

CCB INTERNATIONAL RMB FUND SERIES
CCB INTERNATIONAL – RMB FIXED INCOME FUND

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

Reports and Financial Statements

For the year ended
31 December 2015

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ADMINISTRATION AND MANAGEMENT

MANAGER

CCB International Asset Management Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

DIRECTORS OF THE MANAGER

Bai Yue
Li Ngai
Li Yuezhong
Lo Chak Bong Alfred Bing
Rattiwat Samson
Yang Feng

TRUSTEE AND REGISTRAR

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

AUDITORS

PricewaterhouseCoopers
21/F, Edinburgh Tower
15 Queen's Road Central
Hong Kong

SOLICITORS TO THE MANAGER

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

CUSTODIAN

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

MANAGER'S REPORT

Market Review

Bearish sentiment on RMB/US\$ exchange rate in Q4 2014 continued in the beginning of the new year while forecast of a deceleration in economic growth for 2015 and thus possible increase in credits risks of selective Chinese issuers all contributed to a substantial decline in primary market issuance in the offshore RMB bond market for the first two months of the year. Towards the end of first quarter however, RMB/US\$ exchange rate seemed to start recovering at the back of firmer PBOC onshore exchange rate fixing and more dovish tone presented by the US Fed. Offshore RMB bond market price performance had also improved marginally. Total new issue size reached RMB 40.1 billion for the quarter.

During Q2 2015, Offshore RMB bond market rallied at the back of PBOC Required Reserve Ratio cut and shifting in consensus forecast towards more monetary easing for the rest of the year. In addition, IMF's commencement in the 6 months unofficial review of the currency basket of the Special Drawing Rights (SRD) in May raised market sentiment towards the inclusion of RMB in the basket which in turn should translate to an increase in demand in RMB denominated fixed income instruments, including offshore RMB bonds, in the long run. Total new issue size jumped substantially to RMB 52.7 billion in the second quarter.

Offshore RMB bond market remained stable at the beginning of Q3 2015 despite a drop in liquidity & widen in credit spread in selected non rated Dim Sum bonds issued by PRC issuers. PBOC improved the onshore RMB/US\$ exchange rate fixing mechanism allowing the mid-rate to move closer to the market rate on 11th August triggered a 2.7% devaluation in the onshore & offshore RMB/US\$ exchange rates on that day. In the month of September, both the Dim Sum bond market (+1.1%) & the RMB/US\$ exchange rates (CNY +0.4%, CNH+1.2%) improved, Total new issue size collapsed to RMB 26.1 billion in the third quarter at the back of exchange rates & bond prices volatility.

Sentiment turned bullish entering fourth quarter at the back of rising expectation on RMB to be included in the SDR basket and the widely expected outcome was announced by the IMF in November. However, despite an improving Dim Sum bond market (+1.85%) in Q4 2015, RMB/US\$ exchange continued to be under pressure (CNY-2.1%, CNH-3.1%) during the quarter resulting from further deceleration in growth in the economy and the first US Fed interest rate hike of 0.25% since the 2008 global financial crisis. Total new issue size improved to RMB 37.4 billion in the fourth quarter.

For the whole year 2015, primary market recorded with total issue size of RMB411.7 billion including certificate of deposit as compared to total issue size of RMB525.1 billion including certificate of deposit in 2014, representing a 21.6% decrease.

MANAGER'S REPORT (continued)

2015 Performance

CCB International RMB Fixed Income Fund ("The Fund") had 97.18% of its NAV invested in fixed income instrument as of 30 June 2015 as compared to 93.36% in 31 December 2014.

At the end of 2015, the Fund has 96.51% of its NAV invested in fixed income instruments with performance of 3.43% increase between 31 December 2014 and 31 December 2015. Deutsche Bank Offshore RMB Bond Indices reported an increase of 3.18% between 31 December 2014 and 31 December 2015.

Market Outlook and Strategies

With consensus forecast of further deceleration in growth for the Chinese economy in 2016 and thus more interest rates & Required Reserve Ratio cuts, coupled with possible further rate hikes by the US Fed, RMB/US\$ exchange rate is expected to be more volatile which could in turn affect the supply/demand of the offshore RMB bond market.

It would be vital importance for the PBOC to strike a balance between timing & magnitude of interest rates cuts and RMB/US\$ exchange rates to optimize the impact of monetary loosening, exchange rates volatility, continuation of RMB internationalization and net capital flow.

Despite the perceived increase in market volatility, the Fund would continue to adopt disciplined investment approach in identifying and investing in offshore RMB bonds via both the primary and secondary markets to enhance investment return going forward.

CCB International Asset Management Limited
15 April 2016

TRUSTEE’S REPORT

We hereby confirm that, in our opinion, the Manager, CCB International Asset Management Limited, has, in all material respects, managed CCB International RMB Fund Series - CCB International - RMB Fixed Income Fund for the year ended 31 December 2015 in accordance with the provisions of the Trust Deed dated 29 December 2010, as amended.

On behalf of
BOCI-Prudential Trustee Limited, the Trustee
15 April 2016

INDEPENDENT AUDITOR'S REPORT

**To the unitholders of
CCB International Rmb Fund Series
CCB International – RMB Fixed Income Fund (the “sub-fund”)**

Report on the Financial Statements

We have audited the financial statements of the Sub-Fund set out on pages 7 to 36, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Trustee and the Manager (the “Management”) of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 29 December 2010 (the “Trust Deed”) and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the “SFC Code”), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also 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 SFC Code.

INDEPENDENT AUDITOR’S REPORT (continued)

To the unitholders of
CCB International Rmb Fund Series
CCB International – RMB Fixed Income Fund (the “sub-fund”)

Auditor’s Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Sub-Fund’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2015, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15 April 2016

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB	2014 RMB
ASSETS			
Financial assets at fair value through profit or loss	3(a)	52,441,000	96,878,750
Prepaid expenses		11,105	10,519
Interest receivable		851,901	1,736,534
Cash and cash equivalents	5	<u>2,441,403</u>	<u>7,778,380</u>
TOTAL ASSETS		<u><u>55,745,409</u></u>	<u><u>106,404,183</u></u>
LIABILITIES			
Management fee payable	8(a)	85,534	67,691
Trustee fee payable	8(b)	40,000	42,667
Custodian fee payable	8(c)	1,224	2,418
Distribution payable	7	1,112,413	2,122,063
Redemption payable		–	245,290
Accrued expenses and other payables		<u>170,590</u>	<u>158,939</u>
TOTAL LIABILITIES		<u><u>1,409,761</u></u>	<u><u>2,639,068</u></u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u><u>54,335,648</u></u>	<u><u>103,765,115</u></u>
NUMBER OF UNITS IN ISSUE	6	<u><u>556,206.64</u></u>	<u><u>1,061,031.60</u></u>
NET ASSET VALUE PER UNIT		<u><u>97.68</u></u>	<u><u>97.79</u></u>

The accompanying notes on pages 12 to 36 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB	2014 RMB
INCOME			
Interest from financial assets at fair value through profit or loss		5,149,443	6,153,747
Interest from bank deposits		15,130	34,064
Net losses on financial assets at fair value through profit or loss	4	(225,800)	(762,555)
Net foreign exchange losses		(6,113)	(1,670)
		<u>4,932,660</u>	<u>5,423,586</u>
EXPENSES			
Management fee	8(a)	(639,953)	(830,853)
Trustee fee	8(b)	(480,000)	(480,000)
License fee		(9,761)	(11,752)
Custodian fee	8(c)	(22,948)	(34,572)
Auditors' remuneration		(176,120)	(169,350)
Publishing charges		(8,492)	(7,722)
Brokerage fees and other transaction costs		(3,700)	(6,500)
Other expenses		(243)	(2,516)
		<u>(1,341,217)</u>	<u>(1,543,265)</u>
PROFIT BEFORE TAXATION		3,591,443	3,880,321
Taxation	9	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,591,443</u>	<u>3,880,321</u>

The accompanying notes on pages 12 to 36 are an integral part of these financial statements

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2015

	Notes	2015 RMB	2014 RMB
BALANCE AT BEGINNING OF 1 JANUARY		<u>103,765,115</u>	<u>150,270,132</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,591,443</u>	<u>3,880,321</u>
TRANSACTIONS WITH UNITHOLDERS RECORDED DIRECTLY IN EQUITY			
Subscription of units	6	3,119,322	4,438,020
Redemption of units	6	(53,076,312)	(50,420,738)
Distribution to unitholders	7	<u>(3,063,920)</u>	<u>(4,402,620)</u>
TOTAL TRANSACTIONS WITH UNITHOLDERS		<u>(53,020,910)</u>	<u>(50,385,338)</u>
BALANCE AT END OF 31 DECEMBER		<u><u>54,335,648</u></u>	<u><u>103,765,115</u></u>

The accompanying notes on pages 12 to 36 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB	2014 RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income for the year	3,591,443	3,880,321
Adjustments for:		
Interest from financial assets at fair value through profit or loss	(5,149,443)	(6,153,747)
Interest from bank deposits	(15,130)	(34,064)
Net decrease in financial assets at fair value through profit or loss	44,211,950	43,623,695
Net losses on financial assets at fair value through profit or loss	225,800	762,555
(Increase)/Decrease in prepaid expenses	(586)	1,524
Increase/ (Decrease) in management fee payable	17,843	(113,259)
(Decrease)/ Increase in trustee fee payable	(2,667)	1,334
Decrease in custodian fee payable	(1,194)	(959)
Increase in accrued expenses and other payables	11,651	9,493
Cash generated from operations	42,889,667	41,976,893
Interest received	6,049,206	6,008,020
Net cash flow generated from operating activities	48,938,873	47,984,913

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2015

	2015	2014
	RMB	RMB
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	3,119,322	4,507,820
Payments for redemption of units	(53,321,602)	(50,574,101)
Distribution to unitholders	<u>(4,073,570)</u>	<u>(5,022,133)</u>
Net cash flow used in financing activities	<u>(54,275,850)</u>	<u>(51,088,414)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(5,336,977)	(3,103,501)
Cash and cash equivalents at beginning of year	<u>7,778,380</u>	<u>10,881,881</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR 5	<u><u>2,441,403</u></u>	<u><u>7,778,380</u></u>

The accompanying notes on pages 12 to 36 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

CCB International RMB Fund Series (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 29 December 2010 (the “Trust Deed”) between CCB International Asset Management Limited (the “Manager”) and BOCI-Prudential Trustee Limited (the “Trustee”).

CCB International - RMB Fixed Income Fund (the “Sub-Fund”) was constituted as a separate sub-fund of the Trust on 25 March 2011. 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. As at 31 December 2015, no other sub-fund had been established by the Trust.

The investment objective of the Sub-Fund is to achieve long-term capital return while maintaining a steady flow of income through investment primarily in a diversified portfolio of debt instruments denominated in Renminbi (“RMB”). It may also invest in other RMB denominated deposits issued outside Mainland China, such as bank certificate of deposit, bank deposits and negotiated term deposits, commercial papers and short term bills and notes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Sub-Fund’s accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

(i) *Standards and amendments to existing standards effective 1 January 2015 and have been adopted*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2015 that would be expected to have a material impact on the Sub-Fund.

(ii) *New standards, amendments and interpretations effective after 1 January 2015 and have not been early adopted*

HKFRS 9, 'Financial instruments', addressing the classification, measurement and recognition of financial assets and financial liabilities, is effective for annual periods beginning on or after 1 January 2018. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. This standard is not expected to have a significant impact on the financial statements of the Sub-Fund.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The subscriptions and redemptions of the redeemable units denominated in RMB. The performance of the Sub-Fund is measured and reported to the investors in RMB. The Directors of the Manager consider RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Sub-Fund’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within ‘Net (losses)/gains on financial assets at fair value through profit or loss’.

(c) Financial assets at fair value through profit or loss

(i) Classification

All of the Sub-Fund’s investments are classified as financial assets at fair value through profit or loss. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Financial assets at fair value through profit or loss (continued)*

(ii) *Recognition/derecognition*

Purchases and sales of investments are accounted for on the trade date basis. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

(iii) *Measurement*

Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all investments are measured at fair value. Realised and unrealised gains and losses on investments are recognised in the statement of comprehensive income in the year in which they arise.

(iv) *Fair value estimation*

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 of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include reference to quotes provided by independent third parties, the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(d) *Income and expenses*

Interest income is recognised on a time-proportionate basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Income and expenses (continued)*

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

Expenses are accounted for on an accrual basis.

(e) *Cash and cash equivalents*

Cash and cash equivalents include demand deposits with original maturities of three months or less.

(f) *Redeemable units*

All proceeds and payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders. The net asset value of the Sub-Fund is computed daily. Prices for issues and redemptions are based on the latest available preceding valuation.

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 with the total number of outstanding units. In accordance with the provisions of the Sub-Fund's explanatory memorandum, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

The Sub-Fund classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Sub-Fund has one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Sub-Fund and ranks *pari passu* in all material respects and has identical terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Redeemable units (continued)*

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instruments if it meets the following conditions:

- it entitles the holder to a pro rata share of the entity's net assets in the event of the Sub-Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability;
- the total expected cash flows attributable to the instrument over its life 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.

The Sub-Fund's redeemable units meet all of these conditions and are classified as equity.

(g) *Distribution to unitholders*

No distribution will be paid out of the Sub-Fund's capital. Distributions are recognised in the statement of changes in net assets attributable to unitholders when they are approved by the Manager.

With reference to the Trust Deed, the amount available for distribution is the total net amount receivable by the Sub-Fund in respect of the relevant period ("Total Income") minus any expenses chargeable against income, subject to adjustments made in accordance with Clause 15.3 of the Trust Deed. Total Income would include amount receivable by way of interests (e.g. generated from bank deposits), dividends (e.g. from coupons), or other receipts as determined by the Manager to be in the nature of income. Capital gains or losses, whether realized or unrealized, do not form part of Total Income and therefore would not impact on the amount available for distribution.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(i) Transaction costs

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include the fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs are expensed as incurred in the statement of comprehensive income.

3 FINANCIAL RISK MANAGEMENT

The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price, interest rate and currency), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The following is a summary of the main risks and risk management policies.

(a) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund's market price risk is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Market price risk (continued)

The following table shows the net market exposure the Sub-Fund has to various markets, incorporating the underlying market risk through all debt securities held by the Sub-Fund. Countries below represent where the debt securities were issued.

	As at 31 December 2015		As at 31 December 2014	
	Fair value RMB	% of NAV	Fair value RMB	% of NAV
Debt Securities				
Listed Securities				
Hong Kong				
Consumer, Cyclical	4,950,000	9%	9,045,000	9%
Diversified	2,036,000	4%	8,980,000	9%
Financials	21,725,000	40%	44,905,000	43%
Industrials	—	—	5,006,250	5%
Technology	4,925,000	9%	9,900,000	9%
Singapore				
Financials	14,805,000	27%	9,590,000	9%
	48,441,000	89%	87,426,250	84%
	-----	-----	-----	-----
Unlisted debt securities				
Consumer, Non-cyclical	—	—	9,452,500	9%
Financials	4,000,000	7%	—	—
	4,000,000	7%	9,452,500	9%
	-----	-----	-----	-----
	52,441,000	96%	96,878,750	93%
	=====	=====	=====	=====

The Sub-Fund had no concentrations in individual investments exceeding 10% of the Sub-Fund's net asset value at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Market price risk (continued)

The table below summarises the impact on the fair value of the Sub-Fund's financial assets at fair value through profit or loss on the Sub-Fund's net asset value as at 31 December 2015. The Fund is not directly correlated with any market index. The analysis is based on the assumption that the underlying investments in debt securities increased/decreased by a reasonable possible shift, with all other variables held constant. The Manager has used its view of what would be a "reasonable possible shift" in each key market to estimate the change in the sensitivity analysis below. However, this does not represent a prediction of the future movement in the corresponding key markets.

	2015		2014	
	Change in net assets if price changes by 1 %		Change in net assets if price changes by 1 %	
	RMB	+/-	RMB	+/-
Debt Securities	52,441,000	+/- 524,410	96,878,750	-/+ 968,788

NOTES TO THE FINANCIAL STATEMENTS (continued)**3 FINANCIAL RISK MANAGEMENT (continued)****(b) Interest rate risk**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The tables below summarise the Sub-Fund's exposure to interest rate risks at the reporting date. Included in the table are the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	Maturity less than 1 month RMB	Maturity 1-3 months RMB	Maturity over 3 months RMB	Non-interest bearing RMB	Total RMB
As at 31 December 2015					
<u>Assets</u>					
Financial assets at fair value					
through profit or loss	–	–	52,441,000	–	52,441,000
Prepaid expenses	–	–	–	11,105	11,105
Interest receivables	–	–	–	851,901	851,901
Cash and cash equivalents	2,441,403	–	–	–	2,441,403
Total assets	<u>2,441,403</u>	<u>–</u>	<u>52,441,000</u>	<u>863,006</u>	<u>55,745,409</u>
<u>Liabilities</u>					
Management fee payable	–	–	–	85,534	85,534
Trustee fee payable	–	–	–	40,000	40,000
Custodian fee payable	–	–	–	1,224	1,224
Distribution payable	–	–	–	1,112,413	1,112,413
Redemption payable	–	–	–	–	–
Accrued expenses and other payable	–	–	–	170,590	170,590
	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,409,761</u>	<u>1,409,761</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Interest rate risk (continued)

	Maturity less than 1 month RMB	Maturity 1-3 months RMB	Maturity over 3 months RMB	Non-interest bearing RMB	Total RMB
As at 31 December 2014					
<u>Assets</u>					
Financial assets at fair value					
through profit or loss	–	–	96,878,750	–	96,878,750
Prepaid expenses	–	–	–	10,519	10,519
Interest receivables	–	–	–	1,736,534	1,736,534
Cash and cash equivalents	7,778,380	–	–	–	7,778,380
Total assets	<u>7,778,380</u>	<u>–</u>	<u>96,878,750</u>	<u>1,747,053</u>	<u>106,404,183</u>
<u>Liabilities</u>					
Management fee payable	–	–	–	67,691	67,691
Trustee fee payable	–	–	–	42,667	42,667
Custodian fee payable	–	–	–	2,418	2,418
Distribution payable	–	–	–	2,122,063	2,122,063
Redemption payable	–	–	–	245,290	245,290
Accrued expenses and other payable	–	–	–	158,939	158,939
	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,639,068</u>	<u>2,639,068</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Interest rate risk (continued)

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

	Carrying value of financial assets at fair value through profit or loss RMB	Change in interest rate %	Impact in asset value RMB +/-
As at 31 December 2015			
Debt securities	52,441,000	0.25%	218,941
As at 31 December 2014			
Debt securities	96,878,750	0.25%	540,099

Other than debt securities disclosed above, the interest-bearing financial assets also include cash and cash equivalents. The Manager considers that these funds are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. As a result, no sensitivity analysis on interest rate movement is required.

(c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are mainly denominated in RMB, the Sub-Fund's functional and presentation currency. As a result, the management does not present sensitivity analysis of currency risk.

(d) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Credit and counterparty risk (continued)

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

The main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in bond securities. The Sub-Fund does not have explicit restrictions on the minimum credit ratings of securities it may hold. The Manager will actively manage the portfolio of the Sub-Fund. In case of credit rating downgrading, the Manager will adjust the positions in the portfolio using its credit analysis and rating systems that are designed to manage credit risks.

The table below summarises the Standard & Poor's credit rating of the Sub-Fund's debt portfolio as at 31 December 2015 and 31 December 2014.

Debt securities by rating category	2015	2014
	% of NAV	% of NAV
BBB	7%	8%
Unrated	89%	85%
	<u>96%</u>	<u>93%</u>

The Sub-Fund's portfolio includes bonds which are unrated. The Manager has assessed the credit quality of the RMB denominated bonds based on the nature of issuers and historical information about the issuers' default rates. For the period ended 31 December 2015, there was no overdue and default in payment on the unrated bonds. The credit quality of such bonds is comparable to other debt securities held by the Sub-Fund.

The Sub-Fund is also exposed to counterparty risk on cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Credit and counterparty risk (continued)

The table below summarises the net exposure to the Sub-Fund's counterparty as at 31 December 2015 together with its credit rating.

	RMB	Credit rating	Source of credit rating
<u>Banks</u>			
Bank of China (Hong Kong) Limited	2,441,403	A-1	S&P
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	52,441,000	A-1	S&P

The table below summarises the net exposure to the Sub-Fund's counterparty as at 31 December 2014 together with its credit rating.

	RMB	Credit rating	Source of credit rating
<u>Banks</u>			
Bank of China (Hong Kong) Limited	7,778,380	A-1	S&P
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	96,878,750	A-1	S&P

The maximum exposure to credit risk as at 31 December 2015 is the carrying amount of the financial assets as shown on the statement of financial position excluding financial assets at fair value through profit or loss.

The Manager considers that none of these assets are impaired nor past due.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk

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

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

The table below analyses the Sub-Fund's non-derivative financial assets and financial liabilities into relevant groupings. The groupings for financial assets and that for financial liabilities are based on the remaining period at the reporting date to the expected receipt date and to the contractual maturity date respectively. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
As at 31 December 2015				
<u>Financial assets</u>				
Financial assets at fair value through profit				
or loss	–	52,441,000	–	52,441,000
Interest receivables	–	403,708	448,193	851,901
Cash and cash equivalents	2,441,403	–	–	2,441,403
	<u>2,441,403</u>	<u>52,844,708</u>	<u>448,193</u>	<u>55,734,304</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**3 FINANCIAL RISK MANAGEMENT (continued)***(e) Liquidity risk (continued)*

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
As at 31 December 2015				
<u>Financial liabilities</u>				
Management fee payable	–	85,534	–	85,534
Trustee fee payable	–	40,000	–	40,000
Custodian fee payable	–	1,224	–	1,224
Distribution payable	–	1,112,413	–	1,112,413
Redemption proceeds payable	–	–	–	–
Accrued expenses and other payables	–	–	170,590	170,590
	–	1,239,171	170,590	1,409,761

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
As at 31 December 2014				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	–	96,878,750	–	96,878,750
Interest receivables	–	922,638	813,896	1,736,534
Cash and cash equivalents	7,778,380	–	–	7,778,380
	7,778,380	97,801,388	813,896	106,393,664

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
As at 31 December 2014				
<u>Financial liabilities</u>				
Management fee payable	–	67,691	–	67,691
Trustee fee payable	–	42,667	–	42,667
Custodian fee payable	–	2,418	–	2,418
Distribution payable	–	2,122,063	–	2,122,063
Redemption proceeds payable	–	245,290	–	245,290
Accrued expenses and other payables	–	–	158,939	158,939
	–	2,480,129	158,939	2,639,068

(f) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used include reference to quotes provided by independent third parties, the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value estimation (continued)

For instruments for which there is no active market, the Sub-Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value estimation (continued)

The following tables analyse within the fair value hierarchy the Sub-Fund's financial assets at fair value through profit or loss as at 31 December 2015 and 2014.

	Level 2 RMB	Total RMB
As at 31 December 2015		
Debt securities	<u>52,441,000</u>	<u>52,441,000</u>
As at 31 December 2014		
Debt securities	<u>96,878,750</u>	<u>96,878,750</u>

RMB denominated bonds that trade in markets which are not considered to be active are valued based on quoted market prices and dealer quotations and classified within level 2. As level 2 investments include positions that are not traded in active markets, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

For the year ended 31 December 2015 and 2014, there were no transfers between levels.

The Sub-Fund's other assets and liabilities are carried at amortized cost; their carrying values are a reasonable approximation of fair value.

(g) Capital risk management

The capital of the Sub-Fund is represented by the net assets attributable to holders of redeemable units. The amount of net asset attributable to holders of redeemable units can change significantly on a daily basis, as the Sub-Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Sub-Fund's objective when managing capital is to safeguard the Sub-Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)**3 FINANCIAL RISK MANAGEMENT (continued)****(g) Capital risk management (continued)**

In order to maintain or adjust the capital structure, the Sub-Fund's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate daily and adjust the amount of distributions the Sub-Fund pays to redeemable unitholders.
- Redeem and issue new units in accordance with the constitutional documents of the Sub-Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Director of the Manager monitors capital on the basis of the value of net assets attributable to redeemable unitholders.

4 NET LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RMB	2014 RMB
Net realized (losses)/ gain on sale of investments	(445,489)	974,056
Change in unrealized gain/ (losses) in value of investments	<u>219,689</u>	<u>(1,736,611)</u>
	<u>(225,800)</u>	<u>(762,555)</u>

5 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	2015 RMB	2014 RMB
Cash at bank	<u>2,441,403</u>	<u>7,778,380</u>
	<u>2,441,403</u>	<u>7,778,380</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 NUMBER OF UNITS IN ISSUE

The Sub-Fund has one class of redeemable units in issue, which are classified as equity. This is the most subordinate class of financial instruments in the Sub-Fund and ranks pari passu in all material respects and has identical terms and conditions.

The following is the subscription/(redemption) of units of the Sub-Fund during the end of reporting year:

	2015	2014
	No. of units	No. of units
As at 1 January	1,061,031.60	1,523,097.72
Subscription of units	31,956.92	44,790.98
Redemption of units	(536,781.88)	(506,857.10)
As at 31 December	<u>556,206.64</u>	<u>1,061,031.60</u>

7 DISTRIBUTION

	Distribution	Distribution
	RMB	per unit
		RMB
Distribution for 2015		
Interim dividend	1,951,507	2.00
Final dividend	1,112,413	2.00
Distribution for 2014		
Interim dividend	2,280,557	2.00
Final dividend	2,122,063	2.00

The Manager approved and declared the final dividend on 10 December 2015. The final dividend was paid to investors on 7 January 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TRANSACTIONS WITH RELATED PARTIES AND CONNECTED PERSON

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (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.

(a) *Management fee*

The Manager is entitled to receive, on an annual basis, a management fee from the Sub-Fund, at a rate of 0.7% per annum with respect to the net asset value of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears.

The management fee for the year was RMB639,953 (2014: RMB830,853). As at 31 December 2015, management fee of RMB85,534 (31 December 2014: RMB67,691) was payable to the Manager.

(b) *Trustee fee*

The Trustee is entitled to receive, on an annual basis, a trustee fee from the Sub-Fund, at a rate of 0.175% per annum of the net asset value of the Sub-Fund calculated, subject to a minimum monthly fee of RMB40,000, and accrued on each dealing day and is paid monthly in arrears.

The trustee fee for the year was RMB480,000 (2014: RMB480,000). As at 31 December 2015, trustee fee of RMB40,000 (31 December 2014: RMB42,667) was payable to the Trustee.

(c) *Custodian fee*

The Custodian is entitled to receive, on an annual basis, a custodian fee from the Sub-Fund, at a rate up to 0.025% per annum of the net asset value of the Sub-Fund calculated and accrued on each dealing day and is paid monthly in arrears.

The custodian fee for the year was RMB22,948 (2014: RMB34,572). As at 31 December 2015, custodian fee of RMB1,224 (31 December 2014: RMB2,418) was payable to the Custodian.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TRANSACTIONS WITH RELATED PARTIES AND CONNECTED PERSON (continued)

(d) Cash and cash equivalents

	2015 RMB	2014 RMB
Bank balances with:		
Bank of China (Hong Kong) Limited	<u>2,441,403</u>	<u>7,778,380</u>

(e) Financial assets at fair value through profit or loss

	2015 RMB	2014 RMB
Debt securities held with:		
Bank of China (Hong Kong) Limited	<u>52,441,000</u>	<u>96,878,750</u>

(f) Brokerage services

The Fund uses the brokerage services of a related party of the Manager or a related party of the Trustee to buy and sell investments. Details of transactions executed are as follows:

	2015 RMB	2014 RMB
Total aggregate value of transactions executed during the year	–	6,975,500
Commission paid during the year	–	–
Average rate of commission	0.00%	0.00%
Percentage of these transactions in value to total transactions of the year	<u>0.00%</u>	<u>2.85%</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TAXATION

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as collective investment schemes under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

10 RECONCILIATION OF NET ASSETS VALUES

The Sub-Fund's capital is represented by redeemable units. Quantitative information about the Sub-Fund's capital is provided in the statement of changes in equity.

An issue or resale of units may take place on any business day. Issuance and repurchase of redeemable units is based on NAV per unit at the date of the transaction.

The consideration received or paid for units issued or re-purchased respectively is based on the value of the Sub-Fund's net assets value per unit at the date of the transaction. 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 unit.

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

	2015	2014
	RMB	RMB
Net asset value as per statement of financial position	54,335,648	103,765,115
Adjustment on preliminary expenses (note)	–	201,623
Adjustment on distribution payable	1,112,413	2,122,063
Adjustment on other payable	440	(4,728)
Published net asset value	<u>55,448,501</u>	<u>106,084,073</u>
Published net asset value per unit	<u>99.69</u>	<u>99.98</u>

Note:

The published net asset value per unit issued is calculated in accordance with the Explanatory Memorandum while the net asset value per unit as reported in the statement of financial position included an audit adjustment for recognition of all preliminary expenses incurred in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 SOFT COMMISSION ARRANGEMENTS

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

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

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

12 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 15 April 2016.

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

For the year ended 31 December 2015

	At 31 December 2014	Movements in nominal value		At 31 December 2015
		Additions	Disposals	
<u>LISTED DEBT SECURITIES</u>				
<u>Hong Kong</u>				
AVIC Int'l Finance & Inv Ltd 4.8% S/A 09Jul2015 Regs	5,000,000	—	(5,000,000)	—
Carnival Group International Hldgs Ltd 11.5% S/A 04Dec2016	1,000,000	2,000,000	(1,000,000)	2,000,000
Central Plaza Development Ltd 6.875% S/A 17 Feb2019	10,000,000	—	(6,000,000)	4,000,000
China Construction Bank Corp 4.9% S/A 12Nov2024	8,000,000	—	(4,000,000)	4,000,000
Eastern Air Overseas Hong Kong Corp Ltd 4.8% S/A 13Mar2017	9,000,000	—	(4,000,000)	5,000,000
Guosen Securities Overseas Co Ltd 6.4% S/A 24Apr2017	9,000,000	—	(9,000,000)	—
Kunzhi Ltd 5.875% S/A 15Jan2017	10,000,000	—	(5,000,000)	5,000,000
Soar Rise Ltd 4.375% S/A 13Jun2017	8,000,000	—	(3,000,000)	5,000,000
Unican Ltd 5.6% S/A 18Sep2017	6,000,000	—	(1,000,000)	5,000,000
Yieldking Investment Ltd 5.15% S/A 31Jul2017	8,000,000	—	(8,000,000)	—
Zhongtai Intl Finance BVI Co Ltd 6.25% S/A 10Sep2017 (Previously known as Qilu Intl Finance Bvi Co Ltd 6.25% S/A 10Sep2017)	4,000,000	—	—	4,000,000
<u>Singapore</u>				
Fuqing Investment Management Ltd 4.85% S/A 21Jul2018	—	4,000,000	—	4,000,000
Start Plus Investments Ltd 5.55% S/A 24Jun2018	—	5,000,000	—	5,000,000
Trade & Development Bank Of Mongolia Llc 10% S/A 21Jan2017	8,000,000	—	(4,000,000)	4,000,000
Vast Expand Ltd 5.2% S/A 11Sep2017	2,000,000	—	—	2,000,000

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (continued)

For the year ended 31 December 2015

	<u>Movements in nominal value</u>			At 31 December 2015
	At 31 December 2014	Additions	Disposals	
<u>UNLISTED DEBT SECURITIES</u>				
PBOC Intl Note 3.1% S/A 28Oct2016	–	4,000,000	–	4,000,000
Shandong Intl HK Ltd 5.8% S/A 07Dec2015	9,500,000	–	(9,500,000)	–

INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2015

	Nominal value RMB	Fair value RMB	% of net assets
<u>LISTED DEBT SECURITIES</u>			
<u>Hong Kong</u>			
Carnival Group International Hldgs Ltd 11.5% S/A 04Dec2016	2,000,000	2,036,000	3.75%
Central Plaza Development Ltd 6.875% S/A 17 Feb2019	4,000,000	3,980,000	7.32%
China Construction Bank Corp 4.9% S/A 12Nov2024	4,000,000	3,960,000	7.29%
Eastern Air Overseas Hong Kong Corp Ltd 4.8% S/A 13Mar2017	5,000,000	4,950,000	9.11%
Kunzhi Ltd 5.875% S/A 15Jan2017	5,000,000	4,925,000	9.06%
Soar Rise Ltd 4.375% S/A 13Jun2017	5,000,000	4,875,000	8.97%
Unican Ltd 5.6% S/A 18Sep2017	5,000,000	4,950,000	9.11%
Zhongtai Intl Finance Bvi Co Ltd 6.25% S/A 10Sep2017 (Previously known as Qilu Intl Finance Bvi Co Ltd 6.25% S/A 10Sep2017)	4,000,000	3,960,000	7.29%
<u>Singapore</u>			
Fuqing Investment Management Ltd 4.85% S/A 21Jul2018	4,000,000	3,900,000	7.18%
Start Plus Investments Ltd 5.55% S/A 24Jun2018	5,000,000	4,975,000	9.16%
Trade & Development Bank Of Mongolia Llc 10% S/A 21Jan2017	4,000,000	3,940,000	7.25%
Vast Expand Ltd 5.2% S/A 11Sep2017	2,000,000	1,990,000	3.66%
<u>UNLISTED DEBT SECURITIES</u>			
PBOC Intl Note 3.1% S/A 28Oct2016	4,000,000	4,000,000	7.36%
Total investment portfolio (Cost: RMB52,878,555)		52,441,000	96.51%
Other net assets		1,895,088	3.49%
Total net assets		54,336,088	100%

Note: Investments are accounted for on a trade-date basis

PERFORMANCE TABLE (UNAUDITED)

(a) Price record (Dealing NAV)

Year	Highest RMB	Lowest RMB
2015	100.31	95.06
2014	100.96	98.93
2013	101.14	95.72
2012	99.91	97.51

(b) Total net asset value

	2015 RMB	2014 RMB	2013 RMB
Total net asset value	54,335,648	103,765,115	150,270,132

(c) Net asset value per unit

Net asset value per unit	97.68	97.79	98.66
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