

ChinaAMC ETF Series

**ChinaAMC CES China A80 Index ETF**

Annual Report

For the year ended 31 December 2018



**华夏基金**  
**ChinaAMC**

ANNUAL REPORT

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

For the year ended 31 December 2018

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

CONTENTS

	Pages
MANAGEMENT AND ADMINISTRATION	1 - 2
REPORT OF THE MANAGER TO THE UNITHOLDERS	3
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	4
STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE	5
INDEPENDENT AUDITOR'S REPORT	6 - 9
AUDITED FINANCIAL STATEMENTS	
Statement of financial position	10
Statement of comprehensive income	11
Statement of changes in net assets attributable to unitholders	12
Statement of cash flows	13
Statement of distribution	14
Notes to financial statements	15 - 38
INVESTMENT PORTFOLIO	39
MOVEMENTS IN INVESTMENT PORTFOLIO	40
PERFORMANCE RECORD	41

**IMPORTANT:**

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about the Sub-Fund, please refer to the prospectus of the Sub-Fund which is available at our website: <http://www.chinaamc.com.hk/en/products/etf/a80/documents.html>

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

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

## MANAGEMENT AND ADMINISTRATION

### **Manager and RQFII Holder**

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

### **Directors of the Manager**

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

### **Trustee**

Cititrust Limited  
50/F, Champion Tower  
Three Garden Road  
Central, Hong Kong

### **PRC Custodian**

Citibank (China) Co., Limited  
Citigroup Tower  
No. 33, Hua Yuan Shi Qiao Road  
Lu Jia Zui Finance and Trade Area, Shanghai  
People's Republic of China

### **Auditor**

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

### **Investment Adviser**

China Asset Management Co., Ltd.  
3/F Tower B, Tongtai Building  
No. 33 Finance Street  
Xicheng District, Beijing  
People's Republic of China

### **Administrator and Custodian**

Citibank, N.A.  
50/F, Champion Tower  
Three Garden Road  
Central, Hong Kong

### **Registrar**

Computershare Hong Kong Investor Services  
Limited  
46/F, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### **Service Agent**

HK Conversion Agency Services Limited  
2/F, Infinitus Plaza  
199 Des Voeus Road  
Central, Hong Kong

### **Legal Counsel to the Manager**

Simmons & Simmons  
13/F, One Pacific Place  
88 Queensway  
Central, Hong Kong

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

MANAGEMENT AND ADMINISTRATION (continued)

**Participating Dealers**

ABN AMRO Clearing Hong Kong Limited  
70/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

Nomura International (Hong Kong) Limited  
30/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

CIMB Securities Limited  
Unit 7706-08, 77/F  
International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

SG Securities (HK) Limited  
38/F, Pacific Place 3  
1 Queen's Road East  
Admiralty, Hong Kong

Credit Suisse Securities (Hong Kong) Limited  
88/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

The Hongkong and Shanghai Banking Corporation  
Limited  
18/F, HSBC Main Building  
1 Queen's Road  
Central, Hong Kong

Deutsche Securities Asia Limited  
52/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

UBS Securities Hong Kong Limited  
42/F, One Exchange Square  
Central, Hong Kong

Goldman Sachs (Asia) Securities Limited  
68/F, Cheung Kong Center  
2 Queen's Road  
Central, Hong Kong

Yuanta Securities (Hong Kong) Company Limited  
23/F, Tower 1, Admiralty Centre  
18 Harcourt Road  
Admiralty, Hong Kong

Merrill Lynch Far East Limited  
15/F, Champion Tower  
Three Garden Road  
Central, Hong Kong

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

## REPORT OF THE MANAGER TO THE UNITHOLDERS

### **Introduction**

The ChinaAMC CES China A80 Index ETF (the "Sub-Fund"), a sub-fund of ChinaAMC ETF Series, an umbrella unit trust established under Hong Kong law. The Sub-Fund is a physical exchange traded fund investing directly in underlying A-Shares. Its RMB counter (stock code: 83180) and HKD counter (stock code: 03180) commenced trading on the Stock Exchange of Hong Kong Limited (the "SEHK") on 26 August 2013. The Sub-Fund is an index-tracking fund that seeks to track the performance of the CES China A80 Index (the "Index").

The Manager announced the proposed termination, deauthorisation and delisting of the Sub-Fund on 9 October 2017. Subsequently, the Units of the Sub-Fund ceased trading on the SEHK as from 10 November 2017 and the first distribution from realization of the Sub-Fund's investment was made on 4 December 2017.

The Sub-Fund still has 1 suspended stock, namely Beijing Xinwei-A (Ticker: 600485 CH). When the suspended stocks resume trading and are disposed, further distribution(s) will be made to the investors who held any Unit on 15 November 2017 at such intervals as determined by the Manager.

On 31 August 2018 and 28 February 2019 respectively, due to the Sub-Fund still held suspended stock(s), the Manager extended further distributions and postponed the termination date of the Sub-Fund. The Manager will make further announcement to inform the investors of each further distribution and about the termination date, dates for the deauthorization and delisting of the Sub-Fund.

### **Performance of the Sub-Fund**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

Since the Units of Sub-Fund have ceased trading on the SEHK from 10 November 2017, there is no performance data provided in this report.

China Asset Management (Hong Kong) Limited  
23 April 2019

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, China Asset Management (Hong Kong) Limited, the Manager of ChinaAMC CES China A80 Index ETF (the "Sub-Fund") has, in all material respects, managed the Sub-Fund in accordance with the provisions of the trust deed dated 28 May 2012, as amended or supplemented from time to time, for the year ended 31 December 2018.

Cititrust Limited  
23 April 2019

## STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

### **Manager's responsibilities**

China Asset Management (Hong Kong) Limited (the "Manager"), the manager of the ChinaAMC CES China A80 Index ETF (the "Sub-Fund"), a sub-fund of ChinaAMC ETF Series (the "Trust"), is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code") and the trust deed dated 28 May 2012, as amended or supplemented from time to time (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable; and
- prepare the financial statements on a liquidation basis as the Manager intends to wind up the Sub-Fund by way of a voluntary liquidation.

The Manager is also required to manage the Sub-Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

The Trust is an umbrella unit trust governed by its Trust Deed. As at 31 December 2018, the Trust has established with two Sub-Funds.

### **Trustee's responsibilities**

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting year on the conduct of the Manager in the management of the Sub-Fund.



## **Independent auditor's report**

**To the unitholders of ChinaAMC CES China A80 Index ETF**  
(a sub-fund of ChinaAMC ETF Series)

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

#### **Opinion**

We have audited the financial statements of ChinaAMC CES China A80 Index ETF (a sub-fund of ChinaAMC ETF Series (the "Trust") and referred to as the "Sub-Fund") set out on pages 10 to 38, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, the statement of changes in net assets attributable to unitholders, the statement of cash flows and the statement of distribution for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### **Basis for opinion**

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

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**Independent auditor's report** (continued)

**To the unitholders of ChinaAMC CES China A80 Index ETF**  
(a sub-fund of ChinaAMC ETF Series)

**Key audit matters** (continued)

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Existence and valuation of financial assets at fair value through profit or loss</b>	
<p>Refer to disclosures on fair values of financial instruments in note 10 – 11 to the financial statements.</p> <p>As at 31 December 2018, the only financial assets at fair value through profit or loss of the Sub-Fund were valued at nil due to their suspension from trading. The financial assets were listed shares in the Shanghai Stock Exchange. We focused on this area because the financial assets at fair value through profit or loss represented the principal element of the financial statements and significant assumptions and judgements were involved in measuring the fair value of the suspended shares.</p>	<p>We obtained independent confirmation from the custodian and counterparties of the investment portfolio held at 31 December 2018, and agreed the quantities held to the accounting records. We tested the design and operating effectiveness of controls for the valuation of financial instruments.</p> <p>For suspended shares in which quoted price cannot be obtained, we evaluated the valuation techniques and inputs applied through comparison with the valuation techniques that are commonly used in the market and the validation of observable inputs using external market data. In addition, we evaluated the reasonableness of the assumptions made by the management and we reviewed the financial statement disclosures regarding the fair value hierarchy as set out in notes 10 - 11 to the financial statements.</p>

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

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independent auditor's report** (continued)

### **To the unitholders of ChinaAMC CES China A80 Index ETF**

(a sub-fund of ChinaAMC ETF Series)

#### **Responsibilities of the Manager and the Trustee for the financial statements**

The Manager and the Trustee are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee are responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee either intend to liquidate the Sub-Fund or to cease operations or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 28 May 2012 as amended or supplemented from time to time (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Securities and Futures Commission of Hong Kong.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.

**Independent auditor's report** (continued)

**To the unitholders of ChinaAMC CES China A80 Index ETF**  
(a sub-fund of ChinaAMC ETF Series)

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

- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting. When such use is inappropriate and the Manager and the Trustee use an alternative basis of accounting, we conclude on the appropriateness of the Manager's and the Trustee's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager and the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager and the Trustee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager and the Trustee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code**

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Sui Yan.

Certified Public Accountants  
Hong Kong  
23 April 2019

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB	2017 RMB
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	10	–	81,821
Amount due from the Manager	5	–	453,582
Cash and cash equivalents	12	<u>269,479</u>	<u>59,702</u>
<b>TOTAL ASSETS</b>		<u>269,479</u>	<u>595,105</u>
<b>LIABILITIES</b>			
Management fee payable	5	11,687	11,687
Custodian, fund administration and trustee fees payable	5	–	89,085
Termination fee payable	5	33,300	77,228
Amount due to the Manager	5	77,912	–
Other payables and accruals		<u>120,286</u>	<u>334,283</u>
<b>TOTAL LIABILITIES</b>		<u>243,185</u>	<u>512,283</u>
<b>EQUITY</b>			
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	9	<u>26,294</u>	<u>82,822</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>269,479</u>	<u>595,105</u>
NUMBER OF UNITS IN ISSUE	9	<u>300,000</u>	<u>300,000</u>
NET ASSET VALUE PER UNIT	9	<u>0.0876</u>	<u>0.2761</u>

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

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 RMB	2017 RMB
<b>INCOME</b>			
Dividend income		60	132,779
Interest income		523	1,098
		<u>583</u>	<u>133,877</u>
<b>EXPENSES</b>			
Management fee	5	–	( 34,970)
Brokerage fee		( 20)	( 8,043)
Custodian, fund administration and trustee fees	5	–	( 265,013)
Auditor's remuneration		–	( 86,207)
Termination fees	5	–	( 81,000)
Other operating expenses		( 27)	( 336,418)
		<u>( 47)</u>	<u>( 811,651)</u>
Investment manager reimbursement of fees	5	–	904,323
		<u>( 47)</u>	<u>92,672</u>
<b>PROFIT BEFORE INVESTMENT AND EXCHANGE DIFFERENCES</b>		<b>536</b>	<b>226,549</b>
<b>INVESTMENT (LOSSES)/GAINS AND EXCHANGE DIFFERENCES</b>			
Net change in unrealised gains or losses on financial assets at fair value through profit or loss		15,093	( 1,189,450)
Net realised gains or losses on financial assets at fair value through profit or loss		( 72,148)	2,839,291
Net foreign exchange losses		–	( 9)
<b>NET INVESTMENTS AND EXCHANGE (LOSSES)/GAINS</b>		<u><b>( 57,055)</b></u>	<u><b>1,649,832</b></u>
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>( 56,519)</b>	<b>1,876,381</b>
Withholding income tax expenses	7	( 9)	( 13,661)
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>( 56,528)</b></u>	<u><b>1,862,720</b></u>

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

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2018

	Note	RMB
At 1 January 2017		7,401,688
Redemption of units		( 5,311,586)
Total comprehensive income		1,862,720
Distribution to unitholders	8	<u>( 3,870,000)</u>
At 31 December 2017 and 1 January 2018		82,822
Redemption of units		–
Total comprehensive income		<u>( 56,528)</u>
At 31 December 2018		<u>26,294</u>

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

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 RMB	2017 RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax	(	56,519)	1,876,381
Decrease in financial assets at fair value through profit or loss		81,821	7,478,329
Decrease/(increase) in amount due from the Manager		453,582	( 392,897)
Increase in management fee payable		–	6,973
Decrease in custodian, fund administration and trustee fees payable	(	89,085)	( 47,049)
(Decrease)/increase in termination fee payable	(	43,928)	77,228
Increase in amount due to the Manager		77,912	–
Decrease in other payables and accruals	(	213,997)	( 21,444)
Cash flows generated from operations		209,786	8,977,521
Tax paid	(	9)	( 13,661)
Net cash flows generated from operating activities		<u>209,777</u>	<u>8,963,860</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution paid to unitholders		–	( 3,870,000)
Payments on redemption of units		–	( 5,311,586)
Net cash flows used in financing activities		<u>–</u>	<u>( 9,181,586)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		209,777	( 217,726)
Cash and cash equivalents at beginning of year		<u>59,702</u>	<u>277,428</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	12	<u><u>269,479</u></u>	<u><u>59,702</u></u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash at banks	12	<u><u>269,479</u></u>	<u><u>59,702</u></u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>			
Dividend received net of withholding tax		54	119,205
Interest received net of withholding tax		<u>520</u>	<u>1,011</u>

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



ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

STATEMENT OF DISTRIBUTION

Year ended 31 December 2018

	Note	RMB
Undistributed income at 1 January 2017		-
Total comprehensive income		1,862,720
Add: net losses on financial assets at fair value through profit or loss		<u>1,189,450</u>
Undistributed income before distribution		3,052,170
Interim distribution distributed out of capital on 4 December 2017 (RMB12.90 per unit)	8	( 3,870,000)
Transfer from capital		<u>817,830</u>
Undistributed income at 31 December 2017 and 1 January 2018		-
Total comprehensive income		( 56,528)
Less: net gains on financial assets at fair value through profit or loss		<u>( 15,093)</u>
Undistributed income before distribution		( 71,621)
Transfer from capital		<u>71,621</u>
Undistributed income at 31 December 2018		<u>-</u>

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 1. THE TRUST

ChinaAMC ETF Series (the "Trust") is an umbrella unit trust governed by its trust deed dated 28 May 2012, as amended or supplemented from time to time (the "Trust Deed") between China Asset Management (Hong Kong) Limited (the "Manager") and Cititrust Limited (the "Trustee"). It is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") pursuant to Section 104(1) of the Securities and Futures Ordinance of Hong Kong.

These financial statements relate to the second sub-fund of the Trust, ChinaAMC CES China A80 Index ETF (the "Sub-Fund"). The Sub-Fund commenced trading under the stock codes 83180 (RMB counter) and 03180 (HKD counter) on the Stock Exchange of Hong Kong Limited ("SEHK") on 26 August 2013.

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

Pursuant to the announcement dated 9 October 2017 (the "Announcement"), the Manager has notified all its existing unitholders regarding its liquidation plan of the Sub-Fund. The Manager intends to liquidate the Sub-Fund and eventually to wind up the Sub-Fund by way of a voluntary liquidation. The Manager declared the first distribution to the unitholders who remain so as at 15 November 2017 (the "Distribution Record Date"). The first distribution was declared on 4 December 2017 and paid on 5 December 2017, while the termination date was expected to be no later than 5 September 2018.

On 31 August 2018, as the suspended stocks had yet to be disposed, the Manager extended the period of final distribution in respect of the Sub-Fund and postpone the termination date in respect of the Trust and the Sub-Fund to a day expected to be no later than 28 February 2019 based on the prevailing market conditions. On 28 February 2019, as the suspended stocks had still yet to be disposed, the Manager further extended the period of final distribution in respect of the Sub-Fund and postponed the termination date in respect of the Trust and the Sub-Fund to a day expected to be no later than 28 February 2020 (the "Termination Date") based on the prevailing market conditions.

When all suspended stocks are disposed and distributions are made to the unitholders and the Trustee and the Manager are of the opinion that the Sub-Fund ceases to have any outstanding contingent or actual assets or liabilities, the Trustee and the Manager will commence the completion of the liquidation of the Sub-Fund.

### 2.1 BASIS OF PREPARATION

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.1 BASIS OF PREPARATION (continued)

As mentioned in note 1 to the financial statements, the Manager intends to wind up the Sub-Fund by way of a voluntary liquidation. The financial statements for the year ended 31 December 2017 were prepared on a liquidation basis and the financial statements for the current year have continued to be prepared on a liquidation basis. All assets have been adjusted to their estimated net realisable values. Expenses associated with the termination of RMB81,000 were recognised during the year ended 31 December 2017, of which RMB3,772 and RMB43,928 were settled during 2017 and 2018, respectively. Any shortfall in the termination expenses recognised will be borne by the Manager.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>

The nature and the impact of the new and revised IFRSs are described below:

#### IFRS 9 *Financial Instruments*

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

#### (a) Classification and measurement

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Impairment

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

(c) Hedge accounting

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

**Impact of adoption of IFRS 9**

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

**Financial assets**

1 January 2018	IAS 39 classification	IAS 39 measurement RMB'000	IFRS 9 classification	IFRS 9 measurement RMB'000
Equity instruments	Held for trading at FVPL	82	FVPL	82
Amount due from the Manager	Loans and receivables	453	Amortised cost	453
Cash and cash equivalents	Loans and receivables	60	Amortised cost	60

**Financial liabilities**

1 January 2018	IAS 39 classification	IAS 39 measurement RMB'000	IFRS 9 classification	IFRS 9 measurement RMB'000
Management fee payable Custodian, fund administration and trustee fees payable	Other financial liabilities	12	Amortised cost	12
Termination fee payable	Other financial liabilities	89	Amortised cost	89
Other payables and accruals	Other financial liabilities	77	Amortised cost	77
		334	Amortised cost	334

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

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### IFRS 15 Revenue from Contracts with Customers

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

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Sub-Fund has not early applied any of the new and revised IFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2018, in these financial statements. Among the new and revised IFRSs, the following are expected to be relevant to the Sub-Fund's financial statements upon becoming effective:

Amendments to IAS 1 and IAS 8 *Definition of Material<sup>1</sup>*

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than as adjusted for the adoption of the liquidation basis as disclosed in note 2.1 to the financial statements, the significant accounting policies applied in the preparation of these financial statements are set out below.

#### Financial instruments

In the current period, the Sub-Fund has adopted IFRS 9 *Financial Instruments*. See section 2.2 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

#### (a) Classification

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(a) Classification (*continued*)

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

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

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

Financial assets

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

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

*Financial assets measured at amortised cost*

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

*Financial assets measured at FVPL*

A financial asset is measured at FVPL if:

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

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

Financial liabilities

Financial liabilities measured at amortised cost includes all financial liabilities. The Sub-Fund includes in this category management fee payable, custodian, fund administration and trustee fees payables, termination fee payable, amount due to the Manager and other payables and accruals.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

Financial assets at FVPL

Financial assets designated as at FVPL upon initial recognition: these include equity securities. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Sub-Fund.

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 amount due from the Manager and cash and cash equivalents.

Financial liabilities

This category includes all financial liabilities. The Sub-Fund includes in this category amounts relating to management fee payable, custodian, fund administration and trustee fees payable, termination fee payable, amount due to the Manager and other payables and accruals.

(b) Recognition (under IFRS 9 and IAS39)

The Sub-Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

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

(c) Initial measurement (under IFRS 9 and IAS39)

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

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

(d) Subsequent measurement (under IFRS 9 and IAS39)

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

Amount due from the Manager is measured at amortised cost using the effective interest method ("EIR") less any allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### (d) Subsequent measurement (under IFRS 9 and IAS39) (continued)

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

The EIR is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider ECLs. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

##### (e) Derecognition (under IFRS 9 and IAS39)

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Sub-Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Sub-Fund has:

- Transferred substantially all the risks and rewards of the asset, or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

#### Impairment of financial assets

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

Offsetting financial instruments

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair value measurement

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

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

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

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and cash equivalents

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

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

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

#### 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. Moreover, the net asset value per unit at the time of issue or redemption is determined and units quoted on the SEHK are denominated in RMB.

Therefore, the RMB is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Sub-Fund's presentation currency is also RMB.

#### Foreign currency translations

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of comprehensive income.

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

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

#### Taxes

In some jurisdictions, dividend income, interest income and capital gains are subject to withholding income tax deducted at the source of the income. The Sub-Fund presents the withholding tax separately from the gross investment gains 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Redeemable units

Redeemable units are classified as an equity instrument when:

- (a) The redeemable units entitle the holder to a *pro-rata* share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation.
- (b) The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- (c) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- (d) The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a *pro-rata* share of the Sub-Fund's net assets.
- (e) The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund over the life of the instrument.

In addition to the redeemable units having all the above features, the Sub-Fund must have no other financial instruments or contracts that have:

- (a) Total cash flows based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund, and
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

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

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

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

#### Dividend income

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Interest income

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method.

#### Net change in unrealised gains or losses on financial assets at FVPL

This item includes changes in the fair value of financial assets and liabilities at FVPL and excludes interest and dividend income and expenses.

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

#### Net realised gains or losses on financial assets at FVPL

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

#### Distributions to unitholders

Distributions are at the discretion of the Sub-Fund. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. A proposed distribution is recognised as a liability in the year in which it is approved by the Manager.

#### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Sub-Fund;
  - (ii) has significant influence over the Sub-Fund; or
  - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Sub-Fund are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Sub-Fund are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-Fund or to the parent of the Sub-Fund.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGES IN ACCOUNTING ESTIMATES

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

Taxation

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

Fair value of suspended equity investments

The suspended equity investments have been valued based on the Adjusted Net Asset Method as detailed in note 11 to the financial statements. In addition, the Manager makes estimates about the liquidity discount. The Sub-Fund classifies the fair value of these investments as Level 3.

5. TRANSACTIONS WITH THE TRUSTEE AND MANAGER AND THEIR CONNECTED PERSONS

The following is a summary of significant related party transactions entered into during the year between the connected persons of the Sub-Fund, as defined in the SFC Code, including the Trustee the Manager and their connected persons. All transactions entered into during the year between the Sub-Fund, the Trustee, the Manager and their 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 those disclosed below:

Expenses borne by the Manager

The prospectus of the Sub-Fund (the "Prospectus") stated that it is the Manager's current intention to cap the ongoing charges of each class of units of the Sub-Fund at 3.00% of the average net asset value published from 1 January 2017 to 31 December 2018 ("Average Net Asset Value") per unit of the Sub-Fund; any ongoing charges in excess of such figure as at the end of the reporting period will be borne by the Manager.

Subject to the liquidation provision of RMB81,000, the Manager will bear all costs and expenses associated with the termination of the Sub-Fund other than transaction costs and any taxes relating to the realisation of assets of the Sub-Fund.

No expense was borne by the Manager for the year ended 31 December 2018 (2017: RMB904,323). As at 31 December 2018, amount due to the Manager of RMB77,912 in relation to the auditor's remuneration of the Sub-Fund for 2017 was paid on behalf by the Manager (2017: amount due from the Manager of RMB453,582).

Management fee

The Manager is entitled to receive a management fee from the Sub-Fund, at a rate of 0.70% (up to maximum of 1%) per annum with respect to the net asset value of the Sub-Fund calculated and accrued on each dealing day and is paid monthly in arrears until the Sub-Fund has ceased trading on the SEHK from 10 November 2017. The Manager is responsible for the payment of the investment advisory fees, if any, to the investment adviser, China Asset Management Co. Ltd., out of its fee received from the Sub-Fund.

No management fee was incurred during the year ended 31 December 2018 (2017: RMB34,970). As at 31 December 2018, a management fee of RMB11,687 (2017: RMB11,687) was payable to the Manager.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Custodian, fund administration and trustee fees

Custodian fees and fund administration fees pertain to the amounts charged by the Trustee as safe keeping and fund administration fees. The Trustee bears the fees of Citibank, N.A. (the "Administrator and Custodian") and Citibank (China) Co., Limited (the "PRC Custodian").

The Trustee is entitled to receive a trustee fee from the Sub-Fund which is accrued on each dealing day and is paid monthly in arrears. The trustee fee is calculated as a percentage per annum of the net asset value of the Sub-Fund at the current rate ranging from 0.07% to 0.10%, subject to a monthly minimum of US\$4,000 until the Sub-Fund has ceased trading on the SEHK from 10 November 2017.

No custodian, fund administration and trustee fees were incurred for the year ended 31 December 2018 (2017: RMB265,013). As at 31 December 2018, no custodian, fund administration and trustee fees were payable to the Trustee (2017: RMB89,085) and there were no transaction fees payable to the Trustee as at 31 December 2018 and 31 December 2017.

Financial statement preparation fee

The Trustee is entitled to receive a financial statement preparation fee from the Sub-Fund for the preparation of interim and year-end financial statements.

No financial statement preparation fee was incurred during the year ended 31 December 2018 (2017: RMB53,733). As at 31 December 2018, a financial statement preparation fee of RMB81,071 (2017: RMB115,534) was payable to the Trustee.

Termination fees

Termination fees pertain to the amounts charged by the Trustee and other service providers of the Sub-Fund in relation to termination related expenses and fees.

No termination fees were accrued for the Trustee and other service providers for the year ended 31 December 2018 (2017: RMB81,000). As at 31 December 2018, termination fees of RMB33,300 (2017: RMB77,228) were payable to the Trustee and other service providers.

Cash and cash equivalents

Bank balances are maintained with the Administrator and Custodian and the PRC Custodian of the Sub-Fund. Bank balances deposited with the Administrator and Custodian and the PRC Custodian at 31 December 2018 and 31 December 2017 are summarised below:

	2018 RMB	2017 RMB
Cash at banks	<u>269,479</u>	<u>59,702</u>

The carrying amount of cash at banks approximates to its fair value as at year end.

6. SOFT COMMISSION ARRANGEMENTS

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

7. TAXATION

Hong Kong profits tax

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

PRC capital gain tax

No PRC withholding income tax credit on capital gains, including unrealised gains and realised gains were recognised by the Sub-Fund for the years ended 31 December 2018 and 31 December 2017.

PRC distribution tax

A ten per-cent (10%) PRC WIT has been levied on dividend and interest payments from PRC-listed companies to foreign investors. The Sub-Fund is subject to a distribution tax of ten per-cent (10%). There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future. The distribution tax expense provided for the year ended 31 December 2018 was RMB9 (2017: RMB13,661).

8. DISTRIBUTION

The Sub-Fund did not make any distribution during the year ended 31 December 2018.

	Distribution RMB	Distribution per unit RMB
Distribution declared by the Manager on		
- 4 December 2017 (paid on 5 December 2017)	3,870,000	12.90

When certain suspended stocks resume trading and are disposed of, further distribution will be made to relevant investors at such interval as determined by the Manager.

9. THE REDEEMABLE UNITS

	2018 Number of units	2017 Number of units
Units in issue at the beginning of the year	300,000	750,000
Redemption of units	-	( 450,000)
Units in issue at the end of the year	<u>300,000</u>	<u>300,000</u>
	Closing price as at year end RMB	At last traded market price RMB
Dealing net asset value at the end of the year	<u>26,294</u>	<u>82,822</u>
Dealing net asset value per unit at the end of the year	<u>0.0876</u>	<u>0.2761</u>



NOTES TO FINANCIAL STATEMENTS

31 December 2018

9. THE REDEEMABLE UNITS (continued)

The creation and redemption of units of the Sub-Fund can only be facilitated by or through participating dealers. Investors other than the participating dealers make a request to create or redeem units through a participating dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a participating dealer.

The Trustee shall receive subscription proceeds from the participating dealers for the creation of units and pay redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed.

Units are denominated in RMB and no fractions of a unit shall be created or issued by the Trustee. Units of the Sub-Fund are offered and issued at their dealing net asset value only in aggregations of a specified number of application units. The units of the Sub-Fund ceased trading on the SEHK on 10 November 2017 and there is no further redemption of units in the primary market. When certain suspended stocks resume trading and are disposed of, a further distribution will be made at such interval as determined by the Manager. Redemption of units will take place when all suspended stocks resume trading and are disposed of and distributions are made to the unitholders, and when the Manager and the Trustee form an opinion that the Sub-Fund ceases to have any contingent or actual assets or liabilities.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB	2017 RMB
Financial assets at fair value through profit or loss:		
Listed equity securities	<u>          –</u>	<u>      81,821</u>

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows an analysis of the Sub-Fund's financial assets measured at fair value at 31 December 2018 and 31 December 2017:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2018				
<u>Financial assets at fair value through profit or loss</u>				
Listed equity securities	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          –</u>
2017				
<u>Financial assets at fair value through profit or loss</u>				
Listed equity securities	<u>          –</u>	<u>          –</u>	<u>          82</u>	<u>          82</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2018

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Transfers between Level 1 and Level 2

As at 31 December 2018 and 31 December 2017, no listed equity securities were reclassified from Level 1 to Level 2.

Transfers between Level 1 and Level 3

As at 31 December 2018, no listed equity securities were reclassified from Level 1 to Level 3.

As at 31 December 2017, the Sub-Fund reclassified one listed equity from Level 1 to Level 3 following the suspension of trading of a financial instrument. That financial instrument is Wanda Film Holding Co Ltd (stock code: 002739). As at 31 December 2018, the listed equity securities have been reclassified to Level 1.

	Transfer from Level 1 to Level 3	
	2018	2017
	RMB	RMB
Financial assets at fair value through profit or loss		
- Listed equity securities	<u>          —          </u>	<u>          13,728          </u>

The transfer between Level 1 and Level 3 of the fair value hierarchy is deemed to have occurred at the end of the reporting period.

Transfers between Level 2 and Level 3

As at 31 December 2018 and 31 December 2017, no listed equity securities were reclassified from Level 2 to Level 3.

Valuation techniques

*Level 1*

When fair values of listed equity securities at the reporting date are based on quoted market prices or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Sub-Fund values these investments at last traded prices.

*Level 2*

The Manager adopted the Index Return Method to perform valuation for investments suspended from trading. As the model incorporates unobservable inputs, whether resumed or not, the investments suspended from trading are classified as Level 3. Hence, no investments are classified as Level 2 in 2018 and 2017.

*Level 3*

The valuation of investments suspended from trading is performed on a daily basis by the portfolio manager of the Manager and reviewed by senior management of the Manager and the Trustee. The fair value was estimated by the Manager using the Adjusted Net Asset Method in which changes the stated values of a company's assets and liabilities to reflect their estimated current fair market values better. The model incorporates unobservable inputs which include qualitative assessment. Such valuation method is generally accepted in the industry. Hence, the Sub-Fund classifies the fair value of these investments as Level 3.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative information of significant unobservable inputs - Level 3

Description <u>31 December 2018</u>	RMB	Valuation technique	Unobservable input
Equity investment	—*	Adjusted Net Asset Method	Adjusted Net Asset Value
<u>31 December 2017</u>			
Equity investment	81,821	Index Return Method	Return on relevant industry index (-15.34% to 9.86%)

\*There is one equity security categorised as Level 3 as at 31 December 2018, which is valued at nil amount using the adjusted net asset model.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2017 are as shown below:

**As at 31 December 2017**

	Input	Change in return of the relevant industry index	Effect on the fair value of investments RMB	Effect on the net assets attributable to unitholders RMB
Equity securities	AMAC Index	5%	4,091	4,091
	AMAC Index	( 5%)	( 4,091)	( 4,091)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 for the years ended 31 December 2018 and 31 December 2017:

	Financial assets at fair value through profit or loss Equity securities	
	2018 RMB	2017 RMB
At 1 January	81,821	146,369
Transfer into Level 3	-	13,728
Total losses in profit or loss	( 26,877)	( 11,228)
Purchases	-	24,780
Transfer out from Level 3	( 54,944)	( 91,828)
At 31 December	<u>-</u>	<u>81,821</u>
Total losses for the period included in profit or loss for assets held at the end of the reporting period	<u>( 26,877)</u>	<u>( 11,228)</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2018

12. CASH AND CASH EQUIVALENTS

	2018 RMB	2017 RMB
Cash at banks	<u>269,479</u>	<u>59,702</u>

Cash at banks held with the Administrator and Custodian and the PRC Custodian was placed into interest bearing accounts.

13. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

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

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

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

Pursuant to the announcement dated 9 October 2017, which was approved by the SFC, the Sub-Fund ceased to track the Index and therefore the Sub-Fund is not necessary to meet the investment limitation and prohibitions under the SFC Code.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk management

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

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

(a) Market risk

(i) Equity 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, either caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund only held the suspended stock which has marked down to RMB0 as at 31 December 2018.

As at 31 December 2018 and 31 December 2017, the Sub-Fund's investments were concentrated in the following industries.

	2018		2017	
	Fair value RMB	% of net asset value	Fair value RMB	% of net asset value
<b>A-Shares holdings – by sectors</b>				
Consumer				
Discretionary	–	–	13,728	16.58%
Information				
Technology	–	–	68,093	82.21%
	–	–	81,821	98.79%

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(a) Market risk (continued)

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Approximately 100% (2017: 100%) of the Sub-Fund's sales and purchases were denominated in RMB, the Sub-Fund's functional currency. Assets and liabilities held by the Sub-Fund are mainly denominated in RMB. Therefore, the Manager considers the Sub-Fund is not exposed to significant currency risk and no sensitivity analysis is presented.

(b) Credit and counterparty risk

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

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

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

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

**Financial assets subject to IFRS 9's impairment requirements**

The Sub-Fund's financial assets subject to the ECL model within IFRS 9 are only cash and cash equivalents and amount due from the Manager. As at 31 December 2018, the total of cash and cash equivalents was RMB269,479 on which no loss allowance had been provided (2017: total of RMB513,284 on which no loss had been incurred). It is considered that there is no concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(b) Credit and counterparty risk (continued)

**Financial assets not subject to IFRS 9's impairment requirements**

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

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

<u>31 December 2018</u>	RMB	Credit rating	Source of credit rating
<u>PRC Custodian</u>			
Citibank (China) Co., Limited	-	BBB+	S&P
<u>31 December 2017</u>			
<u>PRC Custodian</u>			
Citibank (China) Co., Limited	81,821	BBB+	S&P

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

(c) Liquidity risk

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

As at 31 December 2018 and 31 December 2017, the Sub-Fund held liquid assets, comprising financial assets at fair value through profit or loss, amount due from the Manager and cash and cash equivalents that are expected to readily generate cash inflows for managing liquidity risk.

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

Financial assets

Analysis of equity securities at FVPL 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(c) Liquidity risk (continued)

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.

**At 31 December 2018**

	Due on demand RMB'000	Due within 1 month RMB'000	1 month to 1 year RMB'000	(Note) No term RMB'000	Total RMB'000
<b><u>Financial assets</u></b>					
Financial assets at fair value through profit or loss	–	–	–	–	–
Cash and cash equivalents	269	–	–	–	269
Total financial assets	269	–	–	–	269
<b><u>Financial liabilities</u></b>					
Management fee payable	–	12	–	–	12
Termination fee payable	–	–	33	–	33
Amount due to the Manager	–	–	78	–	78
Other payables and accruals	–	–	120	–	120
Total financial liabilities	–	12	231	–	243

**At 31 December 2017**

	Due on demand RMB'000	Due within 1 month RMB'000	1 month to 1 year RMB'000	(Note) No term RMB'000	Total RMB'000
<b><u>Financial assets</u></b>					
Financial assets at fair value through profit or loss	–	–	82	–	82
Amount due from the Manager	–	453	–	–	453
Cash and cash equivalents	60	–	–	–	60
Total financial assets	60	453	82	–	595
<b><u>Financial liabilities</u></b>					
Management fee payable	–	12	–	–	12
Custodian, fund administration and trustee fees payable	–	89	–	–	89
Termination fee payable	–	–	77	–	77
Other payables and accruals	–	–	334	–	334
Total financial liabilities	–	101	411	–	512

Note:

The Manager considers there is no term of maturity for certain financial assets at FVPL because those financial assets are suspended from trading.



NOTES TO FINANCIAL STATEMENTS

31 December 2018

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Sub-Fund's capital is represented by its net assets attributable to unitholders. Upon the cessation of trading of the Sub-Fund on the SEHK on 10 November 2017, the Manager aims to realise all of the assets of the Sub-Fund.

After the realisation of the assets of the Sub-Fund, the Sub-Fund mainly holds cash (primarily consisting of the proceeds from the realisation of the assets of the Sub-Fund) and the suspended stocks.

The Manager will realise the suspended stocks as soon as they resume trading, and make distributions at such intervals as determined by the Manager when a certain amount of suspended stocks resumes trading and has been disposed.

15. SEGMENT INFORMATION

The Manager makes the strategic resource allocations on behalf of the Sub-Fund and has determined the operating segments based on the reports reviewed which are used to make strategic decisions.

The Manager considers that each sub-fund has a single operating segment which is investing in securities. The objectives of the Sub-Fund are to track the performance of the Index and invest in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

The Sub-Fund is domiciled in Hong Kong. All of the Sub-Fund's income is derived from investments in securities which constitute its tracked index. The Sub-Fund's investments are mainly domiciled in the PRC.

The Sub-Fund has no assets classified as non-current assets.

16. EVENTS AFTER THE REPORTING PERIOD

Other than those mentioned in Note 1, there was no other subsequent event after the period end.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 23 April 2019.

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

INVESTMENT PORTFOLIO

31 December 2018

	<b>Holdings Shares</b>	<b>Market Value RMB</b>	<b>% of NAV</b>
<b><u>Financial assets at fair value through profit or loss</u></b>			
<b><u>Listed Securities</u></b>			
<b><u>China</u></b>			
<b>Information Technology</b>			
Beijing Xinwei Technology Group Co Ltd	1,974	-	0.00%
TOTAL INVESTMENTS, AT FAIR VALUE		<u>-</u>	<u>0.00%</u>
TOTAL INVESTMENTS, AT COST		<u>51,185</u>	

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2018

**INVESTMENTS**

	<b>Holdings as at 1 January 2018</b>	<b>Additions</b>	<b>Corporate Action</b>	<b>Disposals</b>	<b>Holdings as at 31 December 2018</b>
<b><u>Financial assets at fair value through profit or loss</u></b>					
<b>Listed Securities</b>					
Leshi Internet Information & Technology Corp Beijing	3,200	-	-	3,200	-
Beijing Xinwei Technology Group Co Ltd	1,700	-	274	-	1,974
Wanda Film Holding Co Ltd	300	-	150	450	-

ChinaAMC CES China A80 Index ETF  
(a sub-fund of ChinaAMC ETF Series)

PERFORMANCE RECORD

31 December 2018

**1. NET ASSET VALUE (calculated in accordance with the Sub-Fund's Trust Deed)**

As at:	Net assets attributable to unitholders RMB	Net asset value per unit RMB
31 December 2018	26,294	0.0876
31 December 2017	82,822	0.2761
31 December 2016	7,401,688	9.8689

**2. HIGHEST ISSUE AND LOWEST REDEMPTION PRICES PER UNIT<sup>A</sup>**

During the year/period ended:	Highest issue unit price RMB	Lowest redemption unit price RMB
31 December 2017 <sup>B</sup>	13.2071	0.2761
31 December 2016	11.1551	8.6884
31 December 2015	14.7503	8.4411
31 December 2014	10.5237	5.9045
31 December 2013 <sup>C</sup>	7.4234	6.4855

**3. COMPARISON OF THE SCHEME PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE<sup>A</sup>**

The table below illustrates the comparison between the Sub-Fund's performance (Market-to-Market) and that of the Index during the following year/period ended:

During the year/period ended:	The Index (since 23 August 2013)	RMB counter of the Sub-Fund (since 26 August 2013)	HKD counter of the Sub-Fund (since 26 August 2013)
10 November 2017 <sup>B</sup> (the Trading Cessation Date)	120.99%	92.32%	77.49%
31 December 2016	49.21%	50.37%	32.25%
31 December 2015	58.93%	57.46%	45.48%
31 December 2014	61.23%	54.20%	51.04%
31 December 2013 <sup>C</sup>	0.72%	-3.69%	-3.13%

<sup>A</sup> Past performance figures shown are not indicative of the future performance of the Sub-Fund.

<sup>B</sup> The highest issue and lowest redemption prices per unit and the comparison of the scheme performance and the actual index performance are not available after the Trading Cessation Date.

<sup>C</sup> The financial period of the Sub-Fund extended from 22 August 2013 (date of inception) to 31 December 2013.

