

ChinaAMC Select Fund  
**ChinaAMC Select RMB Bond Fund**

Annual Report

For the year ended 31<sup>st</sup> December 2013



ANNUAL REPORT

CHINAAMC SELECT RMB BOND 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 2013

CHINAAMC SELECT RMB BOND FUND  
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**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 RMB BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

ADMINISTRATION AND MANAGEMENT

**MANAGER**

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

**DIRECTORS OF THE MANAGER**

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

**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

**AUDITORS**

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  
Hong Kong

**RQFII LOCAL CUSTODIAN**

Bank of China Limited  
1 Fuxingmen Nei Dajie  
Beijing  
China

CHINAAMC SELECT RMB BOND FUND  
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## REPORT OF THE MANAGER TO THE UNITHOLDERS

### **Market Review and Fund Performance**

China onshore bond market remained upbeat in 1Q13 on the back of favorable liquidity conditions. Nonetheless, the market started softening since 2Q13 as episodes including crackdown on illegal trading activities and liquidity squeeze inflicted by the SHIBOR shock added volatility to the fixed income market.

Thanks to our prudent asset allocation strategy (investing in only fixed income instruments) and conservative approach in bond selection and duration management, our portfolio continued to deliver a stable return in the year amidst market jitters. As of the end of 2013, the Sub-Fund posted a return of 1.51%.

### **Market Outlook and Investment Strategy**

Looking into 2014, we expect the Chinese economy will stabilise at between 7-8% and CPI inflation will remain tepid. Since the government bond curve has already shifted up, we believe further upside of benchmark yield is rather limited. Meanwhile, credit spreads gradually widened to around historical mean. On the back of moderation of fundamental economy, PBoC may consider to adjust its monetary policy in the later part of the year. We currently see attractive risk/reward in quality bonds and will stick to our buy-and-hold strategy with a focus on high-grade issues. We will also closely monitor the overall credit risk in the market.

China Asset Management (Hong Kong) Limited  
16 April 2014

CHINAAMC SELECT RMB BOND 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 RMB Bond Fund (a sub-fund of ChinaAMC Select Fund) for the year ended 31 December 2013 in accordance with the provisions of the trust deed dated 12 January 2012, as amended.

On behalf of  
BOCI-Prudential Trustee Limited, the Trustee

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16 April 2014

## **Independent Auditors' Report**

To the Trustee and Manager of  
CHINAAMC SELECT RMB BOND FUND

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

We have audited the financial statements of ChinaAMC Select RMB Bond Fund (a sub-fund of ChinaAMC Select Fund (the "Trust") and referred to as the "Sub-Fund") set out on pages 6 to 30, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders, statement of cash flows and statement of distribution for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Trustee and the Manager of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Trustee and Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In addition, the Trustee and the Manager also have a responsibility to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 12 January 2012, as amended (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 of the SFC Code.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements that give a true and fair 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 Trustee and Manager of  
CHINAAMC SELECT RMB BOND 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**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2013, and of its financial performance and cash flows for the 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 accordance with the relevant disclosure provisions of the Trust Deed and the disclosure requirements specified in Appendix E of the SFC Code.

Hong Kong  
16 April 2014



CHINAAMC SELECT RMB BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	Year ended 31 December 2013 RMB	Period from 21 February 2012 (date of inception) to 31 December 2012 RMB
<b>INCOME</b>			
Dividend income		3,908,891	1,459,733
Interest income on financial assets at fair value through profit or loss		80,843,342	52,890,376
Interest income on bank deposits		363,612	1,436,666
Net (loss)/gain on financial assets at fair value through profit or loss		<u>( 36,067,511)</u>	<u>19,802,699</u>
		<u>49,048,334</u>	<u>75,589,474</u>
<b>EXPENSES</b>			
Management fee	4	( 19,058,732)	(13,086,943)
Trustee fee	4	( 1,922,839)	( 1,460,503)
Custodian fee	4	( 1,103,827)	( 847,158)
Auditors' remuneration		( 126,608)	( 138,567)
Preliminary expenses		( 339,297)	( 291,884)
Brokerage fees and other transaction costs		( 712,720)	( 1,391,157)
Other expenses		<u>( 443,063)</u>	<u>( 45,598)</u>
		<u>( 23,707,086)</u>	<u>(17,261,810)</u>
<b>PROFIT BEFORE TAX</b>		<u>25,341,248</u>	<u>58,327,664</u>
Withholding taxes	5	<u>( 5,723,458)</u>	<u>( 7,042,243)</u>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>19,617,790</u>	<u>51,285,421</u>

CHINAAMC SELECT RMB BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB	2012 RMB
<b>ASSETS</b>			
Cash and cash equivalents	8	56,592,666	59,656,935
Financial assets at fair value through profit or loss	7	1,386,796,917	1,127,178,945
Interest receivable		47,581,726	37,955,005
Subscription receivable		132,976	107,570
Other receivable		7,744	1,877
Other assets and prepayments		<u>1,022,471</u>	<u>800,488</u>
<b>TOTAL ASSETS</b>		<u><u>1,492,134,500</u></u>	<u><u>1,225,700,820</u></u>
<b>LIABILITIES</b>			
Redemption payable		26,454,701	7,098,728
Management fee payable	4	1,582,268	1,264,521
Trustee fee payable	4	158,371	141,770
Amounts due to broker	9	4,521,984	25,765,003
Accrued expenses and other payables		235,688	346,749
Tax payable	5	<u>12,015,341</u>	<u>7,005,617</u>
<b>TOTAL LIABILITIES</b>		<u><u>44,968,353</u></u>	<u><u>41,622,388</u></u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	10	<u><u>1,447,166,147</u></u>	<u><u>1,184,078,432</u></u>
<b>NUMBER OF UNITS IN ISSUE</b>		<u><u>145,007,798.41</u></u>	<u><u>115,989,139.2</u></u>
<b>NET ASSET VALUE PER UNIT</b>		<u><u>9.97</u></u>	<u><u>10.20</u></u>

.....  
Manager

.....  
Trustee

CHINAAMC SELECT RMB BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2013

	Number of Units	RMB
At 21 February 2012 (date of inception)	-	-
Subscription of units	149,728,121.32	1,500,839,590
Redemption of units	( 33,738,982.12)	( 342,121,195)
Increase in net assets attributable to unitholders	-	51,285,421
Distribution to unitholders	<u>-</u>	<u>( 25,925,384)</u>
At 31 December 2012	115,989,139.20	1,184,078,432
Subscription of units	89,441,992.96	930,009,213
Redemption of units	( 60,423,333.75)	( 622,266,962)
Increase in net assets attributable to unitholders	-	19,617,790
Distribution to unitholders	<u>-</u>	<u>( 64,272,326)</u>
At 31 December 2013	<u>145,007,798.41</u>	<u>1,447,166,147</u>

CHINAAMC SELECT RMB BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	Year ended 31 December 2013 RMB	Period from 21 February 2012 (date of inception) to 31 December 2012 RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		25,341,248	58,327,664
Adjustment for:			
Net loss/(gain) on financial assets at fair value through profit or loss		36,067,511	( 19,802,699)
Purchase of financial assets at fair value through profit or loss		(2,441,044,527)	(3,308,255,075)
Proceeds from sale of financial assets at fair value through profit or loss		2,124,116,025	2,226,643,832
Increase in interest receivable		( 9,626,721)	( 37,955,005)
Increase in other assets and prepayments		( 221,983)	( 800,488)
Increase in other receivable		( 5,867)	( 1,877)
Increase in management fee payable		317,747	1,264,521
Increase in trustee fee payable		16,601	141,770
(Decrease)/increase in accrued expenses and other payables		( 111,061)	346,749
Cash used in operations		( 265,151,027)	(1,080,090,608)
Tax paid		( 713,734)	( 36,626)
Net cash flows used in operating activities		<u>( 265,864,761)</u>	<u>(1,080,127,234)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of units		929,983,807	1,500,732,020
Payments for redemption of units		( 602,910,989)	( 335,022,467)
Distribution to unitholders		( 64,272,326)	( 25,925,384)
Net cash flows generated from financing activities		<u>262,800,492</u>	<u>1,139,784,169</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year/period		59,656,935	-
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>56,592,666</u>	<u>59,656,935</u>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash at banks	8	<u>56,592,666</u>	<u>59,656,935</u>
Net cash used in operating activities includes:			
Dividend received net of withholding tax		3,908,891	1,459,733
Interest income on bank deposits		363,612	1,436,666
Interest income received on financial assets at fair value through profit or loss		80,843,342	14,935,371

CHINAAMC SELECT RMB BOND FUND  
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STATEMENT OF DISTRIBUTION

Year ended 31 December 2013

	Note	RMB
Total comprehensive income for the period		51,285,421
Less: Net change in unrealised gain on financial assets at fair value through profit or loss		<u>( 7,702,454)</u>
Undistributed income before distribution for the period		43,582,967
Interim distribution distributed on 11 June 2012 (RMB0.02 per unit)	6	( 2,401,522)
Final distribution distributed on 11 December 2012 (RMB0.20 per unit)	6	(23,523,862)
Transfer to undistributed net distributable income reserve		<u>(17,657,583)</u>
Undistributed income at 31 December 2012		<u><u>-</u></u>
Total comprehensive income for the year		19,617,790
Less: Net change in unrealised loss on financial assets at fair value through profit or loss		<u>38,163,952</u>
Undistributed income before distribution for the year		57,781,742
Interim distribution distributed on 11 June 2013 (RMB0.19 per unit)	6	( 32,449,154)
Final distribution distributed on 10 December 2013 (RMB0.21 per unit)	6	( 31,823,172)
Transfer from undistributed net distributable income reserve		<u>6,490,584</u>
Undistributed income at 31 December 2013		<u><u>-</u></u>

CHINAAMC SELECT RMB BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 (the "Trust Deed").

ChinaAMC Select RMB Bond 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 and incepted on 21 February 2012. As at 31 December 2013, there are two other sub-funds established under the Trust, namely ChinaAMC Select RMB Short-term Bond Fund, and ChinaAMC Select Hong Kong China Equity Fund. ChinaAMC Select RMB Short-term Bond Fund has been launched on 27 February 2014, and ChinaAMC Select Hong Kong China Equity Fund has not been launched.

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") and the Renminbi Qualified Foreign Institutional Investors (the "RQFII") local custodian is Bank of China Limited (the "RQFII Local Custodian"). As at 31 December 2013, the approved RQFII quota by the State Administration of Foreign Exchange ("SAFE") was RMB2.8 billion (2012: RMB2 billion).

The investment objective of the Sub-Fund is to achieve capital appreciation and income generation by primarily (i.e. not less than 80% of its net assets) investing in People's Republic of China ("PRC") Renminbi ("RMB") fixed income securities.

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 RMB and all values are rounded to the nearest RMB except where otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of amendments to IAS 1, and certain amendments included in Annual Improvements 2009-2011 Cycle, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised as follows:

- (a) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Sub-Fund.
- (b) Annual Improvements 2009-2011 Cycle issued in May 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Sub-Fund.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> No mandatory effective date yet determined but is available for adoption

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

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

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

2.4 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, collective investment scheme and debt instruments. 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.

**(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.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

**(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 7 to the financial statements.

Impairment of financial assets

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

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

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

Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency

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

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/loss 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 holders of redeemable units

The Sub-Fund issues redeemable units, namely Class A units and Class I units, which are redeemable at the unitholder's option and are classified as financial liabilities.

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 holders of redeemable units 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 assets attributable to holders of redeemable units per unit at the time of issue or redemption. The Sub-Fund's net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders by the number of units in issue.

Redeemable units

Redeemable units are redeemable at the unitholders' option and are classified as financial liabilities.

The Sub-Fund's net asset value per unit is calculated by dividing its distributable income to unitholders by the number of units in issue.

The Sub-Fund's redeemable units do not meet the definition of puttable instruments classified as equity instruments under the revised IAS 32 and are classified as financial liabilities.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

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

Upon issuance of shares, the consideration received is included in equity.

Transaction costs incurred by the Sub-Fund in issuing or its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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

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. No distribution will be paid out of the Sub-Fund's capital.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and demand deposits and short term deposit in banks with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and 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/loss 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.

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

Taxes

In some jurisdiction, 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.

Amounts due to 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

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

*Going concern*

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

*Taxation*

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

Under PRC laws and regulations, foreign investors (such as a Sub-Fund) may be subject to 10% withholding tax on income (such as dividends on, or interest income from, such investments, as the case may be) imposed in the PRC. To date, PRC withholding tax has been enforced on dividend payments from PRC securities; as well as, interest from PRC bonds. Currently, in practice, the imposition of withholding tax by the PRC tax authorities on gains derived from the disposal may not subject to withholding tax. In view of the potential liability, the Sub-Fund will elect to withhold a 10% for tax provisions on any gains derived from the disposal of PRC securities and/or PRC bonds, and interest from PRC bonds (other than interest from government bonds), and dividend from PRC securities, to provide for possible tax costs to be incurred when a gain is crystallised.

4. FEES

Management fee

The Manager is entitled to receive a management fee from the Sub-Fund, at a rate of 1.25% (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 2013 was RMB19,058,732 (Period ended 31 December 2012: RMB13,086,943). As at 31 December 2013, management fee of RMB1,582,268 (2012: RMB1,264,521) was payable to the Manager.

Trustee fee

The Trustee is entitled to receive a trustee fee from the Sub-Fund, at current rates ranging from 0.11% to 0.15% (with a maximum of 0.5%) based on the net asset value, subject to minimum monthly fee of RMB40,000 and accrued on each dealing day and is paid monthly in arrears.

The trustee fee for the year ended 31 December 2013 was RMB1,922,839 (Period ended 31 December 2012: RMB1,460,503). As at 31 December 2013, trustee fee of RMB158,371 (2012: RMB141,770) was payable to the Trustee.

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4. FEES (continued)

Custodian and RQFII Local Custodian fee

The Custodian and RQFII Local Custodian are entitled to receive custodian fees from the Sub-Fund, at a current rate of 0.072% (up to a maximum of 0.3%) per annum, calculated monthly and is paid monthly in arrears.

The custodian fees for the year ended 31 December 2013 were RMB1,103,827 (Period ended 31 December 2012: RMB847,158). As at 31 December 2013, no amount was payable to the Custodian and the RQFII Local Custodian (2012: Nil).

5. WITHHOLDING TAXES

PRC Tax

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

*Capital Gains Tax*

Specific rules governing taxes on RQFII capital gains derived from trading of PRC securities have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the Corporate Income Tax Law, which stipulates a 10% tax on a withholding basis for capital gains derived on disposal of PRC securities. Therefore, in light of the potential liability, the Sub-Fund has elected to withhold a 10% tax provision on capital gains of PRC securities. The capital gains tax for the year ended 31 December 2013 was RMB1,179,325 (Period ended 31 December 2012: RMB2,993,947).

*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 for the year ended 31 December 2013 was RMB4,544,133 (Period ended 31 December 2012: RMB4,048,296).

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6. DISTRIBUTION

	2013 RMB
Interim distribution on 11 June 2013 (RMB0.19 per unit)	32,449,154
Final distribution on 10 December 2013 (RMB0.21 per unit)	<u>31,823,172</u>
	<u>64,272,326</u>
	2012 RMB
Interim distribution on 11 June 2012 (RMB0.02 per unit)	2,401,522
Final distribution on 11 December 2012 (RMB0.20 per unit)	<u>23,523,862</u>
	<u>25,925,384</u>

On 4 June 2013, the Manager declared on behalf of the Sub-Fund to distribute interim distribution of RMB32,449,154 at RMB0.19 per unit. The interim distribution was paid on 11 June 2013.

On 3 December 2013, the Manager declared on behalf of the Sub-Fund to distribute final distribution of RMB31,823,172 at RMB0.21 per unit. The final distribution was paid on 10 December 2013.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 RMB	2012 RMB
Held for trading		
- debt securities	1,274,628,988	1,062,855,947
- collective investment scheme	<u>112,167,929</u>	<u>64,322,998</u>
Total financial assets at fair value through profit or loss	<u>1,386,796,917</u>	<u>1,127,178,945</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's 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 within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

The Sub-Fund 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.



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

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 price recorded by the Trustee was based on the quote announced by the China Central Depository & Clearing Co. Ltd (the "CCDC"), being similar to a central clearing house in Hong Kong). The CCDC was the only available pricing source for investments issued within Mainland China and adjusted the daily closing price, where appropriate, based on the trading volume during the day and might not reflect the actual last traded price.

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 2013, the Sub-Fund invested in debt securities and collective investment scheme and categories the investments within Level 2. No Level 1 and Level 3 investments were categorized by the Sub-Fund during the year.

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 judgment by the Sub-Fund. The Sub-Fund 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.

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

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2013.

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets held for trading:				
- Debt securities	-	1,274,628,988	-	1,274,628,988
- Collective investment scheme	-	112,167,929	-	112,167,929
	<u>-</u>	<u>1,386,796,917</u>	<u>-</u>	<u>1,386,796,917</u>

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2012.

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets held for trading:				
- Debt securities	-	1,062,855,947	-	1,062,855,947
- Collective investment scheme	-	64,322,998	-	64,322,998
	<u>-</u>	<u>1,127,178,945</u>	<u>-</u>	<u>1,127,178,945</u>

There are no investments classified within Level 1 and Level 3 and no transfers between levels for the year ended 31 December 2013 (2012: Nil).

A detailed portfolio listing is set out from page 44 to 49.

8. CASH AND CASH EQUIVALENTS

	2013 RMB	2012 RMB
Cash at banks	<u>56,592,666</u>	<u>59,656,935</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, being held in an interest bearing account. The bank balances are deposited with creditworthy banks with no recent history of default.

9. AMOUNTS DUE TO BROKER

	2013 RMB	2012 RMB
Payables for securities purchased but not yet settled	<u>4,521,984</u>	<u>25,765,003</u>

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10. 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 of the Sub-Fund's 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.

11. 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 2013. The analysis is based on the assumption that the underlying investments in debt securities increased/decreased by a reasonable possible shift, with all other variables held constant. However, this does not represent a prediction of the future movement in the corresponding key markets.

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

**Market risk** (continued)

Price risk (continued)

	Carrying value of financial assets at fair value through profit or loss RMB	% of net assets %	Shift in underlying securities % +/-	Estimated possible change in net asset value RMB +/-
As at 31 December 2013				
Held-for-trading	1,386,796,917	96	1	13,867,969
As at 31 December 2012				
Held-for-trading	1,127,178,945	95	1	11,271,789

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.

As the Sub-Fund has invested in debt securities whose values are driven significantly by changes in interest rates, the Sub-Fund is subject to interest rate risk. When interest rates rise, the value of previously acquired debt securities will normally fall because new debt securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired debt securities will normally rise. The Manager regularly assesses the economic condition and monitor changes in interest rates outlook to control the impact of interest rate risk. In a rising interest rate environment, the Sub-Fund will acquire debts with a shorter maturity profile to minimise the negative impact to the portfolio.

The majority of interest rate exposure arises on investments in debt securities. Most of the Sub-Fund's investments in debt securities carry fixed interest rates and mature within nine years.

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the year/period to a reasonably possible change in interest rates, with all other variables held constant.

	Change in basis points	Sensitivity of interest income increase/(decrease) RMB	Sensitivity of Change in fair value of investments increase/(decrease) RMB
As at 31 December 2013			
- Debt securities	25	141,797	9,258,167
As at 31 December 2012			
- Debt securities	25	208,537	11,347,831

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

***Market risk (continued)***

*Interest rate risk (continued)*

The Sub-Fund also has interest-bearing bank deposits. As the bank deposits have maturity dates within three months, the Manager considers the movement in interest rates will not have significant cash flow impact on the daily net assets attributable to unitholders as at 31 December 2013 and therefore no sensitivity analysis on bank deposit 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 RMB, 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 PRC bond market, which is currently comprised of three markets: the interbank market, the exchange market and the book-entry market trading over-the-counter at commercial banks. The People's Bank of China oversees the interbank market and the over-the-counter market whereas the China Securities Regulatory Commission is responsible for supervising the exchange market in relation to bond transactions.

The RMB denominated bond market is at a developing stage and the market capitalisation and trading volume may be lower than those of the more developed markets. Market volatility and potential lack of liquidity due to low trading volume in the RMB denominated bond market may result in prices of bonds traded on such markets fluctuating significantly and may increase the volatility of the Sub-Fund's net asset value.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

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.

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

**Liquidity risk** (continued)

As at 31 December 2013

	On demand RMB'000	Within 1 month RMB'000	1 month to 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
<b>Financial assets</b>					
Cash and cash equivalents	56,593	-	-	-	56,593
Financial assets at fair value through profit or loss	-	-	1,386,797	-	1,386,797
Interest receivable on financial assets	-	-	47,582	-	47,582
Subscription receivable	-	133	-	-	133
Other receivable	-	-	8	-	8
Financial assets in other assets and prepayments	-	-	-	560	560
<b>Total financial assets</b>	<b>56,593</b>	<b>133</b>	<b>1,434,387</b>	<b>560</b>	<b>1,491,673</b>
<b>Financial liabilities</b>					
Redemption proceeds payable	-	26,455	-	-	26,455
Management fee payable	-	1,582	-	-	1,582
Trustee fee payable	-	158	-	-	158
Accrued expenses and other payables	-	104	132	-	236
Amounts due to broker	-	4,522	-	-	4,522
Net assets attributable to unitholders*	1,447,166	-	-	-	1,447,166
<b>Total financial liabilities</b>	<b>1,447,166</b>	<b>32,821</b>	<b>132</b>	<b>-</b>	<b>1,480,119</b>

\*Subject to redemption terms of the Sub-Fund.

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

**Liquidity risk** (continued)

As at 31 December 2012

	On demand RMB'000	Within 1 month RMB'000	1 month to 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
<b>Financial assets</b>					
Cash and cash equivalents	59,657	-	-	-	59,657
Financial assets at fair value through profit or loss	-	-	1,127,179	-	1,127,179
Interest receivable on financial assets	-	-	37,955	-	37,955
Subscription receivable	-	108	-	-	108
Other receivable	-	-	2	-	2
Financial assets in other assets and prepayments	-	-	-	336	336
Total financial assets	<u>59,657</u>	<u>108</u>	<u>1,165,136</u>	<u>336</u>	<u>1,225,237</u>
<b>Financial liabilities</b>					
Redemption proceeds payable	-	7,099	-	-	7,099
Management fee payable	-	1,265	-	-	1,265
Trustee fee payable	-	142	-	-	142
Accrued expenses and other payables	-	201	146	-	347
Amounts due to broker	-	25,765	-	-	25,765
Net assets attributable to unitholders*	<u>1,184,078</u>	-	-	-	<u>1,184,078</u>
Total financial liabilities	<u>1,184,078</u>	<u>34,472</u>	<u>146</u>	<u>-</u>	<u>1,218,696</u>

\*Subject to redemption terms of the Sub-Fund.

**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.

The Sub-Fund invested in PRC RMB fixed income securities issued by corporations that carry a credit rating grade of at least BBB-/Baa3 or equivalent assigned by one of the local rating agencies recognised by the relevant authorities in the PRC. If the issuer of any of the fixed interest securities in which the Sub-Fund's assets are invested defaults, the performance of the Sub-Fund will be adversely affected.

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.

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

***Credit and counterparty risk*** (continued)

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

<u>As at 31 December 2013</u>	RMB	Credit rating	Source of credit rating
<u>Banks</u>			
Bank of China (Hong Kong) Limited	25,252,435	A	S&P
Bank of China Limited	31,340,231	A	S&P
<u>RQFII Local Custodian</u>			
Bank of China Limited	1,386,796,917	A	S&P
<u>As at 31 December 2012</u>			
<u>Banks</u>			
Bank of China (Hong Kong) Limited	10,033,485	A	S&P
Bank of China Limited	49,623,450	A	S&P
<u>RQFII Local Custodian</u>			
Bank of China Limited	1,127,178,945	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.

12. 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.

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 and Bank of China Limited, with interest income amounted to RMB363,612 (2012: RMB394,575). Further details of the balances held are described in note 8 to the financial statements.



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13. 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.

14. EVENTS AFTER THE REPORTING PERIOD

During the period between the year end and the date of authorisation of these financial statements, Class A of the Sub-Fund has a total subsequent subscription and redemption of RMB8,019,128 and RMB286,079,270, respectively. In addition, Class I of the Sub-Fund has been launched in March 2014 with subsequent subscription of RMB10,000,000.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 16 April 2014.

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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposals	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<i>China</i>					
Agricultural Development Bank Of China Co Ltd 3.37% A 20-Dec-2013	-	10,000,000	(10,000,000)	-	-
Anshan City Construction Investment Development Co Ltd 6.39% A 25- Apr-2020	-	5,000,000	-	-	5,000,000
Anyang Iron & Steel Co Ltd 6.87% A 11-Nov-2018	5,000,000	-	( 5,000,000)	-	-
Bank Of China Ltd Cb 1.40% A 2-Jun- 2016	-	79,000,000	(79,000,000)	-	-
Baoji Investment Group Co Ltd 7.14% A 26-Dec-2018	1,000,000	-	( 1,000,000)	-	-
Beijing Kangde Xin Composite Material Co Ltd 5.90% A 14-Dec-2017	-	5,000,000	-	-	5,000,000
Beijing Urban Construction Investment & Development Co Ltd 6.80% A 28- Sep-2016	-	26,655,000	-	-	26,655,000
Changsha High Technology Development Corp 7.30% A 22-Nov- 2017	5,000,000	-	-	-	5,000,000
Changzhi City Construction Investment & Development Co Ltd 6.46% A 26- Feb-2020	-	2,000,000	( 2,000,000)	-	-
Chengdu Dr Peng Telecom & Media Group Co Ltd 7.50% A 12-Mar-2017	-	5,000,000	( 5,000,000)	-	-
Chengdu Xincheng Xicheng Real Estate Development Center 8.35% A 19- Mar-2019	-	12,650,000	-	-	12,650,000
China Dev Bk 3.32% A 10-Jan-2014	-	80,000,000	(80,000,000)	-	-
China Development Bank Corp 4.58% A 29-Aug-2018	-	40,000,000	(40,000,000)	-	-

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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (CONTINUED)

31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
China Enterprise 7.10% A 27-Oct-2014	-	5,000,000	-	-	5,000,000
China First Heavy Industries Co Ltd 5.14% A 20-Dec-2016	-	13,001,000	-	-	13,001,000
China Galaxy Securities Co Ltd 3.58% A 11-Jul-2013	-	70,000,000	(70,000,000)	-	-
China Ministry Of Railways 3.69% A 18- May-2013	-	40,000,000	(40,000,000)	-	-
China National Petroleum Corp 4.47% A 22-Feb-2018	-	30,000,000	(30,000,000)	-	-
China National Petroleum Corp 4.54% A 11-Jan-2019	20,000,000	-	(20,000,000)	-	-
China Petroleum & Chem Cb 1.00% A 23-Feb-2017	-	75,911,000	(75,911,000)	-	-
China Triumph International Engineering Co Ltd 4.50% A 24-Apr-2014	-	30,000,000	-	-	30,000,000
Chint Group Corp Ltd 5.80% A 12-Dec- 2015	-	20,000,000	-	-	20,000,000
Chongqing Iron & Steel Co Ltd 6.20% A 9-Dec-2017	4,000,000	-	-	-	4,000,000
Chongqing Yunan Asset Management Co Ltd 8.40% A 23-Mar-2019	-	5,998,000	( 5,998,000)	-	-
Chuzhou City Construction Investment Co Ltd 6.81% A 23-Nov-2019	12,000,000	-	(12,000,000)	-	-
Danyang Investment Group Co Ltd 8.10% A 6-Mar-2019	30,000,000	-	-	-	30,000,000
Deyang City Construction Investment Co Ltd 6.99% A 26-Dec-2019	10,000,000	-	(10,000,000)	-	-

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31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
Foshan Public Utilities Hldg Co Ltd 4.27% A 4-Jun-2014	-	30,000,000	-	-	30,000,000
Fujian Nanping Highway Co Ltd 6.69% A 28-Jan-2020	-	6,000,000	( 6,000,000)	-	-
Fushun Urban Investment & Development Co Ltd 8.53% A 22- Mar-2022	20,000,000	20,000,000	(40,000,000)	-	-
Gansu Jiu Steel Group Hongxing Iron & Steel Co Ltd 5.40% A 19-Mar-2015	-	15,000,000	-	-	15,000,000
GD Power Development Co Ltd Cb 1.00% A 19-Aug-2017	-	26,000,000	(26,000,000)	-	-
Guangxi Laibinshi Constrction Development Investment Co Ltd 8.36% A 14-Mar-2019	-	20,043,000	-	-	20,043,000
Guangxi Liugong Group Co Ltd 4.26% A 27-May-2014	-	20,000,000	-	-	20,000,000
Guizhou Railway Investment Co Ltd 7.20% A 27-Mar-2022	40,000,000	40,000,000	(40,000,000)	-	40,000,000
Hainan Meilan Intl Airport Co Ltd 7.80% A 15-Mar-2019	-	19,800,000	( 9,958,000)	-	9,842,000
Handan Communications Construction Co Ltd 4.47% A 13-Mar-2014	-	10,000,000	-	-	10,000,000
Hangzhou High-Tech Industrial Development Zone Assets Operation Co Ltd 6.45% A 28-Jan-2020	-	10,000,000	(10,000,000)	-	-
Hanzhong City Construction Investment & Developmen Co Ltd 7.48% A 14- Mar-2018	51,979,000	23,640,000	(51,000,000)	-	24,619,000
Harbin City Planning Investment Group Co Ltd 7.08% A 12-Mar-2019	50,000,000	-	-	-	50,000,000
Henan Province Zhengzhou New District Construction Investment 8.10% A 14-Mar-2019	20,000,000	-	( 5,000,000)	-	15,000,000

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31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
Heyuan City Urban Development Investment Co Ltd 6.55% A 19-Mar- 2020	-	7,000,000	-	-	7,000,000
Hongdou Group Co Ltd 4.97% A 23- May-2015	20,000,000	-	(20,000,000)	-	-
Honghezhou Road Development Operation Co Ltd 6.27% A 6-May- 2020	-	30,000,000	( 2,070,000)	-	27,930,000
Huadian Coal Industry Group Co Ltd 4.31% A 7-May-2014	-	10,000,000	(10,000,000)	-	-
Huafeng Group Co Ltd 6.85% A 26- Feb-2020	-	10,000,000	(10,000,000)	-	-
Huaian City Urban Asset Operation Co Ltd 6.87% A 26-Dec-2019	4,000,000	-	( 4,000,000)	-	-
Hunan Provincial Expressway Construction Group 4.45% A 22- Feb-2014	-	20,000,000	-	-	20,000,000
Hunan Provincial Expressway Construction Group 5.50% A 21- Dec-2013	30,000,000	-	(30,000,000)	-	-
Hunan Provincial Expressway Construction Group 6.00% A 10- May-2013	30,000,000	-	(30,000,000)	-	-
Industrial & Commercial Bank Of China Cb 1.10% A 31-Aug-2016	-	90,000,000	(90,000,000)	-	-
Inner Mongolia Jitong Railway Group Co Ltd 5.21% A 12-Dec-2013	-	10,000,000	(10,000,000)	-	-
Jiangsu Nongken Group Co Ltd 5.27% A 27-Mar-2013	-	20,000,000	(20,000,000)	-	-
Jiangxi Wannianqing Cement Co Ltd 7.05% A 18- Oct-2017	3,500,000	20,100,000	-	-	23,600,000
Jidong Development Group Co Ltd 6.30% A 13-Sep-2019	4,000,000	-	( 4,000,000)	-	-
Jiujiang City Construction Investment Co Ltd 7.10% A 18-Dec-2016	3,800,000	-	-	-	3,800,000

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	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
Kangmei Pharmaceutical Co Ltd 0.80% A 8-May-2014	-	5,000,000	-	-	5,000,000
Kunming City Construction Investment & Development Co Ltd 7.60% A 13- Apr-2018	-	30,000,000	(30,000,000)	-	-
Kunming City Construction Investment & Development Co Ltd 7.60% A 13- Apr-2018	30,000,000	30,000,000	(60,000,000)	-	-
Kunming Dianchi Investment Co Ltd 5.90% A 27-Apr-2015	-	3,700,000	-	-	3,700,000
Kunming Dianchi Investment Co Ltd 6.50% A 1-Feb-2020	-	5,000,000	( 5,000,000)	-	-
Kunming Dianchi Investment Co Ltd 6.50% A 1-Feb-2020	-	5,000,000	( 5,000,000)	-	-
Lanzhou City Development Investment Co Ltd 8.20% A 15-Dec-2018	79,355,000	112,645,000	(98,292,000)	-	93,708,000
Liaoning Huajin Tongda Chemicals Co Ltd 5.60% A 9-Nov-2017	-	1,000,000	-	-	1,000,000
Liupanshui Development Investment Co Ltd 6.97% A 3-Dec-2019	40,000,000	-	(40,000,000)	-	-
Longyan Industry & Trade Development Group Co Ltd 6.08% A 11-Mar-2021	-	30,000,000	(30,000,000)	-	-
Luoyang City Development Investment Group Co Ltd 6.89% A 31-Dec-2019	-	4,000,000	( 4,000,000)	-	-
Luxin Venture Capital Group Co Ltd 6.50% A 25-Apr-2017	10,000,000	-	(10,000,000)	-	-
Luzhou Xinglu Touzi Jituan 6.39% A 1- Mar-2021	-	300,000	-	-	300,000
Nanchang City Construction Investment Development 6.13% A 30-Apr-2017	-	100,000	-	-	100,000
Nanjing Urban Construction Investment Hldg Group Co Ltd 3.96% A 27-Feb- 2014	-	20,000,000	-	-	20,000,000

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	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
Ningxia Communications Investment Corp 6.10% A 27-Apr-2021	-	100,000	-	-	100,000
Northeast Pharmaceutical Group Co Ltd 7.05% A 2-Nov-2014	-	9,370,000	-	-	9,370,000
Qidong State-Owned Assets Investment Hldg Co Ltd 7.30% A 20-Nov-2022	8,000,000	-	( 8,000,000)	-	-
Sainty Marine Co Ltd 6.60% A 18-Sep- 2019	-	9,000,000	-	-	9,000,000
Shandong Bohui Paper Industrial Co Ltd Cb 2.00% A 23-Sep-2014	5,451,000	-	( 5,451,000)	-	-
Shandong Nanshan Aluminum Co Ltd Cb 3.50% A 16-Oct-2018	-	15,000,000	(15,000,000)	-	-
Shanghai Electric Group Corp 4.39% A 10-Oct-2013	30,000,000	-	(30,000,000)	-	-
Shanghai Forte Land Co 7.30% A 22- Sep-2014	-	15,000,000	-	-	15,000,000
Shanghai Meishan Iron & Steel Stock Co Ltd 4.83% A 5-Nov-2013	20,000,000	-	(20,000,000)	-	-
Shanghai Waigaoqiao Group Co Ltd 4.39% A 29-Mar-2014	-	10,000,000	-	-	10,000,000
Shanghai Wanye Enterprises Co Ltd 7.30% A 17-Sep-2014	-	26,352,000	(13,340,000)	-	13,012,000
Shangyu Communications Investment Corp 6.70% A 11-Sep-2019	-	811,000	( 811,000)	-	-
Shanxi Road&Bridge Construction Group Co Ltd 4.60% A 29-Jun-2013	-	70,000,000	(70,000,000)	-	-
Shenzhen Guangqian Power Co Ltd 4.52% A 22-Mar-2014	-	20,000,000	-	-	20,000,000

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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (CONTINUED)

31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
Shijiazhuang Gaoxin Technology Industry Development Zone Sme Bond 7.20% A 13-Dec-2018	6,000,000	-	-	-	6,000,000
Shuangyashan Dadi City Construction Development Investment Co Ltd 6.55% A 25-Dec-2019	-	20,000,000	(20,000,000)	-	-
Sichuan Chuantou Energy Co Ltd Cb 0.90% A 21-Mar-2017	-	2,000,000	( 2,000,000)	-	-
Sichuan Railway Investment Group Co Ltd 4.25% A 21-May-2014	-	30,000,000	-	-	30,000,000
Sichuan Railway Investment Group Co Ltd 4.33% A 8-Apr-2014	-	70,000,000	-	-	70,000,000
Sinovel Wind Group Co Ltd 6.00% A 27- Dec-2016	-	25,799,000	(25,799,000)	-	-
South Cement Co Ltd 4.66% A 21-Jan- 2014	-	10,000,000	(10,000,000)	-	-
Suqian Water Construction Investment Co Ltd 6.55% A 4-Dec-2019	2,000,000	-	( 2,000,000)	-	-
Third Qinshan Nuclear Power Co Ltd 4.27% A 10-May-2014	-	10,000,000	(10,000,000)	-	-
Tianjin Pipe Group Corp 4.50% A 25- Apr-2014	-	40,000,000	-	-	40,000,000
Tianjing Hanbin Investment Co Ltd 8.39% A 22-Mar-2019	30,000,000	30,000,000	(30,000,000)	-	30,000,000
Tongchuan Development Investment Co Ltd 7.50% A 17-Jul-2019	20,000,000	20,000,000	(40,000,000)	-	-
Tongling City Construction Investment & Development Co 6.95% A 10-Mar- 2015	5,005,000	14,255,000	(15,000,000)	-	4,260,000
Tsinghua Hldgs Co Ltd 4.78% A 19- May-2016	-	500,000	-	-	500,000
Wafangdian State-Owned Asset Operation Management Center 8.55% A 19-Apr-2019	10,000,000	-	(10,000,000)	-	-



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31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
Wanxiang Qianchao Co Ltd 6.00% A 25-Apr-2017	-	57,562,000	-	-	57,562,000
Weinan City Construction Investment & Development Co Ltd 6.00% A 8- Jun-2017	15,000,000	-	-	-	15,000,000
Weinan City Construction Investment & Development Co Ltd 6.50% A 8- Jun-2018	10,000,000	-	-	-	10,000,000
Wenzhou Anjufang City Development Co Ltd 7.65% A 24-Apr-2019	50,000,000	-	-	-	50,000,000
Wuhu Xinma Investment Co Ltd 7.18% A 14-Nov-2019	5,000,000	-	( 5,000,000)	-	-
Wumart Stores Inc 5.88% A 1-Mar- 2013	10,000,000	-	(10,000,000)	-	-
Xiamen Water Group Co Ltd 4.87% A 13-May-2016	-	20,000,000	-	-	20,000,000
Xian Chanbahe Development Co Ltd 6.89% A 3-Aug-2019	10,000,000	10,000,000	(10,000,000)	-	10,000,000
Xining City Investment Management Co Ltd 7.70% A 27-Apr-2019	80,000,000	-	-	-	80,000,000
Xinjiang Production & Construction Group State-Owned Assets Management & Operation 4.87% A 5-Dec-2013	10,000,000	-	(10,000,000)	-	-
Xinjiang Zhongtai Chemical Group Co Ltd 7.30% A 3-Nov-2018	-	1,300,000	( 1,300,000)	-	-
Xiwang Group Co Ltd 6.14% A 22-Feb- 2013	20,000,000	-	-	(20,000,000)	-
Yanan City Construction Investment & Development Co Ltd 7.05% A 8- Feb-2017	30,000,000	30,000,000	(30,000,000)	-	30,000,000
Yancheng City Chengnan New District Development 6.93% A 26-Oct-2019	1,000,000	-	( 1,000,000)	-	-

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31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
Yancheng City Urban Assets Operation Co Ltd 5.80% A 16-Dec-2016	4,000,000	-	-	-	4,000,000
Yangling Modern Agriculture Development Co Ltd 7.60% A 23- May-2019	76,970,000	76,000,000	(76,000,000)	-	76,970,000
Yantai Development Zone State-Owned Asset Operation Administration Co 5.70% A 10-Apr-2020	-	8,000,000	( 8,000,000)	-	-
Yunnan Investment Group Co Ltd 5.40% A 22-Oct-2013	-	120,000	-	( 120,000)	-
Yunnan Tin Co Ltd 6.60% A 17-Aug- 2018	-	1,000,000	( 5,000)	-	995,000
Zhejiang Chint Electrics Co Ltd 6.05% A 20-Jul-2016	-	5,000,000	-	-	5,000,000
Zhejiang Dali Technology Co Ltd 6.19% A 15-May-2016	-	15,000,000	-	-	15,000,000
Zhejiang Geely Hldg Group Co Ltd 4.28% A 12-Apr-2014	-	10,000,000	-	-	10,000,000
Zhejiang Geely Hldg Group Co Ltd 4.70% A 19-Apr-2016	-	20,000,000	-	-	20,000,000
Zhejiang Geely Hldg Group Co Ltd 5.90% A 24-Jan-2020	-	5,000,000	-	-	5,000,000
Zhong Ping Energy Chemical Group 5.15% A 27-Dec-2016	40,000,000	-	(40,000,000)	-	-
Zhongshan Transportation Development Group Co Ltd 6.65% A 28-Aug-2018	-	100,000	-	-	100,000
Zhongshan Zhonghui Investment Group Co Ltd 6.18% A 23-Mar-2018	-	100,000	-	-	100,000

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31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FIXED INCOME SECURITIES</u></b>					
<b><u>(continued)</u></b>					
Zhuhai Huihua Infrastructure Investment Co Ltd 7.15% A 17-Sep- 2020	-	20,000,000	-	-	20,000,000
Zibo City Property Co Ltd 6.83% A 22- Aug-2019	4,000,000	-	( 4,000,000)	-	-
Zunyi State-Owned Asset Investment & Financing Management Co Ltd 6.98% A 26-Dec-2019	10,000,000	-	( 10,000,000)	-	-
<i>Total of fixed income securities</i>	1,036,060,000	1,986,912,000	(1,718,935,000)	( 20,120,000)	1,283,917,000

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31 December 2013

	At 1 January 2013	<u>Movement in holdings</u>			At 31 December 2013
		Addition	Disposal	Redemption upon maturity	
<b><u>FLOATING INCOME SECURITIES</u></b>					
<i>China</i>					
CSC Nanjing Tanker Corp 1 Yr CNRD+2% A 26-May-2014	126,000	-	-	-	126,000
Dandong City Development Construction Investment Co 1Yr S+2.81% A 6-Sep-2017	2,855,000	-	(2,855,000)	-	-
Dandong City Development Construction Investment Co 1Yr S+3.3% A 21-Dec-2018	694,000	-	( 694,000)	-	-
Hefei Construction Investment Hldg Group Co Ltd 1Yr S+2.2% A 28-Aug- 2018	-	3,572,000	(3,572,000)	-	-
<i>Total of floating income securities</i>	<u>3,675,000</u>	<u>3,572,000</u>	<u>(7,121,000)</u>	<u>-</u>	<u>126,000</u>

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31 December 2013

	<u>Movement in holdings</u>				At 31 December 2013
	At 1 January 2013	Addition	Disposal	Redemption upon maturity	
<b><u>COLLECTIVE INVESTMENT</u></b>					
<b><u>SCHEMES</u></b>					
<i>China</i>					
China AMC Ankang Credit Preferred Bond Fund	-	57,550,924	( 39,627,085)	-	17,923,839
China AMC Bond Fund-C	-	56,373,344	( 48,195,505)	-	8,177,839
China AMC Cash Income Fund-A	20,032,998	121,574,368	( 90,706,720)	-	50,900,646
China AMC Hope Fund-C	-	55,226,539	( 50,000,000)	-	5,226,539
China Deposit Financing Money Market Fund-B	-	7,026,345,036	( 7,026,345,036)	-	-
China Universal Express Income Money Market Fund- B	-	4,019,636,522	( 1,000,000,000)	-	3,019,636,522
Dacheng Jingfeng Classification Bond Fund-A	41,200,000	-	( 41,200,000)	-	-
ICBC Credit Suisse Credit Bond Fund-A	-	26,941,176	( 26,941,176)	-	-
ICBC Credit Suisse Enhancement Returns Fund-B	-	26,737,968	( 26,737,968)	-	-
ICBC Credit Suisse Money Market Fund	-	10,047,263	( 10,047,263)	-	-
<i>Total of collective investment schemes</i>	<u>61,232,998</u>	<u>11,400,433,140</u>	<u>( 8,359,800,753)</u>	<u>-</u>	<u>3,101,865,385</u>
<i>Total investment portfolio</i>	<u>1,100,967,998</u>	<u>13,390,917,140</u>	<u>(10,085,856,753)</u>	<u>(20,120,000)</u>	<u>4,385,908,385</u>

CHINAAMC SELECT RMB BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

PERFORMANCE TABLE

Net asset value attributable to unitholders  
(Calculated in accordance with the Trust Deed)

	Net assets attributable to holders of redeemable units per unit RMB	Net asset to holders of redeemable units RMB
As at 31 December 2013	9.97	1,447,166,147
As at 31 December 2012	10.20	1,184,078,432

Highest issue price and lowest redemption price per unit

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
Year ended 31 December 2013	10.56	9.95
Period from 21 February 2012 (date of inception) to 31 December 2012	10.36	9.99

CHINAAMC SELECT RMB BOND FUND  
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INVESTMENT PORTFOLIO

31 December 2013

	Nominal value (in RMB)	Fair value (in RMB)	% of net assets
<b><u>FIXED INCOME SECURITIES</u></b>			
<i>China</i>			
Anshan City Construction Investment Development Co Ltd 6.39% A 25-Apr-2020	5,000,000	4,805,000	0.33%
Beijing Kangde Xin Composite Material Co Ltd 5.90% A 14-Dec-2017	5,000,000	4,775,000	0.33%
Beijing Urban Construction Investment & Development Co Ltd 6.80% A 28-Sep-2016	26,655,000	26,521,725	1.83%
Changsha High Technology Development Corp 7.30% A 22-Nov-2017	5,000,000	5,012,500	0.35%
Chengdu Xincheng Xicheng Real Estate Development Center 8.35% A 19-Mar-2019	12,650,000	12,461,515	0.86%
China Enterprise 7.10% A 27-Oct-2014	5,000,000	5,020,000	0.35%
China First Heavy Industries Co Ltd 5.14% A 20- Dec-2016	13,001,000	12,739,680	0.88%
China Triumph International Engineering Co Ltd 4.50% A 24-Apr-2014	30,000,000	29,741,040	2.06%
Chint Group Corp Ltd 5.80% A 12-Dec-2015	20,000,000	19,403,960	1.34%
Chongqing Iron & Steel Co Ltd 6.20% A 9-Dec-2017	4,000,000	3,712,000	0.26%
Danyang Investment Group Co Ltd 8.10% A 6-Mar- 2019	30,000,000	30,306,450	2.09%
Foshan Public Utilities Hldg Co Ltd 4.27% A 4-Jun- 2014	30,000,000	29,630,460	2.05%
Gansu Jiu Steel Group Hongxing Iron & Steel Co Ltd 5.40% A 19-Mar-2015	15,000,000	14,760,000	1.02%
Guangxi Laibinshi Constrction Development Investment Co Ltd 8.36% A 14-Mar-2019	20,043,000	21,696,548	1.50%
Guangxi Liugong Group Co Ltd 4.26% A 27-May- 2014	20,000,000	19,787,840	1.37%

CHINAAMC SELECT RMB BOND FUND  
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INVESTMENT PORTFOLIO (CONTINUED)

31 December 2013

	Nominal value (in RMB)	Fair value (in RMB)	% of net Assets
<b><u>FIXED INCOME SECURITIES (continued)</u></b>			
Guizhou Railway Investment Co Ltd 7.20% A 27-Mar-2022	40,000,000	39,524,320	2.73%
Hainan Meilan Intl Airport Co Ltd 7.80% A 15-Mar-2019	9,842,000	9,723,896	0.67%
Handan Communications Construction Co Ltd 4.47% A 13-Mar-2014	10,000,000	9,941,160	0.69%
Hanzhong City Construction Investment & Developmen Co Ltd 7.48% A 14-Mar-2018	24,619,000	23,752,411	1.64%
Harbin City Planning Investment Group Co Ltd 7.08% A 12-Mar-2019	50,000,000	48,644,200	3.36%
Henan Province Zhengzhou New District Construction Investment 8.10% A 14-Mar-2019	15,000,000	15,075,000	1.04%
Heyuan City Urban Development Investment Co Ltd 6.55% A 19-Mar-2020	7,000,000	6,630,862	0.46%
Honghezhou Road Development Operation Co Ltd 6.27% A 6-May-2020	27,930,000	27,466,362	1.90%
Hunan Provincial Expressway Construction Group 4.45% A 22-Feb-2014	20,000,000	19,908,900	1.38%
Jiangxi Wannianqing Cement Co Ltd 7.05% A 18-Oct-2017	23,600,000	24,189,764	1.67%
Jiujiang City Construction Investment Co Ltd 7.10% A 18-Dec-2016	3,800,000	3,974,800	0.27%
Kangmei Pharmaceutical Co Ltd 0.80% A 8-May-2014	5,000,000	4,897,000	0.34%
Kunming Dianchi Investment Co Ltd 5.90% A 27-Apr-2015	3,700,000	3,703,700	0.26%
Lanzhou City Development Investment Co Ltd 8.20% A 15-Dec-2018	93,708,000	97,081,488	6.71%
Liaoning Huajin Tongda Chemicals Co Ltd 5.60% A 9-Nov-2017	1,000,000	985,000	0.07%



CHINAAMC SELECT RMB BOND FUND  
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INVESTMENT PORTFOLIO (CONTINUED)

31 December 2013

	Nominal value (in RMB)	Fair value (in RMB)	% of net Assets
<b><u>FIXED INCOME SECURITIES (continued)</u></b>			
Luzhou Xinglu Touzi Jituan 6.39% A 1-Mar-2021	300,000	296,340	0.02%
Nanchang City Construction Investment Development 6.13% A 30-Apr-2017	100,000	102,500	0.01%
Nanjing Urban Construction Investment Hldg Group Co Ltd 3.96% A 27-Feb-2014	20,000,000	19,902,160	1.38%
Ningxia Communications Investment Corp 6.10% A 27-Apr-2021	100,000	98,500	0.01%
Northeast Pharmaceutical Group Co Ltd 7.05% A 2- Nov-2014	9,370,000	9,375,622	0.65%
Sainty Marine Co Ltd 6.60% A 18-Sep-2019	9,000,000	8,729,910	0.60%
Shanghai Forte Land Co 7.30% A 22-Sep-2014	15,000,000	15,030,000	1.04%
Shanghai Waigaoqiao Group Co Ltd 4.39% A 29- Mar-2014	10,000,000	9,936,930	0.69%
Shanghai Wanye Enterprises Co Ltd 7.30% A 17- Sep-2014	13,012,000	13,010,699	0.90%
Shenzhen Guangqian Power Co Ltd 4.52% A 22- Mar-2014	20,000,000	19,875,780	1.37%
Shijiazhuang Gaoxin Technology Industry Development Zone Sme Bond 7.20% A 13-Dec- 2018	6,000,000	5,838,756	0.40%
Sichuan Railway Investment Group Co Ltd 4.25% A 21-May-2014	30,000,000	29,669,370	2.05%
Sichuan Railway Investment Group Co Ltd 4.33% A 8-Apr-2014	70,000,000	69,462,750	4.80%
Tianjin Pipe Group Corp 4.50% A 25-Apr-2014	40,000,000	39,639,320	2.74%
Tianjing Hanbin Investment Co Ltd 8.39% A 22-Mar- 2019	30,000,000	30,171,330	2.08%

CHINAAMC SELECT RMB BOND FUND  
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INVESTMENT PORTFOLIO (CONTINUED)

31 December 2013

	Nominal value (in RMB)	Fair value (in RMB)	% of net Assets
<b><u>FIXED INCOME SECURITIES (continued)</u></b>			
Tongling City Construction Investment & Development Co 6.95% A 10-Mar-2015	4,260,000	4,292,802	0.30%
Tsinghua Hldgs Co Ltd 4.78% A 19-May-2016	500,000	496,450	0.03%
Wanxiang Qianchao Co Ltd 6.00% A 25-Apr-2017	57,562,000	56,641,008	3.91%
Weinan City Construction Investment & Developement Co Ltd 6.00% A 8-Jun-2017	15,000,000	15,052,500	1.04%
Weinan City Construction Investment & Developement Co Ltd 6.50% A 8-Jun-2018	10,000,000	9,686,050	0.67%
Wenzhou Anjufang City Development Co Ltd 7.65% A 24-Apr-2019	50,000,000	49,567,100	3.43%
Xiamen Water Group Co Ltd 4.87% A 13-May-2016	20,000,000	19,008,200	1.31%
Xian Chanbahe Development Co Ltd 6.89% A 3- Aug-2019	10,000,000	9,662,140	0.67%
Xining City Investment Management Co Ltd 7.70% A 27-Apr-2019	80,000,000	79,100,000	5.47%
Yanan City Construction Investment & Development Co Ltd 7.05% A 8-Feb-2017	30,000,000	29,397,450	2.03%
Yancheng City Urban Assets Operation Co Ltd 5.80% A 16-Dec-2016	4,000,000	4,000,000	0.28%
Yangling Modern Agriculture Development Co Ltd 7.60% A 23-May-2019	76,970,000	76,970,000	5.32%
Yunnan Tin Co Ltd 6.60% A 17-Aug-2018	995,000	945,250	0.07%
Zhejiang Chint Electrics Co Ltd 6.05% A 20-Jul-2016	5,000,000	4,975,000	0.34%

CHINAAMC SELECT RMB BOND FUND  
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INVESTMENT PORTFOLIO (CONTINUED)

31 December 2013

	Nominal value (in RMB)	Fair value (in RMB)	% of net Assets
<b><u>FIXED INCOME SECURITIES (continued)</u></b>			
Zhejiang Dali Technology Co Ltd 6.19% A 15-May-2016	15,000,000	14,370,000	0.99%
Zhejiang Geely Hldg Group Co Ltd 4.28% A 12-Apr-2014	10,000,000	9,911,430	0.68%
Zhejiang Geely Hldg Group Co Ltd 4.70% A 19-Apr-2016	20,000,000	18,894,760	1.31%
Zhejiang Geely Hldg Group Co Ltd 5.90% A 24-Jan-2020	5,000,000	5,000,000	0.35%
Zhongshan Transportation Development Group Co Ltd 6.65% A 28-Aug-2018	100,000	102,000	0.01%
Zhongshan Zhonghui Investment Group Co Ltd 6.18% A 23-Mar-2018	100,000	98,300	0.01%
Zhuhai Huihua Infrastructure Investment Co Ltd 7.15% A 17-Sep-2020	20,000,000	19,320,000	1.29%
Total of fixed income securities		<u>1,274,502,988</u>	<u>88.06%</u>

CHINAAMC SELECT RMB BOND FUND  
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INVESTMENT PORTFOLIO (CONTINUED)

31 December 2013

	Nominal value (in RMB)	Fair value (in RMB)	% of net assets
<b><u>FLOATING INCOME SECURITIES</u></b>			
<i>China</i>			
CSC Nanjing Tanker Corp 1 Yr CNDR+2% A 26- May-2014	126,000	126,000	0.01%
<i>Total of floating income securities</i>		<u>126,000</u>	<u>0.01%</u>
<b><u>COLLECTIVE INVESTMENT SCHEMES</u></b>			
<i>China</i>			
China AMC Ankang Credit Preferred Bond Fund	17,923,839	17,511,590	1.21%
China AMC Bond Fund-C	8,177,839	8,259,617	0.57%
China AMC Cash Income Fund-A	50,900,646	50,900,646	3.52%
China AMC Hope Fund-C	5,226,539	5,299,711	0.37%
China Universal Express Income Money Market Fund- B	3,019,636,522	30,196,365	2.09%
<i>Total of collective investment scheme</i>		<u>112,167,929</u>	<u>7.76%</u>
<i>Total investment portfolio (Cost: RMB1,417,258,414)</i>		1,386,796,917	95.83%
<i>Other net assets</i>		<u>60,369,230</u>	<u>4.17%</u>
<i>Total net assets</i>		<u><u>1,447,166,147</u></u>	<u><u>100.00%</u></u>



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