

ChinaAMC ETF Series

# **ChinaAMC CES China A80 Index ETF**

## **Annual Report**

For the year ended 31 December 2014



**华夏基金**  
**ChinaAMC**

## ANNUAL REPORT

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

For the year ended 31 December 2014

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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://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

### **Directors of the Manager**

Mr. Yang Minghui  
Mr. Zhang Xiaoling (appointed on 1 August 2014)  
Mr. Zhou Quan (resigned on 10 April 2015)  
Mr. Gan Tian (appointed on 14 November 2014)  
Mr. Teng Tianming (resigned on 21 August 2014)  
Ms. Chen Chia-Ling (resigned on 31 October 2014)

### **Trustee**

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

### **Auditors**

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

### **Administrator and Custodian**

Citibank, N.A.  
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

### **Service Agent**

HK Conversion Agency Services Limited  
2/F, Infinitus Plaza  
199 Des Voeus Road  
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  
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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  
25/F, 28 Queen's Road  
Central Tower  
Central, 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  
18/F, HSBC Main Building  
1 Queen's Road  
Central, Hong Kong

Merrill Lynch Far East Limited  
15/F, 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  
38/F, Pacific Place 3  
1 Queen's Road East  
Admiralty, Hong Kong

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

## 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 between China Asset Management (Hong Kong) Limited (the “Manager”) and Cititrust Limited (the “Trustee”) and as amended by supplemental deeds on 10 August 2012 and 19 November 2014. 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 uses 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 RMB1 billion (as of 31 December 2014) 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 currency<sup>1, 2</sup>:

	1-Month	3-Month	Since Launch
The Index	34.26%	56.84%	61.23% <sup>3</sup>
RMB Counter of the Sub-Fund (NAV-to-NAV)	26.61%	48.03%	53.84% <sup>3</sup>
RMB Counter of the Sub-Fund (Market-to-Market)	29.85%	50.65%	54.20% <sup>4</sup>
HKD Counter of the Sub-Fund (NAV-to-NAV)	28.04%	49.82%	54.54% <sup>3</sup>
HKD Counter of the Sub-Fund (Market-to-Market)	28.91%	48.46%	51.04% <sup>4</sup>

<sup>1</sup> Source: Bloomberg, as of 31 December 2014. 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.

<sup>2</sup> Past performance figures shown are not indicative of the future performance of the Sub-Fund..

<sup>3</sup> Calculated since 23 August 2013

<sup>4</sup> 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 290,655 units from 1 January 2014 to 31 December 2014. As of 31 December 2014, there were 2,400,000 units outstanding.

**Activities of the Index**

There was one rebalance for the Index from 1 January 2014 to 31 December 2014. As of 31 December 2014, the Sub-Fund comprised of all 80 constituent stocks in the Index.

China Asset Management (Hong Kong) Limited  
20 April 2015

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 deeds on 10 August 2012 and 19 November 2014 (the "Trust Deed"), for the year ended 31 December 2014.

Cititrust Limited  
20 April 2015



## 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 deeds on 10 August 2012 and 19 November 2014 (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 year 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 2014, 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 year 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 33, 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 year ended 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 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 deeds on 10 August 2012 and 19 November 2014 (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 2014, and of its financial performance and cash flows for the year ended 31 December 2014 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  
20 April 2015

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

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB	2013 RMB
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	12	35,920,068	84,499,471
Amount due from broker	8	—	155,920
Other receivable		9,108	46,690
Cash and cash equivalents	14	<u>491,948</u>	<u>17,111,372</u>
<b>TOTAL ASSETS</b>		<u>36,421,124</u>	<u>101,813,453</u>
<b>LIABILITIES</b>			
Management fee payable	5	289,250	67,644
Custodian, fund administration and trustee fees payable	5	205,523	84,808
Withholding tax provision	7	1,514,270	1,071,909
Amount due to broker	8	—	71,960
Amounts payable on redemption of units	9	9,381,200	16,735,905
Formation cost payable		—	580,197
Other payables and accruals		<u>342,195</u>	<u>151,484</u>
<b>TOTAL LIABILITIES</b>		<u>11,732,438</u>	<u>18,763,907</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	11	<u>24,688,686</u>	<u>83,049,546</u>
<b>NUMBER OF UNITS IN ISSUE</b>	11	<u>2,400,000</u>	<u>12,600,000</u>
<b>NET ASSET VALUE PER UNIT</b>	11	<u>10.2870</u>	<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

Year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB	Period from 22 August 2013 (date of inception) to 31 December 2013 RMB
<b>INCOME</b>			
Dividend income		3,279,750	308,710
Interest income		45,007	6,467
		<u>3,324,757</u>	<u>315,177</u>
<b>EXPENSES</b>			
Management fees	5	( 1,834,157)	( 388,400)
Brokerage fees		( 1,584,489)	( 210,564)
Custodian, fund administration and trustee fees	5	( 428,150)	( 102,660)
Audit fee		( 192,425)	( 50,340)
Data licensing fee		( 120,282)	( 26,513)
Professional fee		( 134,731)	–
Formation costs		( 7,130)	( 1,000,000)
Other operating expenses		( 1,746,497)	( 333,281)
		<u>( 6,047,861)</u>	<u>( 2,111,758)</u>
<b>LOSS BEFORE INVESTMENT GAINS</b>		<b>( 2,723,104)</b>	<b>( 1,796,581)</b>
<b>INVESTMENT GAINS</b>			
Net change in unrealised gains/(losses) on financial assets at fair value through profit or loss		11,691,680	( 899,116)
Net realised gains on financial assets at fair value through profit or loss		34,637,681	3,538,579
Net foreign exchange losses		( 180)	–
<b>NET INVESTMENTS GAINS</b>		<b>46,329,181</b>	<b>2,639,463</b>
<b>PROFIT BEFORE TAX</b>		<b>43,606,077</b>	<b>842,882</b>
Withholding tax	7	( 788,771)	( 1,103,427)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>42,817,306</b>	<b>( 260,545)</b>

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

ChinaAMC CES China A80 Index ETF  
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2014

	RMB
At 22 August 2013 (date of inception)	—
Issue of units	167,344,908
Redemption of units	( 84,034,817)
Total comprehensive income	<u>( 260,545)</u>
At 31 December 2013 and 1 January 2014	83,049,546
Issue of units	922,934,233
Redemption of units	( 1,024,112,399)
Total comprehensive income	<u>42,817,306</u>
At 31 December 2014	<u>24,688,686</u>

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

ChinaAMC CES China A80 Index ETF  
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STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB	Period from 22 August 2013 (date of inception) to 31 December 2013 RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		43,606,077	842,882
Adjustments for:			
Net change in unrealised (gains)/ losses on financial assets at fair value through profit or loss	(	11,691,680)	899,116
Net realised gains on financial assets at fair value through profit or loss	(	34,637,681)	( 3,538,579)
Operating loss before changes in working capital	(	2,723,284)	( 1,796,581)
Purchase of financial assets at fair value through profit or loss	(	942,921,980)	(173,464,928)
Proceeds from sale of financial assets at fair value through profit or loss		1,037,914,704	91,520,960
Decrease/(increase) in other receivable		37,582	( 46,690)
Increase in management fee payable		221,606	67,644
Increase in custodian, fund administration and trustee fees payable		120,715	84,808
(Decrease)/increase in formation cost payable	(	580,197)	580,197
Increase in other payables and accruals		190,711	151,484
Cash flows from/(used in) operations		92,259,857	( 82,903,106)
Tax paid	(	346,410)	( 31,518)
Net cash flows from/(used in) operating activities		91,913,447	( 82,934,624)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of units		922,934,233	167,344,908
Payments on redemption of units	(	1,031,467,104)	( 67,298,912)
Net cash flows (used in)/ from financing activities	(	108,532,871)	100,045,996
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	(	16,619,424)	17,111,372
Cash and cash equivalents at beginning of year/period		17,111,372	—
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	14	<u>491,948</u>	<u>17,111,372</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	14	<u>491,948</u>	<u>17,111,372</u>
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES INCLUDE:</b>			
Dividend received		2,937,841	277,839
Interest received		40,506	5,820

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 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 deeds on 10 August 2012 and 19 November 2014 (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.

Pursuant to the guidelines on management and operation of Renminbi Qualified Foreign Institutional Investor ("RQFII") issued by the State of Administration of Foreign Exchange ("SAFE") on and effective from 30 May 2014, a RQFII has the flexibility to allocate its RQFII quota granted by SAFE across different public fund products under its management. Accordingly, the Sub-Fund no longer has the exclusive use of all the RQFII quota previously granted by SAFE to the Manager in respect of the Sub-Fund. The Manager, at its discretion, may re-allocate the RQFII quota in respect of the Sub-Fund to other public fund products under its management or vice versa without having to obtain prior approval from SAFE.

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.

### 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Sub-Fund has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IFRS 13	<i>Short-term Receivables and Payables</i>
included in <i>Annual Improvements 2010-2012 Cycle</i>	

The adoption of these new and revised IFRSs have had no significant financial effect on these financial statements.



## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.3 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> <sup>1</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

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

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Sub-Fund is currently assessing the impact of IFRS 9 and IFRS 15, and plans to adopt the new standard on the required effective date.

### 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### (i) Classification (continued)

###### *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 other receivable.

###### *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 fees payable, amounts payable on redemption of units and other payables and accruals.

##### (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. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

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 as 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### (iv) Subsequent measurement (continued)

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.

##### (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 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:

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair value measurement (continued)

- 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

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 the end of each reporting period 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 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 2014

### 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.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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
- (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 CHANGES IN ACCOUNTING ESTIMATES

The preparation of the Sub-Fund's financial statements requires the Manager 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 Manager 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, the Manager 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 Manager 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGES IN ACCOUNTING ESTIMATES (continued)

#### Taxation (continued)

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.

The Manager believed that the Sub-Fund is eligible to the potential advantage from the arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxable and its Prevention of Fiscal Evasion with respect to taxes as income (the "China-HK Arrangements"). On 8 July 2014, the Sub-Fund changed its accounting estimates in respect of PRC withholding tax provision after obtaining a tax advice from a tax advisor by obtaining a Hong Kong Tax Resident Certificate (HKTRC) to evidence its Hong Kong tax resident status. Such change was announced by the Manager through the Hong Kong Exchanges and Clearing Limited ("HKEx") dated 8 July 2014 (the "Announcement") for changes in respect of its WIT policy on behalf of the Sub-Fund.

As at 8 July 2014, the Manager has not yet obtained a HKTRC from the IRD on behalf of the Sub-Fund. If the PRC tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT exemption, the Manager will apply for a HKTRC on behalf of the Sub-Fund. Having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to obtain a HKTRC and to benefit from the China-HK Arrangements and its tax resident status, and acting in accordance with such advice, the Manager considers that the Sub-Fund should be regarded as a Hong Kong tax resident for the purpose of the China-HK Arrangements and should be able to obtain a HKTRC on behalf of the Sub-Fund to evidence the Sub-Fund's Hong Kong tax resident status, and hence the Sub-Fund should be able to enjoy a WIT exemption on capital gains under the China-HK Arrangements since the inception of the Sub-Fund.

With effect from 8 July 2014, no WIT provision is made by the Sub-Fund on the capital gains derived from trading of A-Shares, except for those capital gains derived from trading of A-Shares issued by PRC resident companies which are "land rich companies" as defined in the Announcement. The Sub-Fund has reversed all WIT made on unrealised and realised capital gains which are not land rich companies.

On 17 November 2014, the Sub-Fund changed its accounting estimates in respect of PRC withholding tax provision which was announced by the Manager through the HKEx dated 17 November 2014 (the "2<sup>nd</sup> Announcement") for changes in respect of its WIT policy on behalf of the Sub-Fund.



## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGES IN ACCOUNTING ESTIMATES (continued)

#### Taxation (continued)

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 on 14 November 2014 (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 two places 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.

The Notice stipulates that RQFIIs would be subject to capital gains tax on gains realised before 17 November 2014 in accordance with existing regulations and shall be temporarily exempted from capital gains tax from 17 November 2014. The Manager believed that the Sub-Fund is eligible to the potential advantage from the China-HK Arrangements, however, the treaty application was in progress. The Manager decided to take a prudent approach to:

- (a) make a tax provision for capital gains tax at 10% of the Sub-Fund's respective gross realised capital gains derived from trading of A-Shares since the Sub-Fund's respective date of inception up to and including 14 November 2014. This excludes the realised gains derived from the Sub-Fund's trading of A-Shares issued by land rich companies (for which a provision had already been made previously) and
- (b) reverse the tax provision for capital gains tax made prior to 17 November 2014 on the Sub-Fund's respective gross unrealised capital gains derived from investment in A-Shares issued by land rich companies.

With effect from 17 November 2014, no WIT provision is made by the Sub-Fund on the capital gains derived from trading of A-Shares. The 2<sup>nd</sup> Announcement and the updated addendum to Prospectus dated 26 November 2014 are available on the Manager's website.

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.

### 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 year between the Sub-Fund, the Trustee 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 year 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:

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

Management fees

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 fees incurred during the year ended 31 December 2014 was RMB1,834,157 (period from 22 August 2013 (date of inception) to 31 December 2013: RMB388,400). As at 31 December 2014, a management fee of RMB289,250 (2013: 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 the Trustee as safe keeping and fund administration fees. The Trustee will bear the fees of Citibank, N.A. (the "Administrator and Custodian") and Citibank (China) Co., Limited (the "PRC Custodian").

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 year ended 31 December 2014 was RMB428,150 (period from 22 August 2013 (date of inception) to 31 December 2013: RMB102,660). As at 31 December 2014, custodian, fund administration and trustee fees of RMB133,523 (2013: RMB60,808) and transaction fee of RMB72,000 (2013: RMB24,000) were payable to the Trustee.

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 2014 and 31 December 2013 are summarised below:

	2014 RMB	2013 RMB
Cash at bank	<u>491,948</u>	<u>17,111,372</u>

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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 during the year ended 31 December 2014 and 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 percent (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 percent (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 provided for the year ended 31 December 2014 was RMB346,410 (period from 22 August 2013 (date of inception) to 31 December 2013: RMB31,518).

Capital gains tax

A ten percent (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. PRC withholding tax on capital gains, including unrealised gains and realised gains, amounting to RMB442,361 (period from 22 August 2013 (date of inception) to 31 December 2013: RMB1,071,909), was recognised by the Sub-Fund for the year ended 31 December 2014.

8. AMOUNT DUE FROM/TO BROKER

Amount due from/to broker represented amounts receivable/payable for investments sold/purchased but not yet settled as at 31 December 2013.

9. AMOUNTS PAYABLE ON REDEMPTION OF UNITS

The balance represents the amounts payable on redemption of units and is expected to be settled within one month.

10. 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 year ended 31 December 2014 and the period from 22 August 2013 (date of inception) to 31 December 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

11. THE REDEEMABLE UNITS

	2014 Number of units	2013 Number of units
Units in issue at the beginning of the year/period	12,600,000	–
Issue of units	132,300,000	24,600,000
Redemption of units	<u>(142,500,000)</u>	<u>(12,000,000)</u>
Units in issue at the end of the year/period	<u>2,400,000</u>	<u>12,600,000</u>
	At last trade market price RMB	At last trade market price RMB
Dealing net asset value at the end of the year/period	<u>24,688,686</u>	<u>83,049,546</u>
Dealing net asset value per unit at the end of the year/period	<u>10.2870</u>	<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 are effected in cash.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 RMB	2013 RMB
Financial assets designated as at fair value through profit or loss:		
Listed equity securities	<u>35,920,068</u>	<u>84,499,471</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

13. 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 2014 and 31 December 2013:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2014				
<u>Financial assets at fair value</u>				
<u>through profit or loss</u>				
Listed equity securities	<u>35,920</u>	<u>—</u>	<u>—</u>	<u>35,920</u>
At 31 December 2013				
<u>Financial assets at fair value</u>				
<u>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 security from Level 1 to Level 2 following the suspension of trading of the investments. That financial asset is namely Shandong Gold Mining Co., Ltd (stock code: 600547). Transfers between levels of fair value hierarchy, are deemed to have occurred at the end of the reporting period.

The following table shows the total amount of all transfers of financial assets at fair value 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 2014 RMB'000	Transfer from Level 1 to Level 2 2013 RMB'000
Financial assets designated as at fair value through profit or loss		
- Listed equity securities	—	412
Total	—	412

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 2014

## 13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### Valuation techniques (continued)

#### Listed equity securities temporarily suspended on year end date

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 2 of the hierarchy. The Sub-Fund values these investments at last trade prices.

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.

## 14. CASH AND CASH EQUIVALENTS

	2014 RMB	2013 RMB
Cash at bank	<u>491,948</u>	<u>17,111,372</u>

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

## 15. 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.

The SFC Code further provides that, if the investment limits stated above are breached, the management company should take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the unitholders.

The Trust Deed of the Trust also contains provisions mirroring the above provisions of the SFC Code.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 15. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (continued)

The trading on the Shanghai Stock Exchange of two of the constituents of the Sub-Fund, namely China CNR Corp Ltd (601299) and China South Locomotive (601766) (the "Stocks"), were suspended during the period between 27 October 2014 to 30 December 2014 (inclusive) (the "Suspension Period"). Shortly after the resumption of trading of the Stocks on 31 December 2014, trading of the Stocks ceased again due to the rise of the price of the Stocks above the price limit set by the Shanghai Stock Exchange. Trading of the stocks resumed on 31 December 2014.

During the Suspension Period, there was a substantial amount of redemption of units of the Sub-Fund, leading to a decrease in the net asset value of the Sub-Fund. Due to the trading suspension in place, the Manager was unable to proportionately reduce the Sub-Fund's holdings in the Stocks over the Suspension Period. Over the Suspension Period, the holding of the Sub-Fund in each of the Stocks exceeded (i) 10% of the Sub-Fund's net asset value as well as (ii) the respective weighting of the Stocks in the index.

The Manager, taking into account the price of the Stocks after the resumption of trading and general market conditions and acting in the best interest of the Sub-Fund and its unitholders at all times, exercised its judgment and reduced the Sub-Fund's holding in the Stocks on 8 January 2015 to the level of the Stocks' respective weighting in the Index. The Manager confirms that, although the investment limits of the SFC Code and the Trust Deed were breached from 27 October 2014 to 8 January 2015 due to circumstances beyond the Manager's control, the Manager has, in compliance with the SFC Code and the Trust Deed, taken all steps necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the unitholders.

### 16. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

Risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

As at 31 December 2014 and 31 December 2013, the Sub-Fund's investments were concentrated in the following industries.

	2014		2013	
	Fair value	% of net asset value	Fair value	% of net asset value
	RMB		RMB	
<b>A-Shares holdings – By sectors</b>				
Consumer Discretionary	1,910,584	7.74%	7,783,335	9.37%
Consumer Staples	1,241,381	5.03%	5,619,797	6.77%
Energy	991,396	4.02%	5,024,988	6.05%
Financials	14,308,352	57.95%	47,015,290	56.61%
Health Care	512,181	2.07%	1,015,514	1.22%
Industrials	14,765,904	59.81%	8,671,033	10.44%
Information Technology	594,201	2.41%	1,500,062	1.81%
Materials	773,016	3.13%	4,713,039	5.67%
Telecommunication Services	194,951	0.79%	761,444	0.92%
Utilities	628,102	2.54%	2,394,969	2.88%
	<u>35,920,068</u>	<u>145.49%</u>	<u>84,499,471</u>	<u>101.74%</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 Index was to increase by 5% (2013: 5%) with all other variables held constant, this would increase the pre-tax profit for the year by approximately RMB1.8 million (2013: RMB4 million). Conversely, if the Index was to decrease by 5% (2013: 5%), this would decrease the pre-tax profit for the year 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 of its net assets in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis is presented.



NOTES TO FINANCIAL STATEMENTS

31 December 2014

16. 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% (2013: 100%) of the Sub-Fund's sales and purchases were denominated in RMB, the Sub-Fund's functional currency. Assets and liabilities held by the Sub-Fund are mainly denominated in RMB. 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 broker. 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 banks and the PRC Custodian and their related credit ratings from Standard & Poor's ("S&P"):

31 December 2014

	RMB	Credit rating	Source of credit rating
<u>Banks</u>			
Citibank, N.A.	279,215	A	S&P
Citibank (China) Co., Limited	221,841	A	S&P
<u>PRC Custodian</u>			
Citibank (China) Co., Limited	35,920,068	A	S&P

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

Risk management (continued)

(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 2014 and 31 December 2013, the Sub-Fund held liquid assets, comprising financial assets at fair value through profit or loss, amount due from broker, other receivable and cash and cash equivalents 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 year/period based on contractual undiscounted repayment obligations.

**At 31 December 2014**

	Due on demand RMB'000	Due within 1 month RMB'000	1 month to 1 year RMB'000	Total RMB'000
<b><u>Financial assets</u></b>				
Financial assets at fair value				
through profit or loss	—	35,920	—	35,920
Other receivable	—	9	—	9
Cash and cash equivalents	492	—	—	492
<b>Total financial assets</b>	<b>492</b>	<b>35,929</b>	<b>—</b>	<b>36,421</b>
<b><u>Financial liabilities</u></b>				
Management fee payable	—	289	—	289
Custodian, fund administration and trustee fees payable	—	206	—	206
Amounts payable on redemption of units	—	9,381	—	9,381
Financial liabilities included in other payables and accruals	—	—	342	342
<b>Total financial liabilities</b>	<b>—</b>	<b>9,876</b>	<b>342</b>	<b>10,218</b>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

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.

17. 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 2014

### 17. 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 the 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.

### 18. EVENTS AFTER THE REPORTING PERIOD

Effective from 13 March 2015, the Sub-Fund may have direct access to certain A-Shares via the Shanghai-Hong Kong Stock Connect (the "Stock Connect"). Up to 100% of the Sub-Fund's respective net asset value will be invested through either RQFII and/or the Stock Connect.

### 19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 20 April 2015.

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

INVESTMENT PORTFOLIO

31 December 2014

	Holdings Shares	Market Value RMB	% of NAV
<b><u>Financial assets at fair value through profit or loss (100%)</u></b>			
<b>China (100%)</b>			
<b>Consumer Discretionary</b>			
BesTV New Media Co., Ltd.	3,100	117,428	0.48%
BYD Co Ltd	2,100	80,115	0.32%
Chongqing Changan Automobile Co Ltd	10,475	172,104	0.70%
Great Wall Motor Co Ltd	1,868	77,616	0.31%
Gree Electric Appliances, Inc. of Zhuhai	11,100	412,032	1.67%
Midea Group Co., Ltd	9,746	267,430	1.08%
Qingdao Haier Co Ltd	7,000	129,920	0.53%
SAIC Motor Co Ltd	15,358	329,736	1.34%
Shenzhen Overseas Chinese Town Co Ltd	16,854	139,046	0.56%
Suning Commerce Group Co., Ltd.	20,573	185,157	0.75%
<b>Consumer Staples</b>			
Foshan Haitian Flavouring and Food Company Ltd.	700	27,965	0.11%
Henan Shuanghui Investment & Development Co Ltd	3,062	96,606	0.39%
Inner Mongolia Yili Industrial Group Co Ltd	14,193	406,346	1.65%
Jiangsu Yanghe Brewery Joint-Stock Co Ltd	1,501	118,654	0.48%
Kweichow Moutai Co Ltd	2,122	402,374	1.63%
Wuliangye Yibin Co Ltd	8,811	189,436	0.77%
<b>Energy</b>			
China Coal Energy Co Ltd	8,500	58,820	0.24%
China Oilfield Services Limited	2,674	55,539	0.23%
China Petroleum & Chemical Corporation	25,824	167,598	0.68%
China Shenhua Energy Co Ltd	15,300	310,437	1.26%
Guanghui Energy Co., Ltd.	14,552	121,655	0.49%
PetroChina Co Ltd	18,045	195,066	0.79%
Shaanxi Coal Industry Company Limited	2,200	14,630	0.06%
Yantai Jereh Oilfield Services Group Co Ltd	2,213	67,651	0.27%
<b>Financials</b>			
Agricultural Bank of China Co Ltd	120,570	447,315	1.81%
Bank of Beijing Co Ltd	29,424	321,604	1.30%
Bank of China Ltd	31,294	129,870	0.53%
Bank of Communications Co LTD	72,909	495,781	2.01%
China Citic Bank Corporation Limited	13,776	112,137	0.45%
China Construction Bank	44,540	299,754	1.21%
China Everbright Bank Co Ltd	92,442	451,117	1.83%
China Life Insurance Company Limited	6,900	235,635	0.95%

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

INVESTMENT PORTFOLIO (continued)

31 December 2014

	Holdings Shares	Market Value RMB	% of NAV
<b><u>Financial assets at fair value through profit or loss (100%)</u></b> <b>(continued)</b>			
<b>China (100%)</b>			
<b>Financials (continued)</b>			
China Merchants Bank Co Ltd	76,630	1,271,292	5.15%
China Merchants Securities Co Ltd	10,791	305,061	1.23%
China Minsheng Banking Corp Ltd	125,869	1,369,455	5.55%
China Pacific Insurance (Group) Co Ltd	14,599	471,548	1.91%
China Vanke Co Ltd	45,049	626,181	2.54%
CITIC Securities Co Ltd	36,545	1,238,875	5.02%
GF Securities Co., Ltd.	13,744	356,657	1.44%
Haitong Securities Company Limited	37,577	904,103	3.66%
Hua Xia Bank Co Ltd	20,668	278,191	1.13%
Huatai Securities Co Ltd	13,002	318,159	1.29%
Industrial and Commercial Bank of China Ltd	80,094	390,058	1.58%
Industrial Bank	53,086	875,919	3.55%
New China Life Insurance Co Ltd	3,800	188,328	0.76%
Ping An Bank Co., Ltd.	26,528	420,203	1.70%
Ping An Insurance (Group) Company of China Ltd	22,227	1,660,579	6.73%
Poly Real Estate Group Co Ltd	30,051	325,152	1.32%
Shanghai Pudong Development Bank Co Ltd	51,968	815,378	3.30%
<b>Health Care</b>			
Jiangsu Hengrui Medicine Co Ltd	3,490	130,805	0.53%
Kangmei Pharmaceutical Co Ltd	7,100	111,612	0.45%
Tasly Pharmaceutical Group Co.,Ltd	2,876	118,204	0.48%
Yunnan Baiyao Group Co., Ltd.	2,400	151,560	0.61%
<b>Industrials</b>			
China Avic Electronics Co.,Ltd.	2,400	66,456	0.27%
China CNR Co Ltd	863,012	6,127,385	24.82%
China Communications Construction Company Limited	10,823	150,331	0.61%
China Railway Construction Co Ltd	14,212	216,875	0.88%
China Railway Group Limited	31,739	295,173	1.20%
China Shipbuilding Industry Co Ltd	34,070	313,785	1.27%
China State Construction Engineering Co Ltd	69,651	507,059	2.05%
CSR Co Ltd	1,009,916	6,443,264	26.10%
Daqin Railway Co Ltd	27,622	294,451	1.19%
Sany Heavy Industry Co Ltd	14,087	140,588	0.57%
Shanghai Electric Group Co Ltd	9,100	75,075	0.30%
Shanghai International Port (Group) Co Ltd	21,100	135,462	0.55%

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

INVESTMENT PORTFOLIO (continued)

31 December 2014

	Holdings Shares	Market Value RMB	% of NAV
<b><u>Financial assets at fair value through profit or loss (100%)</u></b> <b>(continued)</b>			
<b>China (100%)</b>			
<b>Information Technology</b>			
BOE Technology Group Co Ltd	47,000	157,920	0.64%
GoerTek Inc	3,543	86,910	0.35%
Hangzhou Hikvision Digital Technology Co Ltd	5,600	125,272	0.51%
Zhejiang Dahua Technology Co Ltd	2,700	59,265	0.24%
ZTE Corporation	9,127	164,834	0.67%
<b>Materials</b>			
Aluminum Corporation of China Limited	17,684	110,525	0.45%
Anhui Conch Cement Co Ltd	9,284	204,991	0.83%
Baoshan Iron & Steel Co Ltd	22,828	160,024	0.65%
Inner Mongolia Baotou Steel Rare-Earth(Group) Hi-Tech Co.,Ltd	6,700	173,396	0.70%
Zijin Mining Group Co Ltd	36,710	124,080	0.50%
<b>Telecommunication Services</b>			
China United Network Communications Co Ltd	39,384	194,951	0.79%
<b>Utilities</b>			
China Yangtze Power Co Ltd	22,975	245,143	0.99%
GD Power Development Co Ltd	40,023	185,306	0.75%
Huaneng Power International Inc	19,461	171,841	0.70%
Zhejiang Zheneng Electric Power Co., Ltd.	3,600	25,812	0.10%
TOTAL INVESTMENTS, AT FAIR VALUE		35,920,068	145.49%
TOTAL INVESTMENTS, AT COST		25,127,504	

MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2014

INVESTMENTS

	Holdings as at 1 January 2014	Additions	Corporate Action	Disposals	Holdings as at 31 December 2014
<b><u>Financial assets at fair value through profit or loss</u></b>					
<b>Listed Securities</b>					
Agricultural Bank of China Co Ltd	727,702	7,428,800	-	8,035,932	120,570
Air China Ltd	47,089	500,300	-	547,389	-
Aluminum Corporation of China Limited	81,161	813,800	-	877,277	17,684
Anhui Conch Cement Co Ltd	55,267	576,216	-	622,199	9,284
Bank of Beijing Co Ltd	148,414	1,822,835	25,387	1,967,212	29,424
Bank of China Ltd	177,403	1,861,300	-	2,007,409	31,294
Bank of Communications Co LTD	438,802	4,511,200	-	4,877,093	72,909
Baoshan Iron & Steel Co Ltd	138,806	1,415,500	-	1,531,478	22,828
BesTV New Media Co., Ltd.	-	9,400	-	6,300	3,100
BOE Technology Group Co Ltd	-	144,200	-	97,200	47,000
BYD Co Ltd	12,300	196,539	-	206,739	2,100
China Avic Electronics Co., Ltd.	-	7,400	-	5,000	2,400
China Citic Bank Corporation Limited	82,529	846,800	-	915,553	13,776
China CNR Co Ltd	114,800	1,149,100	-	400,888	863,012
China Coal Energy Co Ltd	51,119	537,700	-	580,319	8,500
China Communications Construction Company Limited	65,418	713,100	-	767,695	10,823
China Construction Bank	267,739	2,746,600	-	2,969,799	44,540
China Everbright Bank Co Ltd	452,925	5,735,500	-	6,095,983	92,442
China Life Insurance Company Limited	41,800	447,892	-	482,792	6,900
China Merchants Bank Co Ltd	462,501	4,753,519	-	5,139,390	76,630
China Merchants Securities Co Ltd	64,667	652,517	-	706,393	10,791
China Minsheng Banking Corp Ltd	632,775	7,816,400	108,576	8,431,882	125,869
China National Chemical Engineering Co Ltd	-	597,400	-	597,400	-
China Oilfield Services Limited	16,400	182,600	-	196,326	2,674
China Pacific Insurance (Group) Co Ltd	88,598	907,889	-	981,888	14,599
China Petroleum & Chemical Corporation	154,694	1,598,300	-	1,727,170	25,824
China Railway Construction Co Ltd	86,382	890,100	-	962,270	14,212
China Railway Group Limited	143,334	1,990,200	-	2,101,795	31,739
China Shenhua Energy Co Ltd	92,075	990,185	-	1,066,960	15,300
China Shipbuilding Industry Co Ltd	169,870	2,088,600	-	2,224,400	34,070
China State Construction Engineering Co Ltd	420,470	4,272,200	-	4,623,019	69,651
China United Network Communications Co Ltd	237,210	2,407,800	-	2,605,626	39,384
China Vanke Co Ltd	270,773	2,792,146	-	3,017,870	45,049
China Yangtze Power Co Ltd	139,069	1,416,983	-	1,533,077	22,975



MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2014

**INVESTMENTS (continued)**

	Holdings as at 1 January 2014	Additions	Corporate Action	Disposals	Holdings as at 31 December 2014
<b><u>Financial assets at fair value through profit or loss (continued)</u></b>					
<b>Listed Securities (continued)</b>					
Chongqing Changan Automobile Co Ltd	-	581,100	-	570,625	10,475
CITIC Securities Co Ltd	192,196	2,281,500	-	2,437,151	36,545
CSR Co Ltd	131,125	1,339,200	-	460,409	1,009,916
Daqin Railway Co Ltd	165,735	1,689,900	-	1,828,013	27,622
Datang Power Generation	83,600	882,000	-	965,600	-
Foshan Haitian Flavouring and Food Company Ltd.	-	2,100	-	1,400	700
GD Power Development Co Ltd	241,758	2,474,200	-	2,675,935	40,023
GF Securities Co., Ltd.	82,300	904,700	-	973,256	13,744
GoerTek Inc	20,500	220,265	-	237,222	3,543
Great Wall Motor Co Ltd	11,786	116,500	-	126,418	1,868
Gree Electric Appliances, Inc. of Zhuhai	67,201	719,752	-	775,853	11,100
Guanghui Energy Co., Ltd.	88,251	888,900	-	962,599	14,552
Haitong Securities Company Limited	225,860	2,334,151	-	2,522,434	37,577
Hangzhou Hikvision Digital Technology Co Ltd	33,538	358,348	-	386,286	5,600
Henan Shuanghui Investment & Development Co Ltd	18,783	188,311	-	204,032	3,062
Hua Xia Bank Co Ltd	124,010	1,278,800	-	1,382,142	20,668
Huaneng Power International Inc	117,284	1,241,939	-	1,339,762	19,461
Huatai Securities Co Ltd	78,698	798,100	-	863,796	13,002
Industrial and Commercial Bank of China Ltd	455,900	4,883,600	-	5,259,406	80,094
Industrial Bank	319,329	3,276,900	-	3,543,143	53,086
Inner Mongolia Baotou Steel Rare- Earth(Group) Hi-Tech Co., Ltd	40,310	465,255	-	498,865	6,700
Inner Mongolia Yili Industrial Group Co Ltd	39,529	724,250	19,614	769,200	14,193
Jiangsu Hengrui Medicine Co Ltd	-	234,288	-	230,798	3,490
Jiangsu Yanghe Brewery Joint-Stock Co Ltd	9,192	90,825	-	98,516	1,501
Jiangxi Copper Co Ltd	22,795	274,500	-	297,295	-
Jinduicheng Molybdenum Co Ltd	27,300	-	-	27,300	-
Kangmei Pharmaceutical Co Ltd	-	479,700	-	472,600	7,100
Kweichow Moutai Co Ltd	12,245	131,737	998	142,858	2,122
Luzhou Lao Jiao Co Ltd	20,093	-	-	20,093	-
Metallurgical Corporation of China Co Ltd	136,371	-	-	136,371	-
Midea Group Co., Ltd	19,260	487,200	25,290	522,004	9,746
New China Life Insurance Co Ltd	22,851	282,826	-	301,877	3,800

MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2014

**INVESTMENTS (continued)**

	Holdings as at 1 January 2014	Additions	Corporate Action	Disposals	Holdings as at 31 December 2014
<b><u>Financial assets at fair value through profit or loss (continued)</u></b>					
<b>Listed Securities (continued)</b>					
PetroChina Co Ltd	98,484	1,180,200	-	1,260,639	18,045
Ping An Bank Co., Ltd.	115,568	1,662,600	23,754	1,775,394	26,528
Ping An Insurance (Group) Company of China Ltd	133,490	1,377,402	-	1,488,665	22,227
Poly Real Estate Group Co Ltd	120,076	1,865,600	53,988	2,009,613	30,051
Qingdao Haier Co Ltd	-	487,164	-	480,164	7,000
Qinghai Salt Lake Industry Co Ltd	17,900	-	-	17,900	-
SAIC Motor Co Ltd	92,407	987,755	-	1,064,804	15,358
Sany Heavy Industry Co Ltd	85,367	891,700	-	962,980	14,087
Shaanxi Coal Industry Company Limited	-	195,100	-	192,900	2,200
Shandong Gold-Mining Co Ltd	20,495	-	-	20,495	-
Shanghai Electric Group Co Ltd	-	27,900	-	18,800	9,100
Shanghai International Port (Group) Co Ltd	127,300	1,387,500	-	1,493,700	21,100
Shanghai Pudong Development Bank Co Ltd	312,984	3,224,130	-	3,485,146	51,968
Shanxi Lu'an Environmental Energy Development Co Ltd	25,700	-	-	25,700	-
Shanxi Xishan Coal And Electricity Power Co Ltd	44,362	-	-	44,362	-
Shenzhen Overseas Chinese Town Co Ltd	101,620	1,071,500	-	1,156,266	16,854
Suning Commerce Group Co., Ltd.	123,200	1,280,799	-	1,383,426	20,573
Tasly Pharmaceutical Group Co.,Ltd	-	191,464	-	188,588	2,876
Wei Chai Power Co Ltd	30,440	-	-	30,440	-
Wuliangye Yibin Co Ltd	53,563	539,400	-	584,152	8,811
Yantai Jereh Oilfield Services Group Co Ltd	-	122,713	-	120,500	2,213
Yanzhou Coal Mining Co Ltd	16,400	-	-	16,400	-
Yunnan Baiyao Group Co., Ltd.	9,957	191,500	4,378	203,435	2,400
Zhejiang Dahua Technology Co Ltd	-	197,700	-	195,000	2,700
Zhejiang Zheneng Electric Power Co., Ltd.	-	289,400	4,380	290,180	3,600
Zhongjin Gold Co Ltd	40,891	-	-	40,891	-
Zijin Mining Group Co Ltd	221,022	2,266,600	-	2,450,912	36,710
Zoomlion Heavy Industry Science & Technology Co Ltd	123,759	1,243,700	-	1,367,459	-
ZTE Corporation	55,804	568,200	-	614,877	9,127

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

PERFORMANCE RECORD

31 December 2014

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

	Net assets attributable to unitholders RMB	Net asset value per unit RMB
As at:		
31 December 2014	24,688,686	10.2870
31 December 2013	83,049,546	6.5912

**2. HIGHEST ISSUE AND LOWEST REDEMPTION PRICES PER UNIT <sup>A</sup>**

	Highest issue unit price RMB	Lowest redemption unit price RMB
During the year/period ended:		
31 December 2014	10.5237	5.9045
31 December 2013	7.4234	6.4855

**3. COMPARISON OF THE SCHEME PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE <sup>A</sup>**

The table below illustrates the comparison between the Sub-Fund's performance (Market-to-Market) and that of the Index during the year ended 31 December 2014 and the period from 22 August 2013 (date of inception) to 31 December 2013:

	the Index (since 23 August 2013)	RMB counter of the Sub-Fund (since 26 August 2013)	HKD counter of the Sub-Fund (since 26 August 2013)
During the year/period ended:			
31 December 2014	61.23%	54.20%	51.04%
31 December 2013 <sup>B</sup>	0.72%	-3.69%	-3.13%

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

<sup>B</sup> The financial period of the Sub-Fund extended from 22 August 2013 (date of inception) to 31 December 2013.