

ChinaAMC Select Fund

ChinaAMC Select China New Economy Fund

Annual Report

For year ended 31 December 2018



华夏基金
ChinaAMC

ANNUAL REPORT

CHINAAMC SELECT CHINA NEW ECONOMY FUND

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

For the year ended 31 December 2018

CHINAAMC SELECT CHINA NEW ECONOMY FUND
(a sub-fund of ChinaAMC Select 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/en/products/public-fund/chinaamc-select-china-new-economy-fund/documents.html>

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

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

ADMINISTRATION AND MANAGEMENT

MANAGER

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

DIRECTORS OF THE MANAGER

Yang Minghui
Zhang Xiaoling
Gan Tian
Li Yimei (appointed on 18 May 2018)
Li Min (appointed on 18 May 2018)
Tang Xiaodong (appointed on 10 January 2018 and
resigned on 27 April 2018)

LEGAL ADVISER TO THE MANAGER

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

TRUSTEE, ADMINISTRATOR AND REGISTRAR

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

AUDITOR

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

CUSTODIAN

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

CHINAAMC SELECT CHINA NEW ECONOMY FUND
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REPORT OF THE MANAGER TO THE UNITHOLDERS

Market Review and Fund Performance

The one thing that has plunged investors' sentiment toward Asian based assets in 2018 would be the escalation of trade protectionism. Intuitively Asia would be the region that benefit the most from global trade, and vice versa, but China and the US have entered into a 90 day negotiation following the Xi-Trump meeting on December 1. Since then, China has rolled out measures to improve IP protection and to lower import tariffs of US autos from 40% back to 15% starting from January 1 to April 1 2019, while the USTR postponed the increase of 10% tariff to 25% from January 1 to March 2 2019.

We see current valuation of Asian equities have already priced in a lot of risks derived from trade tension and global growth slow down. Today we find many Asian companies with great values and strong dividend generating capability worth to include into the portfolio from a long term perspective. China A share market was one of the worst performers in 2018. There is continuous deleveraging in financial institutions and in the industries by the Mainland policy makers. Controlling credit expansion caused short term pain but it is a necessary action to prevent systematic credit bubble and to engineer a soft landed economy, in our view. Trade disputes with the US may have made China's policy direction and choices even more complicated going into 2019, as the "loose fiscal policy" and a "flexible monetary policy" will be in place to deal with the dilemma between global trade uncertainty and Chinese government's intended slowdown in credit growth. On the other hand, from the technical angle of A share market, if a Sino-US trade agreement could be reached in 1Q19, a short term relieve rally would easily bring A share stock market to be one of the most outperformed markets in the first quarter of 2019.

Looking into 2019, we are cautiously optimistic. The US-China trade conflict is on pause but given the pressure on the US economy and the US markets, we are of the view that both sides will possibly be working very hard to reach a deal before the end of the 90-day deadline. While there are headwinds ahead of us, including corrections of the US markets, we think it may represent a good buying opportunity for the medium to long-term investors

China Asset Management (Hong Kong) Limited
25 April 2019

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

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager, China Asset Management (Hong Kong) Limited, has, in all material respects, managed ChinaAMC Select China New Economy Fund (a sub-fund of ChinaAMC Select Fund) for the year ended 31 December 2018 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

25 April 2019

**Independent auditor's report
To The Manager and the Trustee of
ChinaAMC Select China New Economy Fund**

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ChinaAMC Select China New Economy Fund (a sub-fund of ChinaAMC Select Fund (the "Trust") and referred to as the "Sub-Fund") set out on pages 7 to 37, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of changes in net assets attributable to unitholders, the statement of cash flows and the statement of distribution for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial disposition of the Sub-Fund as at 31 December 2018, and of its financial transactions and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Information other than the financial statements and auditor's report thereon

The Manager and the Trustee of the Sub-Fund 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 Manager and the Trustee of
ChinaAMC Select China New Economy Fund

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

Responsibilities of the Manager and the Trustee for the financial statements

The Manager and the Trustee of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Manager and the Trustee 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 Manager and the Trustee of the Sub-Fund 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 and the Trustee either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required 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 or supplemented from time to time (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

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, in accordance with our agreed terms of engagement, 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. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of 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.
- 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.

Independent auditor's report (continued)
To The Manager and the Trustee of
ChinaAMC Select China New Economy Fund

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.
- Conclude on the appropriateness of the Manager and the Trustee'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 Manager and the Trustee 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 of Appendix E of the SFC Code.

Certified Public Accountants
Hong Kong
25 April 2019

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HKD	2017 HKD
INCOME			
Dividend income		1,939,728	1,594,698
Interest income on bank deposits	5	4,360	847
Net gain on financial assets at fair value through profit or loss		-	18,203,641
Sundry income	14	126,480	-
		<u>2,070,568</u>	<u>19,799,186</u>
EXPENSES			
Management fee	5	(1,008,895)	(507,505)
Trustee fee	5	(240,000)	(240,000)
Custodian fee	5	(82,106)	(57,210)
Auditors' remuneration		(110,000)	(124,800)
Brokerage fees and other transaction costs	5	(616,732)	(236,081)
Legal and professional fees		(129,638)	(12,320)
Other expenses		(60,906)	(44,389)
Exchange loss		(35,153)	-
Net loss on financial assets at fair value through profit or loss		(23,521,981)	-
		<u>(25,805,411)</u>	<u>(1,222,305)</u>
Less: Reimbursement of expenses by the Manager	5	<u>3,431</u>	<u>159,211</u>
		<u>(25,801,980)</u>	<u>(1,063,094)</u>
(LOSS)/ PROFIT BEFORE TAX		<u>(23,731,412)</u>	<u>18,736,092</u>
Withholding taxes	8	<u>(142,429)</u>	<u>(72,774)</u>
TOTAL COMPREHENSIVE INCOME		<u>(23,873,841)</u>	<u>18,663,318</u>
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNIHOLDERS		<u>(23,873,841)</u>	<u>-</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>-</u>	<u>18,663,318</u>

CHINAAMC SELECT CHINA NEW ECONOMY FUND
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STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HKD	2017 HKD
ASSETS			
Financial assets at fair value through profit or loss	9	16,341,227	80,487,574
Amounts due from the Manager	5	20	-
Amounts due from brokers	6	-	2,094,338
Dividend receivables		26	199,360
Cash and cash equivalents	10	<u>3,278,044</u>	<u>14,427,556</u>
TOTAL ASSETS		<u>19,619,317</u>	<u>97,208,828</u>
LIABILITIES			
Management fee payable	5	16,992	75,260
Trustee fee payable	5	20,000	20,000
Accrued expenses and other payables		110,030	130,278
Amounts due to brokers	6	<u>-</u>	<u>6,254,214</u>
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIHOLDERS		<u>147,022</u>	<u>6,479,752</u>
NET ASSETS ATTRIBUTABLE TO UNIHOLDERS	11	<u>19,472,295</u>	<u>-</u>
TOTAL LIABILITIES		19,472,295	6,479,752
TOTAL EQUITY		-	90,729,076
TOTAL LIABILITIES AND EQUITY		<u>19,472,295</u>	<u>97,208,828</u>
NUMBER OF UNITS IN ISSUE			
- Class I		1,947,399.49	6,954,074.45
- Class A		2,999.13	-
NET ASSET VALUE PER UNIT			
- Class I		9.9850	13.0469
- Class A		9.3698	-

CHINAAMC SELECT CHINA NEW ECONOMY FUND
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STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Number of Units	HKD
At 1 December 2017	1,947,399.49	17,065,758
Subscription of units – Class I HKD	5,006,674.96	55,000,000
Profit and total comprehensive income for the year	<u>-</u>	<u>18,663,318</u>
At 31 December 2017 and 1 January 2018	6,954,074.45	90,729,076
Reclassification of the redeemable units as financial liabilities	<u>(6,954,074.45)</u>	<u>(90,729,076)</u>
At 31 December 2018	<u><u>-</u></u>	<u><u>-</u></u>

CHINAAMC SELECT CHINA NEW ECONOMY FUND
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2018

	Number of units	HKD
As at 1 January 2018	-	-
Reclassification of the redeemable units as financial liabilities	6,954,074.45	90,729,076
Subscription of units		
- Class I HKD	3,238,458.49	44,999,340
- Class A HKD	2,999.13	30,000
	<u>3,241,457.62</u>	<u>45,029,340</u>
Redemption of units		
- Class I HKD	(8,245,133.45)	(92,412,280)
Decrease in net assets attributable to unitholders	<u>-</u>	<u>(23,873,841)</u>
As at 31 December 2018	<u>1,950,398.62</u>	<u>19,472,295</u>

CHINAAMC SELECT CHINA NEW ECONOMY FUND
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STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HKD	2017 HKD
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(23,731,412)	18,736,092
Adjustment for:			
Decrease/(Increase) in financial assets at fair value through profit or loss		64,146,347	(64,630,068)
(Increase)/decrease in amount due from the Manager		(20)	39,135
Decrease/(increase) in amount due from brokers		2,094,338	(2,094,338)
Decrease/(increase) in dividend receivable		199,334	(199,360)
(Decrease)/increase in management fee payable		(58,268)	46,184
(Decrease)/increase in accrued expenses and other payables		(20,248)	12,421
(Decrease)/increase in amounts due to brokers		(6,254,214)	6,254,214
Cash generated from/ (used in) operations		36,375,857	(41,835,720)
Tax paid	8	(142,429)	(72,774)
Net cash flow from/ (used in) operating activities		<u>36,233,428</u>	<u>(41,908,494)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		45,029,340	55,000,000
Payments for redemption of units		(92,412,280)	-
Net cash flows (used in)/ from financing activities		<u>(47,382,940)</u>	<u>55,000,000</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(11,149,512)	13,091,506
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		14,427,556	1,336,050
CASH AND CASH EQUIVALENTS AT THE YEAR END		<u>3,278,044</u>	<u>14,427,556</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash at banks	10	<u>3,278,044</u>	<u>14,427,556</u>
Net cash used in operating activities includes:			
Dividend received net of withholding tax		1,797,299	1,521,924
Interest income on bank deposits	5	<u>4,360</u>	<u>847</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. THE SUB-FUND

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

ChinaAMC Select China New Economy Fund (the "Sub-Fund") was constituted as a separate sub-fund of the Trust on 12 January 2012. The Sub-Fund is an open-ended unit trust and is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code"). Authorisation by the SFC does not imply official approval or recommendation. The Sub-Fund was launched on 27 May 2015. As at 31 December 2018, there are five other sub-funds established under the Trust and the inception dates are as follows:

	Inception date
ChinaAMC Select RMB Bond Fund	21 February 2012
ChinaAMC Select RMB Short-Term Bond Fund	27 February 2014
ChinaAMC Select Hong Kong China Opportunities Fund	9 March 2016
ChinaAMC Select Asia Bond Fund	30 September 2016
ChinaAMC Select Fixed Income Allocation Fund	28 August 2018

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

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

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

2.1 BASIS OF PREPARATION

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the SFC Code.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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 year ended 31 December 2018, 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:

Amendments to IAS 1 and IAS 8 *Definition of Material¹*

¹ Effective for annual periods beginning on or after 1 January 2020

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Sub-Fund expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Sub-Fund's financial statements.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Sub-Fund has adopted the following revised IFRS for the first time for the current year's financial statements, which is applicable to the Sub-Fund.

IFRS 9 *Financial Instruments*
IFRS 15 *Revenue from Contracts with Customers*

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

IFRS 9 *Financial Instruments*

The Sub-Fund adopted IFRS 9 *Financial Instruments* on its effective date of 1 January 2018. IFRS 9 replaces International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Classification and measurement

The Sub-Fund has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value continue to be measured at fair value.
- Equity instruments are acquired for the purpose of generating short-term profit. Therefore, they meet the held-for-trading criteria and are required to be measured at FVPL.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest ("SPPI"). Thus, such instruments continue to be measured at amortised cost under IFRS 9.
- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income ("OCI"), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Sub-Fund has not designated any financial liabilities at FVPL. Therefore, this requirement has not had any impact on the Sub-Fund.

(b) Impairment

For financial assets carried at amortised cost, including other receivable and amounts due from participating dealers, the expected credit loss ("ECL") is based on the 12-month ECL. This represents the portion of lifetime ECL that results from default events on the financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Manager has closely monitored the credit qualities and the collectability of other financial assets at amortised cost and considers that the ECL is immaterial.

(c) Hedge accounting

The Sub-Fund has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Fund has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the measurement categories under IFRS 9 for the Sub-Fund's financial assets and financial liabilities as at 1 January 2018.

Financial assets

1 January 2018	IAS 39 classification	IAS 39 measurement HKD	IFRS 9 classification	IFRS 9 measurement HKD
Equity instruments	Held for trading at FVPL	80,487,574	FVPL	80,487,574
Amount due from brokers	Loans and receivables	2,094,338	Amortised cost	2,094,338
Dividend receivables	Loans and receivables	199,360	Amortised cost	199,360
Cash and cash equivalents	Loans and receivables	14,427,556	Amortised cost	14,427,556

Financial liabilities

1 January 2018	IAS 39 classification	IAS 39 measurement HKD	IFRS 9 classification	IFRS 9 measurement HKD
Management fee payable	Other financial liabilities	75,260	Amortised cost	75,260
Trustee fee payable	Other financial liabilities	20,000	Amortised cost	20,000
Amount due to broker	Other financial liabilities	6,254,214	Amortised cost	6,254,214
Accrued expenses and other payable	Other financial liabilities	130,278	Amortised cost	130,278

In line with the characteristics of the Sub-Fund's financial instruments as well as its approach to their management, the Sub-Fund neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Sub-Fund's financial instruments due to changes in measurement categories. All financial assets that were classified as FVPL under IAS 39 are still classified as FVPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

In addition, the application of the ECL mode under IFRS 9 has not significantly changed the carrying amounts of the Sub-Fund's amortised cost financial assets. No ECL allowance has been recorded against the Sub-Fund's amount due from broker and dividend receivable both under IFRS 9 and IAS 39.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

IFRS 15 Revenue from contracts with customers

The Sub-Fund adopted IFRS 15 *Revenue from contracts with customers* on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 *Revenue* and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

In the current period the Sub-Fund has adopted IFRS 9 *Financial Instruments*. See section 2.3 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

(a) Classification

(i) Policy effective from 1 January 2018 (IFRS 9)

In accordance with IFRS 9, the Sub-Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking, or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets

The Sub-Fund classifies its financial assets as subsequently measured at amortised cost or measured at profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

Financial assets are measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Sub-Fund includes in this category short-term non-financing receivables including amounts due from manager and broker, and dividend receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(a) Classification (continued)

(i) Policy effective from 1 January 2018 (IFRS 9) (continued)

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding, or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell, or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Sub-Fund includes in this category instruments held for trading. This category includes equity instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Financial liabilities

Financial liabilities measured at amortised cost includes all financial liabilities. The Sub-Fund includes in this category management fee payable, trustee fee payable, accrued expenses and other payable, and amount due to brokers.

(ii) Policy effective before 1 January 2018 (IAS 39)

The Sub-Fund classifies its financial assets and liabilities into the following categories, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets at FVPL

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Financial instruments (continued)

(b) Recognition (under IFRS9 and IAS39)

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.

(c) Initial measurement (under IFRS9 and IAS39)

Financial assets at FVPL 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.

(d) Subsequent measurement (under IFRS9 and IAS39)

After initial measurement, the Sub-Fund measures financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of profit or loss and other comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of profit or loss and other comprehensive income.

Dividend receivables, amount due from Manager and brokers, other than those classified as at FVPL, are carried at amortised cost using the effective interest method ("EIR") 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 FVPL, are measured at amortised cost using the EIR. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The EIR is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss 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 asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the 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 ECLs. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(e) Derecognition (under IFRS9 and IAS39)

A financial asset (or, where applicable, a part of a financial asset or a 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 without material delay to a third party under a pass-through arrangement and the Sub-Fund has:

- Transferred substantially all the risks and rewards of the asset, or
- 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 right 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 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, cancelled or expired.

Impairment of financial assets

(a) Policy effective from 1 January 2018 (IFRS 9)

For financial assets measured at amortised cost, impairment allowances are recognised under the general approach where ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Sub-Fund is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Sub-Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Sub-Fund uses the provision matrix as a practical expedient to measuring ECLs on amount due from the Manager and broker, and dividend receivable, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

(b) Policy effective before 1 January 2018 (IAS 39)

The Sub-Fund assesses at the end of each reporting period whether a financial asset or a 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 ECLs 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.

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 profit or loss.

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Fund measures its investments in financial instruments, such as equity instruments, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Sub-Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at bank.

Functional and presentation currency

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

Foreign currency transactions

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Differences arising on settlement or transaction of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign currency transaction gains and losses on financial instruments classified as at FVPL and exchange differences on other financial instruments are included in the statement of profit or loss and other comprehensive income.

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 and are classified as financial liabilities for the year ended 31 December 2018. As at 31 December 2017, only Class I units were issued and are classified as equity.

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 the 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 of the relevant class.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets attributable to unitholders (continued)

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. During the year ended 31 December 2018, Class A units which are subject to different fee structures have been issued. Therefore, the Sub-Fund's redeemable units did not meet the definition of puttable instruments classified as equity instruments under the revised IAS 32 and were then classified as financial liabilities. The amount reclassified was the entire equity balance which was determined to be the fair value of the liability to unitholders at the date of the reclassification. Redeemable participating shares are measured at the redemption amount.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Interest revenue

Interest revenue is recognised in the statement of profit or loss and other comprehensive income for all interest-bearing financial instruments using the EIR.

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 profit or loss and other comprehensive income.

Net change in unrealised gain on FVPL

This item includes changes in the fair value of financial assets and liabilities as at FVPL 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.

Net realised gain or losses on financial assets at FVPL

Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies (continued) :

- (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.

Amounts due from/to broker

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

Amounts due to broker are payables for securities purchased (in a regular way transaction) that are financial liabilities, other than those classified as at FVPL.

Taxes

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ACCOUNTING ESTIMATES

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

Going concern

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

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

5. 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 below.

a) Management fee

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

The management fee for the year ended 31 December 2018 was HKD1,008,895 (2017: HKD507,505).

As at 31 December 2018, management fee of HKD16,992 (2017: HKD75,260) was payable to the Manager.

b) Trustee fee

The Trustee is entitled to receive a trustee fee from the Sub-Fund, current level up to 0.15% per annum (up to maximum of 0.5%) per annum, based on the net asset value, subject to minimum monthly fee of HKD40,000, which is reduced by 50% from May 2015 to May 2019 and accrued on each valuation day and is paid monthly in arrears.

The trustee fee for the year ended 31 December 2018 was HKD240,000 (2017: HKD240,000). As at 31 December 2018, trustee fee of HKD20,000 (2017: HKD20,000) was payable to the Trustee.

c) Custodian fee

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

The custodian fees for the year ended 31 December 2018 were HKD82,106 (2017: HKD57,210). As at 31 December 2018, there was no custodian fee payable to the Custodian (2017: Nil).

d) Brokerage fees and other transaction costs – Investment handling fee

Brokerage fees and other transaction costs comprise of investment handling fee, broker commission and investment related charges. Investment handling fee pertain to fee charges on transaction made through the Administrator at HKD100 per transaction made. The investment handling fee for the year ended 31 December 2018 was HKD22,400 (2017: HKD22,200). As at 31 December 2018, investment handling fee of HKD600 (2017: HKD2,700) was payable to the Administrator.

e) Bank deposit held by the Trustee's affiliates

The Sub-Fund's bank deposit was held by the Trustee's affiliates, Bank of China (Hong Kong) Limited, with interest income amounting to HKD4,360 for the year ended 31 December 2018 was (2017: HKD847). Further details of the balance held are described in note 10 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

f) Expenses borne by the Manager

The Product Key Facts stated that it is the Manager's current intention to cap the ongoing charges at 2.50% for Class A Units and 1.72% for Class I Units with respect to the average net asset value published from 1 January 2018 to 31 December 2018 ("Average Net Asset Value") per unit of the Sub-Fund; any ongoing charges in excess of such figure as at the end of the reporting period will be borne by the Manager. The Manager has an absolute discretion to set the ongoing charges cap in respect of the units of the Sub-Fund at a rate below 2.50% of the Average Net Asset Value per unit.

The following amount of expenses incurred by the Sub-Fund were borne by the Manager for the year ended 31 December 2018 and 31 December 2017.

	Expenses incurred by the Sub-Fund HKD	Expenses borne by the Manager HKD	Income in the statement of profit or loss and other comprehensive income HKD
<u>For the year ended 31 December 2018</u>			
Reimbursement of expenses by the Manager	<u>3,431</u>	<u>3,431</u>	<u>3,431</u>
<u>For the year ended 31 December 2017</u>			
Reimbursement of expenses by the Manager	<u>159,211</u>	<u>159,211</u>	<u>159,211</u>

As at 31 December 2018, the reimbursement of expenses due from the Manager was HKD20 (2017: Nil).

6. AMOUNT DUE FROM AND DUE TO BROKER

As at 31 December 2018, the Sub-Fund does not have any amount due from (2017: HKD 2,094,338) and amount due to broker (2017: HKD 6,254,214), which represent receivables and payables for securities sold and purchased that have been contracted for, but not yet delivered on the reporting date respectively.

7. SOFT COMMISSION ARRANGEMENTS

The Manager and its connected persons have not received any soft dollar commissions or entered into any soft dollar arrangements in respect of the management of the Sub-Fund during the year ended 31 December 2018 and 31 December 2017. The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

8. INCOME TAX

Hong Kong

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

PRC

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 and capital gains) imposed on securities issued by PRC tax resident enterprises ("Distribution Tax"). There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future. The distribution tax provided for the year ended 31 December 2018 was HKD142,429 (2017: HKD72,774).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HKD	2017 HKD
Financial assets at fair value through profit or loss		
- Listed equity securities	<u>16,341,227</u>	<u>80,487,574</u>
Total financial assets at fair value through profit or loss	<u>16,341,227</u>	<u>80,487,574</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

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

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

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 2018 and 31 December 2017.

	Level 1 HKD	Level 2 HKD	Level 3 HKD	Total HKD
31 December 2018				
Financial assets at fair value through profit or loss:				
- Listed equity securities	<u>16,341,227</u>	<u>-</u>	<u>-</u>	<u>16,341,227</u>
31 December 2017				
Financial assets at fair value through profit or loss:				
- Listed equity securities	<u>80,487,574</u>	<u>-</u>	<u>-</u>	<u>80,487,574</u>

As at 31 December 2018, the Sub-Fund only invested in listed equity securities in the Hong Kong Stock Exchange and the New York Stock Exchange. There are no investments classified within Level 2 and Level 3, and no transfers between levels for the year ended 31 December 2018 (2017: Nil).

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10. CASH AND CASH EQUIVALENTS

	2018 HKD	2017 HKD
Cash at bank	<u>3,278,044</u>	<u>14,427,556</u>

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

11. 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:

	2018 HKD	2017 HKD
Net assets attributable to unitholders as at last business day for the year (calculated in accordance with Explanatory Memorandum)	19,559,002	90,909,858
Differences between last business day and last calendar day:		
Interest Income	-	120
Operating expense	-	(7,490)
Net assets attributable to unitholders as at last calendar day for the year	19,559,002	90,902,488
Adjustment for preliminary expenses	<u>(86,707)</u>	<u>(173,412)</u>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>19,472,295</u>	<u>90,729,076</u>

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11. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

Capital management (continued)

	2018 HKD	2017 HKD
Net assets attributable to unitholders (per unit) as at last business day for the year/period (calculated in accordance with Explanatory Memorandum)		
Class I	<u>10.0292</u>	<u>13.0729</u>
Class A	<u>9.4119</u>	<u>-</u>
Net assets attributable to unitholders (per unit) (calculated in accordance with IFRSs)		
Class I	<u>9.9850</u>	<u>13.0469</u>
Class A	<u>9.3698</u>	<u>-</u>

12. SHARE CAPITAL

During the period from 27 May 2015 (date of inception) to 31 December 2017, there were only Class I units in issue and the Sub-Fund concluded that these units had all features and met all the conditions for classification as equity instruments.

During the year ended 31 December 2018, following the issuance of Class A units which are subject to different fee structures, the Sub-Fund concluded that the condition that the financial instruments have identical features was no longer met under IAS32. Therefore, the Sub-Fund has prospectively reclassified the redeemable units as financial liabilities. The amount reclassified was the entire equity balance which was determined to be the fair value of the liability to unitholders at the date of the reclassification.

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES

Risk management

Risk is inherent in the Sub-Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling risks. In perspective of risk management, the Sub-Fund's objective is to create and protect value for unitholders.

The Sub-Fund is exposed to market risk (which includes price risk, interest rate risk and currency risk), liquidity risk and credit risk arising from the financial instruments it holds.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(a) 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.

(i) 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 FVPL on the Sub-Fund's net asset value as at 31 December 2018. The analysis is based on the assumption that the underlying investments in equity securities increased/decreased by a reasonable possible shift, with all other variables held constant.

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

	Carrying value of financial assets at FVPL HKD	% of net assets %	Shift in underlying securities increase/ (decrease) %	Estimated possible change in net asset value increase/ (decrease) HKD
31 December 2018				
Financial assets at fair value through profit or loss	16,341,227	84	5	817,061
			(5)	(817,061)
31 December 2017				
Financial assets at fair value through profit or loss	80,487,574	89	5	4,024,379
			(5)	(4,024,379)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

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

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

(iii) Foreign exchange risk

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

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

(b) Liquidity risk

Liquidity risk is defined as the risk that the Sub-Fund will encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Sub-Fund could be required to pay its liabilities or redeem its units earlier than expected. The Sub-Fund is exposed to daily cash redemptions of its redeemable units. Units are redeemable at the holder's option based on the Sub-Fund's net asset value per unit at the time of redemption, calculated in accordance with the Sub-Fund's Trust Deed. It is the Sub-Fund's policy that the Manager monitors the Sub-Fund's liquidity position on a daily basis.

The table below summarises the maturity profile of the Sub-Fund's financial assets and liabilities at the end of the reporting period based on contractual undiscounted cash flows in order to provide a complete view of the Sub-Fund's contractual commitments and liquidity.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Sub-Fund can be required to pay.

Financial assets

Analysis of debt securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

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13. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	On demand HKD	Within 1 month HKD	1 month to 3 months HKD	More than 3 months to 1 year HKD	Total HKD
As at 31 December 2018					
<u>Financial assets</u>					
Financial assets at fair value through profit or loss	-	16,341,227	-	-	16,341,227
Dividend receivables	-	-	26	-	26
Cash and cash equivalents	3,278,044	-	-	-	3,278,044
Amount due from Manager	-	-	20	-	20
Total financial assets	<u>3,278,044</u>	<u>16,341,227</u>	<u>46</u>	<u>-</u>	<u>19,619,317</u>

	On demand HKD	Within 1 month HKD	1 month to 3 months HKD	More than 3 months to 1 year HKD	Total HKD
As at 31 December 2018					
<u>Financial liabilities</u>					
Management fee payable	-	16,992	-	-	16,992
Trustee fee payable	-	20,000	-	-	20,000
Accrued expenses and other payables	-	600	-	109,430	110,030
Net assets attributable to unitholders*	<u>19,472,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,472,295</u>
Total financial liabilities	<u>19,472,295</u>	<u>37,592</u>	<u>-</u>	<u>109,430</u>	<u>19,619,317</u>

* Subject to redemption terms of the Sub-fund.

	On demand HKD	Within 1 month HKD	1 month to 3 months HKD	More than 3 months to 1 year HKD	Total HKD
As at 31 December 2017					
<u>Financial assets</u>					
Financial assets at fair value through profit or loss	-	80,487,574	-	-	80,487,574
Dividend receivables	-	-	199,360	-	199,360
Cash and cash equivalents	14,427,556	-	-	-	14,427,556
Amounts due from brokers	<u>2,094,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,094,338</u>
Total financial assets	<u>16,521,894</u>	<u>80,487,574</u>	<u>199,360</u>	<u>-</u>	<u>97,208,828</u>

CHINAAMC SELECT CHINA NEW ECONOMY FUND
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	On demand HKD	Within 1 month HKD	1 month to 3 months HKD	More than 3 months to 1 year HKD	Total HKD
As at 31 December 2017					
<u>Financial liabilities</u>					
Management fee payable	-	75,260	-	-	75,260
Trustee fee payable	-	20,000	-	-	20,000
Amount due to brokers	-	6,254,214	-	-	6,254,214
Accrued expenses and other payables	-	5,478	-	124,800	130,278
Total financial liabilities	-	6,354,952	-	124,800	6,479,752

(c) Credit and counterparty risk

Credit risk is the risk of loss to the Sub-Fund that may arise on outstanding financial instruments should a counterparty default on its obligations. The Sub-Fund minimises exposure to credit risk by only dealing with creditworthy counterparties.

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

The Manager's policy is to closely monitor the creditworthiness of the Sub-Fund's counterparties (e.g., brokers, custodian and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

Financial assets subject to IFRS 9's impairment requirements

The Sub-Fund's financial assets subject to the ECL model within IFRS 9 are only cash and cash equivalents, dividend receivables, amounts due from Manager and brokers. As at 31 December 2018, the total of cash and cash equivalents, dividend receivable, amount due from the Manager and broker was HKD3,278,090 on which no loss allowance had been provided (2017: total of HKD16,721,254 on which no loss had been incurred). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(c) Credit and counterparty risk (continued)

Financial assets subject to IFRS 9's impairment requirements

For financial assets measured at amortised cost, the Sub-Fund applies the general approach for impairment, there is no information indicating that the financial asset had a significant increase in credit risk since initial recognition. The financial assets therefore are classified at stage 1 and presented in gross carrying amount.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: cash and cash equivalents and dividend receivables. All the Sub-Fund's cash and cash equivalents are held in major financial institutions located in Hong Kong and Mainland China, which the Manager believes are of high credit quality. The Manager considers the Sub-Fund is not exposed to significant credit risk and no loss allowance has been made.

Financial assets not subject to IFRS 9's impairment requirements

The Sub-Fund is exposed to credit risk on equity securities. This class of financial assets is not subject to IFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under both IAS 39 (2017) and IFRS 9 (2018) represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

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

31 December 2018

	HKD	Credit rating	Source of credit rating
<u>Custodians</u>			
Bank of China (Hong Kong) Limited	16,341,227	A+	S&P

31 December 2017

	HKD	Credit rating	Source of credit rating
<u>Custodians</u>			
Bank of China (Hong Kong) Limited	80,487,574	A+	S&P

The Manager of the Sub-Fund considers that none of these assets are impaired nor past due as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

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14 INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

According to Chapter 7.1 of the investment limitations and prohibitions of a collective investment scheme, the value of a Sub-Fund's holding of securities issued by any single issuer may not exceed 10% of its total net asset value.

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

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

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

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

The Fund breached the SFC Code Chapter 7.1 of which has been stated above during the year. There were constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the Index during the year. The Manager has disposed part of the securities at a loss for compliance. The loss incurred amounting to HKD126,480 was reimbursed by the Manager. Apart from the non-compliance disclosed above, the Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the year.

There were no constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and their respective weightings of the Index as at 31 December 2017 and 2018.

15. EVENTS AFTER THE REPORTING PERIOD

During the period between the year end and the date of authorisation of these financial statements, total subsequent subscription and redemption of Class I units of the Sub-Fund was 455,930 units and 1,947,399 respectively noted. In addition, total subsequent subscription and redemption of Class A units of the Sub-Fund was 21,573 units while no subsequent redemption noted.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 25 April 2019.

CHINAAMC SELECT CHINA NEW ECONOMY FUND
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INVESTMENT PORTFOLIO

31 December 2018

	Nominal Value/ Quantity HKD	Fair Value HKD	% of net asset
<u>LISTED SECURITIES</u>			
Hong Kong			
AIA GROUP LTD	9,000	585,000	3.00%
AVICHINA INDUST	115,000	565,800	2.91%
CHINA CONST BK	155,000	1,001,300	5.14%
CHINA EVERBRIGHT INTL LTD	78,000	547,560	2.81%
CHINA GAS HLDGS LTD	27,800	775,620	3.98%
CHINA JINMAO HLDGS GROUP LTD	54,000	190,080	0.98%
CHINA MERCH BK	26,000	746,200	3.83%
CHINA MOBILE LTD	5,500	414,425	2.13%
CHINA RESOURCES CEMENT HLDGS LTD	28,000	197,400	1.01%
CHINA STATE CONSTRUCTION INTL HLDGS LTD	32,000	199,040	1.02%
CHINA TAIPING INSURANCE HLDGS CO LTD	19,000	408,500	2.10%
CHINA VANKE CO LTD	15,700	417,620	2.14%
CHINA YUHUA EDUCATION CORP LTD	142,000	451,560	2.32%
CHINA ZHENG TONG AUTO SERVICES HLDGS LTD	108,000	504,360	2.59%
CSPC PHARMACEUTICAL GROUP LTD	52,000	587,600	3.02%
ICBC	111,000	620,490	3.19%
MTR CORP LTD	560	23,072	0.12%
PEOPLE'S INSURANCE CO (GROUP) OF CHINA LTD	147,000	463,050	2.38%
PETROCHINA CO LTD	168,000	819,840	4.21%
PING AN INSURANCE GROUP CO OF CHINA LTD	17,500	1,210,125	6.21%
SHIMAO PROPERTY HLDGS LTD	14,500	303,050	1.56%
SINO BIOPHARMAC	113,000	583,080	2.99%
TENCENT HLDGS LTD	5,100	1,601,400	8.22%
YANZHOU COAL MINING CO LTD	46,000	290,720	1.49%
YICHANG HEC CHANGJIANG PHARMACEUTICAL CO LTD	14,600	381,060	1.96%
<i>Total of equity securities traded in Hong Kong</i>		13,887,952	71.31%
United States			
ALIBABA GROUP HLDG LTD	1,600	1,717,652	8.82%
TENCENT MUSIC ENTERTAINMENT GROUP	1	104	0.00%
VIPSHOP HLDGS LTD	17,200	735,519	3.78%
<i>Total of equity securities traded in United States</i>		2,453,275	12.60%
Total investment portfolio (Cost: HKD 18,976,887)		16,341,227	83.91%
Other net assets		3,131,068	16.09%
Total net assets		19,472,295	100.00%

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

MOVEMENT IN PORTFOLIO HOLDINGS

31 December 2018

	As at 31 December 2017	Movement in holdings			As at 31 December 2018
		Addition	Bonus/ Dividends	Disposal	
SECURITIES					
Hong Kong					
AAC TECHNOLOGIES HLDGS INC	6,000	48,500	-	(54,500)	-
AIA GROUP LTD	9,000	58,000	-	(58,000)	9,000
ANTON OILFIELD SERVICES GROUP	-	7,556,000	-	(7,556,000)	-
AVICHINA INDUSTRY & TECHNOLOGY CO LTD-H	-	115,000	-	-	115,000
BAIDU INC-ADR	-	1,400	-	(1,400)	-
BEIJING ENTERPRISES WATER GROUP LTD	146,000	164,000	-	(310,000)	-
BRILLIANCE CHINA AUTOMOTIVE HLDGS LTD	222,000	598,000	-	(820,000)	-
CAR INC	389,000	-	-	(389,000)	-
CHINA CONSTRUCTION BANK CORP-H	94,000	1,258,000	-	(1,197,000)	155,000
CHINA EVERBRIGHT INTL LTD	81,000	1,133,000	-	(1,136,000)	78,000
CHINA GAS HLDGS LTD	-	98,800	-	(71,000)	27,800
CHINA JINMAO HLDGS GROUP LTD	-	54,000	-	-	54,000
CHINA LITERATURE LTD	1,818	-	-	(1,818)	-
CHINA MEDICAL SYSTEM HLDGS LTD	179,000	-	-	(179,000)	-
CHINA MERCHANTS BANK CO LTD-H	86,000	173,000	-	(233,000)	26,000
CHINA MOBILE LTD	-	75,500	-	(70,000)	5,500
CHINA PACIFIC INSURANCE (GROUP) CO-H	116,800	-	-	(116,800)	-
CHINA RESOURCES CEMENT HLDGS LTD	-	28,000	-	-	28,000
CHINA RESOURCES GAS GROUP LTD	128,000	36,000	-	(164,000)	-
CHINA SHENHUA ENERGY CO LTD-H	137,000	-	-	(137,000)	-
CHINA STATE CONSTRUCTION INTL HLDGS LTD	-	32,000	-	-	32,000
CHINA TAIPING INSURANCE HLDGS CO LTD	-	182,000	-	(163,000)	19,000
CHINA VANKE CO LTD-H	-	90,100	-	(74,400)	15,700
CHINA YUHUA EDUCATION CORP LTD	-	286,000	-	(144,000)	142,000
CHINA ZHENG TONG AUTO SERVICES HLDGS LTD	-	414,500	-	(306,500)	108,000
CIFI HLDGS GROUP CO LTD	380,000	466,000	-	(846,000)	-
COUNTRY GARDEN HLDGS CO LTD	-	193,000	-	(193,000)	-
COUNTRY GARDEN SERVICES HLDGS CO LTD	-	22,183	-	(22,183)	-
CSPC PHARMACEUTICAL GROUP LTD	-	54,000	-	(2,000)	52,000
FOSUN INTL LTD	-	302,500	-	(302,500)	-
FU SHOU YUAN INTL GROUP LTD	-	279,000	-	(279,000)	-
GEELY AUTOMOBILE HLDGS LTD	-	128,000	-	(128,000)	-
GUANGZHOU AUTOMOBILE GROUP CO LTD-H	197,000	-	-	(197,000)	-
GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HLDGS CO LTD-H	144,000	-	-	(144,000)	-
HUABAO INTL HLDGS LTD	716,000	-	-	(716,000)	-
IMAX CHINA HLDG INC	-	194,500	-	(194,500)	-
INDUSTRIAL & COMMERCIAL BK OF CHINA-H	305,000	1,462,000	-	(1,656,000)	111,000
JIANGSU EXPRESSWAY CO LTD-H	-	278,000	-	(278,000)	-
MTR CORP LTD	-	90,560	-	(90,000)	560
PEOPLE'S INSURANCE CO (GROUP) OF CHINA LTD-H	-	147,000	-	-	147,000
PETROCHINA CO LTD-H	792,000	1,172,000	-	(1,796,000)	168,000
PICC PROPERTY & CASUALTY CO LTD-H	400,000	548,000	130,000	(1,078,000)	-
PING AN INSURANCE GROUP CO OF CHINA LTD-H	48,500	68,500	-	(99,500)	17,500
SHIMAO PROPERTY HLDGS LTD	-	59,500	-	(45,000)	14,500
SINO BIOPHARMACEUTICAL LTD	-	303,000	-	(190,000)	113,000
SPT ENERGY GROUP INC	-	1,512,000	-	(1,512,000)	-
SUNAC CHINA HLDGS LTD	26,000	101,000	-	(127,000)	-
SUNNY OPTICAL TECHNOLOGY GROUP CO LTD	8,000	33,600	-	(41,600)	-
TENCENT HLDGS LTD	21,200	15,200	-	(31,300)	5,100
YANZHOU COAL MINING CO LTD-H	-	126,000	-	(80,000)	46,000
YICHANG HEC CHANGJIANG PHARMACEUTICAL CO LTD-H	332,600	274,200	-	(592,200)	14,600
United States					
ALIBABA GROUP HLDG LTD-SPONSORED ADR	3,300	6,400	-	(8,100)	1,600
TENCENT MUSIC ENTERTAINMENT GROUP	-	-	1	-	1
VIPSHOP HLDGS LTD-ADS	-	22,000	-	(4,800)	17,200
Total investment portfolio	4,969,218	20,259,943	130,001	(23,836,101)	1,523,061

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

PERFORMANCE TABLE

Net asset value attributable to unitholders

	Net assets value per unit HKD	Net assets attributable to unitholders HKD
31 December 2018		
Class I	9.9850	19,444,194
Class A	9.3698	28,101
31 December 2017		
Class I	13.0469	90,729,076
31 December 2016		
Class I	8.7634	17,065,758

Highest issue and lowest redemption prices per unit¹

	Highest issue unit price HKD	Lowest redemption unit price HKD
Year ended 31 December 2018		
Class I	14.4056	9.8792
Class A	10.2850	9.2678
Year ended 31 December 2017		
Class I	13.2761	8.8898
Year ended 31 December 2016		
Class I	9.2263	6.6049
Period from 27 May 2015 (date of inception) to 31 December 2015		
Class I	10.1937	6.5961

¹ Past performance figures shown are not indicative of the future performance of the Sub-Fund.

With effect from 1 September 2016, investment objective of the Sub-Fund was changed. Performance information for periods prior to 1 September 2016 does not reflect the current investment strategy.

