Audited Financial Statement

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)

For the year ended 31 December 2012

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ADMINISTRATION AND MANAGEMENT

MANAGER
CCB International Asset Management Limited
34/F Two Pacific Place
88 Queensway, Admiralty
Hong Kong

DIRECTORS OF THE MANAGER
Mr. Li Ngai
Mr. Ho Siu Kee David (resigned on 16 March 2012)
Mr. Xu Xiaolin (resigned on 16 March 2012)
Mr. Liu Bin (resigned on 16 March 2012)
Mr. Lo Chak Bong Alfred Bing
Mr. Rattiwat Samson
Mr. Yang Feng
Ms. Bai Yue
Ms. Yang Ning
Mr. Li Yuezhong (appointed on 16 March 2012)

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

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

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

REPORT OF MANAGER

Market Review

Offshore RMB bond market has been active and volatile in 2012. Primary market continued to grow with total issue size of RMB 276.8 billion including certificate of deposit in 2012 as compared to total issue size of RMB 189.4 billion including certificate of deposit in 2011. Due to increasing funding demand from commercial banks to support their fast growing offshore RMB loan business, their certificate of deposits program grew by approximately 97% year to year in 2012.

In the first quarter of 2012, offshore RMB bond market recorded strong performance as general investment sentiment improved on the back of stabilizing European debt crisis. Agriculture Development Bank of China came out to issue 2-year, 3-year and 5-year papers (total issue size RMB 3 billion) which setup the new offshore benchmark level for the coming onshore issuers.

Overall market sentiment turned weak starting in April due to market concern on worsening European debt crisis. Primary market activity slowed down dramatically due to volatile external environment and issuers decided to postpone their offering as most investors were in a ‘risk-off’ mode. In the secondary market, offshore RMB bond market was under pressure as the weakening RMB against USD further triggered unwind of carry trades and led to selloff in the short dated papers.

In June, HKMA released a series of new regulation regarding RMB capital management for banks which would be positive to the offshore RMB bond market. Under the new regulation, there will be one-week RMB funding provided to the city’s banks on request by the HKMA, ensuring interbank RMB liquidity. Major Chinese policy banks and Ministry of Finance issued in the offshore RMB bond market with good reception from investors.

Post the low season during summer, both primary and secondary market activities slowly picked up again in the fourth quarter. Foreign institutional investors’ interest in increasing their RMB asset exposure through investing in offshore RMB bond market remained high. Investor increasing their investment on the back of continuous expectation of RMB appreciation and the uncertainty of the US ‘fiscal cliff’ by year end 2012. RMB exchange rate against USD recorded appreciation of 1.03%, to 6.2350 as of 31 December 2012 from 6.2997 as of 31 December 2011.

2012 Performance

CCB International RMB Fixed Income Fund (“The Fund”) increased its exposure mainly via the primary market to 69.1% of its NAV invested in fixed income instrument as of 30 June 2012.

With the interbank funding situation improved in the fourth quarter and the increasing demand from foreign institutional investors, the Fund further built up exposures in fixed income instruments issued by Chinese and multinational financial institutions and companies. The Fund has 85.5% of its NAV invested in fixed income instruments at the end of 2012 with performance of 3.02% between 31 December 2011 and 31 December 2012. HSBC and Deutsche Bank Offshore RMB Bond Indices reported a growth of 5.44% and 4.49% respectively between 31 December 2011 and 31 December 2012.

REPORT OF MANAGER (continued)

Market Outlook and Strategies

China macro data has been pointing to an improving economy with 4Q GDP growth of 7.9% year to year vs. 7.4% year to year growth in the 3Q while the 'fiscal cliff' problem in US was postponed temporarily. As a result, market sentiment is expected to stay firm. However, with the Lunar New Year holiday in February and the National People's Congress and the Chinese People's Political Consultative Conference meetings in March with new Chinese government to be elected, the primary market is slow in 1Q 2013 and we expect the primary market would be pick up again in 2Q 2013.

With RMB internationalization to continue and anticipation of increasing allocation to RMB assets among foreign institutional investors, total new issuance for the full year of 2013 is expected to be higher than that of 2012. In addition, the Chinese government is expected to further expand, both in terms of variety and size, of the investment channels and products such as further liberalization of RMB business in Taiwan post the RMB clearing arrangement between Taiwan and China in 4Q 2012 and the intention to increase the size and types of qualified applicants for RQFII quota as well as size of QFII quota. With the breath and depth of the offshore RMB bond market continue to increase, the Fund will further diversify its exposures.

The Fund would continue to adopt disciplined investment approach in identifying and investing in the offshore RMB bonds via both the primary and secondary markets to enhance investment return going forward.

CCB International Asset Management Limited
2 April 2013

REPORT OF THE TRUSTEE

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 2012 in accordance with the provisions of the Trust Deed dated 29 December 2010, as amended.

On behalf of
BOCI-Prudential Trustee Limited, the Trustee

2 April 2013

INDEPENDENT AUDITORS' REPORT

To the Trustee and Manager of
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 Hong Kong)

We have audited the accompanying financial statements of CCB International RMB Fund Series – CCB International – RMB Fixed Income Fund (the "Sub-Fund") set out on pages 7 to 39, which comprise the Statement of financial position as at 31 December 2012 and the Statement of comprehensive income, Statement of changes in equity, Statement of cash flows and Statement of distribution for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditors' responsibility

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

We conducted our 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, and whether the financial statements are in accordance with the disclosure requirements of Appendix E to the SFC Code.

INDEPENDENT AUDITORS' REPORT (continued)

To the Trustee and Manager of
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 Hong Kong)

Auditors' 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Sub-Fund's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Trustee and the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements specified in Appendix E of the SFC Code.

Ernst & Young
Certified Public Accountants
Hong Kong
2 April 2013

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	Year ended 31 December 2012 RMB	Period from 25 March 2011 (date of inception) to 31 December 2011 RMB
INCOME			
Interest from financial assets at fair value through profit or loss		6,162,264	4,178,319
Interest from bank deposits		1,112,273	821,845
Net gains/(losses) on financial assets at fair value through profit or loss	6	2,009,564	(7,582,098)
Net foreign exchange gains		4,483	1,831
		9,288,584	(2,580,103)
EXPENSES			
Management fee	4	(1,674,387)	(1,624,980)
Trustee fee	4	(486,373)	(410,172)
License fee		(11,244)	(7,558)
Custodian fee	4	(35,125)	(35,594)
Auditors' remuneration		(175,786)	(179,597)
Preliminary expenses		–	(959,166)
Publishing charges		(7,614)	(4,597)
Brokerage fees and other transaction costs		(15,500)	(21,100)
Other expenses		(22,987)	(37,492)
		(2,429,016)	(3,280,256)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		6,859,568	(5,860,359)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB	2011 RMB
ASSETS			
Financial assets at fair value through profit or loss	6	164,545,500	134,512,470
Cash and cash equivalents	7	30,046,831	179,709,060
Interest receivable		1,414,522	1,067,638
Prepaid expenses		13,001	9,556
Subscription proceeds receivable		–	177,568
TOTAL ASSETS		196,019,854	315,476,292
LIABILITIES			
Management fee payable	4	116,649	181,363
Trustee fee payable	4	40,000	45,341
Custodian fee payable	4	4,166	6,477
Distribution payable	10	2,346,684	2,246,898
Redemption payable		852,581	–
Accrued expenses and other payables		158,834	66,917
TOTAL LIABILITIES		3,518,914	2,546,996
EQUITY			
Net assets attributable to holders of redeemable units	9	192,500,940	312,929,296
TOTAL LIABILITIES AND EQUITY		196,019,854	315,476,292
NUMBER OF UNITS IN ISSUE	8	1,955,569.86	3,209,854.97
NET ASSET VALUE PER UNIT	9	98.44	97.49

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Notes	Total RMB
At 25 March 2011 (date of inception)		–
Subscription of units	8	348,464,957
Redemption of units	8	(27,428,404)
Total comprehensive income for the period		(5,860,359)
Distribution to unitholders	10	(2,246,898)
At 31 December 2011		312,929,296
Subscription of units	8	4,524,906
Redemption of units	8	(127,497,776)
Total comprehensive income for the year		6,859,568
Distribution to unitholders	10	(4,315,054)
At 31 December 2012		192,500,940

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Year ended 31 December 2012 RMB	Period from 25 March 2011 (date of inception) to 31 December 2011 RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income for the year/period	6,859,568	(5,860,359)
Adjustments for:		
Interest from financial assets at fair value through profit or loss	(6,162,264)	(4,178,319)
Interest from bank deposits	(1,112,273)	(821,845)
Increase in financial assets at fair value through profit or loss	(28,023,466)	(142,094,568)
Net (gains)/losses on financial assets at fair value through profit or loss	(2,009,564)	7,582,098
Increase in prepaid expenses	(3,445)	(9,556)
(Decrease)/increase in management fee payable	(64,714)	181,363
(Decrease)/increase in trustee fee payable	(5,341)	45,341
(Decrease)/increase in custodian fee payable	(2,311)	6,477
Increase in accrued expenses and other payables	91,917	66,917
Cash used in operations	(30,431,893)	(145,082,451)
Interest received	6,927,653	3,932,526
Net cash flow used in operating activities	(23,504,240)	(141,149,925)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase/(decrease) in time deposits	20,000,000	(20,000,000)
Net cash flow used in investing activities	20,000,000	(20,000,000)

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2012

	Year ended 31 December 2012 RMB	Period from 25 March 2011 (date of inception) to 31 December 2011 RMB
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	4,702,474	348,287,389
Payments for redemption of units	(126,645,195)	(27,428,404)
Distribution to unitholders	(4,215,268)	–
Net cash flow generated from financing activities	(126,157,989)	320,858,985
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR/PERIOD	(129,662,229)	159,709,060
Cash and cash equivalents at beginning of year/period	159,709,060	–
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	30,046,831	159,709,060
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances	1,733,088	44,460,498
Time deposits	28,313,743	135,248,562
Cash and cash equivalents as stated in statement of financial position	30,046,831	179,709,060
Time deposits with original maturity of more than three months when acquired	–	(20,000,000)
Cash and cash equivalents as stated in statement of cash flows	30,046,831	159,709,060

The accompanying notes are an integral part of these financial statements.

STATEMENT OF DISTRIBUTION

Year ended 31 December 2012

	RMB
At 25 March 2011 (date of inception)	–
Total comprehensive income for the period	(5,860,359)
Final distribution declared on 17 November 2011 (RMB0.70 per unit)	(2,246,898)
Undistributed loss at 31 December 2011	(8,107,257)
Total comprehensive income for the year	6,859,568
Less: net gains on financial assets at fair value through profit or loss	(2,009,564)
Undistributed loss before distribution	(3,257,253)
Interim distribution declared on 5 June 2012 (RMB0.80 per unit)	(1,968,370)
Final distribution declared on 5 December 2012 (RMB1.20 per unit)	(2,346,684)
Transfer to capital	7,572,307
Undistributed income at 31 December 2012	–

With reference to the Trust Deed, the amount available for distribution is the total net amount receivable by the 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. 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.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

1. THE SUB-FUND

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 2012, 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 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.

2.1 BASIS OF PREPARATION

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, that have been measured at fair value.

The financial statements are presented in RMB and all values are rounded to the nearest RMB except where otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.2 IMPACT OF CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

IAS 24 Related Party Transactions (Amendment)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect the related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Sub-Fund.

Improvements to IFRSs
In May 2011, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to presentation and disclosure and to accounting policies but no impact on the financial position or performance of the Sub-Fund.

IFRS 7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The amendment has no impact to the disclosures of the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Sub-Fund:

- IAS 1 Presentation of Financial Statements (Presentation of an analysis of each component of other comprehensive income)
- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statement
- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

- IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*[1]
- IAS 32 *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*[3]
- IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*[2]
- IFRS 9 *Financial Instruments: Classification and Measurement*[4]
- IFRS 13 *Fair Value Measurement*[2]
- *Annual Improvements May 2012*[2]

[1] *Effective for annual periods beginning on or after 1 July 2012*
[2] *Effective for annual periods beginning on or after 1 January 2013*
[3] *Effective for annual periods beginning on or after 1 January 2014*
[4] *Effective for annual periods beginning on or after 1 January 2015*

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Sub-Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Sub-Fund's first annual report after becoming effective.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Sub-Fund's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Sub-Fund's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Sub-Fund will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Sub-Fund is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012
IFRS 1 *First-time Adoption of International Financial Reporting Standards*
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013. These improvements will not have an impact on the financial position or performance of the Sub-Fund.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) Classification
The Sub-Fund classifies its financial assets and liabilities into the categories below in accordance with IAS 39.

Financial assets at fair value through profit or loss
The Sub-Fund classifies all of its investments as financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Other financial liabilities
This category includes all financial liabilities, other than those classified as held for trading. The Sub-Fund includes in this category amounts relating to distribution payable, redemption payable and other short-term payables.

(ii) Recognition
The Sub-Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Recognition (continued)

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value and net of directly attributable transaction costs.

(iv) Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in *'Net gain or loss on financial assets and liabilities at fair value through profit or loss'*.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement; and
- Either (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset, or (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained.

The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Determination of fair value

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

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same and broker quotes. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 6.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

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

Offsetting financial instruments

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

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, 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 the RMB.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions during the year, 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 retranslated at the functional currency rate of exchange ruling at the reporting date.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the statement of comprehensive income as part of the *'Net gain or loss on financial assets and liabilities at fair value through profit or loss'*. Exchange differences on other financial instruments are included in profit or loss in the statement of comprehensive income as *'Net foreign exchange gains/ (losses)'*.

Interest revenue

Interest revenue is recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'at fair value through profit or loss' and excludes interest and dividend income and expenses.

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

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, demand deposits and fixed deposits. Cash equivalents are short-term, highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)
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.

Capital
A puttable financial instrument is classified as an equity instrument when:

(a) It entitles 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 instrument is in the class of instruments that is subordinate to all other classes of instruments.

(c) All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.

(d) The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro-rata share of the Sub-Fund's net assets.

(e) The total expected cash flows attributable to the instrument 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 instrument 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 puttable instrument holders.

The Sub-Fund's redeemable Class A units meet the definition of puttable instruments classified as equity instruments under the revised IAS 32 *Financial Instruments: Presentation*.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital (continued)
The Sub-Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be reclassified as equity, the Sub-Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

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

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

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

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

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

Distributions to unitholders
Distributions are at the discretion of the Sub-Fund. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from retained earnings/accumulated losses. A proposed distribution is recognised as a liability in the year in which it is approved by the Manager. No distribution will be paid out of the Sub-Fund's capital.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(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 other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Functional currency

The primary objective of the Sub-Fund is to generate returns in RMB, its capital-rising currency. The liquidity of the Sub-Fund is managed on a day-to-day basis in RMB in order to handle the issue, acquisition and resale of the Sub-Fund's redeemable units. The Sub-Fund's performance is evaluated in RMB. Therefore, management considers RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Going concern

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

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data. IFRS 7 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level 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. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Sub-Fund performs sensitivity analysis or stress testing techniques.

4. FEES

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 RMB1,674,387 (2011:RMB1,624,980). As at 31 December 2012, management fee of RMB116,649 (2011:RMB181,363) was payable to the Manager.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. FEES (continued)

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 RMB486,373 (2011:RMB410,172). As at 31 December 2012, trustee fee of RMB40,000 (2011:RMB45,341) was payable to the Trustee.

Custodian fee

The Custodian is entitled to receive, on an annual basis, a trustee 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 RMB35,125 (2011:RMB35,594). As at 31 December 2012, custodian fee of RMB4,166 (2011:RMB6,477) was payable to the Custodian.

5. TAXATION

The Sub-Fund is exempt from Hong Kong profit tax on profits arising from authorised activities under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	**2011**
	RMB	**RMB**
Held for trading		
– quoted debt securities	164,545,500	134,512,470
Gains/(Losses) recognised in relation to financial assets at fair value through profit or loss:		
– realised loss	(679,136)	(5,630,961)
– unrealised gain/(loss)	2,688,700	(1,951,137)
Net gain/(loss)	2,009,564	(7,582,098)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised cash at banks of RMB1,733,088 (2011: RMB44,460,498) and short term deposits of RMB28,313,743 (2011: RMB135,248,562). The cash at bank of the Sub-Fund was being held in interest bearing bank accounts.

Short term time deposits are made for varying period of between one day and five months depending on the immediate cash requirements of the Sub-Fund, and earn interest at the respective short term time deposit rates.

8. NUMBER OF UNITS IN ISSUE

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

	Number of units	RMB
At 25 March 2011 (date of inception)	–	–
Subscription of units	3,485,511.96	348,464,957
Redemption of units	(275,656.99)	(27,428,404)
At 1 January 2012	3,209,854.97	321,036,553
Subscription of units	46,235.88	4,524,906
Redemption of units	(1,300,520.99)	(127,497,776)
At 31 December 2012	1,955,569.86	198,063,683

9. CAPITAL

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CAPITAL (continued)

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:

	2012 RMB	2011 RMB
Net asset value as per statement of financial position	192,500,940	312,929,296
Adjustment on preliminary expenses (note a)	604,867	807,594
Adjustment on distribution payable (note b)	2,346,684	2,246,898
Adjustment on other payable	(71,154)	–
Redemption Payable for dealing date 31 Dec 2012	27,951	–
Published net asset value	195,409,288	315,983,788
Published net asset value per unit	99.91	98.44

Notes:

a) The published net asset value per unit issued is calculated in accordance with the Offering 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.

b) Distribution for 2012 and 2011 declared by the Manager on 5 December 2012 and 17 November 2011.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. DISTRIBUTION

	Distribution RMB	Distribution per unit RMB
Distribution for 2012 declared by the Manager		
5 June 2012	1,968,370	0.80
5 December 2012	2,346,684	1.20
Distribution for 2011 declared by the Manager		
17 November 2011	2,246,898	0.70

On 5 December 2012, the manager declared on behalf of the Sub-Fund to distribute final distribution of RMB2,346,684 at RMB1.20 each unit. The final distribution was paid on 4 January 2013.

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES

Investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The value of investments and the income from them fluctuate and therefore the value of the redeemable units can fall as well as rise.

The performance of the Sub-Fund will be affected by a number of risk factors, including the following:

Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable 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 per redeemable unit of the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Market risk (continued)

The Sub-Fund assumes market risk in trading activities. The Sub-Fund distinguishes market risk as follows:

- Price risk
- Interest rate risk
- Foreign exchange risk

Price risk

The Sub-Fund's market price risk is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals. The table below summarises the overall market exposures of the Sub-Fund by market and the impact of increases/decreases from the Sub-Fund's financial assets at fair value through profit or loss on the Sub-Fund's net asset value as at 31 December 2012. 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.

	Carrying value of financial assets at fair value through profit or loss RMB	**% of net assets %**	**Reasonable possible shift in underlying securities % +/–**	**Estimated possible change in net asset value RMB +/–**
As at 31 December 2012				
Held for trading				
– debt securities	164,545,500	85.48	1	1,645,455
As at 31 December 2011				
Held for trading				
– debt securities	134,512,470	42.98	1	1,345,125

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Market risk (continued)

Interest rate risk

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

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 will regularly assess the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly 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 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	% of net assets	Reasonable Possible change in interest rate	Estimated possible change in net asset value
	RMB	%	%	RMB
			+/–	+/–
As at 31 December 2012				
Held for trading				
– debt securities	164,454,500	85.48	0.25	1,192,274
As at 31 December 2011				
Held for trading				
– debt securities	134,512,470	42.98	0.25	1,083,908

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Market risk (continued)

Interest rate risk (continued)

The Sub-Fund also has interest-bearing bank and term deposits. As the bank and short term deposits have maturity dates within six months, the Manager considers the movement in interest rates will have insignificant cash flow impact on the daily net assets attributable to holders of redeemable units as at 31 December 2012 and 31 December 2011 and therefore no sensitivity analysis is presented.

Foreign exchange risk

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

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

Liquidity risk

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

The RMB debt instruments in which the Sub-Fund invests are currently not listed on a stock exchange or a securities market where trading is conducted on a regular basis. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all RMB debt instruments. In the absence of an active secondary market, the Sub-Fund may need to hold the RMB debt instruments until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such instruments. Even if a secondary market is developed, the price at which the RMB debt instruments are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates.

Further, the bid and offer spread of the price of RMB Income Instruments may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments. The Manager seeks to control the liquidity risk of the investment portfolio by a series of internal management measures in order to meet unitholders' redemption requests.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Liquidity risk (continued)

The following table summarises the maturity profile of the Sub-Fund's financial liabilities based on contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Sub-Fund's financial assets 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 equity and 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.

All financial assets and liabilities are expected to be either realised or settled, within no more than 12 months after the reporting date.

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
At 31 December 2012				
Financial assets				
Cash and cash equivalents	1,733,088	28,313,743	–	30,046,831
Financial assets at fair value through profit or loss	–	164,545,500	–	164,545,500
Interest receivable	–	13,334	1,401,188	1,414,522
Total financial assets	1,733,088	192,872,577	1,401,188	196,006,853

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Liquidity risk (continued)

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
At 31 December 2012				
Financial liabilities				
Management fee payable	–	116,649	–	116,649
Trustee fee payable	–	40,000	–	40,000
Custodian fee payable	–	4,166	–	4,166
Distribution payable	–	2,346,684	–	2,346,684
Accrued expenses and other payables	–	800	158,034	158,834
Redemption proceeds payable	–	852,581	–	852,581
Total financial liabilities	–	3,360,880	158,034	3,518,914

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
At 31 December 2011				
Financial assets				
Cash and cash equivalents	44,460,498	115,248,562	20,000,000	179,709,060
Financial assets at fair value through profit or loss	–	134,512,470	–	134,512,470
Interest receivable	–	967,638	100,000	1,067,638
Subscription proceeds receivable	–	177,568	–	177,568
Total financial assets	44,460,498	250,906,238	20,100,000	315,466,736

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Liquidity risk (continued)

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
At 31 December 2011				
Financial liabilities				
Management fee payable	–	181,363	–	181,363
Trustee fee payable	–	45,341	–	45,341
Custodian fee payable	–	6,477	–	6,477
Distribution payable	–	2,246,898	–	2,246,898
Accrued expenses and other payables	–	8,864	58,053	66,917
Total financial liabilities	–	2,488,943	58,053	2,546,996

Credit and counterparty risk

The Sub-Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

If the issuer of any of the fixed interest securities in which the Sub-Fund's assets are invested defaults, the performance of the Sub-Fund will be adversely affected.

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

The Sub-Fund's financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank deposits and assets held with the custodian. The table below summarises the Sub-Fund's assets placed with banks and the custodian:

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Credit and counterparty risk (continued)

As at 31 December 2012

	RMB	**Credit rating**	**Source of credit rating**
Banks			
Bank of China (Hong Kong) Limited	1,733,088	P-1	Moody's
CCB (Asia) Corporation Limited	8,306,158	P-1	Moody's
Fubon Bank (Hong Kong) Limited	10,007,585	A-2	S&P
CCB HK Branch	10,000,000	P-1	Moody's
Custodian			
Bank of China (Hong Kong) Limited	164,545,500	P-1	Moody's

As at 31 December 2011

	RMB	**Credit rating**	**Source of credit rating**
Banks			
Bank of China (Hong Kong) Limited	44,460,498	P-1	Moody's
CCB (Asia) Corporation Limited	40,055,567	P-1	Moody's
ICBC (Asia) Limited	40,045,160	P-1	Moody's
CCB HK Branch	55,147,835	P-1	Moody's
Custodian			
Bank of China (Hong Kong) Limited	134,512,470	P-1	Moody's

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Fair value estimation

The fair value of financial assets traded in active markets is based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Sub-Fund is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 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.

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

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB	**RMB**	**RMB**	**RMB**
Financial assets held for trading:				
– Debt securities	–	164,545,500	–	164,545,500

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2011.

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets held for trading:				
– Debt securities	–	134,512,470	–	134,512,470

The Sub-Fund invests in listed debt securities, corporate and government bonds. When these instruments are not measured at the quoted price in an active market they are valued using observable inputs, such as recently executed transaction prices in securities of the issuer or broker quotes. To the extent that these inputs are observable, the Sub-Fund classifies the fair value of these investments as Level 2.

There are no investments classified within level 3 and no transfers between levels for the year ended 31 December 2012 and period ended 31 December 2011.

A detailed portfolio listing is set out on pages 43 to 44.

12. TRANSACTIONS WITH MANAGER AND ITS 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 in Note 4 to the financial statements and below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. TRANSACTIONS WITH MANAGER AND ITS CONNECTED PERSONS (continued)

(a) Investment transactions with connected persons of the Manager and its connected persons are set out below:

	Aggregate gross value of purchases and sales of securities HK$	% of Sub-Fund's total transactions during the period %
2012		
CCB International Securities Limited	15,000,000	1.23
2011		
CCB International Securities Limited	27,720,650	4.72

(b) Bank balances deposited with the affiliates of the Trustee and Manager as at 31 December 2012 amounted to RMB20,039,246 (2011: RMB179,709,060). During the year, interest income on these bank balances was RMB1,027,593 (2011: RMB808,246).

13. SOFT COMMISSION ARRANGEMENTS

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

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

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

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 2 April 2013.

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

31 December 2012

		Movements in nominal value		
	At 31 December 2011	**Additions**	**Disposals**	**At 31 December 2012**
LISTED DEBT SECURITIES				
Euronext Paris				
Renault S.A. 5.625% S/A 10Oct2014	–	6,000,000	–	6,000,000
Hong Kong				
AVIC Int’l Finance & Inv Ltd 4.8% S/A 09Jul2015 Regs	–	10,300,000	–	10,300,000
Binhai Investment Co Ltd 6.5% S/A 24Oct2015	–	4,000,000	(2,000,000)	2,000,000
Bitronic Ltd 4% S/A 12Dec2015	–	8,000,000	–	8,000,000
Central Plaza Development Ltd 7.6% S/A 29Nov2015 Regs	–	10,000,000	–	10,000,000
China ITS Hldgs Co Ltd 10% S/A 08Nov2015	–	4,100,000	(1,500,000)	2,600,000
Sinotruk Hong Kong Ltd 4.5% S/A 01Aug2014 Regs	–	5,000,000	–	5,000,000
Luxembourg				
Air Liquide Finance 3% S/A 19Sep2016	5,000,000	–	(5,000,000)	–
Air Liquide Finance 3.95% S/A 19Sep2018	9,000,000	–	(9,000,000)	–
London				
CCBL Funding Plc 3.2% S/A 29Nov2015	–	8,000,000	–	8,000,000
Mitsui & Co Ltd 4.25% S/A 01MAR2017	–	10,000,000	(4,000,000)	6,000,000
Singapore				
Asia Pacific Ports Dev 5.8% S/A 28Oct2014 Regs	8,500,000	–	–	8,500,000
Axiata SPV2 Bhd 3.75% S/A 18Sep2014	–	3,000,000	–	3,000,000
Baosteel Group Corp Ltd 3.5% S/A 01Dec2014 Regs	14,000,000	–	(14,000,000)	–
Shougang Hldg Bonds Ltd 4.875% S/A 02Dec2013 Regs	–	14,500,000	–	14,500,000
Zhongsheng Group 4.75% S/A 21Apr2014 Ser HK	1,500,000	–	(1,500,000)	–

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (continued)

31 December 2012

		Movements in nominal value		
	At 31 December 2011	Additions	Disposals	At 31 December 2012
UNLISTED DEBT SECURITIES				
BSH Bosch und Siemens Hausgerate 2.375% S/A 29Sep2014 Regs	8,000,000	–	(8,000,000)	–
China Citic Bank Intl Ltd 3.7% S/A 01Nov2014	–	4,000,000	–	4,000,000
China Development BK/HK 3.2% S/A 23Sep2021 Fxcd	18,000,000	11,000,000	(11,000,000)	18,000,000
China Govt Bond 1.94% S/A 18Aug2018 Regs	4,000,000	–	(4,000,000)	–
China Govt Bond 2.48% S/A 01Dec2020	4,000,000	–	(4,000,000)	–
China Power New 3.75% S/A 29Apr2014 Ser HK	20,000,000	5,000,000	(6,000,000)	19,000,000
CNPC Golden Autumn Ltd 2.95% S/A 26Oct2014 Regs	4,000,000	–	(4,000,000)	–
Export Import Bank of China 4.15% S/A 18Jun2027	–	7,000,000	–	7,000,000
Hai Chao Trading Co Ltd 2% S/A 04Aug2014 Regs	–	21,000,000	(5,000,000)	16,000,000
ICBC Macau 1.45% S/A 09Feb2012 Ser HK	20,000,000	–	(20,000,000)	–
Lafarge Shui On Cement Ltd 9% S/A 14Nov2014 Regs	5,000,000	5,000,000	(5,000,000)	5,000,000
Shandong Intl HK Ltd 5.8% S/A 07Dec2015	–	12,500,000	–	12,500,000
Sinotruk Hong Kong Ltd 2.95% S/A 29Oct2012 Ser HK	15,300,000	–	(15,300,000)	–

PERFORMANCE TABLE

31 December 2012

	Net asset value of the Sub-Fund RMB	Net asset value per unit RMB
As at 31 December 2012	192,500,940	98.44
As at 31 December 2011[1]	312,929,296	97.49

PERFORMANCE RECORD

31 December 2012

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
Year ended 31 December 2012	99.91	97.51
Period ended 31 December 2011[1]	100.41	98.01

[1] Period from 25 March 2011 (date of inception) to 31 December 2011

INVESTMENT PORTFOLIO

31 December 2012

	Nominal value RMB	Fair value RMB	% of net assets
LISTED DEBT SECURITIES			
Euronext Paris			
RENAULT SA 5.625% S/A 10OCT2014	6,000,000	6,075,000	3.15
Hong Kong			
AVIC INTL FINANCE & INVESTMENT LTD 4.8% S/A 09JUL2015 REGS	10,300,000	10,454,500	5.43
BINHAI INVESTMENT CO LTD 6.5% S/A 24OCT2015	2,000,000	2,000,000	1.04
BITRONIC LTD 4% S/A 12DEC2015	8,000,000	8,032,000	4.17
CENTRAL PLAZA DEVELOPMENT LTD 7.6% S/A 29NOV2015 REGS	10,000,000	10,475,000	5.44
CHINA ITS HLDGS CO LTD 10% S/A 08NOV2015	2,600,000	2,590,250	1.35
SINOTRUK HONG KONG LTD 4.5% S/A 01AUG2014 REGS	5,000,000	5,012,500	2.60
London			
CCBL FUNDING PLC 3.2% S/A 29NOV2015	8,000,000	7,984,000	4.15
MITSUI & CO LTD 4.25% S/A 01MAR2017	6,000,000	6,075,000	3.16
Singapore			
ASIA PACIFIC PORTS DEVELOPMENT 5.8% S/A 28OCT2014 REGS	8,500,000	8,521,250	4.43
AXIATA SPV2 BHD 3.75% S/A 18SEP2014	3,000,000	3,003,750	1.56
SHOUGANG HLDG BONDS LTD 4.875% S/A 02DEC2013 REGS	14,500,000	14,500,000	7.53

INVESTMENT PORTFOLIO (continued)

31 December 2012

	Nominal value RMB	Fair value RMB	% of net assets
UNLISTED DEBT SECURITIES			
CHINA CITIC BANK INTL LTD 3.7% S/A 01NOV2014	4,000,000	4,001,000	2.08
CHINA DEVELOPMENT BK/HK 3.2% S/A 23SEP2021 FXCD	18,000,000	16,875,000	8.77
CHINA POWER NEW 3.75% S/A 29APR2014 SER HK	19,000,000	18,477,500	9.60
EXPORT IMPORT BANK OF CHINA 4.15% S/A 18JUN2027	7,000,000	7,122,500	3.70
HAI CHAO TRADING CO LTD 2% S/A 04AUG2014 REGS	16,000,000	15,440,000	8.02
LAFARGE SHUI ON CEMENT LTD 9% S/A 14NOV2014 REGS	5,000,000	5,312,500	2.76
SHANDONG INTL HONG KONG LTD 5.8% S/A 07DEC2015	12,500,000	12,593,750	6.54
Total investment portfolio (Cost: RMB163,807,937)		164,545,500	85.48
Other net assets		27,955,440	14.52
Total net assets		192,500,940	100.00

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