

ChinaAMC Select Fund

ChinaAMC Select RMB Bond Fund

Annual Report

For the year ended 31 December 2019



华夏基金
ChinaAMC

ANNUAL REPORT

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

For the year ended 31 December 2019

CHINAAMC SELECT RMB BOND 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-rmb-bond-fund/documents.html>

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

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

ADMINISTRATION AND MANAGEMENT

MANAGER

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

DIRECTORS OF THE MANAGER

Yang Minghui
Zhang Xiaoling
Gan Tian
Li Yimei
Li Fung Ming (name changed from Li Min on 5 December
2019)

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

RQFII LOCAL CUSTODIAN

Bank of China Limited
1 Fuxingmen Nei Dajie
Beijing
China

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

With the year of 2019 drawing to a close, it is sensible to remind ourselves that what happened in 2019 will have profound impact on the coming years. For one thing, the back-and-forth haggle between China and the U.S. over trade dispute will likely become the benign version of bilateral interaction of two countries despite of the intermittent threats during the course. Could it be replaced by more danger forms of interaction if Donald Trump gets, or doesn't get, re-elected for the second term? The risk is out there. What's got clarified to some extent is the strategic view of China's ruling party on capital market and private sector in the country. Mounting external pressure of trade war has helped eliminating ideological noises around these issues. It's now only a matter of whether China can succeed in re-modeling its capital market after the American version and leverage the capital market to foster an innovation-centric economy. Around these themes, state-owned Enterprises reform and further opening-up of Chinese market are logical steps. To facilitate such an unprecedented transformation, a controlled de-risk procedure is needed. Hence, the government will not refrain from growth-boosting measures when the risk of speed loss is deemed high. People should not mistake means for the end when that happens. Against such a big picture, it is reasonable to expect a slowing but still growing Chinese economy to be the baseline scenario.

People's Bank of China ("PBOC") changed its main policy tools in 2019 from quantity tool (i.e., reserve requirement ratio cut) to price tool (i.e. interest rate cut). A refurbished loan prime rate mechanism is tasked to connect long term interest rate with short term policy rate. The incumbent policy deposit rate and lending rate are effectively abandoned. The new mechanism will give PBOC more influence over lending cost in the economy, hence help lowering interest rates when the central bank wants so. There may be other reasons for a case of lower interest rates in China, but debt problem is for sure one of the strong reasons for lower interest rates. Moreover, if global interest rates are moving towards negative territory, China cannot go the other direction. There is more likelihood to see lower interest rates in China than otherwise. Chinese bond market could be an interesting place from a global perspective where bond investors can deploy sizable funds and get 3-plus% return for modest credit risk. A combination of fundamental picture and foreign capital inflow theme will possibly make Chinese bonds to deliver healthy returns in the coming year.

China Asset Management (Hong Kong) Limited
24 April 2020

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

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager, China Asset Management (Hong Kong) Limited, has, in all material respects, managed ChinaAMC Select RMB Bond Fund (a sub-fund of ChinaAMC Select Fund) for the year ended 31 December 2019 in accordance with the provisions of the trust deed dated 12 January 2012, as amended or supplemented from time to time.

On behalf of
BOCI-Prudential Trustee Limited, the Trustee

24 April 2020

Independent auditor's report**To the Manager and the Trustee of
ChinaAMC Select RMB Bond Fund**

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

Report on the audit of the financial statements**Opinion**

We have audited the financial statements of ChinaAMC Select RMB Bond Fund (a sub-fund of ChinaAMC Select Fund (the "Trust") and referred to as the "Sub-Fund" set out on pages 7 to 38, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, 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 2019, 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 RMB Bond Fund**

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

Responsibilities of the Manager and the Trustee for the financial statements

The Manager and the Trustee 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 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 RMB Bond Fund**

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

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
24 April 2020

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
INCOME			
Dividend income		159,787	455,463
Interest income on financial assets at fair value through profit or loss		9,023,896	11,898,427
Interest income on bank deposits and deposit reserve	5	<u>43,686</u>	<u>52,098</u>
		<u>9,227,369</u>	<u>12,405,988</u>
EXPENSES			
Management fee	5	(2,378,233)	(2,820,782)
Trustee fee	5	(480,000)	(480,000)
Custodian fee	5	(135,331)	(177,678)
Auditors' remuneration		(55,621)	(132,746)
Brokerage fee		(36,412)	(53,436)
Transaction costs	5	(28,594)	(60,566)
Other expenses		<u>(134,439)</u>	<u>(443,415)</u>
		<u>(3,248,630)</u>	<u>(4,168,623)</u>
FINANCE COSTS			
Distribution to unitholders			
– Class A-DIST-RMB	8	-	(6,349,318)
– Class A-DIST-USD	8	-	<u>(1,359,738)</u>
		-	<u>(7,709,056)</u>
PROFIT BEFORE INVESTMENT AND EXCHANGE DIFFERENCES		5,978,739	528,309
INVESTMENT GAINS AND EXCHANGE DIFFERENCES			
Net gains on financial assets at fair value through profit or loss		1,585,033	632,696
Net foreign exchange losses		<u>(132,705)</u>	<u>(36,589)</u>
NET INVESTMENTS AND EXCHANGE GAINS		1,452,328	596,107
PROFIT BEFORE TAX		<u>7,431,067</u>	<u>1,124,416</u>
Withholding tax expense	7	<u>(33,879)</u>	<u>(902,650)</u>
INCREASE IN NET ASSET ATTRIBUTABLE TO UNITHOLDERS		-	221,766
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>7,397,188</u>	<u>-</u>

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

STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB	2018 RMB
ASSETS			
Financial assets at fair value through profit or loss	9	161,870,585	199,254,401
Interest receivables		3,415,135	4,946,413
Deposits and other receivables		5,605	5,605
Subscription receivable		214,302	48,500
Cash and cash equivalents	10	<u>7,959,345</u>	<u>10,364,897</u>
TOTAL ASSETS		<u>173,464,972</u>	<u>214,619,816</u>
LIABILITIES			
Redemption payable		-	1,337,265
Management fee payable	5	1,172,062	218,065
Trustee fee payable	5	41,333	40,000
Tax payable		1,478,856	1,448,513
Distributions payable to unitholders		513,012	588,428
Other payables		<u>310,159</u>	<u>427,077</u>
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>3,515,422</u>	<u>4,059,348</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	11	<u>-</u>	<u>210,560,468</u>
TOTAL LIABILITIES		3,515,422	214,619,816
TOTAL EQUITY	12	169,949,550	-
TOTAL LIABILITIES AND EQUITY		<u>173,464,972</u>	<u>214,619,816</u>

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2019

	Number of Units	RMB
At 1 January 2018	20,991,751.03	261,123,804
Subscription of units		
– Class A-DIST-RMB	605,918.53	6,185,724
– Class A-DIST-USD	43,088.74	2,650,737
	<u>649,007.27</u>	<u>8,836,461</u>
Redemption of units		
– Class A-DIST-RMB	(4,745,550.68)	(48,392,866)
– Class A-DIST-USD	(182,142.32)	(11,228,697)
	<u>(4,927,693.00)</u>	<u>(59,621,563)</u>
Increase in net assets attributable to unitholders	-	221,766
At 31 December 2018 and 1 January 2019	16,713,065.30	210,560,468
Reclassification of the redeemable units as equity	(16,713,065.30)	(210,560,468)
At 31 December 2019	<u>-</u>	<u>-</u>

CHINAAMC SELECT RMB BOND FUND
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STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Number of Units	RMB
At 1 January 2019	-	-
Reclassification of the redeemable units as equity	16,713,065.30	210,560,468
Subscription of units		
– Class A-DIST-RMB	513,475.06	5,214,411
– Class I-ACC-USD	45,371.59	3,463,815
– Class A-DIST-USD	18,578.95	1,133,821
	<u>577,425.60</u>	<u>9,812,047</u>
Redemption of units		
– Class A-DIST-RMB	(2,620,275.42)	(26,614,097)
– Class I-ACC-USD	(254,485.33)	(19,779,121)
– Class A-DIST-USD	(79,707.63)	(4,886,767)
	<u>(2,954,468.38)</u>	<u>(51,279,985)</u>
Distributions to unitholders		
– Class A-DIST-RMB	-	(5,335,279)
– Class A-DIST-USD	-	(1,204,889)
	<u>-</u>	<u>(6,540,168)</u>
Profit and total comprehensive income for the year	-	7,397,188
At 31 December 2019	<u>14,336,022.52</u>	<u>169,949,550</u>
	2019	2018
Number of units in issue		
– Class A-DIST-RMB	13,868,267.99	15,975,068.35
– Class I-ACC-USD	-	209,113.74
– Class A-DIST-USD	467,754.53	528,883.21
Net asset value per unit		
– Class A-DIST-RMB	RMB 10.19	RMB 10.16
– Class I-ACC-USD	-	USD 10.94
– Class A-DIST-USD	USD 8.77	USD 8.90

CHINAAMC SELECT RMB BOND FUND
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STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 RMB	2018 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,431,067	1,124,416
Adjustments for:			
Distribution to unitholders		-	7,709,056
Decrease in financial assets at fair value through profit or loss		37,383,816	52,920,004
Decrease in interest receivable		1,531,278	2,484,297
Increase/(decrease) in management fee payable		953,997	(322,504)
Increase in trustee fee payable		1,333	-
(Decrease)/increase in other payables		(116,918)	81,308
Cash generated from operations		<u>47,184,573</u>	<u>63,996,577</u>
Tax paid		(3,536)	(4,131,327)
Net cash flows generated from operating activities		<u>47,181,037</u>	<u>59,865,250</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		9,646,245	8,787,961
Payments for redemption of units		(52,617,250)	(58,759,877)
Distribution to unitholders		(6,615,584)	(7,855,138)
Net cash flows used in financing activities		<u>(49,586,589)</u>	<u>(57,827,054)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(2,405,552)	2,038,196
Cash and cash equivalents at beginning of year		<u>10,364,897</u>	<u>8,326,701</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
		<u>7,959,345</u>	<u>10,364,897</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash at banks	10	<u>7,959,345</u>	<u>10,364,897</u>
Net cash flows generated from operating activities include:			
Dividend received		159,787	455,463
Interest income on bank deposits and deposit reserve		43,686	52,098

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 RMB Bond Fund (the "Sub-Fund") was constituted as a separate sub-fund of the Trust. 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 21 February 2012. As at 31 December 2019, there are five other sub-funds established under the Trust and the inception dates are as follow:

	Inception date
ChinaAMC Select China New Economy Fund	27 May 2015
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
ChinaAMC Select Money Market Fund	29 March 2019

The manager of the Trust is China Asset Management (Hong Kong) Limited (the "Manager") and the Trustee is BOCI-Prudential Trustee Limited (the "Trustee"). The Custodian is Bank of China (Hong Kong) Limited (the "Custodian") and the Renminbi Qualified Foreign Institutional Investors (the "RQFII") local custodian is Bank of China Limited (the "RQFII Local Custodian").

Pursuant to the Guidelines on Management and Operation of RQFII issued by the State of Administration of Foreign Exchange ("SAFE") on and effective from 30 May 2014, a RQFII has the flexibility to allocate its RQFII quota granted by SAFE across different public fund products under its management. Accordingly, the Sub-Fund no longer has the exclusive use of all the RQFII quota previously granted by SAFE to the Manager in respect of the Sub-Fund. The Manager, at its discretion, may re-allocate the RQFII quota in respect of the Sub-Fund to other public fund products under its management or vice versa without having to obtain prior approval from SAFE.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

3.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Sub-Fund has not early applied any of the new and revised IFRSs that have been issued but are not yet effective for the accounting period ended 31 December 2019, 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 Material*¹

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.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Sub-Fund has adopted the following revised IFRSs for the first time for the current period's financial statements, which are applicable to the Sub-Fund.

IFRIC Interpretation 23	Uncertainty over Income Tax Treatment
Annual improvement to IFRSs 2015-2017 Cycle	Amendments to IAS12

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (the "Interpretation") addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Sub-Fund determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Sub-Fund applies significant judgement in identifying uncertainties over income tax treatments. The Sub-Fund has assessed that the Interpretation does not have significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Sub-Fund's current practice is in line with these amendments, they had no impact on the financial statements of the Sub-Fund.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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 solely payments of principal and interest ("SPPI") on the principal amount outstanding. The Sub-Fund includes in this category short-term non-financing receivables including other receivable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(a) Classification (continued)

Financial assets (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, custodian, fund administration and trustee fees payables, amounts due to participating dealers and other payables and accruals.

(b) Recognition

The Sub-Fund recognises a financial asset or a financial liability 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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the financial asset.

(c) Initial measurement

Financial assets and financial liabilities 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.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(d) Subsequent measurement

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 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 comprehensive income.

Other receivable is measured 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 financial assets 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.

(e) Derecognition

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 full 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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 measure ECLs on other 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.

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.

Fair value measurement

The Sub-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 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, without any deduction for transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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.

Functional and presentation currency

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

Foreign currency transactions

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets attributable to unitholders

The Sub-Fund issues redeemable units, namely Class A units and Class I units, which were redeemable at the unitholder's option and were classified as financial liabilities for the year ended 31 December 2018. As at 31 December 2019, Class I units were fully redeemed and only Class A units were issued and were classified as equity.

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any sub-fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant sub-fund in issue. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units of the same sub-fund on that Dealing Day will redeem the same proportion of such Units, any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next Dealing Day. If redemption requests are carried forward, the Manager will inform the Unitholders concerned.

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.

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.
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.
- (d) 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 2019, Class I units which are subject to different fee structures have been fully redeemed. Therefore, the Sub-Fund's redeemable units met the definition of puttable instruments classified as equity instruments under the revised IAS 32 and were then classified as equity. The amount reclassified was the carrying amount of the liabilities at the date of the reclassification. Redeemable participating shares are measured at the redemption amount. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets attributable to unitholders (continued)

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.

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 period in which it is approved by the Manager.

Revenue recognition

(a) Dividend income

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

(b) Interest income

Interest income is recognised on an accrual basis using the EIR by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as cash and cash equivalents.

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

Net change in unrealized gains or losses on financial assets at FVPL

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

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net realized gains 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;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, of any member of a group of which it is a part, provides key management personnel services to the Sub-Fund or to the parent of the Sub-Fund.

Taxes

In some 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 year between the Sub-Fund and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms. To the best of 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, at a rate of 1.25% (up to maximum of 1.75%) per annum for Class A units and 0.75% (up to maximum of 1.75%) per annum for Class I units with respect to the net asset value of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears.

The management fee for the year ended 31 December 2019 was RMB2,378,233 (2018: RMB2,820,782). As at 31 December 2019, management fee of RMB1,172,062 (2018: RMB218,065) was payable to the Manager.

(b) Trustee fee

The Trustee is entitled to receive a trustee fee from the Sub-Fund, at current rates ranging from 0.09% to 0.14% (with a maximum of 0.5%) per annum based on the net asset value, subject to minimum monthly fee of RMB40,000 and accrued on each dealing day and is paid monthly in arrears.

The trustee fee for the year ended 31 December 2019 was RMB480,000 (2018: RMB480,000). As at 31 December 2019, trustee fee of RMB41,333 (2018: RMB40,000) was payable to the Trustee.

(c) Custodian and RQFII Local Custodian fee

The Custodian and RQFII Local Custodian are entitled to receive custodian fees from the Sub-Fund, at a current rate of 0.1% (up to a maximum of 0.3%) per annum, calculated monthly and is paid monthly in arrears.

The Custodian and RQFII Local Custodian fee for the year ended 31 December 2019 were RMB135,331 (2018: RMB177,678). As at 31 December 2019, there was no custodian fee payable to the Custodian (2018: Nil).

(d) Bank deposits held by the Trustee's affiliates

The Sub-Fund's bank deposits were held by the Trustee's affiliates, Bank of China (Hong Kong) Limited and Bank of China Limited. The interest income for the year ended 31 December 2019 was RMB43,686 (2018: RMB52,098). Further details of the balances held are described in note 10 to the financial statements.

(e) Transaction costs – Investment handling fee

Investment handling fee pertain to fee charges on transaction made through the Administrator at RMB85 per transaction made. The investment handling fee for the year ended 31 December 2019 was RMB25,965 (2018: RMB29,860). As at 31 December 2019, investment handling fee of RMB2,600 (2018: RMB2,495) was payable to the Administrator.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

(f) Investment transactions with connected persons of the Trustee

Bank of China and BOCI International (China) Limited were the Trustee's affiliates.

	Aggregate value of purchases and sales of securities RMB	Total commission paid RMB	% of Sub-Fund's total transactions during the year %	Average commission Rate %
2019				
Bank of China	10,458,634	-	3.82%	-
BOCI International (China) Limited	182,979,725	-	66.82%	-
2018				
Bank of China	229,811,810	-	38.95%	-
BOCI International (China) Limited	241,145,562	-	40.88%	-

6 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 2019 and 31 December 2018. The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

7 WITHHOLDING TAXES

PRC Tax

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

Distribution Tax

A 10% PRC withholding tax has been levied on dividend and interest payments from PRC companies to foreign investors. The Sub-Fund is subject to a distribution tax of 10%. There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future.

According to Circular Caishui [2018] 108 ("Circular 108"), foreign institutional investors are temporarily exempted from PRC Withholding Income Tax with respect to bond interest income derived in the PRC bond market for the period from 7 November 2018 to 6 November 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

7 WITHHOLDING TAXES (CONTINUED)

PRC Tax (continued)

Value-Added Tax

According to Circular Caishui [2016] 36 (“Circular 36”), interest income received from investment in non-government bonds is subject to PRC value-added tax (“VAT”) at 6% from 1 May 2016 onwards. If the investors are non-PRC residents, the PRC VAT should technically be withheld by PRC bond issuers, unless the PRC authorities would clarify otherwise. Circular 36 does not mention whether asset management products should be subject to VAT.

Subsequently, Circular Caishui [2016] 140 (“Circular 140”) and Circular Caishui [2017] 2 (“Circular 2”) were issued. However, there was still a lack of clarification on whether asset management products should be subject to VAT. Later on, Circular Caishui [2017] 56 was issued. There was a clarification about Circular 36, stipulating that PRC VAT shall be applied to non-government bond interests received by offshore asset management products on or after 1 May 2016. It also stipulated that asset management products would be subject to VAT starting from 1 January 2018.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs, RQFIs and qualified foreign financial institutions for directly investing in China Interbank Bond Market or via Bond Connect (“CIBM investor”) from investments in PRC debt securities. Interest receipts from investment in PRC debt securities by QFIs, RQFIs and CIBM investors shall be subject to 6% VAT unless special exemption applies. In addition, there are also other local surtaxes that would amount to as high as 12% of VAT liabilities. The State Administration of Taxation is working on the implementation rule for the VAT collection in relation to asset management products. Currently in practice, PRC bond issuers have not withheld PRC VAT and local surcharges when paying non-government bond interest to offshore asset management products.

Interest income derived from government bonds issued by the Ministry of Finance, or bonds issued by local government of a province, autonomous region, municipality directly under the Central Government or municipality separately listed on the state plan, as approved by the State Council (“Government Bonds”) is exempt from PRC withholding tax and VAT. And according to Circular 36 and Caishui [2016] 46, deposit interest income is not subject to VAT.

According to Circular Caishui [2018] 108 (“Circular 108”), foreign institutional investors are temporarily exempt from PRC VAT with respect to bond interest income derived in the PRC bond market for the period from 7 November 2018 to 6 November 2021.

CHINAAMC SELECT RMB BOND FUND
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

8 DISTRIBUTION

	RMB
Undistributed income at 31 December 2017 and 1 January 2018	-
Increase in net assets attributable to unitholders	221,766
Add: Finance costs – distribution to unitholders	7,709,056
Net change in unrealised gain on financial assets at fair value through profit or loss	<u>3,454,248</u>
Undistributed income before distribution	11,385,070
Interim distribution declared	
on 29 January 2018 (paid on 5 February 2018)	(727,737)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 26 February 2018 (paid on 5 March 2018)	(704,034)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 27 March 2018 (paid on 9 April 2018)	(684,678)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 25 April 2018 (paid on 4 May 2018)	(665,148)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 29 May 2018 (paid on 5 June 2018)	(644,819)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 27 June 2018 (paid on 5 July 2018)	(636,066)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 27 July 2018 (paid on 3 August 2018)	(636,878)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 29 August 2018 (paid on 5 September 2018)	(613,818)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 26 September 2018 (paid on 10 October 2018)	(614,076)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 29 October 2018 (paid on 5 November 2018)	(602,039)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 28 November 2018 (paid on 5 December 2018)	(591,335)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
on 27 December 2018 (paid on 4 January 2019)	(588,428)
- RMB0.03 per unit for Class A-DIST-RMB	
- USD0.03 per unit for Class A-DIST-USD	
Transfer to capital	<u>(3,676,014)</u>

CHINAAMC SELECT RMB BOND FUND
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

8 DISTRIBUTION (CONTINUED)

	RMB
Undistributed income at 31 December 2018 and 1 January 2019	-
Profit and total comprehensive income for the year	7,397,188
Undistributed income before distribution	<u>7,397,188</u>
Interim distribution declared	
on 29 January 2019 (paid on 12 February 2019)	(577,663)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 26 February 2019 (paid on 5 March 2019)	(574,440)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 27 March 2019 (paid on 3 April 2019)	(552,626)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 26 April 2019 (paid on 8 May 2019)	(548,843)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 29 May 2019 (paid on 5 June 2019)	(552,459)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 26 June 2019 (paid on 4 July 2019)	(548,138)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 29 July 2019 (paid on 5 August 2019)	(538,707)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 28 August 2019 (paid on 4 September 2019)	(536,980)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 26 September 2019 (paid on 10 October 2019)	(532,268)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 29 October 2019 (paid on 5 November 2019)	(530,319)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 27 November 2019 (paid on 4 December 2019)	(534,459)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
on 27 December 2019 (paid on 6 January 2020)	(513,266)
- RMB0.03 Class A-DIST-RMB	
- USD0.03 Class A-DIST-USD	
Transfer to capital	<u>(857,020)</u>
Undistributed income at 31 December 2019	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

8 DISTRIBUTION (CONTINUED)

The Manager may in its absolute discretion distribute income to unitholders at such time or times as it may determine in each financial year or determine that no distribution shall be made in any financial year. The amount to be distributed to unitholders, if any, will be derived from the net income of the Sub-Fund.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB	2018 RMB
Financial assets at fair value through profit or loss		
- debt securities	156,372,932	192,455,407
- collective investment scheme	<u>5,497,653</u>	<u>6,798,994</u>
Total financial assets at fair value through profit or loss	<u>161,870,585</u>	<u>199,254,401</u>

The fair value of financial assets and liabilities traded in 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.

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.

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

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.

As at 31 December 2019, the Sub-Fund invested in debt securities and collective investment scheme and categories the investments within Level 2. Transactions in those collective investment schemes do not occur on a regular basis. Those collective investment schemes are valued based on the NAV per share published by the administrator of those schemes and therefore the Sub-Fund classifies all of its collective investment schemes as Level 2. No Level 1 and Level 3 investments were categorised by the Sub-Fund during the year.

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value as at 31 December 2019.

	Quoted prices in active markets Level 1 RMB	Significant observable inputs Level 2 RMB	Significant unobservable inputs Level 3 RMB	Total RMB
31 December 2019				
Financial assets at fair value through profit or loss:				
- Debt securities	-	156,372,932	-	156,372,932
- Collective investment scheme	-	5,497,653	-	5,497,653
	-	161,870,585	-	161,870,585
31 December 2018				
Financial assets at fair value through profit or loss:				
- Debt securities	-	192,455,407	-	192,455,407
- Collective investment scheme	-	6,798,994	-	6,798,994
	-	199,254,401	-	199,254,401

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31 December 2019

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

There are no investments classified within Level 1 and Level 3 and no transfers between levels for the year ended 31 December 2019 (2018: Nil).

10 CASH AND CASH EQUIVALENTS

	2019 RMB	2018 RMB
Cash at banks	<u>7,959,345</u>	<u>10,364,897</u>

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

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 of 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.

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11 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

Capital management (continued)

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:

	2019 RMB	2018 RMB
Net assets attributable to unitholders (calculated in accordance with Explanatory Memorandum)	169,735,248	210,560,468
Adjustment for unsettled capital transaction	214,302	-
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>169,949,550</u>	<u>210,560,468</u>
Net assets attributable to unitholders (per unit) (calculated in accordance with Explanatory Memorandum)		
- Class A-DIST-RMB	RMB 10.19	RMB 10.16
- Class I-ACC-USD	-	USD 10.94
- Class A-DIST-USD	<u>USD 8.77</u>	<u>USD 8.90</u>
Net assets attributable to unitholders (per unit) (calculated in accordance with IFRSs)		
- Class A-DIST-RMB	RMB 10.19	RMB 10.16
- Class I-ACC-USD	-	USD 10.94
- Class A-DIST-USD	<u>USD 8.77</u>	<u>USD 8.90</u>

12 SHARE CAPITAL

During the year ended 31 December 2018, Class I units and Class A units, which were subject to different fee structures, were in issue. These units didn't meet the condition that the financial instruments have identical features under IAS32, and therefore were classified as financial liability.

During the year ended 31 December 2019, Class I units were fully redeemed, and thus only Class A units were in issue. The Sub-Fund concluded that these units had identical features and met all the conditions for classification as equity instruments. Therefore, the Sub-Fund had prospectively reclassified the redeemable units as equity. The reclassification was deemed to have occurred at the beginning of the reporting period, and thus amount reclassified was the entire financial liabilities balance which was determined to be the fair value of the equity to unitholders at the date of the reclassification.

NOTES TO THE FINANCIAL STATEMENTS

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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.

(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 2019. The analysis is based on the assumption that the underlying investments in collective investment scheme increased/decreased by a reasonable possible shift, with all other variables held constant. However, this does not represent a prediction of the future movement in the corresponding key markets.

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13 FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Price risk (continued)

	Carrying value of financial assets at FVPL RMB	% of net assets %	Shift in underlying securities increase/ (decrease) %	Estimated possible change in net asset value increase/ (decrease) RMB
31 December 2019				
Financial assets at fair value through profit or loss	5,497,653	3	1	54,977
			(1)	(54,977)
31 December 2018				
Financial assets at fair value through profit or loss	6,798,994	3	1	67,990
			(1)	(67,990)

(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.

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

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

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13 FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the year to a reasonably possible change in interest rates.

	Change in basis points	Sensitivity of interest income increase/(decrease) RMB	Sensitivity of Change in fair value of investments (decrease)/increase RMB
31 December 2019			
Debt securities	+ 25	37,730	(96,785)
Debt securities	- 25	(37,730)	96,785
31 December 2018			
Debt securities	+ 25	50,230	(102,483)
Debt securities	- 25	(50,230)	102,483

The Sub-Fund also has interest-bearing bank deposits. As the bank deposits have maturity dates within three months, the Manager considers the movement in interest rates will not have significant cash flow impact on the net assets attributable to unitholders for the year ended 31 December 2019 and therefore no sensitivity analysis on bank deposit 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 RMB, the functional currency of the Sub-Fund. The Manager considers the Sub-Fund is not exposed to significant currency risk and therefore no sensitivity analysis is presented.

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13 FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(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.

	On demand RMB'000	Within 1 month RMB'000	1 month to 3 months RMB'000	More than 3 months to 1 year RMB'000	Total RMB'000
As at 31 December 2019					
<u>Financial assets</u>					
Financial assets at fair value through profit or loss	-	161,871	-	-	161,871
Interest receivable	-	348	957	2,110	3,415
Deposits and other receivables	-	6	-	-	6
Subscription receivable	-	214	-	-	214
Cash and cash equivalents	7,959	-	-	-	7,959
Total financial assets	7,959	162,439	957	2,110	173,465

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31 December 2019

13 FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	On demand RMB'000	Within 1 month RMB'000	1 month to 3 months RMB'000	More than 3 months to 1 year RMB'000	Total RMB'000
As at 31 December 2019					
<u>Financial liabilities</u>					
Management fee payable	-	1,172	-	-	1,172
Trustee fee payable	-	41	-	-	41
Other payables	-	35	-	275	310
Distributions payable to unitholders	-	513	-	-	513
Total financial liabilities	-	1,761	-	275	2,036

	On demand RMB'000	Within 1 month RMB'000	1 month to 3 months RMB'000	More than 3 months to 1 year RMB'000	Total RMB'000
As at 31 December 2018					
<u>Financial assets</u>					
Financial assets at fair value through profit or loss	-	199,254	-	-	199,254
Interest receivable	-	475	1,094	3,377	4,946
Deposits and other receivable	-	6	-	-	6
Subscription receivable	-	49	-	-	49
Cash and cash equivalents	10,365	-	-	-	10,365
Total financial assets	10,365	199,784	1,094	3,377	214,620

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13 FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	On demand RMB'000	Within 1 month RMB'000	1 month to 3 months RMB'000	More than 3 months to 1 year RMB'000	Total RMB'000
As at 31 December 2018					
<u>Financial liabilities</u>					
Redemption payable	-	1,337	-	-	1,337
Management fee payable	-	218	-	-	218
Trustee fee payable	-	40	-	-	40
Other payables	-	56	-	371	427
Distributions payable to unitholders	-	588	-	-	588
Net assets attributable to unitholders*	210,560	-	-	-	210,560
Total financial liabilities	210,560	2,239	-	371	213,170

* Subject to redemption terms of the Sub-Fund.

(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, subscription receivable, deposits and other receivables, and interest receivable. As at 31 December 2019, the total of the above financial assets subject to the ECL model was RMB11,594,387 on which no loss allowance had been provided (2018: total of RMB15,365,415 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 period.

NOTES TO THE FINANCIAL STATEMENTS

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13 FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(c) Credit and counterparty risk (continued)

Financial assets subject to IFRS 9's impairment requirements (continued)

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 still 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, 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 debt 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 IFRS 9 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 invested in PRC RMB fixed income securities issued by corporations that carry a credit rating grade of at least BBB-/Baa3 or equivalent assigned by one of the local rating agencies recognised by the relevant authorities in the PRC. If the issuer of any of the fixed interest securities in which the Sub-Fund's assets are invested defaults, the performance of the Sub-Fund will be adversely affected.

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"):

	RMB	Credit rating	Source of credit rating
31 December 2019			
<u>RQFII Local Custodian</u>			
Bank of China Limited	161,870,585	A	S&P

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

13 FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(c) Credit and counterparty risk (continued)

	RMB	Credit rating	Source of credit rating
31 December 2018			
<u>RQFII Local Custodian</u>			
Bank of China Limited	199,254,401	A+	S&P

The Manager of the Sub-Fund considers that none of these assets are impaired nor past due as at 31 December 2019.

14 EVENTS AFTER THE REPORTING PERIOD

The Manager declared distributions of RMB0.03 per unit for Class A-DIST-RMB and USD0.03 per unit for Class A-DIST-USD on 22 January 2020, 26 February 2020 and 26 March 2020, respectively.

The outbreak of Coronavirus Disease ("COVID-19 outbreak") in early 2020 has had significant impact on global financial markets. The Manager will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Sub-Fund. As the COVID-19 outbreak occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period, and accordingly no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19 outbreak. The Manager will continue to remain alert to the situation and monitor the subscriptions and redemptions of the Sub-Fund. During the period between the end of the reporting period and the date of authorisation of these financial statements, there was a net redemption of 876,359 Class A units of the Sub-Fund.

15 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 24 April 2020.

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INVESTMENT PORTFOLIO

31 December 2019

	Nominal Value/ Quantity	Fair Value	% of net asset
FIXED INCOME SECURITIES			
China			
AVIC INTL LEASING CO LTD 6.4% A PERP	10,000,000	10,295,550	6.06%
CHINA ELECTRONICS CORP EB 0.5% A 27NOV2022	2,000,000	2,418,400	1.42%
CHINA FORTUNE LAND DEVELOPMENT CO LTD 7% A 03MAR2021	5,000,000	5,110,000	3.01%
CHINA FORTUNE LAND DEVELOPMENT CO LTD 5.1% A 20OCT2022	401,000	403,005	0.24%
CHUZHOU CITY CONSTRUCTION INVESTMENT CO LTD 1YR S+3.05% A 30NOV2021	15,092,000	9,269,507	5.45%
DALIAN PORT PDA CO LTD 5.3% A 23MAY2021	31,000	31,868	0.02%
DATONG COAL MINE GROUP CO LTD 5.78% A 18APR2021	10,000,000	10,205,740	6.01%
GUANGZHOU R&F PROPERTIES CO LTD 6.58% A 04DEC2022	10,000,000	9,970,000	5.87%
GUANGZHOU R&F PROPERTIES CO LTD 7% A 03JAN2023	5,000,000	5,003,000	2.94%
GUIZHOU RAILWAY INVESTMENT CO LTD 7.2% A 27MAR2022	20,000,000	12,491,680	7.35%
GUOTAI JUNAN SECURITIES CO LTD CB 1% A 07JUL2023	4,500,000	5,596,200	3.29%
HUBEI ENERGY GROUP CO LTD 3.07% A 11NOV2021	15,000,000	15,000,000	8.83%
INNER MONGOLIA MENGDIAN HUANENG THERMAL POWER CORP CB 1% A 22DEC2023	850,000	999,005	0.59%
SHANGHAI LUJIAZUI DEVELOPMENT GROUP CO LTD 3.95% A 05JUL2021	5,000,000	5,050,000	2.97%
SHANGHAI STATE-OWNED ASSETS OPERATION CO LTD EB 1.7% A 08DEC2020	3,000,000	3,633,000	2.14%
TONGKUN GROUP CO LTD CB 0.5% A 19NOV2024	426,000	542,894	0.32%
UNIGROUP GUOXIN MICROELECTRONICS CO LTD 5.28% A 21MAY2023	10,000,000	10,000,000	5.88%
WUHU TOKEN SCIENCE CO LTD CB 0.4% A 18MAR2025	1,000,000	1,669,830	0.98%
XIAMEN C&D CORP LTD 4.27% A PERP	4,000,000	4,000,000	2.35%
XINJIANG ZHONGTAI CHEMICAL CO LTD 5.95% A 06JUN2021	10,000,000	10,286,670	6.05%
YANKUANG GROUP CO LTD 5.86% A PERP	10,000,000	10,284,080	6.05%
YINGKOU PORT GROUP CO LTD 5.6% A 13NOV2020	5,300,000	5,194,000	3.06%
YINGKOU PORT LIABILITY CO LTD 5.6% A 20OCT2021	9,226,000	9,410,520	5.54%
ZHEJIANG JIULI HI-TECH METALS CO LTD CB 1% A 08NOV2023	3,520,100	4,500,483	2.65%
ZHUHAI PORT CO LTD 3.73% A 22NOV2021	5,000,000	5,007,500	2.95%
<i>Total of fixed income securities</i>		<u>156,372,932</u>	<u>92.02%</u>
COLLECTIVE INVESTMENT SCHEMES			
China			
CHINA AMC ENHANCED DOUBLE BOND FUND-A	4,155,445	5,497,653	3.23%
<i>Total of collective investment scheme</i>		<u>5,497,653</u>	<u>3.23%</u>
Total listed/quoted investment (cost RMB 159,941,260)		161,870,585	95.25%
Other assets		11,594,387	6.82%
Total assets		<u>173,464,972</u>	<u>102.07%</u>
Total net assets as at 31 December 2019		<u>169,949,550</u>	<u>100.00%</u>

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MOVEMENT IN PORTFOLIO HOLDINGS

31 December 2019

	As at 31 December 2018	Movement in holdings			As at 31 December 2019
		Addition	Bonus/ Dividends	Disposal	
FIXED INCOME SECURITIES					
China					
AVIC INTL LEASING CO LTD 6.4% A PERP	10,000,000	-	-	-	10,000,000
BANK OF GUANGZHOU CO LTD 0% A 10JAN2019	20,000,000	-	-	(20,000,000)	-
BANK OF JIANGSU CO LTD CB 0.2% A 14MAR2025	-	5,000,000	-	(5,000,000)	-
BANK OF NINGBO CO LTD CB 0.4% A 05DEC2023 (CALLED)	-	3,501,000	-	(3,501,000)	-
BEIJING CONSTRUCTION ENGINEERING GROUP 5.95% A 05JUL2019	12,000,000	-	-	(12,000,000)	-
CHINA ELECTRONICS CORP EB 0.5% A 27NOV2022	-	2,000,000	-	-	2,000,000
CHINA EVERBRIGHT BANK CO LTD CB 1% A 17MAR2023	1,544,000	-	-	(1,544,000)	-
CHINA FORTUNE LAND DEVELOPMENT CO LTD 5.1% A 20OCT2022	-	401,000	-	-	401,000
CHINA FORTUNE LAND DEVELOPMENT CO LTD 7% A 03MAR2021	-	5,000,000	-	-	5,000,000
CHINA NATIONAL PETROLEUM CORP EB 1% A 13JUL2022	4,000,000	-	-	(4,000,000)	-
DALIAN PORT PDA CO LTD 5.3% A 23MAY2021	31,000	-	-	-	31,000
DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO LTD 6.6% A 14OCT2020	8,000,000	-	-	(8,000,000)	-
DALIAN WANDA COMMERCIAL PROPERTIES CO LTD 4.9% A 06MAY2021	10,000,000	-	-	(10,000,000)	-
DATONG COAL MINE GROUP CO LTD 5.78% A 18APR2021	20,000,000	-	-	(10,000,000)	10,000,000
GUANGZHOU R&F PROPERTIES CO LTD 6.58% A 04DEC2022	-	10,000,000	-	-	10,000,000
GUANGZHOU R&F PROPERTIES CO LTD 7% A 03JAN2023	-	5,000,000	-	-	5,000,000
GUANGZHOU R&F PROPERTIES CO LTD 7% A 22JAN2021	-	900,000	-	(900,000)	-
GUIZHOU RAILWAY INVESTMENT CO LTD 7.2% A 27MAR2022	20,000,000	4,000,000	-	(4,000,000)	20,000,000
GUOTAI JUNAN SECURITIES CO LTD CB 1% A 07JUL2023	-	6,000,000	-	(1,500,000)	4,500,000
HUBEI ENERGY GROUP CO LTD 3.07% A 11NOV2021	-	15,000,000	-	-	15,000,000
INNER MONGOLIA MENGDIAN HUANENG THERMAL POWER CORP CB 1% A 22DEC2023	-	850,000	-	-	850,000
JIANGXI WANNIANQING CEMENT CO LTD 6.85% A 12SEP2019	10,000,000	-	-	(10,000,000)	-
JUEWEI FOOD CO LTD CB 0.4% A 11MAR2025	-	3,000,000	-	(3,000,000)	-
KANGMEI PHARMACEUTICAL CO LTD 5.33% A 27JAN2022	2,000,000	2,000,000	-	(4,000,000)	-
SHANGHAI ELECTRIC GROUP CO LTD CB 1.5% A 02FEB2021	2,000,000	-	-	(2,000,000)	-
SHANGHAI LUJIAZUI DEVELOPMENT GROUP CO LTD 3.95% A 05JUL2021	-	10,000,000	-	(5,000,000)	5,000,000
SHANGHAI NANFANG GROUP CO LTD 6.7% A 09SEP2019	20,000,000	-	-	(20,000,000)	-
SHANGHAI SHIMAO JIANSHE CO LTD 4.15% A 16OCT2022	7,879,000	-	-	(7,879,000)	-
SHANGHAI STATE-OWNED ASSETS OPERATION CO LTD EB 1.7% A 08DEC2020	-	3,000,000	-	-	3,000,000
SHANXI YONGDONG CHEMISTRY INDUSTRY CO LTD CB 1% A 16APR2023	1,999,600	-	-	(1,999,600)	-
TASLY HOLDING GROUP CO LTD 5.75% A 12APR2019	10,000,000	-	-	(10,000,000)	-

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

MOVEMENT IN PORTFOLIO HOLDINGS (CONTINUED)

31 December 2019

	As at	Movement in holdings			As at
	31 December 2018	Addition	Bonus/ Dividends	Disposal	31 December 2019
FIXED INCOME SECURITIES (Continued)					
China					
TONGKUN GROUP CO LTD CB 0.5% A 19NOV2024	-	1,426,000	-	(1,000,000)	426,000
UNIGROUP GUOXIN MICROELECTRONICS CO LTD 5.28% A 21MAY2023	-	10,000,000	-	-	10,000,000
WUHAN DANGDAI TECHNOLOGY INDUSTRY GROUP CO LTD 7% A 21MAR2021	6,000,000	1,000,000	-	(7,000,000)	-
WUHU TOKEN SCIENCE CO LTD CB 0.4% A 18MAR2025	-	1,000,000	-	-	1,000,000
XIAMEN C&D CORP LTD 4.27% A PERP	-	4,000,000	-	-	4,000,000
XINING CITY INVESTMENT MANAGEMENT CO LTD 7.7% A 27APR2019	40,000,000	-	-	(40,000,000)	-
XINJIANG ZHONGTAI CHEMICAL CO LTD 5.95% A 06JUN2021	10,000,000	-	-	-	10,000,000
YANKUANG GROUP CO LTD 5.86% A PERP	10,000,000	-	-	-	10,000,000
YINGKOU PORT GROUP CO LTD 5.6% A 13NOV2020	5,300,000	-	-	-	5,300,000
YINGKOU PORT LIABILITY CO LTD 5.6% A 20OCT2021	-	9,226,000	-	-	9,226,000
YOUZU INTERACTIVE CO LTD CB 0.4% A 23SEP2025	-	2,000,000	-	(2,000,000)	-
ZHEJIANG JIULI HI-TECH METALS CO LTD CB 1% A 08NOV2023	-	3,520,100	-	-	3,520,100
ZHUHAI PORT CO LTD 3.73% A 22NOV2021	5,000,000	-	-	-	5,000,000
Total of fixed income securities	235,753,600	107,824,100	-	(194,323,600)	149,254,100
FLOATING INCOME SECURITY					
China					
CHUZHOU CITY CONSTRUCTION INVESTMENT CO LTD 1YR S+3.05% A 30NOV2021	20,092,000	3,018,400	-	(8,018,400)	15,092,000
Total of floating income security	20,092,000	3,018,400	-	(8,018,400)	15,092,000
COLLECTIVE INVESTMENT SCHEMES					
China					
CHINA AMC CASH INCOME FUND-A	6,798,994	166,200	-	(6,965,194)	-
CHINA AMC ENHANCED DOUBLE BOND FUND-A	-	4,155,445	-	-	4,155,445
Total of collective investment schemes	6,798,994	4,321,645	-	(6,965,194)	4,155,445
Total investment portfolio	262,644,594	115,164,145	-	(209,307,194)	168,501,545

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

PERFORMANCE TABLE

Net asset value attributable to unitholders

		Net asset value per unit	Net asset value RMB
As at 31 December 2019			
- Class A-DIST-RMB	RMB	10.19	141,372,617
- Class I-ACC-USD	USD	-	-
- Class A-DIST-USD	USD	8.77	28,576,933
As at 31 December 2018			
- Class A-DIST-RMB	RMB	10.16	162,419,455
- Class I-ACC-USD	USD	10.94	15,743,551
- Class A-DIST-USD	USD	8.90	32,397,462
As at 31 December 2017			
- Class A-DIST-RMB	RMB	10.18	204,849,719
- Class I-ACC-USD	USD	11.11	15,147,036
- Class A-DIST-USD	USD	9.45	41,127,049

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

PERFORMANCE TABLE (CONTINUED)

Highest issue price and lowest redemption price per unit¹

		Highest issue price per unit		Lowest redemption price per unit
Year ended 31 December 2019				
- Class A-DIST-RMB	RMB	10.25	RMB	10.11
- Class I-ACC-USD	USD	11.45	USD	10.75
- Class A-DIST-USD	USD	9.21	USD	8.48
Year ended 31 December 2018				
- Class A-DIST-RMB	RMB	10.24	RMB	10.16
- Class I-ACC-USD	USD	11.73	USD	10.72
- Class A-DIST-USD	USD	9.86	USD	8.78
Year ended 31 December 2017				
- Class A-DIST-RMB	RMB	10.42	RMB	10.17
- Class I-ACC-USD	USD	11.15	USD	10.21
- Class A-DIST-USD	USD	9.62	USD	9.05
Year ended 31 December 2016				
- Class A-DIST-RMB	RMB	10.66	RMB	10.38
- Class I-DIST-RMB	RMB	10.62	RMB	10.49
- Class I-ACC-USD	USD	10.87	USD	10.18
- Class A-DIST-USD	USD	9.99	USD	9.04
Year ended 31 December 2015				
- Class A-DIST-RMB	RMB	10.63	RMB	10.34
- Class I-DIST-RMB	RMB	10.57	RMB	10.24
- Class I-ACC-USD	USD	10.85	USD	10.31
- Class A-DIST-USD	USD	10.36	USD	9.74
- Class I-ACC-RMB	RMB	10.79	RMB	10.34
Year ended 31 December 2014				
- Class A-DIST-RMB	RMB	10.71	RMB	9.95
- Class I-DIST-RMB	RMB	10.59	RMB	10.00
- Class I-ACC-USD	USD	10.63	USD	10.00
- Class A-DIST-USD	USD	10.55	USD	9.99
- Class I-ACC-RMB	RMB	10.38	RMB	9.99
Year ended 31 December 2013				
- Class A-DIST-RMB	RMB	10.56	RMB	9.95
Period from 21 February 2012 (date of inception) to 31 December 2012				
- Class A-DIST-RMB	RMB	10.36	RMB	9.99

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

