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 2013

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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
Yang Ning

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
(Appointed on 17 December 2013)

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

Offshore RMB bond market has been active and volatile in 2013. Primary market continued to grow with total issue size of RMB367.6 billion including certificate of deposit in 2013 as compared to total issue size of RMB276.8 billion including certificate of deposit in 2012. 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 59% year to year in 2013.

In the first quarter of 2013, offshore RMB bond market recorded strong performance as general investment sentiment improved on the back of optimistic China growth outlook and improving investment appetite for emerging market globally.

The rally continued till May as PBOC tightened the monetary control and withdrawing liquidity from the market. Onshore 7 days repo spiked to as high as 12% and offshore CNH market liquidity dried up quickly during the period of time, we witness a broad sell-off across the market during May and June.

Market stabilized in July and rebounded sharply in August as China onshore funding situation normalized and China's major growth indicator such as China PMI Manufacture figure pointed to a healthy and steady growth with such trend continued till the end of the year.

2013 Performance

CCB International RMB Fixed Income Fund (the "Sub-Fund") increased its exposure mainly via the primary market to 93.67% of its NAV invested in fixed income instrument as of 30 June 2013.

With the interbank funding situation improved in the fourth quarter and the increasing demand from foreign institutional investors, the Sub-Fund maintained high exposures in fixed income instruments issued by Chinese and multinational financial institutions and companies. The Sub-Fund has 94.01% of its NAV invested in fixed income instruments at the end of 2013 with performance of 3.64% between 31 December 2012 and 31 December 2013. HSBC and Deutsche Bank Offshore RMB Bond Indices reported a growth of 4.01% and 4.10% respectively between 31 December 2012 and 31 December 2013.

MANAGER'S REPORT (continued)

Market Outlook and Strategies

We expect market could remain volatile as policy risk increase from China and onshore liquidity is likely to be tight for the first half of 2014. We believe China economic growth would slowed down in the first half and very likely to pick-up again stepping into the second half. We also expect to see credit events in the onshore market where would create headline risk mainly from the roll-over of troubled onshore trust product and further tightening in regulation of onshore shadow-banking problem. We believe those areas would lead to higher market volatility though we believe there would be very thin chance that it being escalated to a systematic level.

We expect the pace of RMB internalization would remain steady and expect RMB exchange rate would remain stable as well. We expect to see further fund inflow into RMB asset class hence remain optimistic on CNH bond's outlook.

The Sub-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
15 April 2014

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 2013 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 2014

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 38, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity 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 2013, 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 2014

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB	2012 RMB
ASSETS			
Financial assets at fair value through profit or loss	3(a)	141,265,000	164,545,500
Prepaid expenses		12,043	13,001
Subscription proceeds receivable		69,800	–
Interest receivable		1,556,743	1,414,522
Cash and cash equivalents	6	10,881,881	30,046,831
TOTAL ASSETS		153,785,467	196,019,854
LIABILITIES			
Management fee payable	9(a)	180,950	116,649
Trustee fee payable	9(b)	41,333	40,000
Custodian fee payable	9(c)	3,377	4,166
Distribution payable	8	2,741,576	2,346,684
Redemption payable		398,653	852,581
Accrued expenses and other payables		149,446	158,834
TOTAL LIABILITIES		3,515,335	3,518,914
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		150,270,132	192,500,940
NUMBER OF UNITS IN ISSUE	7	1,523,097.72	1,955,569.86
NET ASSET VALUE PER UNIT		98.66	98.44

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB	2012 RMB
INCOME			
Interest from financial assets at fair value through profit or loss		7,478,805	6,162,264
Interest from bank deposits		160,197	1,112,273
Net gains on financial assets at fair value through profit or loss	5	608,745	2,009,564
Net foreign exchange gains		2,353	4,483
		8,250,100	9,288,584
EXPENSES			
Management fee	9(a)	(1,175,012)	(1,674,387)
Trustee fee	9(b)	(480,000)	(486,373)
License fee		(9,504)	(11,244)
Custodian fee	9(c)	(37,557)	(35,125)
Auditors' remuneration		(160,000)	(175,786)
Publishing charges		(7,698)	(7,614)
Brokerage fees and other transaction costs		(7,000)	(15,500)
Other expenses		(13,744)	(22,987)
		(1,890,515)	(2,429,016)
PROFIT BEFORE TAXATION		6,359,585	6,859,568
Taxation	10	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,359,585	6,859,568

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2013

	Notes	2013 RMB	2012 RMB
BALANCE AT BEGINNING OF 1 JANUARY		192,500,940	312,929,296
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,359,585	6,859,568
TRANSACTIONS WITH UNITHOLDERS RECORDED DIRECTLY IN EQUITY			
Subscription of units	7	6,969,469	4,524,906
Redemption of units	7	(49,996,562)	(127,497,776)
Distribution to unitholders	8	(5,563,300)	(4,315,054)
TOTAL TRANSACTIONS WITH UNITHOLDERS		(48,590,393)	(127,287,924)
BALANCE AT END OF 31 DECEMBER		150,270,132	192,500,940

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB	2012 RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income for the year	6,359,585	6,859,568
Adjustments for:		
Interest from financial assets at fair value through profit or loss	(7,478,805)	(6,162,264)
Interest from bank deposits	(160,197)	(1,112,273)
Decrease/(Increase) in financial assets at fair value through profit or loss	23,889,245	(28,023,466)
Net gains on financial assets at fair value through profit or loss	(608,745)	(2,009,564)
Decrease/(Increase) in prepaid expenses	958	(3,445)
Increase/(Decrease) in management fee payable	64,301	(64,714)
Increase/(Decrease) in trustee fee payable	1,333	(5,341)
Decreases in custodian fee payable	(789)	(2,311)
(Decrease)/Increase in accrued expenses and other payables	(9,388)	91,917
Cash generated from/(used in) operations	22,057,498	(30,431,893)
Interest received	7,496,781	6,927,653
Net cash flow generated from/(used in) operating activities	29,554,279	(23,504,240)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in time deposits	–	20,000,000
Net cash flow generated from investing activities	–	20,000,000

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2013

	2013 RMB	2012 RMB
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	6,899,669	4,702,474
Payments for redemption of units	(50,450,490)	(126,645,195)
Distributions to unitholders	(5,168,408)	(4,215,268)
Net cash flow used in financing activities	(48,719,229)	(126,157,989)
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(19,164,950)	(129,662,229)
Cash and cash equivalents at beginning of year	30,046,831	159,709,060
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	10,881,881	30,046,831
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balance	5,877,298	1,733,088
Time deposits	5,004,583	28,313,743
Cash and cash equivalents as stated in statement of financial position	10,881,881	30,046,831
Cash and cash equivalents as stated in statement of cash flows	10,881,881	30,046,831

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

DISTRIBUTION STATEMENT

For the year ended 31 December 2013

	2013 RMB	2012 RMB (Restated)
AMOUNT AVAILABLE FOR DISTRIBUTION BROUGHT FORWARD	–	–
Total comprehensive income for the year	6,359,585	6,859,568
Less: net gains on financial assets at fair value through profit or loss	(608,745)	(2,009,564)
	5,750,840	4,850,004
Distribution declared in the year	(5,563,300)	(4,315,054)
Transfer to capital	(187,540)	(534,950)
AMOUNT AVAILABLE FOR DISTRIBUTION CARRIED FORWARD	–	–

The accompanying notes 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 2013, 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 2013 and have been adopted

IFRS 13, 'Fair value measurement' – The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Sub-Fund changed its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs prescribed in the Sub-Fund's offering document for the calculation of its per share trading value for subscriptions and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry. In the prior year, the Sub-Fund utilised bid and ask prices for its listed financial assets and liabilities in accordance with IAS 39. The change in valuation inputs is considered to be a change in estimate in accordance with IAS 8.2.

Amendments to IFRS 7, 'Disclosures – Offsetting financial assets and financial liabilities' require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognized financial liabilities, on the entity's financial position. The amendments did not have any impact on the Sub-Fund's financial position, performance or any additional disclosure in the notes to the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2013 that would be expected to have a material impact on the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New standards, amendments and interpretations effective after 1 January 2013 and have not been early adopted

Amendments to IAS 32, 'Offsetting financial assets and financial liabilities' is effective for annual periods beginning on or after 1 January 2014, and have not been early adopted by the Sub-Fund. These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to have any impact on the Sub-Fund's financial position or performance.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Sub-Fund.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency (continued)

(ii) Transactions and balances (continued)

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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Redeemable units (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(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. 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 2013. 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.

	RMB	Change in net assets if price changes by 1% RMB
As at 31 December 2013		
Debt securities	141,265,000	1,412,650
As at 31 December 2012		
Debt securities	164,545,500	1,645,455

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.

	2013 RMB	% of NAV
As at 31 December 2013		
Debt securities		
Listed debt securities		
Berlin		
Financials	6,912,500	5%
Industrials	5,225,000	3%
Dublin		
Financials	5,568,750	4%
Hong Kong		
Consumer, Cyclical	8,097,500	5%
Financials	27,266,500	19%
Industrials	10,377,250	7%
Utilities	7,990,000	5%
Singapore		
Basic Materials	2,030,000	1%
Communications	3,007,500	2%
Consumer, Non-cyclical	8,500,000	6%
Financials	13,960,000	9%
	98,935,000	66%
Unlisted debt securities		
Consumer, Cyclical	13,702,500	9%
Consumer, Non-cyclical	12,687,500	9%
Financials	2,010,000	1%
Utilities	13,930,000	9%
	42,330,000	28%
Total investments	141,265,000	94%

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Market price risk (continued)

	2012 RMB	% of NAV
As at 31 December 2012		
Debt securities		
Listed debt securities		
Berlin		
Industrials	5,312,500	3%
France		
Consumer, Cyclical	6,075,000	3%
Hong Kong		
Consumer, Cyclical	5,012,500	3%
Financials	18,507,000	10%
Industrials	10,454,500	5%
Technology	2,590,250	1%
Utilities	2,000,000	1%
London		
Consumer, Cyclical	6,075,000	3%
Financials	7,984,000	4%
Singapore		
Communications	3,003,750	2%
Consumer, Non-cyclical	8,521,250	4%
Financials	14,500,000	8%
	90,035,750	47%
Unlisted debt securities		
Consumer, Cyclical	15,440,000	8%
Consumer, Non-cyclical	12,593,750	7%
Financials	27,998,500	13%
Utilities	18,477,500	10%
	74,509,750	38%
Total investments	164,545,500	85%

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 2013					
Assets					
Financial assets at fair value through profit or loss	–	–	141,265,000	–	141,265,000
Prepaid expenses	–	–	–	12,043	12,043
Subscription proceeds receivables	–	–	–	69,800	69,800
Interest receivables	–	–	–	1,556,743	1,556,743
Cash and cash equivalents	10,881,881	–	–	–	10,881,881
Total assets	10,881,881	–	141,265,000	1,638,586	153,785,467
Liabilities					
Management fee payable	–	–	–	180,950	180,950
Trustee fee payable	–	–	–	41,333	41,333
Custodian fee payable	–	–	–	3,377	3,377
Distribution payable	–	–	–	2,741,576	2,741,576
Redemption payable	–	–	–	398,653	398,653
Accrued expenses and other payable	–	–	–	149,446	149,446
	–	–	–	3,515,335	3,515,335

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 2012					
Assets					
Financial assets at fair value through profit or loss	–	–	164,545,500	–	164,545,500
Prepaid expenses	–	–	–	13,001	13,001
Interest receivables	–	–	–	1,414,522	1,414,522
Cash and cash equivalents	30,046,831	–	–	–	30,046,831
Total assets	30,046,831	–	164,545,500	1,427,523	196,019,854
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
Redemption payable	–	–	–	852,581	852,581
Accrued expenses and other payable	–	–	–	158,834	158,834
	–	–	–	3,518,914	3,518,914

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 2013			
Debt securities	141,265,000	0.25%	593,313
As at 31 December 2012			
Debt securities	164,545,500	0.25%	1,192,274

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Credit and counterparty risk (continued)

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 2013 and 31 December 2012.

Debt securities by rating category	**2013** **% of NAV**	**2012** **% of NAV**
A+	1%	3%
AA–	13%	4%
BBB	6%	2%
Unrated	74%	76%
	94%	85%

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.

The Sub–Fund is also exposed to credit and 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 2013 together with its credit rating.

	RMB	Credit rating	Source of credit rating
Banks			
Bank of China (Hong Kong) Limited	5,877,298	A-1	S&P
ICBC (Asia) Limited	5,004,583	A-1	S&P
Custodian			
Bank of China Limited	141,265,000	A-1	S&P

The table below summarises the net exposure to the Sub-Fund's counterparty as at 31 December 2012 together with its credit rating.

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

The maximum exposure to credit risk as at 31 December 2013 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 2013				
Financial assets				
Financial assets at fair value through profit or loss	–	141,265,000	–	141,265,000
Subscription proceeds receivables	–	69,800	–	69,800
Interest receivables	–	239,925	1,316,818	1,556,743
Cash and cash equivalents	5,877,298	5,004,583	–	10,881,881
	5,877,298	146,579,308	1,316,818	153,773,424

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 2013				
Financial liabilities				
Management fee payable	–	180,950	–	180,950
Trustee fee payable	–	41,333	–	41,333
Custodian fee payable	–	3,377	–	3,377
Distribution payable	–	2,741,576	–	2,741,576
Redemption proceeds payable	–	398,653	–	398,653
Accrued expenses and other payables	–	–	149,446	149,446
	–	3,365,889	149,446	3,515,335

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

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 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
Redemption payable	–	852,581	–	852,581
Accrued expenses and other payable	–	800	158,034	158,834
	–	3,360,880	158,034	3,518,914

(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 2013 and 2012.

	Level 2 RMB	Total RMB
As at 31 December 2013		
Debt securities	141,265,000	141,265,000
As at 31 December 2012		
Debt securities	164,545,500	164,545,500

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 2013 and 2012, 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 and Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable unitholders.

4 CORRECTION OF ACCOUNTING ERROR

For the year ended 31 December 2012, amount available for distribution brought forward on the statement of distribution was understated. This accounting error of distribution was due to the net losses on financial assets at fair value through profit or loss and preliminary expenses were not excluded in arriving at the amount available for distribution in 2011.

The impact on the statement of distribution for the year ended 31 December 2012 was to increase both the amount available for distribution brought forward and the transfer to capital by RMB8,107,257. The prior year figures for the year ended 31 December 2012 have been restated to correct this error.

There is no impact on the statement of financial position and statement of comprehensive income for the years. A third column is not presented on the statement of distribution because the restatement does not have an impact on the opening balances for the year ended 31 December 2013.

5 NET GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 RMB	2012 RMB
Net realised gain/(loss) on sale of investments	266,941	(679,136)
Change in unrealised gain in value of investments	341,804	2,688,700
	608,745	2,009,564

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 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:

	2013 RMB	2012 RMB
Cash at bank	5,877,298	1,733,088
Short-term deposits	5,004,583	28,313,743
	10,881,881	30,046,831

7 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:

	2013 No. of units	2012 No. of units
As at 1 January	1,955,569.86	3,209,854.97
Subscription of units	70,388.17	46,235.88
Redemption of units	(502,860.31)	(1,300,520.99)
As at 31 December	1,523,097.72	1,955,569.86

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 DISTRIBUTION

	Distribution RMB	Distribution per unit RMB
Distribution for 2013		
Interim dividend	2,821,724	1.68
Final dividend	2,741,576	1.80
Distribution for 2012		
Interim dividend	1,968,370	0.80
Final dividend	2,346,684	1.20

The Manager approved the proposed final dividend on 23 December 2013. The final dividend was declared on 2 January 2014 and was paid to investors on 7 January 2014.

9 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 RMB1,175,012 (2012: RMB1,674,387). As at 31 December 2013, management fee of RMB180,950 (2012: RMB116,649) was payable to the Manager.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TRANSACTIONS WITH RELATED PARTIES AND CONNECTED PERSON (continued)

(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 (2012: RMB486,373). As at 31 December 2013, trustee fee of RMB41,333 (2012: RMB40,000) was payable to the Trustee.

(c) 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 RMB37,557 (2012: RMB35,125). As at 31 December 2013, custodian fee of RMB3,377 (2012: RMB4,166) was payable to the Custodian.

(d) Cash and cash equivalents

	2013 RMB	2012 RMB
Bank balances with:		
Bank of China (Hong Kong) Limited	5,877,298	1,733,088

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

	2013 RMB	2012 RMB
Debt securities held with:		
Bank of China (Hong Kong) Limited	141,265,000	164,545,500

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 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.

11 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:

	2013 RMB	2012 RMB
Net asset value as per statement of financial position	150,270,132	192,500,940
Adjustment on preliminary expenses (note)	403,245	604,867
Adjustment on distribution payable	2,741,576	2,346,684
Adjustment on other payable	(7,422)	(71,154)
Redemption Payable for dealing date	–	27,951
Published net asset value	153,407,531	195,409,288
Published net asset value per unit	100.72	99.91

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)

12 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.

13 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 15 April 2014.

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

For the year ended 31 December 2013

	At 31 December 2012	Movements in nominal value		At 31 December 2013
		Additions	Disposals	
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	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	2,600,000	–	(2,600,000)	–
Sinotruk Hong Kong Ltd 4.5% S/A 01Aug2014 Regs	5,000,000	–	–	5,000,000
IT Ltd 6.25% S/A 15May2018	–	3,600,000	–	3,600,000
China Datang Corp 3.6% S/A 25Apr2016	–	8,000,000	–	8,000,000
Far East Horizon Ltd 5.45% S/A 11Dec2016	–	5,000,000	–	5,000,000
New World China Land Ltd 5.5% S/A 06Feb2018	–	10,400,000	–	10,400,000
RKI Finance 2013 Ltd 6% S/A 03Dec2016	–	1,000,000	–	1,000,000
China Guangdong Nuclear Power Hldg Corp 3.75% S/A 01Nov2015 Regs	–	3,800,000	(3,800,000)	–
Dorsett Hospitality Intl Ltd 6% S/A 03Apr2018	–	3,000,000	(3,000,000)	–
Far East Consortium Intl Ltd 5.875% S/A 04Mar 2016	–	10,000,000	(10,000,000)	–
Golden Wheel Tiandi Hldgs Co Ltd 11.25% S/A 25Apr2016	–	5,500,000	(5,500,000)	–
Huaneng Power Intl Inc 3.85% S/A 05Feb2016	–	4,000,000	(4,000,000)	–
China Minmetals Corp 3.65% S/A 28Mar2016	–	4,000,000	(4,000,000)	–

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

For the year ended 31 December 2013

	At 31 December 2012	Movements in nominal value: Additions	Disposals	At 31 December 2013
Berlin				
Banco Btg Pactual Sa/Cayman Islands 4.1% S/A 26Mar2016	–	7,000,000	–	7,000,000
Lafarge Shui On Cement Ltd 9% S/A 14Nov2014 Regs	5,000,000	–	–	5,000,000
Dublin				
Russian Standard Bank (Russian Standard Finance Sa) 8% S/A 14Feb2015	–	5,500,000	–	5,500,000
London				
CCBL Funding Plc 3.2% S/A 29Nov2015	8,000,000	–	(8,000,000)	–
Mitsui & Co Ltd 4.25% S/A 01MAR2017	6,000,000	–	(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
Shougang Hldg Bonds Ltd 4.875% S/A 02Dec2013 Regs	14,500,000	–	(14,500,000)	–
Gemdale Asia Hldg Ltd 5.625% S/A 21Mar2018	–	1,000,000	–	1,000,000
Value Success Intl Ltd 4.75% S/A 04Nov2018	–	4,000,000	–	4,000,000
SK Global Chemical Investment Hong Kong Ltd 4.125% S/A 26Sep2016	–	2,000,000	–	2,000,000
Yanlord Land HK Co Ltd 5.375% S/A 23May2016	–	7,000,000	–	7,000,000
Kaisa Group Hldgs Ltd 6.875% S/A 22Apr2016	–	2,000,000	–	2,000,000
HSBC/Singapore 2.25% S/A 05Jun2015	–	3,000,000	(3,000,000)	–

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

For the year ended 31 December 2013

		Movements in nominal value		
	At 31 December 2012	Additions	Disposals	At 31 December 2013
VIRGIN ISL, BT				
CNPC Golden Autumn Ltd 2.55% S/A 26Oct2013 Regs	–	1,000,000	(1,000,000)	–
UNLISTED DEBT SECURITIES				
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	–	(18,000,000)	–
China Power New 3.75% S/A 29Apr2014 Ser HK	19,000,000	–	(5,000,000)	14,000,000
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	16,000,000	–	(2,000,000)	14,000,000
Shandong Intl HK Ltd 5.8% S/A 07Dec2015	12,500,000	–	–	12,500,000
Industrial & Commercial Bank of China Ltd 3.35% S/A 19Nov2016	–	2,000,000	–	2,000,000
Svenska Handelsbanken Ab 3% S/A 15Jan2016	–	2,100,000	(2,100,000)	–
Right Century 1.85% S/A 03Jun2014	–	5,000,000	(5,000,000)	–

INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2013

	Nominal value RMB	Fair value RMB	% of net assets
LISTED DEBT SECURITIES			
Hong Kong			
IT Ltd 6.25% S/A 15May2018	3,600,000	3,060,000	2.04%
New World China Land Ltd 5.5% S/A 06Feb2018	10,400,000	10,764,000	7.16%
AVIC Intl Finance & Investment Ltd 4.8% S/A 09Jul2015 Regs	10,300,000	10,377,250	6.91%
Sinotruk Hong Kong Ltd 4.5% S/A 01Aug2014 Regs	5,000,000	5,037,500	3.35%
China Datang Corp 3.6% S/A 25Apr2016	8,000,000	7,990,000	5.32%
Far East Horizon Ltd 5.45% S/A 11Dec2016	5,000,000	5,000,000	3.33%
Central Plaza Development Ltd 7.6% S/A 29Nov2015 Regs	10,000,000	10,500,000	6.99%
RKI Finance 2013 Ltd 6% S/A 03Dec2016	1,000,000	1,002,500	0.67%
Berlin			
Lafarge Shui On Cement Ltd 9% S/A 14Nov2014 Regs	5,000,000	5,225,000	3.48%
Banco Btg Pactual Sa/Cayman Isla 4.1% S/A 26Mar2016	7,000,000	6,912,500	4.60%
Dublin			
Russian Standard Bank (Russian Standard Finance Sa) 8% S/A 14Feb2015	5,500,000	5,568,750	3.71%

INVESTMENT PORTFOLIO (UNAUDITED) (continued)

For the year ended 31 December 2013

	Nominal value RMB	Fair value RMB	% of net assets
Singapore			
Kaisa Group Hldgs Ltd 6.875% S/A 22Apr2016	2,000,000	2,000,000	1.33%
Gemdale Asia Hldg Ltd 5.625% S/A 21Mar2018	1,000,000	970,000	0.65%
SK Global Chemical Investment Hong Kong Ltd 4.125% S/A 26Sep2016	2,000,000	2,030,000	1.35%
Yanlord Land HK Co Ltd 5.375% S/A 23May2016	7,000,000	6,830,000	4.61%
Asia Pacific Ports Development 5.8% S/A 28Oct2014	8,500,000	8,500,000	5.66%
Value Success Intl Ltd 4.75% S/A 04Nov2018	4,000,000	4,060,000	2.70%
Malaysia			
Axiata SPV2 Bhd 3.75% S/A 18Sep2014	3,000,000	3,007,500	2.00%
UNLISTED DEBT SECURITIES			
China Power New 3.75% S/A 29Apr2014 Ser HK	14,000,000	13,930,000	9.26%
Industrial & Commercial Bank Of China Ltd 3.35% S/A 19Nov2016	2,000,000	2,010,000	1.34%
Shandong Intl Hong Kong Ltd 5.8% S/A 07Dec2015	12,500,000	12,687,500	8.44%
Hai Chao Trading Co Ltd 2% S/A 04Aug2014 Regs	14,000,000	13,702,500	9.11%
Total investment portfolio (Cost: RMB140,185,633)		141,265,000	94.01%
Other net assets		9,005,132	5.99%
Total net assets		150,270,132	100.00%

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

PERFORMANCE TABLE (UNAUDITED)

(a) Price record (Dealing NAV)

Year	Highest RMB	Lowest RMB
2013	101.14	95.72
2012	99.91	97.51
2011	100.41	98.01

(b) Total net asset value

	2013 RMB	2012 RMB	2011 RMB
Total net asset value	150,270,132	192,500,940	312,929,296

(c) Net asset value per unit

Net asset value per unit	98.66	98.44	97.49