

Ping An of China CSI RAFI A-Share 50 ETF*
(*This is a synthetic ETF) (Stock Code: 2818)

(A Sub-Fund of Ping An of China Trust)

Annual Report

For the year ended 31 December 2014

Manager



中国平安资产管理(香港)
PING AN OF CHINA ASSET MANAGEMENT (HONG KONG)



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ANNUAL REPORT

Ping An of China CSI RAFI A-Share 50 ETF*
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31 December 2014

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(*THIS IS A SYNTHETIC ETF)
(A SUB-FUND OF PING AN OF CHINA TRUST)

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IMPORTANT :

This report is available in English only.

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://asset.pingan.com.hk>

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

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
(*THIS IS A SYNTHETIC ETF)
(A SUB-FUND OF PING AN OF CHINA TRUST)

MANAGEMENT AND ADMINISTRATION

Manager

Ping An of China Asset Management (Hong Kong) Company Limited
Suites 1106- 1110
11th Floor, Chater House
8 Connaught Road, Central
Hong Kong

Directors of the Manager

Cai Fangfang
Gao Peng
Tung Hoi
Liu Yuansheng (Resigned on 24 April 2014)
Yao Jun
Yu Wenjie
Tornberg Martin (Appointed on 10 March 2014)
Chang Jack P (Appointed on 2 February 2015)

Chan Tak Yin
Huang Yong
Tan Sin Yin
Wan Fang
Yao Jason Bo
Rudd Benjamin Jeremy Kenneth (Resigned on 10
March 2014)

Investment Adviser

Ping An Asset Management Co., Ltd
30th Floor, No. 1333
Lujiazui Ring Road,
Pudong New District, Shanghai,
PRC (200120)

Trustee, Custodian and Registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

Service/Conversion Agent

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

Legal Adviser to the Manager

Baker & McKenzie Solicitors
23rd Floor, One Pacific Place
88 Queensway
Hong Kong

Auditors

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

Participating Dealers

UBS Securities Hong Kong Limited
52nd Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

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

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

The Manager had made an application to the Stock Exchange of Hong Kong Limited (the “SEHK”) for the cessation of trading of the Units of the Fund on the SEHK with effect from 9:00 am (Hong Kong time) on 26 August 2014 (the “Trading Cessation Date”). The application was approved by the SEHK and the Fund has ceased trading as from the Trading Cessation Date.

As well, the Manager has applied to the Listing Committee of the SEHK for its approval for the Delisting to be completed following the Termination Date. The SEHK has confirmed that the withdrawal of the listing of the Units of the Fund from the SEHK will be effective at or around the same time of the Deauthorisation of the Fund (the Deauthorisation is subject to the approval of the SFC), which is expected to be around one month after 02 December 2019 or an earlier date when the Fund has settled the PRC capital gains tax (“CGT”) liability with the relevant PRC tax authorities. Accordingly, the Fund’s listing and authorised status will be maintained until the respective Delisting and Deauthorisation.

As at 25 August 2014, i.e. the Last Trading Day, the Net Asset Value of the Fund and the Net Asset Value per Unit were HK\$7,630,483.27 and HK\$15.261 respectively.

All Base Securities of the Fund were liquidated effectively on the Trading Cessation Date. Accordingly, from the Trading Cessation Date onwards:

- (a) the Fund will only hold cash;
- (b) the Fund has ceased to track the Underlying Index, and will not be able to meet its investment objective of tracking the performance of the Underlying Index; and
- (c) the Units of the Fund are no longer be traded on the SEHK.

The Manager had paid an interim distribution of HK\$15.07 to the investors on 28 November 2014, with record date as at 28 August 2014.

Please refer to the announcements published on Manager’s website and the HKSE website for details.

Performance of the A-Share 50 ETF

The A-Share 50 ETF aims to generate an investment return, before fees and taxes, that closely correspond to the performance of the CSI RAFI 50 Index denominated in Hong Kong dollar (“HK\$”) by primarily adopting a replication strategy. As at 25 August 2014 (the “Last Trading Day”), the Net Asset Value (“NAV”) per unit of the A-Share 50 ETF was HK\$ 15.261, and the total outstanding units were 500,000. The total size of the A-Share 50 ETF was approximately HK\$ 7.63 million.

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

A summary of the performance of the A-Share 50 ETF (Note 1) is given below:

Performance (As at 25 August, 2014)	2014##	2013	2012	2011	Since Inception
CSI RAFI 50 Index#	0.89%	-10.37%	10.21%	-11.26%	-17.91%
NAV of the A-Share 50 ETF	-27.52%*	-16.59%	8.50%	-12.99%	-47.88%
A-Share 50 ETF Mark-to-market (MKT) (Note 4)	-24.12%	-15.96%	7.00%	-17.06%	-42.63%

#Index performance is price return

##Performance is calculated up to the last trading date and includes provisions deducted for Future Costs relating to termination and delisting

Activities of the A-Share 50 ETF

According to data released by Bloomberg, the average daily trading volume of the A-Share 50 ETF was approximately 5,007 units during 2014. As at 25 August 2014 (the “Last Trading Day”), the total outstanding units were 500,000.

Activities of the Index

Review of the CSI RAFI 50 Index was conducted on 1st trading day of July each year. As at 25 August 2014 (the “Last Trading Day”), the A-Share 50 ETF comprised of all 50 constituent stocks in the CSI RAFI 50 Index.

Notes:

1. Past performance figures shown are not indicative of the future performance of the A-Share 50 ETF.
2. An investor cannot invest directly in the CSI RAFI 50 Index and the index returns do not reflect management fees, transaction costs or other expenses, which will reduce performance returns.
3. Units in the A-Share 50 ETF are issued and redeemed at NAV and its returns are calculated from NAV. The A-Share 50 ETF does not publish a bid price.
4. Market returns are calculated using historical market closing prices on the SEHK (when NAV is normally determined for the A-Share 50 ETF) since 7 May 2010 and do not represent the returns you would receive if you traded units at other times.
5. Inception date is 4 May 2010, with an initial issue price of HK\$29.2811 per unit.

Ping An of China Asset Management (Hong Kong) Company Limited
 29 April 2015

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
(*THIS IS A SYNTHETIC ETF)
(A SUB-FUND OF PING AN OF CHINA TRUST)

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the Ping An of China CSI RAFI A-Share 50 ETF>(*This is a synthetic ETF) (a Sub-Fund of Ping An of China Trust) has, in all material respects, managed the Sub-Fund in accordance with the provisions of the trust deed dated 19 April 2010, as amended by supplemental deed dated 28 April 2010, 4 October 2011 and 1 February 2012 (together the “Trust Deed”), for the year ended 31 December 2014.

HSBC Institutional Trust Services (Asia) Limited
29 April 2015

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
(*THIS IS A SYNTHETIC ETF)
(A SUB-FUND OF PING AN OF CHINA TRUST)

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's Responsibilities

The Manager of the Ping An of China CSI RAFI A Share 50 ETF>(*This is a synthetic ETF) (A Sub-Fund of Ping An of China Trust) 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 19 April 2010, as amended by supplemental deed dated 28 April 2010, 4 October 2011 and 1 February 2012 (together the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

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

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

Ping An of China Trust (the "Trust") is an umbrella unit trust governed by its Trust Deed.

On the 24 July 2014, the Manager, by means of a resolution of the Board of Directors, decided to terminate the Sub-Fund Ping An of China CSI RAFI A Share 50 ETF*. As at 31 December 2014, the Trust has established with three Sub-Funds which are trading in the SEHK namely, Ping An of China CSI HK Dividend ETF, Ping An of China CSI HK Mid Cap Select ETF and Ping An of China CSI RAFI HK50 ETF.

Trustee's Responsibilities

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund in all material respects is managed 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 should the Manager not managing the Sub-Fund in accordance with the Trust Deed.



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Independent auditors' report

To the unitholders of Ping An of China CSI RAFI A-Share 50 ETF* (*This is a synthetic ETF) (a Sub-Fund of Ping An of China Trust)

We have audited the financial statements of Ping An of China CSI RAFI A-Share 50 ETF* (*This is a synthetic ETF) (the "Sub-Fund") set out on pages 8 to 41, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders, the statement of distribution and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustee's and Manager's Responsibility 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 of the Sub-Fund dated 19 April 2010, as amended by supplemental deeds dated 28 April 2010, 4 October 2011 and 1 February 2012 (together 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 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 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' 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 view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Ping An of China CSI RAFI A-Share 50 ETF* (*This is a synthetic ETF)
(a Sub-Fund of Ping An of China Trust)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Sub-Fund's affairs as at 31 December 2014, and of its financial performance and cash flows for the year then ended 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 all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the disclosure requirements specified in Appendix E to the SFC Code.

Emphasis of matter

We draw attention to note 2.1 to the financial statements which describes that the financial statements for the year ended 31 December 2014 have not been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Hong Kong
29 April 2015

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
(*THIS IS A SYNTHETIC ETF)
(A SUB-FUND OF PING AN OF CHINA TRUST)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK\$	2013 HK\$
ASSETS			
Financial assets at fair value through profit or loss	11	-	10,504,107
Other receivables		1,740,801	1,703,513
Cash and cash equivalents	12	1,396,111	479,221
TOTAL ASSETS		<u>3,136,912</u>	<u>12,686,841</u>
LIABILITIES			
Management fee payable	5	-	8,936
Trustee fee payable	5	2,327	70,000
Risk mitigation expenses payable	5	-	17,456
Accounts payable and accrued liabilities	6	3,624,231	2,559,479
TOTAL LIABILITIES		<u>3,626,558</u>	<u>2,655,871</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	13	<u>(489,646)</u>	<u>10,030,970</u>
NUMBER OF REDEEMABLE UNITS IN ISSUE	13	<u>500,000</u>	<u>500,000</u>
NET ASSET VALUE PER UNIT	13	<u>(0.98)</u>	<u>20.06</u>

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

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK\$	2013 HK\$
INCOME			
Dividend income		371,933	5,385,474
		<u>371,933</u>	<u>5,385,474</u>
EXPENSES			
Management fee	5	(50,927)	(1,147,837)
Trustee fee	5	(474,193)	(840,000)
Base security fee and charges		(15,580)	(352,331)
Transaction fee		(111,646)	(329,987)
Risk mitigation expenses	5	(98,759)	(2,257,409)
Accounting and professional fee		(97,121)	(274,897)
Audit fee		(106,106)	(173,807)
Safe custody and bank charges	5	(9,942)	(77,309)
Legal fee		(83,811)	(16,057)
Index licensing fee		(284,061)	(502,096)
Termination expenses	6	(1,920,000)	-
Other operating expenses		(1,992)	(5,466)
		<u>(3,254,138)</u>	<u>(5,977,196)</u>
LOSS BEFORE INVESTMENT AND EXCHANGE GAINS/(LOSSES)		(2,882,205)	(591,722)
INVESTMENT AND EXCHANGE GAINS/(LOSSES)			
Net realised losses on financial assets at fair value through profit or loss		(2,091,764)	(34,587,010)
Net unrealised fair value change on financial assets at fair value through profit or loss		2,058,034	16,705,980
Net exchange gains/(losses)		4,478	(1,647)
		<u>(29,252)</u>	<u>(17,882,677)</u>
LOSS BEFORE TAXATION		(2,911,457)	(18,474,399)
TAXATION	9	(74,159)	(1,416,661)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,985,616)	(19,891,060)
		<u><u>(2,985,616)</u></u>	<u><u>(19,891,060)</u></u>

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

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2014

	Notes	2014 HK\$	2013 HK\$
BALANCE BROUGHT FORWARD		10,030,970	176,279,930
Payment on redemption of units			
- In-kind	7	-	(144,102,942)
- Cash component and cash redemption		-	(2,254,958)
Net decrease from unit transactions		-	(146,357,900)
Total comprehensive income for the year		(2,985,616)	(19,891,060)
Distribution to unitholders	10	(7,535,000)	-
Net assets attributable to unitholders at the year end		(489,646)	10,030,970

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

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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STATEMENT OF DISTRIBUTION

For the year ended 31 December 2014

	Note	2014 HK\$	2013 HK\$
Total comprehensive income for the year		(2,985,616)	(19,891,060)
Less: Net unrealised fair value change on financial assets at fair value through profit or loss		(2,058,034)	(16,705,980)
Loss before distribution		(5,043,650)	(36,597,040)
Interim distribution distributed out of capital on 28 November 2014 (HK\$15.07 per unit)	10	(7,535,000)	-
Transfer from capital		12,578,650	36,597,040
Undistributed income at the year end		-	-

The amount available for distribution is the net distributable income of the Sub-Fund in respect of the relevant year, that is total income minus all expenses, subject to adjustments made in accordance with the Trust Deed. Total Income would include amount receivable by way of interests (e.g. generated from bank deposits), dividends income, or other receipts as determined by the Manager to be in the nature of income. Unrealised gains or losses do not form part of Total Income and therefore would not impact on the amount available for distribution. The Manager may at its discretion pay distributions out of the capital of the Sub-Fund or pay distributions out of gross income while charging/paying all or part of the Sub-Fund's fee and expenses to /out of the capital of the Sub-Fund.

For the year ended 31 December 2014, the Manager as set out in the July 2014 announcement and notice on the cessation of trading, interim distribution was declared to the investors who have held units as at the record date of 28 August 2014. Such distributions were paid 100% out of capital. No amount payable to unitholders in respect of any distribution shall bear interest.

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK\$	2013 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,911,457)	(18,474,399)
Adjustments for:			
Dividend income		(371,933)	(5,385,474)
Net realised losses on financial assets at fair value through profit or loss		2,091,764	34,587,010
Net unrealised fair value change on financial assets at fair value through profit or loss		(2,058,034)	(16,705,980)
		<u>(3,249,660)</u>	<u>(5,978,843)</u>
Purchase of financial assets at fair value through profit or loss		(374,132)	(17,234,342)
Proceeds from sales of investments		10,844,509	21,407,665
Increase in other receivable		(37,288)	(748,929)
Decrease in management fee payable		(8,936)	(125,278)
Decrease in trustee fee payable		(67,673)	-
Decrease in risk mitigation expenses payable		(17,456)	(243,725)
Increase/(decrease) in accounts payable and accrued liabilities		1,028,893	(68,759)
Cash generated from/(used in) operations		<u>8,118,257</u>	<u>(2,992,211)</u>
Dividend received		371,933	5,385,474
Taxation paid		(38,300)	(580,164)
Net cash flows generated from operating activities		<u>8,451,890</u>	<u>1,813,099</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash component paid on redemption of units		-	(2,254,958)
Distributions paid		(7,535,000)	-
Net cash flows used in financing activities		<u>(7,535,000)</u>	<u>(2,254,958)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>916,890</u>	<u>(441,859)</u>
Cash and cash equivalents at the beginning of the year		<u>479,221</u>	<u>921,080</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	<u>1,396,111</u>	<u>479,221</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	12	<u>1,396,111</u>	<u>479,221</u>

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

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. THE TRUST

Ping An of China Trust (the “Trust”) is an umbrella unit trust governed by its trust deed dated 19 April 2010, as amended by supplemental deed dated 28 April 2010, 4 October 2011 and 1 February 2012 (together the “Trust Deed”) and authorised by the Securities & Futures Commission of Hong Kong (The “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. Authorisation by the SFC does not imply official approval or recommendation.

The Trust has established four Sub-Funds (each a separate Sub-Fund of the Trust).

Name of the Sub-Funds	Listing Date on the stock exchange of Hong Kong Limited (The “SEHK”)	Listing Codes
Ping An of China CSI RAFI A-Share 50 ETF* (*This is a synthetic ETF)	7 May 2010	2818
Ping An of China CSI HK Dividend ETF	15 February 2012	3070
Ping An of China CSI HK Mid Cap Select ETF	15 February 2012	3072
Ping An of China CSI RAFI HK50 ETF	15 February 2012	3098

These financial statements relate to the Ping An of China CSI RAFI A Share 50 ETF* (*This is a synthetic ETF) of the Trust (the “Sub-Fund”). The manager of the Trust is Ping An of China Asset Management (Hong Kong) Company Limited (the “Manager”) and the trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”). The Trustee and the Manager (the “Management”) are responsible for the preparation of the financial statements.

The investment objective of the Sub-Fund is to provide investment results that closely correspond to the performance of the CSI RAFI 50 Index, which is the first fundamental index in China A-share market co-developed by CSI and Research Affiliates consisting of the 50 largest economic scale stocks in China’s A-share market (an A Share index). The Sub-Fund does not invest directly in A shares but rather gains access to the CSI RAFI 50 Index through base securities (“Base Securities”, each of which is a financial derivative) which track the performance of the constituent A Shares of the CSI RAFI 50. Base Securities do not provide the Sub-Fund any legal or equitable interest of any type in the underlying A Shares but represent an obligation of each Base Securities issuer to provide the economic performance equivalent to holding the underlying A Shares.

The Manager, by means of a resolution of the Board of Directors of the manager dated 24 July 2014, decided to terminate the Sub-Fund, with the last trading day of the units of the Sub-Fund on the SEHK being 25 August 2014. No creation of units in the primary market through a participating dealer was permitted from 24 July 2014 onwards.

The Sub-Fund liquidated all investments on 26 August 2014. An interim distribution, which is equal to the net asset value of the Sub-Fund as of 26 August 2014, was paid to unitholders on 28 November 2014. The net asset value per unit of the Sub-Fund was reduced to an amount of HK\$-0.98 as at 31 December 2014.

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. THE TRUST (continued)

Under the current general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Sub-Fund would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned including capital gains realised on the sale of PRC listed companies shares and dividend income derived from PRC listed companies. The Sub-Fund has provided PRC taxation at the rate of 10% on realised gains and dividend income from A-Share participatory notes given that such tax liability payable to QFII would be passed to the Sub-Fund.

However, the PRC tax authorities have not been reported to have sought to collect such PRC withholding tax on capital gains realised by QFII on the selling of A-shares. The Sub-Fund will be terminated when the Manager and the Trustee form an opinion that the Sub-Fund ceases to have any contingent or actual assets or liabilities (which the Manager and the Trustee expect to take place as soon as practicable after the long stop date when the treatment of the capital gains tax provision has been finalised and settled). Long stop date refers to the date falling on or around 2 December 2019 or, if earlier, the date on which final tax decision on the withholding tax is made by the relevant PRC tax authorities and the treatment of capital gains tax has been finalised and settled.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) 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 Securities and Futures Commission of Hong Kong.

The financial statements had been prepared under the liquidation basis as the Sub-Fund will be liquidated in the foreseeable future. As a result, all assets have been written down to their net realisable values and all non-current assets and non-current liabilities have been classified as current assets and current liabilities, respectively. The estimated expenses associated with liquidation of HK\$1,920,000 have been accrued as at 31 December 2014.

The financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest Hong Kong dollar except where otherwise indicated.

According to clause 24.3(a) of the trust deed dated 19 April 2010 (as amended and restated on 1 February 2012) governing the Trust and the Sub-Fund (the “Trust Deed”), at any time one year after the establishment of any sub-fund, where the aggregate net asset value of the units of the relevant classes outstanding in respect of such sub-fund shall be less than HK\$200,000,000, the Manager may in its absolute discretion to terminate the Sub-Fund. The Manager, by means of a resolution of the board of directors of the Manager dated 24 July 2014, decided to terminate the Sub-Fund, with the last trading day of the units of the Sub-Fund on the SEHK, being on 25 August 2014.

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NOTES TO FINANCIAL STATEMENTS

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2.1 BASIS OF PREPARATION (continued)

The Sub-Fund liquidated all investments on 26 August 2014. Accordingly, the financial statements of the Sub-Fund have been prepared on a liquidation basis. If the provision for termination related expenses is insufficient to cover any future costs or any unforeseen expenses if applicable, any shortfall will be borne by the Manager.

Due to the change of basis of preparation in the current year, the amounts presented in these financial statements and related notes for the year are not entirely comparable with the amounts presented for the year ended 31 December 2013, which were extracted from the financial statements for the year ended 31 December 2013 that are prepared on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICY 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>
Amendment to IFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to IFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective IFRSs</i>

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	<i>Financial Instruments</i> ³
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs ¹
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs ¹
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs ²

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

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2018

NOTES TO FINANCIAL STATEMENTS

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

IFRS 9 – Financial Instruments: Classification and Measurement

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. The new standard is not expected to have a significant impact on the financial statements of the Sub-Fund.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Sub-Fund.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the Sub-Fund first IFRS financial statements. This amendment to IFRS 1 has no impact on the Sub-Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than as adjusted for the adoption of liquidation basis as further explained in note 2.1 to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below.

Financial instruments

(a) *Classification*

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

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 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 (note 15). This category includes listed equity securities and derivative contracts.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(a) *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 cash and cash equivalent and other short-term receivables.

Financial liabilities

This category includes all financial liabilities. The Sub-Fund includes in this category amounts relating to management fee payable, custodian, fund administration and trustee fee payable, accrued liabilities and other short-term payables.

(b) *Recognition*

The Sub-Fund recognises a financial asset or financial liability when, and only when, they become 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.

(c) *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.

(d) *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 unrealised fair value change on financial assets at fair value through profit or loss”. Interests earned of 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.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(d) *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.

(e) *Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statement of financial position) when:

- 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 or 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.

When the Sub-Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Sub-Fund continues to recognise the transferred asset to the extent of the Sub-Fund’s continuing involvement. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Sub-Fund could be required to repay.

Fair value measurement

The Sub-Fund measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. 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.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Sub-Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 prices (unadjusted) 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 observable, either directly or indirectly

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 Sub-Fund 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 15 to the financial statements.

Impairment of financial assets

The Sub-Fund assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 a 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 observable data indicating 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Sub-Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Sub-Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any 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 write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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

For the purpose of the statement of cash flow, cash and cash equivalents comprise cash on hand and demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Sub-Fund's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Redeemable units

Redeemable units are classified as equity instruments when:

- 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.
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

- 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:

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

The Sub-Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under the revised IAS 32.

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 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 profit or loss on the purchase, sale issuance, or cancellation of Sub-Fund's own equity instruments.

Collateral arrangement

The Manager is required to manage the Sub-Fund at least 100% of the Sub-Fund's gross total counterparty risk exposure to each Base Securities Issuer with the value of the collateral marked to market by the end of each trading day. In order to mitigate the potential counterparty risks with an aim to maintain at least 100% of the Sub-Fund's gross total counterparty risk exposure to each Base Securities Issuer with the value of the collateral marked to market by the end of each trading day, the Manager and the Trustee (acting in accordance with the direction of the Manager) have, on behalf of the Sub-Fund, entered into collateral arrangements with the respective Base Securities Issuer or its affiliate for the provision of collateral by way of a securities borrowing and lending agreement. Where collateral taken is in the nature of equity securities, such collateral shall be subject to an additional requirement such that the market value of such equity collateral represents at least 120% of the related gross counterparty risk exposure.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Collateral arrangement (continued)

Where less than 100% of the Sub-Fund's gross total counterparty risk exposure to each Base Securities Issuer with the value of the collateral marked to market by the end of each trading day, the relevant Base Securities Issuer or its affiliated collateral provider(s) has to procure collateral to be delivered to the Sub-Fund to maintain at least 100% of the Fund's gross total counterparty risk exposure to each Base Securities Issuer with the value of the collateral marked to market by the end of each trading day.

Base Securities on loan are included in the investment portfolio of the Sub-Fund as the Sub-Fund is entitled to the dividend income from the Base Securities on loan and retains substantially all the risks and rewards. The Sub-Fund needs to pay a risk mitigation expense for the collateral arrangement. Relevant risk mitigation expenses paid by the Sub-Fund are accounted for in profit or loss.

Collateral received for the purpose of securities on loan generally consists of share or cash collateral. Share collateral received is treated as an off-balance sheet transaction and is therefore not included in the statement of financial position because the Sub-Fund is not entitled to the dividend income from the share collateral and does not retain substantially all the risks and rewards. Cash collateral received (if any) is treated as an on-balance sheet transaction with a corresponding liability shown separately.

Dividend income from the Base Securities on loan is recognised as income by the Sub-fund in profit or loss. Income from the share collateral is not income of the Sub-Fund and is paid to the counterparty that provides the collateral to the Sub-Fund. Income from the cash collateral is recognised as income in profit or loss.

Amounts due to and due from broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that are financial liabilities, other than those classified as at fair value through profit or loss. Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

Interest income and expense

Interest income and expense is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income and expense

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 profit or loss. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

Net change in unrealised gain or loss 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Foreign currency translation

These financial statements are presented in Hong Kong Dollars (“HK\$”), which is the Sub-Fund’s functional and presentation currency. Foreign currency transactions recorded by the Sub-Fund is 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 profit or loss.

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.

Distributions to unitholders

Distributions are subject to the discretion of the Sub-Fund’s Manager. A distribution to the Sub-Fund’s unitholders is accounted for as a deduction from retained profit. A proposed distribution is recognised as a liability in the period in which it is approved by the Manager of the Sub-Fund.

Taxation

The Sub-Fund incurred withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in profit or loss. Withholding taxes are shown as a separate item in profit or loss.

Contingent liabilities recognised

A contingent liability recognised in a termination of a business is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Provision for termination related expenses and ongoing maintenance

An amount of approximately HK\$1,920,000 has been set aside as Provision. Such provision is to discharge any future costs, charges, expenses, claims and demands (including but not limited to any legal costs, Auditor’s fees, regulatory maintenance costs, termination related expenses and the fees payable to any service provider to the Sub-Fund, including the Trustee) that the Trustee and the Manager may incur or make during the period from the time after the announcement of the cessation of trading and Notice has been published up to the Termination Date in connection with or arising out of the on-going maintenance of the Sub-Fund and the Trust, and the termination process together with the Delisting and Deauthorisation.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Sub-Fund are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Sub-Fund's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts and their accompanying disclosures recognised in the financial statements and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

As further explained in note 2.1 to the financial statements, management expected preparation work for the voluntary liquidation of the Sub-Fund will commence within twelve months from the end of the reporting period and determined that the going concern basis is no longer applicable. Therefore, these financial statements have prepared under liquidation basis. Upon adoption of liquidation basis, all assets have been written down to their net realisable values and all known liquidation costs have been accrued as at 31 December 2014 as determined by the directors of the Manager based on their knowledge up to the date of this report.

Functional currency

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

Taxation

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

Valuation of Base Securities

The Sub-Fund does not hold A Shares directly but rather gains access to the CSI RAFI 50 ETF Index through Base Securities, being derivative instruments linked to A Shares, issued by one or more Base Securities issuers. Each Base Securities issuer, through a Qualified Foreign Institutional Investor ("QFII"), may buy and sell the underlying A Shares to which the Base Securities issuer aims to track in order to hedge the obligations of the Base securities bought or sold by the Sub-Fund.

Under new PRC laws and regulations, capital gains realised after 17 November 2014 on the sale of A Shares are exempt from withholding tax. However, the capital gains realised before 17 November 2014 on the sale of A Shares are subject to 10% withholding tax and it is shown in the statement of profit or loss and other comprehensive income.

The Manager estimates, on the basis of information provided by the QFIIs/Base Securities Issuers and the Trustee, realised gains which are exposed to PRC taxation at the rate of 10% for the year ended 31 December 2014 to be approximately HK\$352,599 (2013: HK\$8,363,555).

For the year ended 31 December 2014, Base Securities issuers have withheld amount totaling HK\$36,690 (2013: HK\$748,785) from the Base Security returns in respect of the PRC capital gains tax.

Under the relevant agreement with the QFIIs/Base Securities Issuers, some or the entire amount withheld could be refunded in the future pending clarification of the tax rules and tax collection measures adopted by the PRC authorities or further amount may be determined to be payable as stated above. The Manager considers that the amount deducted is not material as at 31 December 2014.

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

The following is a summary of significant related party transactions entered into during the year between the Sub-Fund and the Trustee, 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 and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of Manager’s knowledge, the Sub-Fund does not have any other transactions with Connected Persons except for those disclosed below:

Management fee

The Manager is entitled to receive a fee, calculated at an annual rate of 0.97% (2013: 0.97%) on the net asset value of the Sub-Fund at each dealing day and payable monthly in arrears. Effective following the Trading Cessation Date, no management fee will be charged. The Manager is responsible for the payment of the investment advisory fees to the investment advisor, Ping An Asset Management Co., Ltd., out of its fees received from the Sub-Fund. The management fee for the year ended 31 December 2014 was HK\$50,927 (2013: HK\$1,147,837). As at 31 December 2014, no management fee was payable to the Manager (2013: HK\$8,936).

Fee and charges paid to the Trustee/Custodian and its Connected Persons

Safe custody fee and bank charges pertain to the amount charged by The Hong Kong and Shanghai Banking Corporation Limited (“HSBC”) to the Sub-Fund as safe keeping fees. The safe custody fee and bank charges for the year ended 31 December 2014 was HK\$9,942 (2013: HK\$77,309).

As at 31 December 2014, no safe custody fee was payable to the Trustee by the Sub-Fund (2013: Nil).

Trustee fee

The Trustee, is entitled to receive a trustee fee, accrued daily, and calculated as at each dealing day and payable monthly in arrears. The trustee fee is calculated as a percentage per annum of the net asset value of the Sub-Fund at the rate of 0.15% (2013: 0.15%) per annum for the first HK\$800 million of the net asset value, 0.12% (2013: 0.12%) per annum for the portion between HK\$800 million to HK\$1.6 billion of the net asset value, and 0.10% (2013: 0.10%) per annum for the portion above HK\$1.6 billion of the net asset value, and is currently subject to a monthly minimum of HK\$70,000. Effective following the Trading Cessation Date, the trustee fee is US\$200 monthly.

Under the terms of the Trust Deed, the Trustee may, after consulting the Manager, on giving not less than one (1) month 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% (2013: 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 trustee fee for the year ended 31 December 2014 was HK\$474,193 (2013: HK\$840,000). As at 31 December 2014, a trustee fee of HK\$2,327 was payable to the Trustee (2013: HK\$70,000).

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(A SUB-FUND OF PING AN OF CHINA TRUST)

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

Base Security charges

Execution fee

The Base Securities issuer charges an execution fee (inclusive of local broker commissions and market charges plus the PRC stamp duty which is currently 0.1% (2013: 0.1%) for any sale or purchase of securities) of the rebalance purchase or sale amount of the A Shares underlying the Base

Securities that the Manager purchases or sells on behalf of the Sub-Fund from the Base Securities issuer for the purpose of rebalancing the index constituents. Such execution fee is included in the purchase or sale price of the Base Securities payable by the Sub-Fund and is accordingly an expense borne by the Sub-Fund.

Base Security maintenance fee

In addition to the execution fee, the Base Securities issuers are entitled to charge a Base Security maintenance fee, payable at the end of each quarter, equal to 0.3% (2013: 0.3%) to 0.4% (2013: 0.4%) per annum of the average daily mark to market value of all Base Securities held by the Sub-Fund during each quarter (based on the actual number of days in that quarter). The mark to market value of the Base Securities shall be by reference to the last traded prices of the underlying A Shares constituting the Base Securities, converted into US dollars and/or Hong Kong dollars at such reference exchange rate reasonably determined by the Base Securities issuer and agreed by the Manager.

As at 31 December 2014, the relevant Base Securities issuer is UBS AG, London Branch.

Risk mitigation expense

The Base Securities issuers charge a risk mitigation expense at a rate between 1.9% and 3.3% of the aggregate prevailing market value of loaned securities. The risk mitigation expenses for the year ending 31 December 2014 were HK\$98,759 (2013: HK\$2,257,409). As at 31 December 2014, no risk mitigation expenses were payable to the Base Securities Issuers (2013: HK\$17,456).

Transaction costs on investment

The Base Securities issuer may charge an additional commission of 0.3% (2013: 0.3%) on the sale and purchase of each Base Security acquired for the account of the Sub-Fund. In addition, 0.1% (2013: 0.1%) stamp duty is payable on the sale of each Base Security. The commission will be adjusted from time to time for any change in the stamp duty payable on the sale and purchase of the underlying A Shares.

In addition to the above, the value of the Base Securities is subject to downward adjustments made by the relevant Base Securities issuer to cover its various hedging and transactional costs, including costs and charges associated with the collateral or credit support arrangement, which may therefore adversely affect the value of the Base Securities. Such costs and charges will therefore be indirectly borne by the Sub-Fund. Any collateral or credit support arrangement for the Sub-Fund may also incur additional fees and charges, stamp duties or other taxes or levies, which may be borne by the Sub-Fund.

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

Bank balance

Bank balance is maintained with HSBC, Hong Kong Branch, an affiliate of the Trustee. Bank balance deposited with affiliates of the Trustee is summarised below:

HK\$

As at 31 December 2014

Bank balance deposited with Trustee's affiliates	1,396,111
	=====

As at 31 December 2013

Bank balance deposited with Trustee's affiliates	479,221
	=====

6. PROVISION FOR TERMINATION RELATED EXPENSE AND ONGOING MAINTENANCE

The Sub-Fund set aside a provision of approximately HK\$1,920,000 on 24 July 2014 for discharging any future costs, charges, expenses claims and demands that the Trustee and the Manager may incur in connection with or arising out of, among others, the on-going maintenance of the Sub-Fund until the termination date.

Liabilities in the sum of HK\$3,624,231(2013: HK\$2,559,479) comprise capital gains tax provision of HK\$2,235,531 (2013:HK\$2,199,672) and the provision for liquidation in the amount of HK\$1,209,550 (that is HK\$1,920,000 less HK\$710,450 representing the expenses which have been incurred by the Sub-Fund up to 31 December 2014) and other outstanding liabilities in the amount of HK\$179,150 (2013:HK\$359,807) which are expenses incurred but not yet paid as at 31 December 2014.

As of 31 December 2014, the provision for termination related expense and ongoing maintenance is analysed as follows:

	2014
	HK\$
Trustee's fees	334,300
Audit fees	61,159
Legal fees	591,051
Others	223,040

	1,209,550
	=====

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7. MAJOR NON-CASH TRANSACTIONS

Subscription

During the year ended 31 December 2014 and 2013, there were no non-cash subscriptions for the Sub-Fund.

Redemption

During the year ended 31 December 2014, there were no non-cash redemptions for the Sub-Fund. During the year ended 31 December 2013, the Sub-Fund redeemed 6,500,000 units in exchange for a basket of Base Securities linked to the equity securities of the Sub-Fund's underlying index valued at HK\$144,102,942 plus relevant cash component included in the statement of cash flows.

8. SOFT COMMISSION ARRANGEMENTS

The Manager (and its Connected Persons) has not received any soft dollar commissions or entered into any soft dollar arrangements in respect of the management of the Sub-Fund. The Manager (and its Connected Persons) has not retained any cash rebates from any broker or dealer.

9. TAXATION

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

Distribution tax

A 10% (2013: 10%) PRC withholding tax has been levied on dividend and interest payments from PRC listed companies to foreign investors. As such, the QFII will pass on this tax liability to the Sub-Fund in the form of a distribution tax and therefore, the Sub-Fund is subject to a distribution tax of 10% (2013: 10%). The Manager considers that there is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future.

No tax will be payable by investors in Hong Kong in respect of the interim Distribution or in respect of any CGT Provision Refund, except that Hong Kong profits tax may arise where the transactions giving rise to such distribution or refund form part of a trade, profession or business carried on in Hong Kong.

Capital gains tax

Under new PRC laws and regulations, capital gains realised after 17 November 2014 on the sale of A Shares are exempt from withholding tax. However, capital gains realised before 17 November 2014 on the sale of A Shares are subject to 10% withholding tax as described in note 4 above.

10. DISTRIBUTION

An interim distribution of HK\$7,535,000 (2013: Nil) which was 100% out of capital of HK\$15.07 per unit was paid on 28 November 2014 due to the termination of the Sub-Fund (2013: Nil).

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NOTES TO FINANCIAL STATEMENTS

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11. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit and loss

HK\$

As at 31 December 2014

Derivatives:

Base Securities, at fair value

-

=====

As at 31 December 2013

Derivatives:

Base Securities, at fair value

10,504,107

=====

12. CASH AND CASH EQUIVALENTS

HK\$

As at 31 December 2014

Cash at bank

1,396,111

=====

As at 31 December 2013

Cash at bank

479,221

=====

The cash at bank held with HSBC Hong Kong Branch, an affiliate company of the Trustee, was placed in non-interest bearing accounts.

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NOTES TO FINANCIAL STATEMENTS

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13. THE REDEEMABLE UNITS

	HK\$
For the year ended 31 December 2014	
Units in issue at the beginning of the year	500,000
Issue of units	-
Redemption of units	-

Units in issue at the end of the year	500,000
	=====
For the year ended 31 December 2013	
Units in issue at the beginning of the year	7,000,000
Issue of units	-
Redemption of units	(6,500,000)

Units in issue at the end of the year	500,000
	=====
HK\$	
As at 31 December 2014	
Net asset value (in accordance with Sub-Fund's Trust Deed)	(489,646)

Net asset value per unit (in accordance with Sub-Fund's Trust Deed)	(0.9793)
	=====
As at 31 December 2013	
Net asset value (in accordance with Sub-Fund's Trust Deed)	10,030,970

Net asset value per unit (in accordance with Sub-Fund's Trust Deed)	20.0619
	=====

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13. THE REDEEMABLE UNITS (continued)

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 Hong Kong dollars ("HK\$") and no fractions of a unit shall be created or issued by the Trustee.

Units of the Ping An of China CSI RAFI A-Share 50 ETF are offered and issued at their dealing net asset value only in aggregations of a specified number of application units generally in exchange for a basket of Base Securities linked to such equity securities included in the Sub-Fund's underlying index (Index Shares constituting the relevant basket) together with the payment of a cash component.

Units are redeemable only in an application unit or multiple thereof, in exchange for portfolio securities and cash components at the dealing net asset value. Normally, creation and redemption of units will be effected "in kind". Creation/redemption applications in cash may only be effected at the Manager's discretion under certain circumstance.

14. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

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

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

According to the Prospectus dated 31 October 2011, as updated by adding the addendums dated 1 February 2012, 8 May 2012, 28 May 2012, 1 February 2013, 5 June 2013, 4 September 2013, 9 September 2013, 17 March 2014, 25 April 2014 and 24 July 2014 (together the "Prospectus"), the Sub-Fund may overweight the underlying holdings of a particular A Share's weighting in the Underlying Index provided that any such excess of weightings is subject to a maximum limit of 4% or such other percentage as determined by the Manager after consultation with the SFC.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY

Risk Management

The Sub-Fund's objective in managing risk is the creation and protection of unitholders value. Risk is inherent in the Sub-Fund's activities, but it is managed through a process of ongoing identification, measurement, and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Sub-Fund's continuing profitability. The Sub-Fund was exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments they held. Please refer to note 1 for details of the investment objective and policies of the Sub-Fund.

The Sub-Fund's Manager is responsible for identifying and controlling risks. The board of directors of the Manager supervises the Manager and is ultimately responsible for the overall risk management approach within the Sub-Fund.

The Sub-Fund itself is subject to various risks. The main risks associated with the investments, assets and liabilities of the Sub-Fund are set out below:

(a) Market risk

(i) Market 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 (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

As at 31 December 2014, the Sub-Fund did not hold any investments and was not exposed to market price risk. As at 31 December 2013, the Sub-Fund invested all, or substantially all, of its assets in Base Securities that were linked to A Shares of those PRC companies comprising the CSI RAFI 50 Index in substantially the same weightings as constituted in the CSI RAFI 50 Index. The Sub-Fund was therefore exposed to substantially the same market price risk as the CSI RAFI 50 Index.

Where there were changes in the constituent A Shares comprised in the CSI RAFI 50 Index and/or their respective weightings within the CSI RAFI 50 Index, the Manager rebalanced the holding of the relevant Base Securities (where each of the Base Securities tracked the performance of an A Share) or the underlying dynamic basket of A Shares of selected constituent companies of the CSI RAFI 50 Index (where each of the relevant Base Securities tracked the performance of a Basket of A Shares) by notifying, through the relevant Participating Dealer, the QFII to hedge its obligations under the Base Securities.

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

Risk Management (continued)

(a) Market risk (continued)

(i) Market price risk (continued)

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

	Fair value HK\$	% of net asset value HK\$
Base Securities - By Sectors		
Basic Materials	602,138	6.00
Communications	387,954	3.87
Consumer, Cyclical	969,561	9.67
Consumer, Non-cyclical	120,931	1.21
Energy	718,214	7.16
Financial	5,894,102	58.76
Industrial	1,410,545	14.06
Utilities	400,662	3.99
	-----	-----
	10,504,107	104.72
	=====	=====

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

As at 31 December 2014, the Sub-Fund did not expose to market price risk, as all the Fund's investments had been disposed hence the Manager considers sensitivity analysis is not applicable. As at 31 December 2013, if the CSI RAFI 50 Index was to increase by 5% with all other variables held constant, this would increase the pre-tax profit for the year, by approximately HK\$0.5 million. Conversely, if such Indexes were to decrease by 5% this would decrease the pre-tax profit for the year by approximately equal amounts.

(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.

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

Risk Management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Manager considers that the Sub-Fund is not subject to significant amount of risk due to fluctuation 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 their fair value in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis has been disclosed.

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

The Sub-Fund had transactional currency exposures. Such exposures arise from purchases and sales of financial instruments by operating units in currencies other than the Sub-Fund's functional currency. Approximately 100% of the Sub-Fund's sales and purchases were denominated in currencies other than the Sub-Fund's functional currency.

As at 31 December 2014, the Sub-Fund held deposits of HK\$1.4 million (2013: HK\$0.5 million) and financial instrument of HK\$1.7 million (2013: HK\$12.2 million) and all these assets were denominated in United State dollar. Under the pegging currency mechanism between Hong Kong dollar and United States dollar, the currency risk exposure in relation to these assets is minimal.

The following table demonstrates the sensitivity at the statement of financial position date to a reasonably possible change in the United States dollar exchange rate, with all other variables held constant, of the Sub-Fund's profit before tax and the equity.

	Increase/ (decrease) in USD rate	Increase/ (decrease) in profit before tax HK\$ '000	Increase/ (decrease) in equity HK\$ '000
2014			
If Hong Kong dollar strengthens against USD	1%	(13)	(13)
If Hong Kong dollar weakens against USD	1%	13	13
2013			
If Hong Kong dollar strengthens against USD	1%	(109)	(109)
If Hong Kong dollar weakens against USD	1%	109	109

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31 December 2014

15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

Risk Management (continued)

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

The Sub-Fund was subject to credit and counterparty risk associated with each Base Security Issuer and may suffer losses potentially equal to the full value of the Base Security issued by a Base Securities issuer if such Base Securities issuer fails to perform its obligations under the Base Securities.

In order to mitigate the potential counterparty risks with an aim to reducing the net exposure of the Sub-Fund to the Base Securities issuers, the Manager and the Trustee (acting in accordance with the direction of the Manager) had, on behalf of the Sub-Fund, entered into collateral or credit support arrangements, for the provision of collateral with the Base Securities issuers or their affiliates, namely, UBS AG, London Branch. The collateral may comprise cash or listed constituent stocks of Hang Seng Index and/or Hang Seng China Enterprises Index and/or Hang Seng Composite Index.

Authorisation conditions have been imposed by the Hong Kong Securities and Futures Commission (“SFC”) on the Sub-Fund on 29 August 2011 in relation to collateral taken by the Sub-Fund. Accordingly under the current collateral arrangements which is effective from 31 October 2011 the Manager will seek to obtain collateral or credit support representing at least 100% of the Fund’s gross total counterparty risk exposure to each Base Securities Issuer with the value of the collateral marked to market by the end of each trading day. Depending on evolving market practice, prevailing market conditions, cost effectiveness and commercial practicability, the Manager should exercise prudence and professional judgment to determine whether it should obtain collateral exceeding the 100% level.

Where collateral taken is in the nature of equity securities, such collateral shall be subject to an additional requirement such that the market value of such equity collateral represents at least 120% of the related gross counterparty risk exposure. The Manager will apply prudent haircut on non-equity collateral taking into account factors such as credit quality, liquidity, duration and other relevant terms of the collateral held.

As at 31 December 2014, there was no loan outstanding balance since the Sub-Fund did not hold any investments. As at 31 December 2013, there was one loan outstanding: a loan between the Sub-Fund and UBS AG, under which the value of share collateral obtained by the Trustee from UBS AG amounted to approximately HK\$12,678,984 (before any haircut) against Base Securities lent to UBS AG valued at approximately HK\$10,504,107.

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NOTES TO FINANCIAL STATEMENTS

31 December 2014

15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT
POLICY (continued)

Risk Management (continued)

(b) Credit and counterparty risk (continued)

The collateral and Base Securities were marked to market every day by the borrower or an affiliate of the borrower. The Trustee may demand the provision of additional collateral to eliminate any deficiency. Likewise, the borrower may demand the return of collateral to eliminate any excess.

The details of share collateral holding more than 30% of the net asset value as at 31 December 2013 were as follows:

Collateral provider	Value of the Collateral HK\$	% of the Scheme secured	Credit rating of collateral provider
---------------------	------------------------------------	-------------------------------	--

31 December 2013

UBS AG, London Branch	12,678,984	120.71%	A
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The Sub-Fund pays a fee in respect of the collateral agreements. As at 31 December 2014, the Sub-Fund had incurred expenses of HK\$98,759 (2013: HK\$2,257,409). As at 31 December 2013, this represents 22.5% of the net asset value pursuant to the securities lending arrangements.

Under the securities lending agreements, both the lender and borrower are obliged to pay and deliver any sum or money or property to which the original owner would have been entitled including dividends and interest.

Collateral may involve risks including settlement, operational and realisation risks. For example, collateral is subject to fluctuations in market value and the prices of subject securities may go down as well as up. The value of the collateral securities may be lower upon realisation of the securities. In case of collateral securities, which are listed securities, the listing of such securities may be suspended or revoked or the trading of such securities on the stock exchange may be suspended, and during the year of suspension or upon revocation, it may not be possible to realise the relevant collateral securities.

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

Risk Management (continued)

(b) Credit and counterparty risk (continued)

The table below sets out the net exposure of the Sub-Fund to counterparties as at 31 December 2014 with their credit ratings of senior long-term debt by Standard & Poor's Rating Services:

	Credit Rating	Net exposure to Counterparties HK\$	% of Net Asset Value
31 December 2014			
<u>Custodian & Bank</u>			
- The Hongkong and Shanghai Banking Corporation Limited	A	1,396,111	(285.13%)
31 December 2013			
<u>Base Securities issuers</u>			
- UBS AG, London Branch	A	(2,174,877)	(21.68%)
<u>Custodian & Bank</u>			
- The Hongkong and Shanghai Banking Corporation Limited	A+	479,221	4.78%

The Maximum exposure to credit risk at the end of the reporting period is the carrying amount of the assets as shown on the statement of financial position.

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

(c) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash, 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, the Sub-Fund held liquid assets, comprising bank balances and other receivables that are expected to readily generate cash inflows for managing liquidity risk.

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

Risk Management (continued)

(c) Liquidity risk (continued)

As at 31 December 2014 the Sub-Fund had disposed of its all the investments.

The table below summarises the Sub-Fund's maturity analysis for financial assets and liabilities as at 31 December 2014 as bellow.

As at 31 December 2014	< 1 month HK\$	> 1 to 3 months HK\$	> 3 to 12 months HK\$	> 1 to 5 years HK\$	Total HK\$
Financial assets					
Other receivables	-	-	-	1,740,801	1,740,801
Cash and cash equivalents	1,396,111	-	-	-	1,396,111
Total	<u>1,396,111</u>	<u>-</u>	<u>-</u>	<u>1,740,801</u>	<u>3,136,912</u>
Financial liabilities					
Trustee fee payable	2,327	-	-	-	2,327
Accounts payable and accrued liabilities	20,009	69,250	170,466	3,364,506	3,624,231
Total	<u>22,336</u>	<u>69,250</u>	<u>170,466</u>	<u>3,364,506</u>	<u>3,626,558</u>

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

Risk Management (continued)

(c) Liquidity risk (continued)

As at 31 December 2013	< 1 month HK\$	> 1 to 3 months HK\$	> 3 to 12 months HK\$	> 1 to 5 years HK\$	Total HK\$
Financial assets					
Financial assets at fair value through profit or loss	10,504,107	-	-	-	10,504,107
Other receivables	-	-	-	1,703,513	1,703,513
Cash and cash equivalents	479,221	-	-	-	479,221
Total	10,983,328	-	-	1,703,513	12,686,841
Financial liabilities					
Management fee payable	8,936	-	-	-	8,936
Trustee fee payable	70,000	-	-	-	70,000
Risk mitigation expenses payable	17,456	-	-	-	17,456
Accounts payable and accrued liabilities	-	313,282	46,525	2,199,672	2,559,479
Total	96,392	313,282	46,525	2,199,672	2,655,871

(d) Fair value hierarchy

As at 31 December 2014 the Sub-Fund had disposed of all the investments.

The following table illustrates the fair value measurement hierarchy of the Sub-Fund's financial instruments as at 31 December 2013.

	<u>Fair value measurement as at 31 December 2013 using</u>			Total HK\$
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	HK\$	HK\$	HK\$	
<u>Financial assets at fair value through profit or loss</u>				
Listed base securities	-	-	10,504,107	10,504,107

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15. FINANCIAL INSTRUMENTS, ASSETS AND LIABILITIES AND RISK MANAGEMENT POLICY (continued)

Risk Management (continued)

(d) Fair value hierarchy (continued)

As at 31 December 2013, the Level 3 equity that amounts to HK\$10,504,107 consists of base securities, which had nominal exercise price and had been fair valued based on the quoted market prices of the securities underlying the Base Securities by converting the last traded price of the underlying security price at the mid-rate of the Renminbi against USD by the People's Bank of China, adjusted for the expected amount payable to the issuer in respect of potential capital gains tax (if any). Therefore, no sensitivity of significant unobservable inputs to the valuation of financial instruments will be disclosed. For capital gains tax, please refer to Note 4 for details.

The following table represents the movement in level 3 instruments held for the year ended 31 December 2014 and 2013.

	2014 HK\$	2013 HK\$
Base Securities		
Opening balance	10,504,107	176,661,402
Purchase	374,132	17,234,342
Sales	(10,844,509)	(165,510,607)
Net losses recognised in profit or loss	(33,730)	(17,881,030)
Closing balance	<u> -</u>	<u> 10,504,107</u>

(e) Capital management

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strived 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.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 29 April 2015.

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INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2014

The Sub-Fund did not hold any investments as at 31 December 2014.

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MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2014

INVESTMENTS	Holdings As at 1 January 2014	Additions	Corporate Action	Disposals	Holdings As at 31 December 2014
-------------	--	-----------	---------------------	-----------	--

Financial assets at fair value through profit or loss

LISTED BASE SECURITIES ISSUED BY
 UBS AG LONDON BRANCH,
 PROVIDING EXPOSURE FROM THE
 FOLLOWING

Agricultural Bank of China Ltd	98,753	-	-	(98,753)	-
Air China Ltd	7,741	-	-	(7,741)	-
Aluminum Corp of China Ltd	12,819	-	-	(12,819)	-
Anhui Conch Cement Co Ltd	-	3,810	-	(3,810)	-
Bank of Beijing Co Ltd	18,183	-	2,803	(20,986)	-
Bank of China Ltd	31,605	-	-	(31,605)	-
Bank of Communications Co Ltd	61,858	-	-	(61,858)	-
Baoshan Iron & Steel Co Ltd	49,783	-	-	(49,783)	-
China CITIC Bank Corp Ltd	10,776	-	-	(10,776)	-
China CNR Corp Ltd	-	10,883	-	(10,883)	-
China Coal Energy Co Ltd	7,586	-	-	(7,586)	-
China Communications Construction Co Ltd	21,303	-	-	(21,303)	-
China Construction Bank Corp	39,496	-	-	(39,496)	-
China Everbright Bank Co Ltd	73,160	-	-	(73,160)	-
China Life Insurance Co Ltd	4,125	-	-	(4,125)	-
China Merchants Bank Co Ltd	51,004	-	-	(51,004)	-
China Minsheng Banking Corp Ltd	58,470	-	10,887	(69,357)	-
China Pacific Insurance Group Co Ltd	9,118	-	-	(9,118)	-
China Petroleum & Chemical Corp (Sinopec)	48,739	-	-	(48,739)	-
China Railway Co Ltd	59,656	-	-	(59,656)	-
China Railway Construction Co Ltd	34,213	-	-	(34,213)	-
China Shenhua Energy Co Ltd	11,867	-	-	(11,867)	-
China Southern Airlines Co Ltd	31,684	-	-	(31,684)	-
China State Construction Engineering Co Ltd	109,508	-	-	(109,508)	-
China United Network Communications Co Ltd	94,399	-	-	(94,399)	-
China Vanke Co Ltd	24,632	-	-	(24,632)	-
China Yangtze Power Co Ltd	14,291	-	-	(14,291)	-
CITIC Securities Co Ltd	23,381	-	-	(23,381)	-

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
 (*THIS IS A SYNTHETIC ETF)
 (A SUB-FUND OF PING AN OF CHINA TRUST)

MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (continued)

For the year ended 31 December 2014

INVESTMENTS (Continued)	Holdings As at 1 January 2014	Additions	Corporate Action	Disposals	Holdings As at 31 December 2014
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Financial assets at fair value through profit or loss (continued)

LISTED BASE SECURITIES ISSUED BY
 UBS AG LONDON BRANCH,
 PROVIDING EXPOSURE FROM THE
 FOLLOWING (Continued)

CSR Corp Ltd	-	11,231	-	(11,231)	-
Daqin Railway Co Ltd	26,355	-	-	(26,355)	-
Datang International Power Generation Co Ltd	11,034	-	-	(11,034)	-
GD Power Development Co Ltd	34,966	-	-	(34,966)	-
GF Securities Co Ltd	7,326	-	-	(7,326)	-
Gree Electric Appliances Inc of Zhuhai	5,474	-	-	(5,474)	-
Hebei Iron & Steel Co Ltd	37,729	-	-	(37,729)	-
Hua Xia Bank Co Ltd	14,719	-	-	(14,719)	-
Huaneng Power International Inc	18,611	-	-	(18,611)	-
Industrial and Commercial Bank of China Ltd	65,907	-	-	(65,907)	-
Industrial Bank Co Ltd	34,392	-	-	(34,392)	-
Kweichow Moutai Co Ltd	444	-	44	(488)	-
Metallurgical Corp of China Co Ltd	42,646	-	-	(42,646)	-
Midea Group Co Ltd	-	3,543	-	(3,543)	-
Minmetals Development Co Ltd	5,614	-	-	(5,614)	-
Petrochina Co Ltd	16,183	-	-	(16,183)	-
Ping An Bank Co Ltd	10,077	-	2,015	(12,092)	-
Ping An Insurance (Group) Co of China Ltd	8,442	-	-	(8,442)	-
Poly Real Estate Group Co Ltd	11,382	-	5,691	(17,073)	-
Saic Motor Co Ltd	16,455	-	-	(16,455)	-
Shanghai International Port Group Co Ltd	7,178	-	-	(7,178)	-
Shanghai Pudong Development Bank Co Ltd	44,433	-	-	(44,433)	-
Shanxi Taigang Stainless Steel Co Ltd	25,248	-	-	(25,248)	-
SINOHYDRO Group Ltd	28,107	-	-	(28,107)	-
Suning Appliance Co Ltd	17,411	-	-	(17,411)	-
Wuhan Iron and Steel Co Ltd	39,070	-	-	(39,070)	-
Wuliangye Yibin Co Ltd	-	3,887	-	(3,887)	-

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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PERFORMANCE RECORD

For the year ended 31 December 2014

**Net asset value attributable to unitholders
 (calculated in accordance with the Sub-Fund's Trust Deed)**

	HK\$
31 December 2014	(489,646)
31 December 2013	10,030,970
31 December 2012	176,279,930

Net asset value per unit

	HK\$
31 December 2014 (note 13)	(0.98)
31 December 2013 (note 13)	20.0619
31 December 2012	25.1828

Highest and lowest net asset value per unit

	Highest HK\$	Lowest HK\$
For the period from 1 January 2014 to 25 August 2014 ("Last Trading Day")	20.8337	15.0328
Financial year ended 31 December 2013	27.9001	20.7019
Financial year ended 31 December 2012	25.6424	20.6507
Financial year ended 31 December 2011	30.4853	22.9276

PING AN OF CHINA CSI RAFI A-SHARE 50 ETF*
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UNDERLYING INDEX CONSTITUENT STOCKS DISCLOSURE

As at 31 December 2014

The underlying index of Ping An of China CSI RAFI A Share 50 ETF* (This is a Synthetic ETF), namely CSI RAFI 50 Index, did not have any constituent stock that accounted for more than 10% of the index as at 31 December 2014 & 2013.

As at 31 December 2014, there were no investments held by the Sub-Fund.