

ChinaAMC Select Fund

**ChinaAMC Select  
Asia Bond Fund**

Annual Report

For the period from 30 September 2016 (date of  
inception) to 31 December 2016



**华夏基金**  
ChinaAMC

## ANNUAL REPORT

### CHINAAMC SELECT ASIA 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 period from 30 September 2016 (date of inception)  
to 31 December 2016

CHINAAMC SELECT ASIA BOND 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 - 27
INVESTMENT PORTFOLIO	28 – 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 ASIA BOND 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 ASIA BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

REPORT OF THE MANAGER TO THE UNITHOLDERS

*Introduction*

ChinaAMC Select Asia Bond Fund (the "Sub-Fund") is a sub-fund of ChinaAMC Select Fund, an umbrella unit trust established under the laws of Hong Kong pursuant to a trust deed dated 12 January 2012, as amended or supplemented from time to time. The Sub-Fund seeks to achieve long term return by investing primarily (i.e. not less than 70% of the net asset value of the Sub-Fund) in fixed income and debt instruments issued or guaranteed by issuers domiciled in Asia and whose predominant business, in the opinion of the Manager, China Asset Management (Hong Kong) Limited, will benefit from or is related to the economic growth in Asia.

*Market Review and Fund Performance*

Overall return of Asia bond market remained satisfactory even after a series of "Black Swan Events" and price fluctuations. In 2016, major factors attributed to the bond market's strong performance include the low-growth, low-inflation global economic environment and the relatively loose monetary policy implemented by major central banks (the Fed, European Central Bank and Bank of Japan etc.) around the world. We noticed that the market has gradually doubted the marginal effect of major central banks' monetary policies. On the other hand, the market concerns whether future stimulative plans for both the economy and inflation will shift from monetary policy to fiscal policy. Slightly different from the past market structures, since the currency reform in 2015, RMB has been depreciating continuously against the greenback. The level of participation in Asia bond market of Chinese institutes (banks, securities companies, funds and insurance companies) has been increasing gradually. Global asset management companies have long been underweighting dollar bonds issued by Chinese based companies. Such underweight reduces the level of influence from external markets, making them one of the asset classes with a low volatility around the Asia bond market. We think this trend will likely be continued in 2017.

As of the end of December 2016, Class I USD of the Sub-Fund posted a return of +1.09%<sup>1</sup> year-to-date.

*Market Outlook and Investment Strategy*

Asian dollar bond market has experienced certain fluctuations after the United States ("US") presidential election, while the market sentiment has also undergone a fundamental change. We believe the major risks of Asian dollar bond in 2017 may include the following: 1) the gradual increase of US sovereign bond yield and change in asset allocation; 2) capital outflow from emerging markets due to the dollar's strong momentum. Having the base currency depreciated, dollar bonds issued by these economies will likely to have a weak performance due to the following reasons: 1) capital flows back to the asset classes of developed countries; 2) effective debts of the issuing countries increase. In general, we think the strong momentum of dollar may put pressure on the performance of Asian dollar bond market in 2017. We will adopt a more defensive strategy (underweighting duration and emerging markets) to protect the portfolio from potential market fluctuation. We will actively look for potential trading opportunity as well.

China Asset Management (Hong Kong) Limited  
24 April 2017

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<sup>1</sup> NAV-to-NAV performance with dividends reinvested; the investment returns are denominated in USD. Past performance figures shown are not indicative of the future performance of the sub-fund.

CHINAAMC SELECT ASIA 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 Asia Bond Fund (a sub-fund of ChinaAMC Select Fund) for the period from 30 September 2016 (date of inception) to 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

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24 April 2017

## **Independent auditor's report**

To the Trustee and Manager of  
ChinaAMC Select Asia 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**

We have audited the financial statements of ChinaAMC Select Asia Bond Fund (a sub-fund of ChinaAMC Select Fund (the "Trust") and referred to as the "Sub-Fund") set out on pages 7 to 26, 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 period from 30 September 2016 (date of inception) to 31 December 2016, 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 period from 30 September 2016 (date of inception) to 31 December 2016 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 Asia 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)

### **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 Asia 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)

### **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 ASIA BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

STATEMENT OF COMPREHENSIVE INCOME

For the period from 30 September 2016 (date of inception) to 31 December 2016

	Notes	USD
<b>INCOME</b>		
Interest income on financial assets at fair value through profit or loss		126,457
Interest income on bank deposits		43
		<u>126,500</u>
<b>EXPENSES</b>		
Management fee	4	( 14,663)
Trustee fee	4	( 8,709)
Custodian fee	4	( 5,327)
Auditor's remuneration		( 14,000)
Preliminary expenses		( 43,724)
Transaction handling fee		( 3,180)
Legal and professional fee		( 1,128)
Other expenses		( 358)
		<u>( 91,089)</u>
<b>PROFIT BEFORE INVESTMENT AND EXCHANGE DIFFERENCES</b>		<b>35,411</b>
<b>INVESTMENT (LOSSES)/GAINS AND EXCHANGE DIFFERENCES</b>		
Net loss on financial assets at fair value through profit or loss		( 7,437)
Exchange gain		<u>41,016</u>
<b>NET INVESTMENTS AND EXCHANGE GAINS</b>		<b>33,579</b>
<b>PROFIT BEFORE TAX</b>		<b><u>68,990</u></b>
Withholding taxes	5	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u><u>68,990</u></u></b>

CHINAAMC SELECT ASIA BOND FUND  
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STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	USD
<b>ASSETS</b>		
Financial assets at fair value through profit or loss	6	8,989,666
Interest receivable		105,135
Cash and cash equivalents	7	<u>1,007,577</u>
<b>TOTAL ASSETS</b>		<u><u>10,102,378</u></u>
<b>LIABILITIES</b>		
Management fee payable	4	14,663
Trustee fee payable	4	3,000
Accrued expenses and other payables		<u>15,725</u>
<b>TOTAL LIABILITIES</b>		<u><u>33,388</u></u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	8	<u><u>10,068,990</u></u>
<b>NUMBER OF UNITS IN ISSUE</b>		
- Class I USD		<u><u>1,000,000</u></u>
<b>NET ASSET VALUE PER UNIT</b>		
- Class I USD		<u><u>10.0690</u></u>

CHINAAMC SELECT ASIA BOND FUND  
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 30 September 2016 (date of inception) to 31 December 2016

	Number of Units	USD
At 30 September 2016 (date of inception)	<u>-</u>	<u>-</u>
Subscription of units – Class I USD	1,000,000	10,000,000
Increase in net assets attributable to unitholders	<u>                    </u>	<u>68,990</u>
At 31 December 2016	<u><u>1,000,000</u></u>	<u><u>10,068,990</u></u>

CHINAAMC SELECT ASIA BOND FUND  
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STATEMENT OF CASH FLOWS

For the period from 30 September 2016 (date of inception) to 31 December 2016

	Note	USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax		68,990
Adjustments for:		
Net loss on financial assets at fair value through profit or loss		7,437
Purchase of financial assets at fair value through profit or loss		( 45,727,503)
Proceeds from sale of financial assets at fair value through profit or loss		36,730,400
Increase in interest receivable		( 105,135)
Increase in management fee payable		14,663
Increase in trustee fee payable		3,000
Increase in accrued expenses and other payables		15,725
Cash used in operations		( 8,992,423)
Tax paid		-
Net cash flows used in operating activities		( 8,992,423)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds on issue of units		10,000,000
<b>NET CASH FLOWS FROM FINANCING ACTIVITY</b>		10,000,000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		1,007,577
Cash and cash equivalents at beginning of the period		-
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		1,007,577
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Cash at banks	7	1,007,577
Net cash used in operating activities includes:		
Interest income on bank deposits		43

CHINAAMC SELECT ASIA BOND 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 Asia 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 on 30 September 2016. As at 31 December 2016, there are four other sub-funds established under the Trust and the inception dates are as follow:

	Inception date
ChinaAMC Select RMB Bond Fund	21 February 2012
ChinaAMC Select RMB Short-Term Bond Fund	27 February 2014
ChinaAMC Select China New Economy Fund	27 May 2015
ChinaAMC Select Hong Kong China Opportunities Fund	9 March 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 Sub-Fund seeks to achieve long term return by investing primarily (i.e. not less than 70% of the net asset value of the Sub-Fund) in fixed income and debt instruments issued or guaranteed by 3 issuers domiciled in Asia and whose predominant business, in the opinion of the Manager, will benefit from or is related to the economic growth in Asia.

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 United States Dollars ("USD") and all values are rounded to the nearest USD except where otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.2 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 period from 30 September 2016 (date of inception) to 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) Classification

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

(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.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Subsequent measurement (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 USD, 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 USD. Therefore, the USD 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 USD.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Redeemable units are subscribed and redeemed during the Hong Kong and People's Republic of China ("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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

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.

Cash and cash equivalents

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

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGE IN 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 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 the end of the reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGE IN ACCOUNTING ESTIMATES  
(continued)

*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, up to 1.20% per annum (current level at 0.6% per annum for Class I USD Units) 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 period from 30 September 2016 (date of inception) to 31 December 2016 was USD14,663. As at 31 December 2016, management fee of USD14,663 was payable to the Manager.

Trustee fee

The Trustee is entitled to receive a trustee fee from the Sub-Fund, at current rates up to 0.14% (with a maximum of 0.5%) per annum, based on the net asset value, subject to minimum monthly fee of USD6,000, 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 period from 30 September 2016 (date of inception) to 31 December 2016 was USD8,709. As at 31 December 2016, trustee fee of USD3,000 was payable to the Trustee.

Custodian fee

The Custodian is entitled to receive custodian fees from the Sub-Fund, at a current rate of up to 0.06% (up to a maximum of 0.1%) per annum, calculated monthly and is paid monthly in arrears.

The custodian fees for the period from 30 September 2016 (date of inception) to 31 December 2016 were USD5,327.

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).

*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. There was no distribution tax provided for the period from 30 September 2016 (date of inception) to 31 December 2016.

CHINAAMC SELECT ASIA BOND 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

2016  
USD

Held for trading	
- debt securities	<u>8,989,666</u>
Total financial assets at fair value through profit or loss	<u>8,989,666</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 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 price recorded by the Trustee was based on the quote announced by the China Central Depository & Clearing Co. Ltd (the "CCDC"). 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

CHINAAMC SELECT ASIA BOND 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)

As at 31 December 2016, the Sub-Fund invested in debt securities and categorise the investments within Level 2. No Level 1 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.

2016	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets held for trading:				
- Debt securities	<u>-</u>	<u>8,989,666</u>	<u>-</u>	<u>8,989,666</u>

There are no investments classified within Level 1 and Level 3 and no transfers between levels for the period from 30 September 2016 (date of inception) to 31 December 2016.

A detailed portfolio listing is set out on pages 27 to 28.

7. CASH AND CASH EQUIVALENTS

	2016 USD
Cash at bank	<u>1,007,577</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.



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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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:

	2016 Total USD
Net assets attributable to unitholders (calculated in accordance with Explanatory Memorandum)	10,109,071
Adjustment for preliminary expenses	<u>(40,081)</u>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>10,068,990</u>
Net assets attributable to unitholders (per unit) (calculated in accordance with Explanatory Memorandum)	<u>10.1091</u>
Net assets attributable to unitholders (per unit) (calculated in accordance with IFRSs)	<u>10.0690</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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 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.

	Carrying value of financial assets at fair value through profit or loss	% of net assets	Shift in underlying securities increase/ (decrease)	Estimated possible change in net asset value increase/ (decrease)
	USD	%	%	USD
31 December 2016				
Held-for-trading	8,989,666	89.28	1 (1)	89,897 (89,897)

*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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

*Market risk (continued)*

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.

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the period from 30 September 2016 (date of inception) to 31 December 2016 to a reasonably possible change in interest rates, with all other variables held constant.

2016	Change in basis points	Sensitivity of interest income increase/(decrease) USD	Sensitivity of change in fair value of investments increase/(decrease) USD
Debt securities	+25	22,474	(109,588)
Debt securities	-25	(22,474)	109,588

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 net assets attributable to unitholders for the period from 30 September 2016 (date of inception) to 31 December 2016, 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 USD, 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 USD 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 USD 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.

CHINAAMC SELECT ASIA BOND 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 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.

31 December 2016

	On demand USD'000	Within 1 month USD'000	1 month to 1 year USD'000	Total USD'000
Financial assets				
Financial assets at fair value through profit or loss	8,990	-	-	8,990
Interest receivable	-	23	82	105
Cash and cash equivalents	<u>1,007</u>	<u>-</u>	<u>-</u>	<u>1,007</u>
Total financial assets	<u>9,997</u>	<u>23</u>	<u>82</u>	<u>10,102</u>
Financial liabilities				
Management fee payable	-	14	-	14
Trustee fee payable	-	3	-	3
Accrued expenses and other payables	<u>-</u>	<u>16</u>	<u>-</u>	<u>16</u>
Total financial liabilities	<u>-</u>	<u>33</u>	<u>-</u>	<u>33</u>

*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 USD fixed income securities issued by corporations that carry a credit rating grade of at least Ba1 or BB+ 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.

CHINAAMC SELECT ASIA BOND 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 (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>31 December 2016</u>	USD	Credit rating	Source of credit rating
Bank of China (Hong Kong) Limited	1,007,577	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 from 30 September 2016 (date of inception) to 31 December 2016 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 Limited and Bank of China (Hong Kong) Limited, with interest income amounted to USD126,500. Further details of the balances held are described in notes 6 and 7 to the financial statements.

Investment transactions with connected persons of the Manager

CITIC Securities Brokerage (HK) Limited was the Manager's affiliate.

	Aggregate value of purchases and sales of securities USD	Total commission paid USD	% of Sub-Fund's total transactions during the period %	Average commission Rate %
<u>2016</u>				
CITIC Securities Brokerage (HK) Limited	4,534,625	-	5.42%	-

Commission paid for the debt securities is not separately identifiable and is included in the purchase and sale price.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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. EVENTS AFTER THE REPORTING PERIOD

During the period between the period end and the date of authorisation of these financial statements, total subsequent subscription of Class A units of the Sub-Fund was 20 units with no subsequent redemption noted. In addition, no subsequent subscription or redemption of Class I of the Sub-Fund was noted.

13. 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 ASIA BOND FUND  
(a sub-fund of ChinaAMC Select Fund)

INVESTMENT PORTFOLIO

31 December 2016

	Nominal value (in USD)	Fair Value (in USD)	% of net assets
<b><u>LISTED DEBT SECURITIES</u></b>			
<b>GERMANY</b>			
DEUTSCHE BANK AG 3M L+1.91% Q 10MAY2019	300,000	303,807	3.02%
FMG RESOURCES AUGUST 2006 PTY LTD 6.875% S/A 01APR2022 REGS	500,000	519,875	5.16%
HSBC HLDGS PLC 3M L+2.24% Q 08MAR2021	300,000	313,521	3.11%
MIZUHO FINANCIAL GROUP INC 3M L+1.14% Q 13SEP2021	300,000	300,459	2.98%
VEDANTA RESOURCES PLC 6% S/A 31JAN2019 REGS	250,000	251,465	2.50%
<i>Total of listed debt securities traded in Germany</i>		1,689,127	16.77%
<b>HONG KONG</b>			
361 DEGREES INTL LTD 7.25% S/A 03JUN2021	300,000	320,943	3.19%
CHINA AOYUAN PROPERTY GROUP LTD 11.25% S/A 17JAN2019	300,000	318,756	3.17%
CHINA SCE PROPERTY HLDGS LTD 10% S/A 02JUL2020	200,000	221,378	2.20%
BLUESTAR FINANCE HLDGS LTD 4.375% S/A PERP	200,000	203,530	2.02%
EVERGRANDE REAL ESTATE GROUP LTD 8.75% S/A 30OCT2018 REGS	300,000	306,087	3.04%
OCEANWIDE REAL ESTATE INTL HLDGS CO LTD 11.75% S/A 08SEP2019	300,000	330,012	3.28%
ICBCIL FINANCE CO LTD 3M L+1.67% Q 13NOV2018 REGS	600,000	606,804	6.03%
LOGAN PROPERTY HLDGS CO LTD 11.25% S/A 04JUN2019 REGS	300,000	325,647	3.23%
TIMES PROPERTY HLDGS LTD 12.625% S/A 21MAR2019	300,000	324,717	3.22%
VANKE REAL ESTATE HONG KONG CO LTD 3.95% S/A 23DEC2019	200,000	201,306	2.00%
WEST CHINA CEMENT LTD 6.5% S/A 11SEP2019	300,000	311,958	3.10%
XIHUI HAIWAI I INVESTMENT HLDGS CO LTD 3.25% S/A 27JUN2019	300,000	301,713	3.00%
<i>Total of listed debt securities traded in Hong Kong</i>		3,772,851	37.48%
<b>SINGAPORE</b>			
ALAM SYNERGY PTE LTD 6.95% S/A 27MAR2020 REGS	300,000	305,445	3.03%
BAOXIN AUTO FINANCE I LTD 8.75% S/A PERP	200,000	201,182	2.00%
CENTRAL CHINA REAL ESTATE LTD 6.5% S/A 04JUN2018	300,000	304,593	3.03%
CHINA AOYUAN PROPERTY GROUP LTD 10.875% S/A 26MAY2018	500,000	538,940	5.35%

**CHINAAMC SELECT ASIA BOND FUND**

(a sub-fund of ChinaAMC Select Fund)

**INVESTMENT PORTFOLIO (CONTINUED)**

31 December 2016

	<b>Nominal value (in USD)</b>	<b>Fair Value (in USD)</b>	<b>% of net assets</b>
<b><u>LISTED DEBT SECURITIES</u></b> (continued)			
<b>SINGAPORE</b> (continued)			
FANTASIA HLDGS GROUP CO LTD 11.5% S/A 01JUN2018	200,000	215,716	2.14%
STUDIO CITY CO LTD 5.875% S/A 30NOV2019 REGS	250,000	257,232	2.55%
STUDIO CITY FINANCE LTD 8.5% S/A 01DEC2020 REGS	250,000	259,608	2.58%
THETA CAPITAL PTE LTD 7% S/A 11APR2022	200,000	206,104	2.05%
PRIME BLOOM HLDGS LTD 7.5% S/A 19DEC2019	300,000	296,955	2.95%
XINYUAN REAL ESTATE CO LTD 13% S/A 06JUN2019	300,000	325,512	3.23%
<i>Total of listed debt securities traded in Singapore</i>		2,911,287	28.91%
<b>Total of listed debt securities</b>		8,373,265	83.16%
<b><u>UNLISTED DEBT SECURITIES</u></b>			
<b>HONG KONG</b>			
UBS GROUP FUNDING JERSEY LTD 3M L+1.53% Q 01FEB2022 REGS	300,000	304,953	3.03%
VIRGIN AUSTRALIA HLDGS LTD 8.5% S/A 15NOV2019 REGS	300,000	311,448	3.09%
<i>Total of unlisted debt securities traded in Hong Kong</i>		616,401	6.12%
<b>Total of unlisted debt securities</b>		616,401	6.12%
<b>Total investment portfolio (cost: USD 8,978,200)</b>		8,989,666	89.28%
<b>Other net assets</b>		1,079,324	10.72%
<b>Total net assets</b>		10,068,990	100.00%



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

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

For the period from 30 September 2016 (date of inception) to 31 December 2016

	As at 30 September 2016	<u>Movement in holdings</u>		As at 31 December 2016
		Addition	Disposal	
<b><u>Debt Securities</u></b>				
361 DEGREES INTL LTD 7.25% S/A 03JUN2021	-	1,600,000	(1,300,000)	300,000
ALAM SYNERGY PTE LTD 6.625% S/A 24APR2022	-	700,000	(700,000)	
ALAM SYNERGY PTE LTD 6.95% S/A 27MAR2020 REGS	-	800,000	(500,000)	300,000
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD/UK 6.75% S/A PERP REGS	-	1,000,000	(1,000,000)	-
AZURE NOVA INTL FINANACE LTD 2.625% S/A 01NOV2021	-	200,000	(200,000)	-
BANK OF CHINA LTD 6.75% A PERP (NON-CUMULATIVE OFFSHORE PREFERENCE SHARES)	-	2,500,000	(2,500,000)	-
BAOXIN AUTO FINANCE I LTD 8.75% S/A PERP	-	200,000	-	200,000
BIOSTIME INTL HLDGS LTD 7.25% S/A 21JUN2021 REGS	-	750,000	(750,000)	-
BLUESTAR FINANCE HLDGS LTD 4.375% S/A PERP	-	200,000	-	200,000
BRIGHT GALAXY INTL LTD 3.375% S/A 03NOV2021	-	500,000	(500,000)	-
CENTRAL CHINA REAL ESTATE LTD 6.5% S/A 04JUN2018	-	800,000	(500,000)	300,000
CENTRAL CHINA REAL ESTATE LTD 8.75% S/A 23JAN2021	-	300,000	(300,000)	-
CHALCO HONG KONG INVESTMENT CO 4.25% S/A PERP	-	1,100,000	(1,100,000)	-
CHINA AOYUAN PROPERTY GROUP LTD 10.875% S/A 26MAY2018	-	500,000	-	500,000
CHINA AOYUAN PROPERTY GROUP LTD 11.25% S/A 17JAN2019	-	300,000	-	300,000
CHINA AOYUAN PROPERTY GROUP LTD 6.525% S/A 25APR2019	-	300,000	(300,000)	-
CHINA EVERGRANDE GROUP 8% S/A 15JAN2019	-	500,000	(500,000)	-
CHINA HONGQIAO GROUP LTD 6.875% S/A 03MAY2018	-	300,000	(300,000)	-
CHINA OIL AND GAS GROUP LTD 5% S/A 07MAY2020	-	500,000	(500,000)	-
CHINA SCE PROPERTY HLDGS LTD 10% S/A 02JUL2020	-	700,000	(500,000)	200,000
CHINALCO CAPITAL HLDGS LTD 4% S/A 25AUG2021	-	300,000	(300,000)	-
COUNTRY GARDEN HLDGS CO LTD 4.75% S/A 28SEP2023	-	1,500,000	(1,500,000)	-
DELHI INTL AIRPORT PVT LTD 6.125% S/A 03FEB2022	-	750,000	(750,000)	-
DELHI INTL AIRPORT PVT LTD 6.125% S/A 31OCT2026 REGS	-	200,000	(200,000)	-
DEUTSCHE BANK AG 3M L+1.91% Q 10MAY2019	-	300,000	-	300,000
EVERGRANDE REAL ESTATE GROUP LTD 8.75% S/A 30OCT2018 REGS	-	1,500,000	(1,200,000)	300,000
FANTASIA HLDGS GROUP CO LTD 10.625% S/A 23JAN2019	-	920,000	(920,000)	-
FANTASIA HLDGS GROUP CO LTD 11.5% S/A 01JUN2018	-	1,191,000	(991,000)	200,000

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

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (CONTINUED)

For the period from 30 September 2016 (date of inception) to 31 December 2016

	As at 30 September 2016	Movement in holdings		As at 31 December 2016
		Addition	Disposal	
<b><u>Debt Securities</u></b> (continued)				
FMG RESOURCES AUGUST 2006 PTY LTD 6.875% S/A 01APR2022 REGS	-	500,000	-	500,000
FUXIANG INVESTMENT MANAGEMENT LTD 3.625% S/A 30NOV2019	-	200,000	(200,000)	-
GLOBAL PRIME CAPITAL PTE LTD 5.5% S/A 18OCT2023	-	250,000	(250,000)	-
HONGHUA GROUP LTD 7.45% S/A 25SEP2019 REGS	-	500,000	(500,000)	-
HSBC HLDGS PLC 3M L+2.24% Q 08MAR2021	-	300,000	-	300,000
HSBC HLDGS PLC 6.875% S/A PERP	-	800,000	(800,000)	-
HUAI AN TRAFFIC HLDG CO LTD 4.95% S/A 25OCT2019	-	1,000,000	(1,000,000)	-
HUARONG FINANCE II CO LTD 2.875% S/A PERP	-	500,000	(500,000)	-
HUIZHANG BANK CORP LTD 5.5% A PERP	-	500,000	(500,000)	-
ICBCIL FINANCE CO LTD 3M L+1.67% Q 13NOV2018 REGS	-	600,000	-	600,000
INDO ENERGY FINANCE II BV 6.375% S/A 24JAN2023 REGS	-	200,000	(200,000)	-
INDUSTRIAL & COMMERCIAL BANK OF CHINA ASIA LTD 4.25% S/A PERP	-	300,000	(300,000)	-
JD.COM INC 3.875% S/A 29APR2026	-	300,000	(300,000)	-
KAISA GROUP HLDGS LTD 6.56% S/A 31DEC2021	-	300,000	(300,000)	-
LI & FUNG LTD 5.25% S/A PERP	-	200,000	(200,000)	-
LOGAN PROPERTY HLDGS CO LTD 11.25% S/A 04JUN2019 REGS	-	300,000	-	300,000
LS FINANCE 2022 LTD 4.25% S/A 16OCT2022	-	300,000	(300,000)	-
LUKOIL INTL FINANCE BV 4.75% S/A 02NOV2026 REGS	-	200,000	(200,000)	-
MCE FINANCE LTD 5% S/A 15FEB2021 REGS	-	800,000	(800,000)	-
MIE HLDGS CORP 7.5% S/A 25APR2019 REGS	-	400,000	(400,000)	-
MIZUHO FINANCIAL GROUP INC 3M L+1.14% Q 13SEP2021	-	300,000	-	300,000
NOBLE GROUP LTD 6.75% S/A 29JAN2020REGS	-	1,100,000	(1,100,000)	-
NWD FINANCE BVI LTD 5.75% S/A PERP	-	600,000	(600,000)	-
OCEANWIDE HLDGS INTL 2015 CO LTD 9.625% S/A 11AUG2020	-	800,000	(800,000)	-
OCEANWIDE REAL ESTATE INTL HLDGS CO LTD 11.75% S/A 08SEP2019	-	800,000	(500,000)	300,000
PARKSON RETAIL GROUP LTD 4.5% S/A 03MAY2018	-	300,000	(300,000)	-
PETROLEOS MEXICANOS 4.625% S/A 21SEP2023 REGS	-	300,000	(300,000)	-

CHINAAMC SELECT ASIA BOND FUND  
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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (CONTINUED)

For the period from 30 September 2016 (date of inception) to 31 December 2016

	As at 30 September 2016	Movement in holdings		As at 31 December 2016
		Addition	Disposal	
<b><u>Debt Securities</u></b> (continued)				
POWERLONG REAL ESTATE HLDGS LTD 4.875% S/A 15SEP2021	-	1,000,000	(1,000,000)	
PRIME BLOOM HLDGS LTD 7.5% S/A 19DEC2019	-	800,000	(500,000)	300,000
RKI OVERSEAS FINANCE 2016 A LTD 5% S/A 09AUG2019	-	300,000	(300,000)	-
STUDIO CITY CO LTD 5.875% S/A 30NOV2019 REGS	-	1,000,000	(750,000)	250,000
STUDIO CITY FINANCE LTD 8.5% S/A 01DEC2020 REGS	-	1,350,000	(1,100,000)	250,000
THETA CAPITAL PTE LTD 6.125% S/A 14NOV2020	-	300,000	(300,000)	-
THETA CAPITAL PTE LTD 6.75% S/A 31OCT2026	-	1,700,000	(1,700,000)	-
THETA CAPITAL PTE LTD 7% S/A 11APR2022	-	800,000	(600,000)	200,000
TIMES PROPERTY HLDGS LTD 12.625% S/A 21MAR2019	-	800,000	(500,000)	300,000
TRADE & DEVELOPMENT BANK OF MONGOLIA LLC 9.375% S/A 19MAY2020 REGS	-	200,000	(200,000)	-
UBS GROUP AG 7.125% A PERP	-	300,000	(300,000)	-
UBS GROUP FUNDING JERSEY LTD 3M L+1.53% Q 01FEB2022 REGS	-	300,000	-	300,000
VANKE REAL ESTATE HONG KONG CO LTD 3.95% S/A 23DEC2019	-	400,000	(200,000)	200,000
VEDANTA RESOURCES PLC 6% S/A 31JAN2019 REGS	-	250,000	-	250,000
VEDANTA RESOURCES PLC 8.25% S/A 07JUN2021 REGS	-	1,400,000	(1,400,000)	-
VIRGIN AUSTRALIA HLDGS LTD 8.5% S/A 15NOV2019 REGS	-	300,000	-	300,000
WEST CHINA CEMENT LTD 6.5% S/A 11SEP2019	-	300,000	-	300,000
WESTERN DIGITAL CORP 7.375% S/A 01APR2023 REGS	-	500,000	(500,000)	-
XIHUI HAIWAI I INVESTMENT HLDGS CO LTD 3.25% S/A 27JUN2019	-	300,000	-	300,000
XINYUAN REAL ESTATE CO LTD 13% S/A 06JUN2019	-	300,000	-	300,000
XINYUAN REAL ESTATE CO LTD 8.125% S/A 30AUG2019	-	200,000	(200,000)	-
YINGDE GASES INVESTMENT LTD 8.125% S/A 22APR2018 REGS	-	300,000	(300,000)	-
YUZHOU PROPERTIES CO LTD 6% S/A 25OCT2023	-	1,000,000	(1,000,000)	-
<b>Total investment portfolio</b>	-	47,161,000	(38,511,000)	8,650,000

CHINAAMC SELECT ASIA BOND FUND  
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PERFORMANCE TABLE

For the period from 30 September 2016 (date of inception) to 31 December 2016

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

	<b>Net assets attributable to unitholders USD</b>	<b>Net asset value per unit USD</b>
As at 31 December 2016- Class I USD	<u>10.0690</u>	<u>10,068,990</u>

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

<b>Class I USD</b>	<b>Highest issue price per unit USD</b>	<b>Lowest redemption price per unit USD</b>
For the period from 30 September 2016 (date of inception) to 31 December 2016	<u>10.11</u>	<u>9.99</u>

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

