439)
Trustee and custodian fees	5	(31,190)
Auditors' remuneration		(164,589)
Index licensing fee		(64,560)
Preliminary expense		(660,452)
Professional fee		(145,363)
Other operating expenses		<u>(243,486)</u>
		<u>(1,520,029)</u>
LOSS BEFORE INVESTMENT AND EXCHANGE DIFFERENCES		(772,654)
INVESTMENT AND EXCHANGE DIFFERENCES		
Net change in unrealised gains on financial assets at fair value through profit or loss	10	6,432,915
Net realised gains on financial assets at fair value through profit or loss		1,576,826
Foreign exchange differences		<u>31,405</u>
NET INVESTMENTS AND EXCHANGE GAINS		<u>8,041,146</u>
PROFIT BEFORE TAX		7,268,492
Withholding tax	7	<u>(99,708)</u>
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>7,168,784</u></u>

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STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	RMB
ASSETS		
Financial assets at fair value through profit or loss	10	49,007,014
Prepayment and other receivables		12,241
Cash and bank balances	12	865,009
Deposit reserve-China Exchange Clearing		<u>12,657</u>
TOTAL ASSETS		<u>49,896,921</u>
LIABILITIES		
Management fee payable	5	22,662
Trustee and custodian fees payable	5	4,532
Withholding tax provision	7	22,190
Other payables and accruals		<u>248,932</u>
TOTAL LIABILITIES		<u>298,316</u>
EQUITY		
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	9	<u>49,598,605</u>
NUMBER OF UNITS IN ISSUE	9	<u>3,900,000</u>
NET ASSET VALUE PER UNIT	9	<u>12.7176</u>

For and on behalf of
China Universal Asset Management (Hong Kong)
Company Limited, as the Manager

For and on behalf of
BOCI-Prudential Trustee Limited,
as the Trustee

.....
31 March 2015

.....
31 March 2015

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 5 May 2014 (date of inception) to 31 December 2014

	RMB
At 5 May 2014 (date of inception)	-
Subscription of units	92,889,840
Redemption of units	(50,460,019)
Total comprehensive income for the period	<u>7,168,784</u>
At 31 December 2014	<u><u>49,598,605</u></u>

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STATEMENT OF CASH FLOWS

For the period from 5 May 2014 (date of inception) to 31 December 2014

	Note	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		7,268,492
Adjustments for:		
Net change in unrealised gains on financial assets at fair value through profit or loss		(6,432,915)
Net realised gains on financial assets at fair value through profit or loss		<u>(1,576,826)</u>
		(741,249)
Purchase of financial assets at fair value through profit or loss		(97,578,911)
Proceeds from sale of financial assets at fair value through profit or loss		56,581,638
Increase in deposit reserve-China Exchange Clearing		(12,657)
Increase in prepayment and other receivables		(12,241)
Increase in management fee payable		22,662
Increase in trustee and custodian fees payable		4,532
Increase in other payables and accruals		<u>248,932</u>
Cash used in operations		(41,487,294)
Tax paid		<u>(77,518)</u>
Net cash flows used in operating activities		<u>(41,564,812)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of units		92,889,840
Payments on redemption of units		<u>(50,460,019)</u>
Net cash flows from financing activities		42,429,821
NET INCREASE IN CASH AND CASH EQUIVALENTS		865,009
Cash and cash equivalents at beginning of period		<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>865,009</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	12	<u><u>865,009</u></u>
NET CASH USED IN OPERATING ACTIVITIES INCLUDES:		
Dividend received		741,891
Interest received		5,484

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NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. THE TRUST

China Universal International ETF Series (the "Trust") is an umbrella unit trust governed by its trust deed dated 31 May 2013 as amended by a supplemental deed dated 7 April 2014 (collectively, the "Trust Deed") between China Universal Asset Management (Hong Kong) Company Limited (the "Manager") and BOCI-Prudential Trustee 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 (the "SFO").

These financial statements relate to one of the three sub-funds of the Trust, C-Shares CSI Consumer Staples Index ETF (the "Sub-Fund"). The Sub-Fund commenced trading under the stock code 83107 (RMB counter) and 03107 (HKD counter) on the HKEx on 12 May 2014.

The investment objective of the Sub-Fund is to provide investment results that closely correspond to the performance of the CSI Consumer Staples 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 2014, the approved Renminbi Qualified Foreign Institutional Investor ("RQFII") quota by the State Administration of Foreign Exchange ("SAFE") was RMB300 million.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong 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").

The financial statements 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 Renminbi ("RMB") and all values are rounded to the nearest RMB except where otherwise indicated.

The Sub-Fund has adopted for the first time all the applicable and effective HKFRS.

2.2 NEW AND REVISED HKFRSs NOT YET ADOPTED

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

HKFRS 9 *Financial Instruments*¹

¹ Effective for annual periods beginning on or after 1 January 2018

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2.2 NEW AND REVISED HKFRSs NOT YET ADOPTED (continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Sub-Fund expects to adopt HKFRS 9 from 1 January 2018. The Sub-Fund expects that the adoption of HKFRS 9 will have an impact on the classification of the Sub-Fund's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) **Classification**

The Sub-Fund classifies its financial assets and liabilities into the categories below in accordance with HKAS 39.

Financial assets at fair value through profit or loss

Financial assets designated as fair value through profit or loss upon initial recognition: these include equity securities and debt instruments that are not held for trading. 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. This category includes listed equity securities.

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 cash and bank balances.

Financial liabilities

This category includes all financial liabilities. The Sub-Fund includes in this category amounts relating to management fee payable, trustee and custodian fees payable, and other payable and accruals.

(ii) **Recognition**

The Sub-Fund recognises a financial asset or a financial liability when, and only 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 marketplace (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.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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 (other than those classified as designated as at fair value through profit or loss) 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 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 on financial assets at fair value through profit or loss". Interests earned on such instruments are recorded separately in "Interest income on financial assets at fair value through profit and loss".

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 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.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) ***Derecognition (continued)***

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, cancelled or expired.

Fair value measurement

The Sub-Fund measures financial instruments, such as, equities investments at fair value at each reporting date.

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 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.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 occurred, 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 occurred) 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.

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.

Cash and cash equivalents

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand, demand deposits, and short-term deposits in banks, with original maturities of three months or less.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 instrument;
- (c) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical feature;
- (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; and
- (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's redeemable units meet the definition of puttable instruments classified as equity instruments under the revised HKAS 32 and are classified as equity.

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 financial liabilities transactions. Upon issuance of redeemable units, the consideration received is included in equity.

Transaction costs incurred by the Sub-Fund in issuing or 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 which are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

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.

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 is recognised in profit or loss 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 and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Net realised gains or losses on disposal of financial assets at fair value through profit or loss

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 reporting date. Differences arising on settlement or transaction of monetary items are recognised in profit or loss.

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 determined.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the statement of comprehensive income as part of the 'net gain or loss on financial assets and liabilities at fair value through profit or loss'.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 HKEx are denominated in RMB. Therefore, 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

The Sub-Fund is exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment 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 the gross investment income 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.

Distributions to unitholders

Distributions are at the discretion of the Sub-Fund. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. A proposed distribution is recognised as a liability in the period in which it is approved by the Manager. No distribution will be paid out of the Sub-Fund's capital.

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Sub-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-Fund are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the 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).

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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.

Judgements

In the process of applying the Sub-Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Sub-Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Sub-Fund. Such changes are reflected in the assumptions when they occur.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Sub-Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the investments.

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5. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS AND RELATED PARTY TRANSACTIONS

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:

Brokerage commission

The Sub-Fund utilises the trading services of only one broker, CITIC Securities Co Ltd. As such, the Sub-Fund did not enter into any transactions with any related broker for the period from 5 May 2014 (date of inception) to 31 December 2014.

Management fee

The Manager is entitled to receive a management fee from the Sub-Fund, at the current rate of 0.5% (up to maximum of 2%) per annum of 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 to China Universal Asset Management Company Limited (the "Investment Adviser"), out of its fees received from the Sub-Fund.

Trustee and custodian fees

Trustee and custodian fees pertain to the amounts charged by the Trustee and Bank of China (Hong Kong) Limited (the "Custodian") and Bank of China Limited (the "RQFII Custodian") as safe keeping and custodian fees, respectively.

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 at the current rate of 0.10% per annum of the net asset value of the Sub-Fund and subject to a monthly minimum of RMB40,000, which is waived for the first and second year of the initial launch of the Sub-Fund. The trustee fee is inclusive of the custodian fee to the Custodian and the RQFII Custodian.

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.

Cash and bank balances

Bank balances are maintained with the RQFII Custodian and Custodian of the Sub-Fund. Bank balances deposited with the RQFII Custodian and the Custodian at 31 December 2014 are summarised below:

	RMB
Cash at banks	<u>865,009</u>

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5. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS AND RELATED PARTY TRANSACTIONS (continued)

Creation and redemption of the Sub-Fund

The Manager and the Trustee entered into a Participating Agreement with Participating Dealers to effect applications for creation and redemption of the Sub-Fund. The creation and redemption of the Sub-Fund by connected persons of the Manager and related party of the Trustee and Custodian for the period from 5 May 2014 (date of inception) to 31 December 2014 were as follows:

Orient Securities (Hong Kong) Limited is a major shareholder of the Manager. BOCI Securities Limited is an affiliate of the Trustee.

	Units created during the period	Units redeemed during the period	Total aggregate value of the transactions RMB	% of Sub- Fund's total value of the creation and redemption orders during the period
Orient Securities (Hong Kong) Limited	300,000	-	3,150,840	2.20%
BOCI Securities Limited	3,600,000	-	42,476,400	29.59%

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 5 May 2014 (date of inception) to 31 December 2014.

7. INCOME TAX

Hong Kong tax

No provision for Hong Kong profits tax has been made for the Sub-Fund. The Sub-Fund is authorised by the SFC as a collective investment scheme pursuant to Section 104 of the SFO to offer to the retail public in Hong Kong. It is exempted from Hong Kong profits tax under Section 26A (1A) of the Hong Kong Inland Revenue Ordinance.

People's Republic of China ("PRC") tax

Under PRC laws and regulations, foreign investors (such as the Sub-Fund) may be subject to a 10% withholding tax on income (such as dividend/interest and capital gains) imposed on securities issued by PRC tax resident enterprises.

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7. INCOME TAX (continued)

PRC tax (continued)

Distribution tax

A 10% PRC withholding tax has been levied on dividend and interest payments from PRC companies to foreign investors. As such, the RQFII holder will pass on this tax liability to the Sub-Fund in the form of distribution tax and therefore the Sub-Fund is subject to a distribution tax of 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 5 May 2014 (date of inception) to 31 December 2014 was RMB77,527.

Capital gains tax

The PRC income tax treatment is governed by the general tax provisions of the Corporate Income Tax Law, which stipulates a 10% tax on a withholding basis for capital gains derived on disposal of PRC securities by non-PRC residents such as the Sub-Fund. Prior to 18 August 2014, the Sub-Fund has elected to make a 10% tax provision on both capital gain realised and unrealised on the A-Shares.

The Manager having taken and considered independent professional tax advice and acting in accordance with such advice, considers that certain tax relief under the "Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (the "Arrangement") could be applied to Hong Kong tax residents, including the Sub-Fund. After careful assessment by the Manager and having taken and considered independent professional tax advice, the Manager considers that the Sub-Fund qualify as Hong Kong tax residents for the purpose of the Arrangement and are able to enjoy the exemption on capital gains derived from the disposal of A-Shares.

In view of the Arrangement and pursuant to its announcement dated 18 August 2014, the Sub-Fund has reversed all provision since 5 May 2014 (inception date) for gross realised and unrealised capital gains derived on disposal of A-Shares, except for those A-Shares issued by PRC tax resident companies which are land rich companies.

On 14 November 2014, the Ministry of Finance of the PRC (the "MoF"), the State Administration of Taxation of the PRC ("SAT") and the China Securities Regulatory Commission (the "CSRC") issued the "Notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains from the transfer of equity investment assets such as PRC domestic stocks by Qualified Foreign Institutional Investor ("QFII") and RQFII" ("關於QFII和RQFII取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通知") Caishui [2014] No.79 (the "Notice"). The Notice states that PRC corporate income tax will be imposed on capital gains derived by QFII and RQFII from equity investment assets (including PRC domestic stocks) prior to 17 November 2014 ("capital gains tax") in accordance with laws. The Notice also states that RQFIIs without an establishment or a place of business in the PRC will be temporarily exempt from corporate income tax on gains derived from the trading of A-Shares effective from 17 November 2014.

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7. INCOME TAX (continued)

PRC tax (continued)

Capital gains tax (continued)

In view of the Notice and pursuant to its announcement dated 17 November 2014, the Sub-Fund has reversed all prior provision since 5 May 2014 (date of inception) for gross unrealised capital gains derived from trading of A-Shares issued by land rich companies. With effect from 17 November 2014, no withholding tax is made by the Sub-Fund for capital gains derived on disposal of all A-Shares.

The capital gains tax for the period ended 31 December 2014 was RMB22,181, representing corporate income tax on realised capital gains derived from A-shares prior to 17 November 2014.

8. DISTRIBUTIONS

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

The Sub-Fund did not make any distribution during the period from 5 May 2014 (date of inception) to 31 December 2014.

9. THE REDEEMABLE UNITS

	Number of units
Units in issue at the beginning of the period	-
Subscription of units	8,400,000
Redemption of units	<u>(4,500,000)</u>
Units in issue at the end of the period	<u>3,900,000</u>
	RMB
Net asset value attributable to unitholders at the end of the period	<u>49,598,605</u>
Net asset value per unit at the end of the period	<u>12.7176</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.

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9. THE REDEEMABLE UNITS (continued)

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 aggregation of a specified number of units (an "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.

A reconciliation of the net assets attributable to unitholders as reported in the statement of financial position to the net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions is provided below:

	2014 RMB
Published net assets attributable to unitholders (Note)	50,133,435
Recognition of preliminary expense	<u>(534,830)</u>
Net assets attributable to unitholders (per financial statements)	<u><u>49,598,605</u></u>

Note:

The published net assets are calculated in accordance with the Explanatory Memorandum where preliminary expense are capitalised and to be amortised over the first five years of the operation of the Sub-Fund, while the net assets as reported in the audited financial statements, the preliminary expenses are expensed as incurred, as required under HKFRS.

<u>At 31 December 2014</u>	Published net assets per unit RMB	Net assets per unit (per audited financial statements) RMB
Net assets attributable to unitholders per unit	<u>12.8547</u>	<u>12.7176</u>

10. 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>49,007,014</u>
Gains recognised in relation to financial assets at fair value through profit or loss:	
Change in unrealised gains	<u>6,432,915</u>

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11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets traded in active markets is based on quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Sub-Fund is the current traded price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The following table shows an analysis of the Sub-Fund's financial assets measured at fair value at 31 December 2014:

<u>2014</u>	Quoted prices in active markets (Level 1) RMB	Significant observable inputs (Level 2) RMB	Significant unobservable inputs (Level 3) RMB	Total RMB
<u>Financial assets at fair value through profit or loss</u>				
Listed equity securities	<u>49,007,014</u>	<u>-</u>	<u>-</u>	<u>49,007,014</u>

When fair values of listed equity securities at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

During the period from 5 May 2014 (date of inception) to 31 December 2014, there were no transfers of financial instruments between levels.

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 traded prices.

12. CASH AND BANK BALANCES

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

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13. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The SFC Code requires the Sub-Fund to disclose a list of the constituent securities, if each accounts for more than 10% of the weighting of the index as at the end of reporting period and their respective weightings.

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 weightings are exceeded as a result of changes in the composition of the index and the excess is only transitional and temporary in nature.

Constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of CSI Consumer Staples Index as at 31 December 2014 were as follows:

	Respective weighting in the Index (%)	% of net asset value
Inner Mongolia Yili Industrial Group Co Ltd	10.66%	10.61%
Kweichow Moutai Co Ltd	10.67%	10.56%

The Manager and Trustee have confirmed that the above constituent securities of the Sub-Fund did not exceed their respective weighting in the Index and the Sub-Fund has complied with the relevant requirement of the SFC code during the period from 5 May 2014 (date of inception) to 31 December 2014.

There were no other constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund as at 31 December 2014.

14. 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 equity price risk, interest rate risk and currency risk), credit risk and counterparty risk and liquidity risk arising from the financial instruments it holds.

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

Risk management (continued)

(a) Market risk

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

(i) Equity price risk

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 CSI Consumer Staples 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 2014, the Sub-Fund's investments were concentrated in the following industries.

	Fair value RMB	% of net asset value
A-Shares holdings - By Sectors		
Consumer Staples	<u>49,007,014</u>	<u>98.81%</u>

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

As at 31 December 2014, if the CSI Consumer Staples Index was to increase by 5% with all other variables held constant, this would increase the pre-tax profit for the period by approximately RMB2,450,000. Conversely, if the CSI Consumer Staples 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.

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

Risk management (continued)

(a) Market risk (continued)

(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.

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 a bank and the RQFII Custodian and their related credit ratings from Standard & Poor's ("S&P"):

As at 31 December 2014

	RMB	Credit rating	Source of credit rating
Bank			
Bank of China (Hong Kong) Limited	13,857	A+	S&P
Bank of China Limited	851,152	A	S&P
RQFII Custodian			
Bank of China Limited	49,007,014	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.

The Manager considers that none of these assets are impaired nor past due as at 31 December 2014.

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

Risk management (continued)

(c) Liquidity risk

Liquidity risk is defined as the risk that the Sub-Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Sub-Fund could be required to pay its liabilities or redeem its units earlier than expected. The Sub-Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Sub-Fund's net asset value per unit at the time of redemption, calculated in accordance with the Sub-Fund's Trust Deed. It is the Sub-Fund's policy that the Manager monitors the Sub-Fund's liquidity position on a daily basis.

The table below summarises the maturity profile of Sub-Fund's financial liabilities at the end of the reporting period based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Fund's contractual commitments and liquidity.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Sub-Fund can be required to pay.

Financial assets

Analysis of equity securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

At 31 December 2014	Less than 1 month RMB	1 to 12 months RMB	Total RMB
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	-	49,007,014	49,007,014
Financial assets included in prepayment and other receivables	-	130	130
Cash and bank balances	865,009	-	865,009
Deposit reserve	-	12,657	12,657
Total financial assets	<u>865,009</u>	<u>49,019,801</u>	<u>49,884,810</u>

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

Risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 month RMB	1 to 12 months RMB	Total RMB
<u>Financial liabilities</u>			
Management fee payable	22,662	-	22,662
Trustee and custodian fees payable	4,532	-	4,532
Other payables and accruals	<u>177,695</u>	<u>71,237</u>	<u>248,932</u>
Total financial liabilities	<u>204,889</u>	<u>71,237</u>	<u>276,126</u>

Capital management

The Sub-Fund's capital is represented by its net assets attributable to unitholders. The Sub-Fund strives to invest the subscription proceeds of redeemable 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.

15. SEGMENT INFORMATION

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

The Manager considers that each sub-fund as 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 portfolio that closely correspond to the security weight and industry weight of its tracked index.

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16. EVENTS AFTER THE REPORTING PERIOD

During the period between the end of the reporting period and the date of authorisation of these financial statements, the Sub-Fund has a subsequent redemption of RMB50,377,680 on 11 March 2015.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 31 March 2015.

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INVESTMENT PORTFOLIO

31 December 2014

	Holdings Shares	Market Value RMB	% of NAV
<u>Financial assets at fair value through profit or loss</u>			
Listed Securities			
China (100%)			
Consumer Staples			
Angel Yeast Co Ltd	15,155	279,761	0.56%
Anhui Golden Seed Winery Co Ltd	29,553	344,884	0.70%
Anhui Gujing Distillery Co Ltd	9,400	347,330	0.70%
Beijing Dabeinong Technology Group Co Ltd	56,657	760,337	1.53%
Beijing Sanyuan Foods Co Ltd	26,348	232,653	0.47%
Beijing Shunxin Agriculture Co Ltd	16,966	316,925	0.64%
Beijing Yanjing Brewery Co Ltd	99,093	791,753	1.60%
Beingmate Baby & Child Food Co Ltd	43,297	700,978	1.41%
Bright Dairy & Food Co Ltd	45,814	799,912	1.61%
By-Health Co Ltd	18,500	481,000	0.97%
ChaCha Food Co Ltd	10,110	191,180	0.39%
China Meheco Co Ltd	30,120	494,269	1.00%
China National Accord Medicines Corp Ltd	9,153	436,873	0.88%
China National Medicines Corp Ltd	21,719	673,072	1.36%
Chongqing Brewery Co Ltd	17,945	290,350	0.59%
Chuying Agro-Pastoral Group Co Ltd	38,500	337,260	0.68%
Cofco Biochemical (Anhui) Co Ltd	57,344	455,311	0.92%
Cofco Tunhe Co Ltd	32,900	292,810	0.59%
Foshan Haitian Flavouring And Food Co Ltd	10,000	399,500	0.81%
Fujian Sunner Development Co Ltd	34,000	430,100	0.87%
Gansu Yasheng Industrial Group Co Ltd	109,969	1,027,110	2.07%
Guangdong Haid Group Co Ltd	25,400	311,912	0.63%
Guangzhou Zhujiang Brewery Co Ltd	14,594	186,949	0.38%
He Bei Cheng De Lolo Co Ltd	22,352	491,520	0.99%
Henan Rebecca Hair Products Co Ltd	49,010	234,268	0.47%
Henan Shuanghui Investment & Development Co Ltd	46,593	1,470,009	2.96%
Huadong Medicine Co Ltd	15,295	804,670	1.62%
Hunan Dakang Pasture Farming Co Ltd	43,000	313,040	0.63%
Inner Mongolia Yili Industrial Group Co Ltd	184,014	5,268,321	10.61%
Jiangsu King's Luck Brewery Jsc Co Ltd	7,100	197,877	0.40%
Jiangsu Yanghe Brewery Joint-Stock Co Ltd	22,813	1,803,368	3.64%
Jointown Pharmaceutical Group Co Ltd	23,698	428,223	0.86%
Jonjee Hi-Tech Industrial and Commercial Hldg Co Ltd	60,424	627,201	1.26%
Kangmei Pharmaceutical Co Ltd	108,700	1,708,764	3.45%
Kweichow Moutai Co Ltd	27,646	5,242,235	10.56%
Luoniushan Co Ltd.	65,760	501,091	1.01%
Luzhou Lao Jiao Co Ltd	49,519	1,010,188	2.04%
Mayinglong Pharmaceutical Group Co Ltd	15,256	309,392	0.62%

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INVESTMENT PORTFOLIO (continued)

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	Holdings Shares	Market Value RMB	% of NAV
<u>Financial assets at fair value through profit or loss</u>			
<u>(continued)</u>			
Listed Securities			
China (100%)			
Consumer Staples (continued)			
Meihua Hldgs Group Co Ltd	77,301	553,475	1.12%
Muyuan Foodstuff Co Ltd	5,400	237,600	0.48%
New Hope Liuhe Co Ltd	47,414	663,796	1.34%
Orient Group Inc	94,118	894,121	1.80%
Qinghai Huzhu Barley Wine Co Ltd	13,431	288,095	0.58%
Sanquan Food Co Ltd	11,989	232,706	0.47%
Shandong Denghai Seeds Co Ltd	10,470	335,563	0.68%
Shandong Homey Aquatic Development Co Ltd	35,500	225,780	0.46%
Shanghai Friendship Group Inc Co	54,502	975,041	1.97%
Shanghai Jahwa United Co Ltd	35,778	1,227,901	2.48%
Shanghai Jinfeng Wine Co Ltd	22,471	210,778	0.42%
Shanghai Maling Aquarius Co Ltd	36,720	344,434	0.69%
Shanghai Pharmaceuticals Holding Co Ltd	67,851	1,119,542	2.26%
Shanxi Xinghuacun Fen Wine Factory Co Ltd	19,269	441,067	0.89%
Shenzhen Agricultural Products Co Ltd	95,829	1,255,360	2.53%
Shenzhen Neptunus Bioengineering Co Ltd	45,850	447,955	0.90%
Sichuan Tuopai Shede Wine Co Ltd	19,833	369,489	0.74%
Tongwei Co Ltd	23,770	221,061	0.45%
Tsingtao Brewery Co Ltd	24,581	1,026,994	2.07%
V V Food & Beverage Co Ltd	62,071	316,562	0.64%
Wuliangye Yibin Co Ltd	134,005	2,881,108	5.81%
Xinjiang Guannong Fruit & Antler Group Co Ltd	17,686	322,946	0.65%
Xinjiang Yilite Industry Co Ltd	17,900	219,812	0.44%
Yantai Changyu Pioneer Wine Co Ltd	10,062	350,761	0.71%
Yonghui Superstores Co Ltd	122,156	1,063,979	2.15%
Yuan Longping High-tech Agriculture Co Ltd	49,176	968,275	1.95%
Yunnan Hongxiang Yixintang Pharmaceutical Co Ltd	5,600	230,216	0.46%
Zhangzidao Group Co Ltd	21,610	257,159	0.52%
Zhejiang Guyuelongshan Shaoxing Wine Co Ltd	37,253	333,042	0.67%
TOTAL INVESTMENTS, AT FAIR VALUE		49,007,014	98.81%
TOTAL INVESTMENTS, AT COST		42,574,099	

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MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2014

	Holdings As at 5 May 2014 (date of inception)	Additions	Corporate Action	Disposals	Holdings As at 31 December 2014
<u>Financial assets at fair value through profit or loss (continued)</u>					
Listed Securities					
Angel Yeast Co Ltd	-	34,104	-	(18,949)	15,155
Anhui Golden Seed Winery Co Ltd	-	60,200	-	(30,647)	29,553
Anhui Gujing Distillery Co Ltd	-	19,900	-	(10,500)	9,400
Beijing Dabeinong Technology Group Co Ltd	-	136,622	-	(79,965)	56,657
Beijing Sanyuan Foods Co Ltd	-	59,400	-	(33,052)	26,348
Beijing Shunxin Agriculture Co Ltd	-	41,900	-	(24,934)	16,966
Beijing Yanjing Brewery Co Ltd	-	241,280	-	(142,187)	99,093
Beingmate Baby & Child Food Co Ltd	-	61,124	22,993	(40,820)	43,297
Bright Dairy & Food Co Ltd	-	103,239	-	(57,425)	45,814
By-Health Co Ltd	-	18,500	-	-	18,500
ChaCha Food Co Ltd	-	19,610	-	(9,500)	10,110
China Meheco Co Ltd	-	47,831	17,360	(35,071)	30,120
China National Accord Medicines Corp Ltd	-	20,700	-	(11,547)	9,153
China National Medicines Corp Ltd	-	49,080	-	(27,361)	21,719
Chongqing Brewery Co Ltd	-	45,900	-	(27,955)	17,945
Chuying Agro-Pastoral Group Co Ltd	-	77,700	-	(39,200)	38,500
Cofco Biochemical (Anhui) Co Ltd	-	130,000	-	(72,656)	57,344
Cofco Tunhe Co Ltd	-	71,100	-	(38,200)	32,900
Dalian Yi Qiao Marine Seeds Co Ltd	-	25,559	5,803	(31,362)	-
Foshan Haitian Flavouring & Food Co Ltd	-	10,000	-	-	10,000
Fujian Sunner Development Co Ltd	-	79,600	-	(45,600)	34,000
Gansu Yasheng Industrial Group Co Ltd	-	263,900	-	(153,931)	109,969
Guangdong Haid Group Co Ltd	-	48,800	-	(23,400)	25,400
Guangzhou Zhujiang Brewery Co Ltd	-	33,501	-	(18,907)	14,594
He Bei Cheng De Lolo Co Ltd	-	44,438	6,025	(28,111)	22,352
Heilongjiang Agriculture Co Ltd	-	71,200	-	(71,200)	-
Henan Rebecca Hair Products Co Ltd	-	111,700	-	(62,690)	49,010
Henan Shuanghui Investment & Development Co Ltd	-	120,500	-	(73,907)	46,593

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MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2014

	Holdings As at 5 May 2014 (date of inception)	Additions	Corporate Action	Disposals	Holdings As at 31 December 2014
<u>Financial assets at fair value through profit or loss (continued)</u>					
Listed Securities (continued)					
Huadong Medicine Co Ltd	-	37,142	-	(21,847)	15,295
Hunan Dakang Pasture Farming Co Ltd	-	43,000	-	-	43,000
Inner Mongolia Yili Industrial Group Co Ltd	-	328,914	53,300	(198,200)	184,014
Jiangsu King's Luck Brewery Jsc Ltd	-	7,100	-	-	7,100
Jiangsu Nhwa Pharmaceutical Co Ltd	-	23,900	2,620	(26,520)	-
Jiangsu Yanghe Brewery Joint-Stock Co Ltd	-	55,633	-	(32,820)	22,813
Jiugui Liquor Co Ltd	-	38,400	-	(38,400)	-
Jointown Pharmaceutical Group Co Ltd	-	50,900	-	(27,202)	23,698
Jonjee Hi-Tech Industrial and Commercial Hldg Co Ltd	-	137,282	-	(76,858)	60,424
Kangmei Pharmaceutical Co Ltd	-	247,300	-	(138,600)	108,700
Kweichow Moutai Co Ltd	-	66,811	2,982	(42,147)	27,646
Luoniushan Co Ltd.	-	149,206	-	(83,446)	65,760
Luzhou Lao Jiao Co Ltd	-	117,974	-	(68,455)	49,519
Mayinglong Phahraceutical Group Co Ltd	-	34,300	-	(19,044)	15,256
Meihua Hldgs Group Co Ltd	-	139,001	-	(61,700)	77,301
Muyuan Foodstuff Co Ltd	-	11,000	-	(5,600)	5,400
New Hope Liuhe Co Ltd	-	117,550	-	(70,136)	47,414
Orient Group Inc	-	216,400	-	(122,282)	94,118
Qinghai Huzhu Barley Wine Co Ltd	-	30,000	-	(16,569)	13,431
Sanquan Food Co Ltd	-	30,808	-	(18,819)	11,989
Shandong Denghai Seeds Co Ltd	-	23,700	-	(13,230)	10,470
Shandong Homey Aquatic Development Co Ltd	-	76,300	-	(40,800)	35,500
Shanghai Friendship Group Inc Co	-	130,000	-	(75,498)	54,502
Shanghai Jahwa United Co Ltd	-	80,153	-	(44,375)	35,778
Shanghai Jinfeng Wine Co Ltd	-	51,299	-	(28,828)	22,471
Shanghai Maling Aquarius Co Ltd	-	83,000	-	(46,280)	36,720
Shanghai Pharmaceuticals Holding Co Ltd	-	163,400	-	(95,549)	67,851

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MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2014

	Holdings As at 5 May 2014 (date of inception)	Additions	Corporate Action	Disposals	Holdings As at 31 December 2014
<u>Financial assets at fair value through profit or loss (continued)</u>					
<u>Listed Securities (continued)</u>					
Shanxi Xinghuacun Fen Wine Factory Co Ltd	-	43,942	-	(24,673)	19,269
Shenzhen Agricultural Products Co Ltd	-	216,300	-	(120,471)	95,829
Shenzhen Neptunus Bioengineering Co Ltd	-	93,250	-	(47,400)	45,850
Sichuan Tuopai Shede Wine Co Ltd	-	44,910	-	(25,077)	19,833
Tongwei Co Ltd	-	54,250	-	(30,480)	23,770
Tsingtao Brewery Co Ltd	-	58,557	-	(33,976)	24,581
V V Food & Beverage Co Ltd	-	141,300	-	(79,229)	62,071
Wuliangye Yibin Co Ltd	-	344,417	-	(210,412)	134,005
Xinjiang Guannong Fruit & Antler Group Co Ltd	-	39,575	-	(21,889)	17,686
Xinjiang Yilite Industry Co Ltd	-	38,900	-	(21,000)	17,900
Yantai Changyu Pioneer Wine Co Ltd	-	23,109	-	(13,047)	10,062
Yonghui Superstores Co Ltd	-	260,306	-	(138,150)	122,156
Yuan Longping High-Tech Agriculture Co Ltd	-	50,300	24,988	(26,112)	49,176
Yunnan Hongxiang Yixintang Pharmaceutical Co Ltd	-	5,600	-	-	5,600
Zhangzidao Group Co Ltd	-	47,700	-	(26,090)	21,610
Zhejiang Guyuelongshan Shaoxing Wine Co Ltd	-	84,330	-	(47,077)	37,253
Zhejiang Guyuelongshan Shaoxing Wine Co Ltd-A -Rts (Ex 12jun2014)	-	11,430	-	(11,430)	-
Zhongbai Hldgs Group Co Ltd	-	91,660	-	(91,660)	-

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PERFORMANCE RECORD

31 December 2014

1. NET ASSET VALUE

	Net asset value per unit RMB	Total net asset value RMB
As at 31 December 2014 ¹	<u>12.7176</u>	<u>49,598,605</u>

¹ Year of inception

2. HIGHEST ISSUE AND LOWEST REDEMPTION PRICES PER UNIT

	Highest subscription unit price RMB	Lowest redemption unit price RMB
For the period from 5 May 2014 (date of inception) to 31 December 2014	<u>13.0156</u>	<u>10.0676</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 ended 31 December 2014:

	During the period ended 31 December 2014
CSI Consumer Staples Index	22.42%
RMB Counter of the Sub-Fund	16.70%
HKD Counter of the Sub-Fund	18.38%