

ChinaAMC Select Fund

**ChinaAMC Select  
China New Economy Fund**

Annual Report

For the year ended 31 December 2016



**华夏基金**  
**ChinaAMC**

ANNUAL REPORT

CHINAAMC SELECT CHINA NEW ECONOMY FUND

(Formerly known as ChinaAMC Select Hong Kong China Equity Fund)

(a sub-fund of ChinaAMC Select Fund, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

For the year ended 31 December 2016

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

CONTENTS

	Pages
ADMINISTRATION AND MANAGEMENT	1
REPORT OF THE MANAGER TO THE UNITHOLDERS	2
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	3
INDEPENDENT AUDITOR'S REPORT	4 - 6
AUDITED FINANCIAL STATEMENTS	
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in net assets attributable to unitholders	9
Statement of cash flows	10
Notes to the financial statements	11 - 28
INVESTMENT PORTFOLIO	29
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS	30 - 32
PERFORMANCE TABLE	33

IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and are subject to change. For more information about the fund, please refer to the explanatory memorandum of the fund which is available at our website: <http://www.chinaamc.com.hk>

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

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

ADMINISTRATION AND MANAGEMENT

**MANAGER**

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

**DIRECTORS OF THE MANAGER**

Mr. Yang Minghui  
Mr. Zhang Xiaoling  
Mr. Gan Tian

**LEGAL ADVISER TO THE MANAGER**

Deacons  
5/F, Alexandra House  
18 Chater Road  
Central, Hong Kong

**TRUSTEE, ADMINISTRATOR AND REGISTRAR**

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

**AUDITOR**

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

**CUSTODIAN**

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

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

REPORT OF THE MANAGER TO THE UNITHOLDERS

*Market Review and Fund Performance*

The People's Bank of China attempts since August 2016 to push the financial market to deleverage by gradually guiding money market rates higher, greater RMB depreciation expectations and capital outflows alongside a sharp jump in US yields and USD strength and a more- hawkish-than-expected US Fed rate hike event led to a tighter liquidity conditions. Over the second half of 2016, RMB depreciated notably against the USD as capital outflow pressures intensified. Capital outflow controls have been reportedly further tightened since late November, mainly restricting domestic companies' outbound investment and offshore lending. During 2016, the Hong Kong-Shenzhen Stock Connect builds on a similar scheme with Shanghai and gives foreign investors access to many mainland tech shares. But the hype was not lived up as expected, with Shenzhen's shares more expensive than those in Hong Kong, making it unattractive to foreign investors, while the entry threshold for mainlanders to buy Hong Kong shares was set as high as half a million yuan.

We are seeing China's GDP growth may slide slightly in 2017, as another property downturn sees construction and related investment decelerate further, offset largely by a modest export recovery and government-led infrastructure investment. Consumption may slow modestly on slower income growth but should remain resilient. We tend to believe more fiscal policy support for countering downward growth pressures in 2017, though a desire to contain financial risks from excess leverage and asset bubbles also means that policy may shift back to risk control whenever growth stabilizes. We see credit growth staying robust to support quasi-fiscal spending and overall growth. China is becoming a more open, transparent and attractive market. It has a long way to go, but the leadership's long-term approach to reform means we should expect to see continued progress in reforms and policies.

China Asset Management (Hong Kong) Limited  
24 April 2017

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager, China Asset Management (Hong Kong) Limited, has, in all material respects, managed ChinaAMC Select China New Economy Fund (a sub-fund of ChinaAMC Select Fund) for the year ended 31 December 2016 in accordance with the provisions of the trust deed dated 12 January 2012, as amended or supplemented from time to time.

On behalf of  
BOCI-Prudential Trustee Limited, the Trustee

---

24 April 2017

## **Independent auditor's report**

To the Trustee and Manager of  
ChinaAMC Select China New Economy Fund  
(A sub-fund of ChinaAMC Select Fund, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

### **Opinion**

We have audited the financial statements of ChinaAMC Select China New Economy Fund (a sub-fund of ChinaAMC Select Fund (the "Trust") and referred to as the "Sub-Fund") set out on pages 7 to 28, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Sub-Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other information included in the Annual Report**

The Trustee and the Manager are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independent auditor's report (continued)**

To the Trustee and Manager of  
ChinaAMC Select China New Economy Fund  
(A sub-fund of ChinaAMC Select Fund, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

### **Responsibilities of the Trustee and the Manager for the financial statements**

The Trustee and the Manager are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 12 January 2012, as amended or supplemented from time to time (the "Trust Deed") and the relevant disclosure provisions 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") 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 preparing the financial statements, the Trustee and the Manager are responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. We are also required to assess, whether the financial statements have been properly prepared, in all material aspects, in accordance with the relevant disclosure provisions of the Trust Deed, its supplemental deeds and the relevant disclosure provisions specified in Appendix E to the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## **Independent auditor's report (continued)**

To the Trustee and Manager of  
ChinaAMC Select China New Economy Fund  
(A sub-fund of ChinaAMC Select Fund, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

### **Auditor's responsibilities for the audit of the financial statements (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee and the Manager.
- Conclude on the appropriateness of the Trustee's and the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee and the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code**

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 relevant disclosure provisions specified in Appendix E to the SFC Code.

Certified Public Accountants  
Hong Kong  
24 April 2017

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	For the year ended 31 December 2016 HKD	For the period from 27 May 2015 (date of inception) to 31 December 2015 HKD
<b>INCOME</b>			
Dividend income		425,869	181,396
Interest income on bank deposits		314	251
Net gain on financial assets at fair value through profit or loss		<u>1,580,901</u>	<u>-</u>
		2,007,084	181,647
<b>EXPENSES</b>			
Management fee	4	( 156,234)	( 71,583)
Trustee fee	4	( 240,000)	( 29,130)
Custodian fee	4	( 54,908)	( 49,264)
Auditor's remuneration		( 61,875)	( 155,050)
Preliminary expenses		-	( 437,505)
Brokerage fees and other transaction costs		( 116,560)	( 155,422)
Legal and professional fees		( 61,042)	( 62,075)
Other expenses		( 7,145)	( 21,648)
Exchange loss		( 400)	( 2,190)
Net loss on financial assets at fair value through profit or loss		<u>-</u>	<u>( 2,646,960)</u>
		( 698,164)	( 3,630,827)
Less: Reimbursement of expenses by the Manager	10	<u>337,562</u>	<u>337,972</u>
		( 360,602)	( 3,292,855)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<u>1,646,482</u>	<u>( 3,111,208)</u>
Withholding taxes	5	( 25,011)	( 6,655)
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>1,621,471</u>	<u>( 3,117,863)</u>

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HKD	2015 HKD
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	6	15,857,506	11,250,488
Cash and cash equivalents	7	1,336,050	17,935,517
Amounts due from the Manager	10	<u>39,135</u>	<u>327,257</u>
<b>TOTAL ASSETS</b>		<u><u>17,232,691</u></u>	<u><u>29,513,262</u></u>
<b>LIABILITIES</b>			
Management fee payable	4	29,076	-
Trustee fee payable	4	20,000	20,000
Accrued expenses and other payables		117,857	576,281
Amount payable on redemption of units		-	11,942,850
Amounts due to brokers		<u>-</u>	<u>1,529,844</u>
<b>TOTAL LIABILITIES</b>		<u><u>166,933</u></u>	<u><u>14,068,975</u></u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	8	<u><u>17,065,758</u></u>	<u><u>15,444,287</u></u>
<b>NUMBER OF UNITS IN ISSUE</b>			
- Class I		<u><u>1,947,399.49</u></u>	<u><u>1,947,399.49</u></u>
<b>NET ASSET VALUE PER UNIT</b>			
- Class I		<u><u>8.7634</u></u>	<u><u>7.9307</u></u>



CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	For the year ended 31 December 2016 HKD	For the period from 27 May 2015 (date of inception) to 31 December 2015 HKD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		1,646,482	( 3,111,208)
Adjustment for:			
Net (gain)/loss on financial assets at fair value through profit or loss		( 1,580,901)	2,646,960
Purchase of financial assets at fair value through profit or loss		( 35,462,805)	( 48,021,207)
Proceeds from sale of financial assets at fair value through profit or loss		32,436,688	34,123,759
Decrease/(increase) in amount due from the Manager		288,122	( 327,257)
Increase in management fee payable		29,076	-
Increase in trustee fee payable		-	20,000
(Decrease)/increase in accrued expenses and other payables		( 458,424)	576,281
(Decrease)/increase in amounts due to brokers		( 1,529,844)	1,529,844
Cash used in operations		( 4,631,606)	( 12,562,828)
Tax paid		( 25,011)	( 6,655)
Net cash flow used in operating activities		<u>( 4,656,617)</u>	<u>( 12,569,483)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of units		-	30,505,000
Payments for redemption of units		( 11,942,850)	-
Net cash flows (used in)/from financing activities		<u>( 11,942,850)</u>	<u>30,505,000</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>( 16,599,467)</b>	<b>17,935,517</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year/period		<u>17,935,517</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE YEAR/PERIOD END</b>		<b><u>1,336,050</u></b>	<b><u>17,935,517</u></b>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash at banks	7	<u>1,336,050</u>	<u>17,935,517</u>
Net cash used in operating activities includes:			
Dividend received net of withholding tax		400,858	174,741
Interest income on bank deposits		314	251

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1. THE SUB-FUND

ChinaAMC Select Fund (the "Trust") was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to a trust deed dated 12 January 2012, as amended or supplemented from time to time (the "Trust Deed").

ChinaAMC Select China New Economy Fund (the "Sub-Fund") was constituted as a separate sub-fund of the Trust on 12 January 2012. The Sub-Fund is an open-ended unit trust and is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code"). Authorisation by the SFC does not imply official approval or recommendation. The Sub-Fund was launched on 27 May 2015. As at 31 December 2016, there are four other sub-funds established under the Trust and the inception dates are as follows:

	Inception date
ChinaAMC Select RMB Bond Fund	21 February 2012
ChinaAMC Select RMB Short-Term Bond Fund	27 February 2014
ChinaAMC Select Hong Kong China Opportunities Fund	9 March 2016
ChinaAMC Select Asia Bond Fund	30 September 2016

The manager of the Trust is China Asset Management (Hong Kong) Limited (the "Manager") and the Trustee is BOCI-Prudential Trustee Limited (the "Trustee"). The Custodian is Bank of China (Hong Kong) Limited (the "Custodian").

The name of the Sub-Fund changed from ChinaAMC Select Hong Kong China Equity Fund to ChinaAMC Select China New Economy Fund with effect from 1 September 2016.

The investment objective of the Sub-Fund is to achieve long term capital growth by primarily (i.e. not less than 70% of its net assets) investing in equity securities which are (a) traded in Hong Kong dollars ("HKD") and (b) listed on the stock exchange of Hong Kong. When investing in Hong Kong equity securities, the Sub-Fund will focus on investing in equities of China-related companies with registered offices located in the People's Republic of China ("PRC") or Hong Kong, and/or China-related companies that do not have their registered offices in the PRC or Hong Kong but either (a) carry out a predominant proportion of their business activities in the PRC or Hong Kong or (b) are holding companies which predominantly own companies with registered offices in the PRC or Hong Kong. The Manager currently intends to maintain at all times that at least 70% of the Sub-Fund's assets will be denominated in HKD.

2.1 BASIS OF PREPARATION

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards 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 SFC Code.

The financial statements have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. The financial statements are presented in HKD and all values are rounded to the nearest HKD except where otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements, which are applicable to the Company.

Amendments to IAS 1	<i>Disclosure Initiative</i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of IFRSs</i>

The nature and the impact of the amendments are described below:

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in IAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. The amendments have had no significant impact on the Company's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Sub-Fund has not early applied any of the new and revised IFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2016, in these financial statements. Among the new and revised IFRSs, the following are expected to be relevant to the Sub-Fund's financial statements upon becoming effective:

IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
IFRS 15	<i>Revenue from Contracts with Customer</i> <sup>2</sup>
Amendments to IAS 7	<i>Disclosure Initiative</i> <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: 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. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Sub-Fund.

The Sub-Fund is currently assessing the impact of IFRS 9, IFRS 15 and amendments to IAS 7, and plans to adopt the new standards on the required effective date.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) Classification

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

*Financial assets at fair value through profit or loss*

*Financial assets held-for-trading:* financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes equity securities. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

*Loans and receivables*

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

*Financial liabilities*

This category includes all financial liabilities, other than those classified as held-for-trading. The Sub-Fund includes in this category amounts relating to other short-term payables.

(ii) Recognition

The Sub-Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the financial asset.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Initial measurement

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

Loans and receivables and financial liabilities (other than those classified as held-for-trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain/loss 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.

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

(v) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) Derecognition (continued)

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

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 6 to the financial statements.

Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Functional and presentation currency

The Sub-Fund's functional currency is HKD, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance is evaluated and its liquidity is managed in HKD. Therefore, the HKD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Sub-Fund's presentation currency is also HKD.

Foreign currency transactions

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.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date.

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

Net assets attributable to unitholders

The Sub-Fund offered redeemable units, namely Class A units and Class I units, which are redeemable at the unitholder's option. As at 31 December 2016, only Class I units were issued and are classified as equity.

Redeemable units are subscribed and redeemed during the Hong Kong and PRC business days of each calendar month or such other day or days determined by the Manager and Trustee may agree from time to time for cash equal to a proportionate share of the Sub-Fund's net assets attributable to unitholders of the relevant classes. The Manager is entitled, with the approval of the Trustee, to limit the number of redeemable units of the Sub-Fund redeemed on any business day to 10% of the total number of redeemable units of the Sub-Fund in issue.

Redeemable units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders by the number of units in issue.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units

Redeemable units are classified as an equity instrument when:

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

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

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

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

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

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

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

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

Distributions to unitholders

Distributions are at the discretion of the Sub-Fund. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. A proposed distribution is recognised as a liability in the year in which it is approved by the Manager.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank.

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

Interest revenue

Interest revenue is recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

Dividend income

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

Net gain on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets held for trading and excludes interest and dividend income.

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.

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.

Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts due from/to broker

Amounts due from brokers include receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to broker are payables for securities purchased (in a regular way transaction) that are financial liabilities, other than those classified as at fair value through profit and loss.

Taxes

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

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ACCOUNTING ESTIMATES

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

Going concern

The Sub-Fund's manager has made an assessment of the Sub-Fund ability to continue as a going concern and is satisfied that the Sub-Fund has the intention and resources to continue in business for the 12 months after year end date. Furthermore, the Manager is not aware of any material uncertainties that may cast significant doubt upon the Sub-Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Taxation

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

4. FEES

Management fee

The Manager is entitled to receive a management fee from the Sub-Fund, current level at 1.75% per annum for Class A HKD Units and 1.0% per annum for Class I HKD Units (up to maximum of 1.75% per annum) with respect to the net asset value of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears.

The management fee for the year ended 31 December 2016 was HKD156,234 (for the period from 27 May 2015 (date of inception) to 31 December 2015 was HKD71,583 and reimbursed by the Manager). Further details of the balance are described in note 10 to the financial statements.

As at 31 December 2016, management fee of HKD29,076 (2015: Nil) was payable to the Manager.

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

4. FEES (continued)

Trustee fee

The Trustee is entitled to receive a trustee fee from the Sub-Fund, current level up to 0.15% per annum (up to maximum of 0.5%) per annum, based on the net asset value, subject to minimum monthly fee of HKD40,000, which is waived for the first 6 months of the launch of the Sub-Fund and reduced by 50% for the next 6 months, and accrued on each valuation day and is paid monthly in arrears.

The trustee fee for the year ended 31 December 2016 was HKD240,000 (for the period from 27 May 2015 (date of inception) to 31 December 2015: HKD29,130). As at 31 December 2016, trustee fee of HKD20,000 (2015: HKD20,000) was payable to the Trustee.

Custodian fee

The Custodian is entitled to receive custodian fees from the Sub-Fund, at a current rate of 0.06% (up to a maximum of 0.10%) per annum, calculated monthly and is paid monthly in arrears.

The custodian fees for the year ended 31 December 2016 were HKD54,908 (for the period from 27 May 2015 (date of inception) to 31 December 2015 were HKD49,264 and reimbursed by the Manager).

5. TAXATION

Hong Kong Tax

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

PRC Tax

Under PRC laws and regulations, foreign investors (such as the Sub-Fund) may be subject to a 10% withholding tax on income (such as dividend/interest income).

*Distribution Tax*

A ten per cent (10%) PRC withholding tax has been levied on dividend and interest payments from PRC companies to foreign investors. The Sub-Fund is subject to a distribution tax of ten per cent (10%). There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future. The distribution tax provided for the year ended 31 December 2016 was HKD25,011 (for the period from 27 May 2015 (date of inception) to 31 December 2015: HKD6,655).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HKD	2015 HKD
Held for trading		
- Listed equity securities	<u>15,857,506</u>	<u>11,250,488</u>
Total financial assets at fair value through profit or loss	<u>15,857,506</u>	<u>11,250,488</u>

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the period end date.

The Sub-Fund utilises the last traded market price for both financial assets and financial liabilities where the last traded prices falls within the bid-ask spread. In circumstances where the last traded price is not

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

The Sub-Fund's fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

When a price for an identical asset or liability is not observable, the Sub-Fund measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, the Sub-Fund's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Even when there is no observable market to provide pricing information about the sale of an asset or the transfer of a liability at the measurement date, a fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the asset or owes the liability. That assumed transaction establishes a basis for estimating the price to sell the asset or to transfer the liability.

The Sub-Fund classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As at 31 December 2016, the Sub-Fund only invested in listed equity securities in the Hong Kong Stock Exchange. No Level 2 and Level 3 investments were categorised by the Sub-Fund.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value as at 31 December 2016 and 31 December 2015.

	Level 1 HKD	Level 2 HKD	Level 3 HKD	Total HKD
31 December 2016				
Financial assets held for trading:				
- Listed equity securities	<u>15,857,506</u>	<u>-</u>	<u>-</u>	<u>15,857,506</u>



CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

31 December 2015

Financial assets held for trading:

- Listed equity securities	<u>11,250,488</u>	<u>-</u>	<u>-</u>	<u>11,250,488</u>
----------------------------	-------------------	----------	----------	-------------------

There are no investments classified within Level 2 and Level 3 and no transfers between levels for the year ended 31 December 2016 (for the period from 27 May 2015 (date of inception) to 31 December 2015: Nil).

A detailed portfolio listing is set out on page 29.

7. CASH AND CASH EQUIVALENTS

	2016 HKD	2015 HKD
Cash at bank	<u>1,336,050</u>	<u>17,935,517</u>

The bank balance is the cash at bank held with Bank of China Limited and Bank of China (Hong Kong) Limited, affiliate companies of the Trustee. The bank balance comprises savings and current account with bank at market interest rates. The bank balance is deposited with creditworthy banks with no recent history of default.

8. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The consideration received or paid for units issued or re-purchased respectively is based on the value of the Sub-Fund's net asset value per unit at the date of the transaction. In accordance with the provisions, the Sub-Fund investment positions are valued based on the last traded market price for the purpose of determining the trading net asset value per unit for subscriptions and redemptions. The Sub-Fund's net asset value per unit is calculated by dividing the Sub-Fund's net assets with the total number of outstanding units.

Capital management

The Sub-Fund's objectives for managing capital are to invest the capital in investments in order to achieve its investment objective while maintaining sufficient liquidity to meet the expenses of the Sub-Fund, and to meet redemption requests as they arise.

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

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

8. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

	2016 HKD	2015 HKD
Net assets attributable to unitholders (calculated in accordance with Explanatory Memorandum)	17,325,877	15,469,388
Adjustment for preliminary expenses	( 260,119)	(363,073)
Adjustment for amount due from the Manager	<u>-</u>	<u>337,972</u>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>17,065,758</u>	<u>15,444,287</u>
Net assets attributable to unitholders (per unit) (calculated in accordance with Explanatory Memorandum)	<u>8.8969</u>	<u>7.9436</u>
Net assets attributable to unitholders (per unit) (calculated in accordance with IFRSs)	<u>8.7634</u>	<u>7.9307</u>

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES

Investment in the Sub-Fund is subject to market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The performance of the Sub-Fund will be affected by a number of risk factors, including the following:

***Market risk***

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and indirectly observable variables such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation, etc., which may have significant impact on the value of the investments. Market movement may therefore result in substantial fluctuation in the net asset value of redeemable units of the Sub-Fund.

The maximum risk resulting from financial instruments equals their fair value.

The Sub-Fund assumes market risk in trading activities. The Sub-Fund distinguishes market risk as price risk, interest rate risk, and foreign exchange risk.

***Price risk***

The Sub-Fund's market price risk is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals. The table below summarises the overall market exposures of the Sub-Fund and the impact of increases/decreases from the Sub-Fund's financial assets at fair value through profit or loss on the Sub-Fund's net asset value as at 31 December 2016. The analysis is based on the assumption that the underlying investments in equity securities increased/decreased by a reasonable possible shift, with all other variables held constant.

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

**Market risk** (continued)

Price risk (continued)

However, this does not represent a prediction of the future movement in the corresponding key markets.

	Carrying value of financial assets at fair value through profit or loss HKD	% of net assets %	Shift in underlying securities increase/ (decrease) %	Estimated possible change in net asset value increase/ (decrease) HKD
31 December 2016				
Held-for-trading	15,857,506	93	5 (5)	792,875 (792,875)
31 December 2015				
Held-for-trading	11,250,488	73	5 (5)	562,524 (562,524)

Interest rate risk

Interest rate risk arises from the effects of fluctuations of markets interest rates on the fair value of interest-bearing assets and future cash flows.

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

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Sub-Fund holds assets and liabilities mainly denominated in HKD, the functional currency of the Sub-Fund. The Manager considers the Sub-Fund is not exposed to significant currency risk and therefore no sensitivity analysis is presented.

**Liquidity risk**

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

The Sub-Fund will focus on investing in the listed stocks in the Hong Kong Stock Exchange.

As at 31 December 2016, the Sub-Fund held liquid assets, comprising financial assets at fair value through profit or loss, cash and cash equivalents, and amounts due from the Manager that are expected to readily generate cash inflows for managing liquidity risk.

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

**Liquidity risk** (continued)

The following table summarises the maturity profile of the Sub-Fund's financial liabilities. The table also analyses the maturity profile of the Sub-Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Sub-Fund's contractual commitments and liquidity.

31 December 2016

	On demand HKD'000	Within 1 month HKD'000	Total HKD'000
Financial assets			
Financial assets at fair value			
through profit or loss	15,858	-	15,858
Cash and cash equivalents	1,336	-	1,336
Amounts due from the Manager	39	-	39
	<u>17,233</u>	<u>-</u>	<u>17,233</u>
Total financial assets	<u>17,233</u>	<u>-</u>	<u>17,233</u>
Financial liabilities			
Management fee payable	-	29	29
Trustee fee payable	-	20	20
Accrued expenses and other payables	-	118	118
	<u>-</u>	<u>167</u>	<u>167</u>
Total financial liabilities	<u>-</u>	<u>167</u>	<u>167</u>

31 December 2015

Financial assets			
Financial assets at fair value			
through profit or loss	11,250	-	11,250
Cash and cash equivalents	17,936	-	17,936
Amounts due from the Manager	327	-	327
	<u>29,513</u>	<u>-</u>	<u>29,513</u>
Total financial assets	<u>29,513</u>	<u>-</u>	<u>29,513</u>
Financial liabilities			
Trustee fee payable	-	20	20
Accrued expenses and other payables	-	576	576
Amounts due to brokers	-	1,530	1,530
Amount payable on redemption of units	-	11,943	11,943
	<u>-</u>	<u>14,069</u>	<u>14,069</u>
Total financial liabilities	<u>-</u>	<u>14,069</u>	<u>14,069</u>

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

***Credit and counterparty risk***

The Sub-Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

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

31 December 2016

	HKD	Credit rating	Source of credit rating
<u>Bank</u>			
Bank of China (Hong Kong) Limited	1,336,050	A	S&P
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	15,857,506	A	S&P

31 December 2015

	HKD	Credit rating	Source of credit rating
<u>Bank</u>			
Bank of China (Hong Kong) Limited	17,935,517	A	S&P
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	11,250,488	A	S&P

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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

Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the period between the Sub-Fund 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 the Manager's knowledge, the Sub-Fund does not have any other transactions with connected persons except for what is disclosed in note 4 to the financial statements and below.

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

Bank deposits and investments held by the Trustee's affiliates

The Sub-Fund's bank deposits and investments were held by the Trustee's affiliates, Bank of China (Hong Kong) Limited, with interest income amounted to HKD314 (for the period from 27 May 2015 (date of inception) to 31 December 2015: HKD251). Further details of the balances held are described in notes 6 and 7 to the financial statements.

Expenses borne by the Manager

The Explanatory Memorandum stated that it is the Manager's current intention to cap the ongoing charges of each class of Units of the Sub-Fund at 2.50% of the average net asset value published from 1 January 2016 to 31 December 2016 ("Average Net Asset Value") per unit of the Sub-Fund; any ongoing charges in excess of such figure as at the end of the reporting period will be borne by the Manager. The Manager has an absolute discretion to set the ongoing charges cap in respect of the units of the Sub-Fund at a rate below 2.50% of the Average Net Asset Value per unit.

The following amount of expenses incurred by the Sub-Fund were borne by the Manager for the year ended 31 December 2016 and for the period from 27 May 2015 (date of inception) to 31 December 2015.

For the year ended 31 December 2016

	Expenses incurred by the Sub-Fund HKD	Expenses borne by the Manager HKD	Expenses in the statement of comprehensive income HKD
Reimbursement of expenses by the Manager	<u>337,562</u>	<u>337,562</u>	<u>337,562</u>

For the period from 27 May 2015 (date of inception) to 31 December 2015

	Expenses incurred by the Sub-Fund HKD	Expenses borne by the Manager HKD	Expenses in the statement of comprehensive income HKD
Reimbursement of expenses by the Manager	<u>337,972</u>	<u>337,972</u>	<u>337,972</u>

As at 31 December 2016, the amount of reimbursement of expenses due from the Manager was HKD39,135 (2015: HKD327,257).

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

Holdings in the Sub-Fund

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund. The holdings in the Sub-Fund by the Manager and its connected persons as at 31 December 2016 and 31 December 2015 were as follows:

31 December 2016

	Units outstanding at 1 January 2016	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2016
Class I units	-	-	-	-

31 December 2015

	Units outstanding at 27 May 2015	Units subscribed during the period	Units redeemed during the period	Units outstanding at 31 December 2015
Class I units	1,500,000.00	-	1,500,000.00	-

11. SOFT COMMISSION ARRANGEMENTS

The Manager and its connected persons may enter into soft commission arrangements with brokers under which certain goods and services used to support investment decision making will be received. The Manager and its connected persons will not make direct payment for these services but will transact an agreed amount of business with the brokers on behalf of the Sub-Fund and commission will be paid on these transactions.

The goods and services must be of demonstrable benefit to the Sub-Fund and may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis and data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications.

Since the inception of the Sub-Fund, the Manager had not participated in any soft dollar arrangements in respect of any transactions for the accounts of the Sub-Fund.

12. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 24 April 2017.

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

INVESTMENT PORTFOLIO

31 December 2016

	Quantity	Fair Value (In HKD)	% of net assets
<b><u>LISTED SECURITIES</u></b>			
<b>Hong Kong</b>			
BEIJING ENTERPRISES HLDGS LTD	218,000	525,380	3.08
CHINA LONGYUAN POWER GROUP CORP LTD-H	198,000	1,199,880	7.03
CHINA MOBILE LTD	16,000	1,315,200	7.71
CHINA RAILWAY GROUP LTD-H	86,000	548,680	3.22
DONGFENG MOTOR GROUP CO LTD-H	146,000	1,105,220	6.48
FUYAO GLASS INDUSTRY GROUP CO LTD-H	4,000	96,200	0.56
GEELY AUTOMOBILE HLDGS LTD	25,000	185,250	1.09
GUANGDONG INVESTMENT LTD	92,000	942,080	5.52
HUANENG RENEWABLES CORP LTD-H	420,000	1,058,400	6.20
INDUSTRIAL & COMMERCIAL BK OF CHINA-H	117,000	544,050	3.19
LONGFOR PROPERTIES CO LTD	51,500	506,760	2.97
PICC PROPERTY & CASUALTY CO LTD-H	44,000	531,520	3.11
SIHUAN PHARMACEUTICAL HLDGS GROUP LTD	340,000	734,400	4.30
SINOPEC SHANGHAI PETROCHEMICAL CO LTD-H	250,000	1,050,000	6.15
SINOTRUK (HONG KONG) LTD	255,000	1,410,150	8.26
SSY GROUP LTD	454,000	1,121,380	6.57
WEICHAJ POWER CO LTD-H	114,000	1,361,160	7.98
YICHANG HEC CHANGJIANG PHARMACEUTICAL CO LTD-H	72,600	1,125,300	6.59
ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO LTD-H	145,600	496,496	2.91
<b>Total investment portfolio (cost: HKD15,480,487)</b>		15,857,506	92.92
<b>Other net assets</b>		1,208,252	7.08
<b>Total net assets</b>		17,065,758	100.00



CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

31 December 2016

	Movement in holdings				As at 31 December 2016
	As at 1 January 2016	Addition	Corporate actions	Disposal	
<b><u>SECURITIES</u></b>					
<b>Hong Kong</b>					
AIA GROUP LTD	18,800	-	-	(18,800)	-
BAIC MOTOR CORP LTD-H	-	49,500	-	(49,500)	-
BBMG CORP-H	-	2,000	2,000	(4,000)	-
BEIJING ENTERPRISES HLDGS LTD	17,000	-	-	(17,000)	-
BEIJING JINGNENG CLEAN ENERGY CO LTD-H	-	218,000	-	-	218,000
BYD ELECTRONIC (INTL) CO LTD	-	414,000	-	(414,000)	-
CANVEST ENVIRONMENT PROTECTION GROUP CO LTD	83,000	48,000	-	(131,000)	-
CGN NEW ENERGY HLDGS CO LTD	122,000	56,000	-	(178,000)	-
CHINA CONSTRUCTION BANK CORP-H	-	116,000	-	(116,000)	-
CHINA EVERBRIGHT LTD	-	44,000	-	(44,000)	-
CHINA INTL CAPITAL CORP LTD-H	84,400	-	-	(84,000)	-
CHINA LIFE INSURANCE CO LTD-H	4,000	15,000	-	(19,000)	-
CHINA LONGYUAN POWER GROUP CORP LTD-H	-	198,000	-	-	198,000
CHINA MACHINERY ENGINEERING CORP-H	108,000	81,000	-	(189,000)	-
CHINA MOBILE LTD	14,500	1,500	-	-	16,000
CHINA OVERSEAS LAND & INVESTMENT LTD	-	6,000	-	(6,000)	-
CHINA PACIFIC INSURANCE (GROUP) CO-H	11,000	-	-	(11,000)	-
CHINA RAILWAY GROUP LTD-H	-	86,000	-	-	86,000
CHINA SANJINAG FINE CHEMICALS CO LTD	-	514,000	-	(514,000)	-
CHINA TRADITIONAL CHINESE MEDICINE CO LTD	-	76,000	-	(76,000)	-
CRCC HIGH-TECH EQUIPMENT CORP LTD-H	32,000	75,000	-	(107,000)	-
CRRC CORP LTD-H	-	50,000	-	(50,000)	-
DONGFENG MOTOR GROUP CO LTD-H	-	186,000	-	(40,000)	146,000
DYNAGREEN ENVIRONMENTAL PROTECTION GROUP CO LTD-H	-	62,000	-	(62,000)	-
FUFENG GROUP LTD	-	353,000	-	(353,000)	-
FUYAO GLASS INDUSTRY GROUP CO LTD-H	-	23,600	-	19,600	4,000
GALAXY ENTERTAINMENT GROUP LTD	-	15,000	-	(15,000)	-
GCL POLY ENERGY HLDGS LTD	-	380,000	-	(380,000)	-
GEELY AUTOMOBILE HLDGS LTD	-	255,000	-	(230,000)	25,000
GREENLAND HONG KONG HLDGS LTD	116,000	-	-	(116,000)	-
GUANGDONG INVESTMENT LTD	62,000	70,000	-	(40,000)	92,000
GUANGZHOU AUTOMOBILE GROUP CO LTD-H	-	146,000	-	(146,000)	-

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (continued)

31 December 2016

	Movement in holdings				As at 31 December 2016
	As at 1 January 2016	Addition	Corporate actions	Disposal	
<b><u>SECURITIES</u></b>					
<b>Hong Kong</b>					
GUANGZHOU R&F PROPERTIES CO LTD-H	-	40,800	-	(40,800)	-
GUOTAI JUNAN INTL HLDGS LTD	-	103,000	-	(103,000)	-
HAITONG INTL SECURITIES GROUP LTD	-	62,000	-	(62,000)	-
HARBIN ELECTRIC CO LTD-H	-	82,000	-	(82,000)	-
HONG KONG EXCHANGES & CLEARING LTD	600	-	-	(600)	-
HUANENG POWER INTL INC-H	-	94,000	-	(94,000)	-
HUANENG RENEWABLES CORP LTD-H	170,000	1,008,000	-	(758,000)	420,000
IMAX CHINA HLDG INC	15,000	-	-	(15,000)	-
INDUSTRIAL & COMMERCIAL BK OF CHINA-H	-	287,000	-	(170,000)	117,000
INTIME RETAIL GROUP CO LTD	-	94,000	-	(94,000)	-
JIANGSU EXPRESSWAY CO LTD-H	-	46,000	-	(46,000)	-
KINGSOFT CORP LTD	-	25,000	-	(25,000)	-
LONGFOR PROPERTIES CO LTD	-	51,500	-	-	51,500
PICC PROPERTY & CASUALTY CO LTD-H	-	44,000	-	-	44,000
PING AN INSURANCE GROUP CO OF CHINA LTD-H	5,500	-	-	(5,500)	-
SANDS CHINA LTD	-	14,800	-	(14,800)	-
SEMICONDUCTOR MANUFACTURING INTL CORP	-	894,000	-	(894,000)	-
SHANGHAI HAOHAI BIOLOGICAL TECHNOLOGY CO LTD-H	-	3,100	-	(3,100)	-
SHANGHAI INDUSTRIAL HLDGS LTD	23,000	-	-	(23,000)	-
SIHUAN PHARMACEUTICAL HLDGS GROUP LTD	-	340,000	-	-	340,000
SINOPEC ENGINEERING (GROUP) CO LTD-H	18,500	141,000	-	(159,500)	-
SINOPEC SHANGHAI PETROCHEMICAL CO LTD-H	-	340,000	-	(90,000)	250,000
SINOSOFT TECHNOLOGY GROUP LTD	24,000	160,000	-	(184,000)	-
SINOTRUK (HONG KONG) LTD	-	255,000	-	-	255,000
SSY GROUP LTD	-	454,000	-	-	454,000
TECHNOVATOR INTL LTD	48,000	-	-	(48,000)	-
TENCENT HLDGS LTD	5,100	2,700	-	(7,800)	-
UNITED LABORATORIES LTD	-	222,000	-	(222,000)	-
WEICHAH POWER CO LTD-H	-	161,000	-	(47,000)	114,000
WULING MOTORS HLDGS LTD	170,000	-	-	(170,000)	-
XINYI GLASS HLDG CO LTD	80,000	84,000	-	(164,000)	-

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (continued)

31 December 2016

	Movement in holdings				As at 31 December 2016
	As at 1 January 2016	Addition	Corporate actions	Disposal	
<b><u>SECURITIES</u></b>					
<b>Hong Kong</b>					
YICHANG HEC CHANGJIANG PHARMACEUTICAL CO LTD-H	-	72,600	-	-	72,600
YUNNAN WATER INVESTMENT CO LTD-H	3,000	26,000	-	(29,000)	-
ZHEJIANG EXPRESSWAY CO LTD-H	-	58,000	-	(58,000)	-
ZHONGSHENG GROUP HLDGS LTD	156,000	-	-	(156,000)	-
ZHUZHOU CRRC TIMES ELECTRIC CO LTD-H	-	9,500	-	(9,500)	-
ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO LTD-H	-	145,600	-	-	145,600
Total investment portfolio	<u>1,391,400</u>	<u>8,861,200</u>	<u>2,000</u>	<u>(7,205,900)</u>	<u>3,048,700</u>

CHINAAMC SELECT CHINA NEW ECONOMY FUND  
(a sub-fund of ChinaAMC Select Fund)

PERFORMANCE TABLE

Net asset value attributable to unitholders

	Net assets value per unit HKD	Net assets attributable to unitholders HKD
31 December 2016	<u>8.7634</u>	<u>17,065,758</u>
31 December 2015	<u>7.9307</u>	<u>15,444,287</u>

Highest issue and lowest redemption prices per unit<sup>1</sup>

	Highest issue unit price HKD	Lowest redemption unit price HKD
Year ended 31 December 2016	<u>9.2263</u>	<u>6.6049</u>
Period from 27 May 2015 (date of inception) to 31 December 2015	<u>10.1937</u>	<u>6.5961</u>

<sup>1</sup> Past performance figures shown are not indicative of the future performance of the Sub-Fund.

