

Audited Financial Statements

**CHINA UNIVERSAL INTERNATIONAL SERIES -  
CUAM RMB BONDPLUS FUND**

(A Sub-Fund of China Universal International Series, an open-ended unit trust  
established as an umbrella fund under the laws of Hong Kong)

31 December 2013



CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

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CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

ADMINISTRATION AND MANAGEMENT

**MANAGER**

China Universal Asset Management (Hong Kong) Company  
Limited  
2701, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**DIRECTORS OF THE MANAGER**

LIN Lijun  
XIAO Shunxi (Resigned on 8 November 2013)  
HAN Xianwang (Resigned on 8 November 2013)  
LI Wen (Appointed on 8 November 2013)  
ZHANG Hui (Appointed on 8 November 2013)

**SOLICITORS TO THE MANAGER**

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

**TRUSTEE AND REGISTRAR**

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

**AUDITORS**

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

**CUSTODIAN**

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

**RQFII CUSTODIAN**

Bank of China Limited  
No. 1 Fuxingmen Nei Dajie  
Beijing, 100818  
China

## REPORT OF THE MANAGER

### Market review

The bond market in China had a strong start in 2013, before it went weaker in the later part of the year. The straight-up bond market before May was brought about by the ample liquidity in the market. And then, due to the corrective measures on the non-compliant accounts and the progress of the market-oriented interest rate initiative, the bond market entered a correction phase that lasted over 7 months. During the correction, the yields of all categories saw increases of different scales, with the majority increased by about 100 bps. On the equity side, the A-share market did not perform well in 2013; the CSI 300 index saw a decrease of 7.65%, with only a few sectors delivering positive returns.

### Portfolio review

In 2013, the NAV of the fund increased by 1.29% (A-class) and 2.02% (I-class). The return of the benchmark, which composed of 80% of CSI 300 Index and 20% of Chinabond Composite Index, decreased by 1.91% for the same period. The NAV for A-class and I-class outperformed the benchmark by 324bps and 400bps respectively. In 2013 the fund distributed dividends four times, RMB 0.058 per unit in March, RMB 0.066 per unit in June, RMB 0.07 per unit in September and RMB 0.02 per unit in December.

Our outperformance in 2013 was attributable to 3 reasons as follows: 1. Proactive management on duration. As the China bond market went up in Jan-May, we have continually increased the duration of the portfolio; after which, as the market went down, we shortened the duration to prevent the loss. 2. A diversified bond portfolio. The benchmark involved both corporate bonds and government bonds, compared to which, we had substantially overweight position in corporate bonds, while government bonds were minimal. 3. Flexible composition between bonds and equities. Some A-share stocks have performed well in Jan-May; leveraging on our strong equity research capability, we actively added positions in some listed companies with good fundamentals, and realised steady return. In order to lock in the profit, we reduced the equities position in the portfolio since June.

The China bond market had been in correction in the second half of 2013, and there were primarily 3 reasons as follows: 1. The yield on Chinese government bond had been significantly lower than the GDP growth rate; from international experience, the yield usually tended to increase to narrow the gap; 2. Interest rates had been increasingly dominated by market forces as the financial reform geared up, which led to higher short-term rates (less than 1 year), and the yield curve shifted up for all contract lengths; and 3. As banks and insurance companies switched their investment from government bonds and high-rating corporate bonds to lower rating ones, the supply on the bond market did not match the demand. Due to these factors, the yields of all categories have increased by over 100 bps since the end of June. We expect the yield revaluation process to come to an end soon.

### Market outlook

As an outlook for 2014, China GDP growth will stay above 7%; inflation will see a little increase from 2013, and we expect an average Consumer Price Index ("CPI") at around 3.3% for the whole year. The central bank will continue its prudent stance on monetary policy, with the money supply for the whole year largely unchanged from 2013. RMB will continue with the appreciation by approximately 1%-2% in 2014.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
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REPORT OF THE MANAGER

**Market outlook** (continued)

The bond-market investment opportunities in 2014 lie in the following themes: 1. According to the resolution of the Third Plenum of the 18th Central Committee, the market-oriented interest rate progress will be accelerated, which means new bond issues will continue to come with high yields, and the investment in new bond issues will bring higher return; 2. The bond market in China will continue to grow with better developed regulatory framework, there will be new bond products on the market, and issuer profile for the existing bond products will be more diversified. The diversified market structure will bring more rationalised pricing to products of all categories and make risk management more plausible; and 3. After a bearish bond market across the board in the second half of 2013, the bond yield is at record high for almost 5 years. The probability for the bond market to continue the drop in 2014 is fairly small, and the yields of most of the categories will fluctuate around the current levels. The investment in the China bond market will generate a good return in 2014.

China Universal Asset Management (Hong Kong) Company Limited  
25 April 2014

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager, China Universal Asset Management (Hong Kong) Company Limited, has, in all material respects, managed China Universal International Series – CUAM RMB Bondplus Fund for the year ended 31 December 2013 in accordance with the provisions of the principal Trust Deed dated 29 December 2011 and its supplemental deeds dated 5 October 2012 and 15 July 2013 (collectively, the "Trust Deed").

On behalf of  
BOCI-Prudential Trustee Limited, the Trustee

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25 April 2014

## **Independent auditors' report**

To the Trustee and the Manager of  
CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

We have audited the financial statements of China Universal International Series – CUAM RMB Bondplus Fund (A Sub-Fund of China Universal International Series (the "Trust") and referred to as the "Sub-Fund") set out on pages 7 to 34, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, the statement of changes in net assets attributable to holders of redeemable units, the statement of cash flows and the statement of distribution for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Trustee and the Manager of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the Trustee and the Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In addition, the Trustee and the Manager also have a responsibility to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the principal Trust Deed dated 29 December 2011 and its supplemental deeds dated 5 October 2012 and 15 July 2013 (collectively, the "Trust Deed") and the disclosure requirements specified in Appendix E to the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code").

### **Auditors' responsibility**

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the disclosure requirements specified in Appendix E to the SFC Code.

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

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

## **Independent auditors' report (continued)**

To the Trustee and the Manager of  
CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series, an open-ended unit trust established as an umbrella  
fund under the laws of Hong Kong)

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

### **Report on other legal and regulatory requirements**

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

Certified Public Accountants  
Hong Kong  
25 April 2014



CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	Year ended 31 December 2013 RMB	Period from 17 February 2012 (date of inception) to 31 December 2012 RMB
<b>INCOME</b>			
Dividend income		256,159	-
Interest income on financial assets at fair value through profit or loss		22,896,468	22,646,636
Other interest income		101,440	738,117
Net (loss)/gain on financial assets at fair value through profit or loss	7	(7,435,923)	4,167,388
Foreign exchange differences, net		938	143
Sundry income		-	13,701
		<u>15,819,082</u>	<u>27,565,985</u>
<b>EXPENSES</b>			
Management fee	4	(6,019,649)	(5,921,125)
Trustee fee	4	(697,410)	(744,277)
Custodian fee	4	(348,800)	(284,657)
Legal and professional fee		(50,000)	(5,672)
Auditors' remuneration		(195,156)	(163,722)
Preliminary expense		-	(1,140,262)
Other expenses		(581,284)	(357,724)
		<u>(7,892,299)</u>	<u>(8,617,439)</u>
Operating profit		7,926,783	18,948,546
<b>FINANCE COSTS</b>			
Distribution to unitholders	6	(9,015,089)	(12,212,141)
(Loss)/profit before tax		(1,088,306)	6,736,405
Withholding tax	5	(1,361,696)	(2,539,946)
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>(2,450,002)</u>	<u>4,196,459</u>

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB	2012 RMB
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	7	297,766,819	413,331,665
Cash and cash equivalents	8	48,234,156	32,853,051
Interest receivable		12,326,166	15,322,626
Deposit reserve – China Exchange Clearing		308,000	308,000
Subscription proceeds receivable		-	99,010
Prepayments		9,434	9,662
<b>TOTAL ASSETS</b>		<b>358,644,575</b>	<b>461,924,014</b>
<b>LIABILITIES</b>			
Redemption proceeds payable		15,903,331	652,301
Management fee payable	4	439,393	534,846
Trustee fee payable	4	52,480	65,740
Other payables and accruals		148,996	186,223
Tax payable		3,617,181	2,386,360
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS)</b>		<b>20,161,381</b>	<b>3,825,470</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	10	<b>338,483,194</b>	<b>458,098,544</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>358,644,575</b>	<b>461,924,014</b>
<b>NUMBER OF UNITS IN ISSUE</b>			
- Class A units	9	29,245,019.98	36,248,935.84
- Class I units	9	4,675,210.14	9,313,713.06
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>			
- Class A units	10	9.959	10.041
- Class I units	10	10.100	10.105

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Manager

.....  
Trustee

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

Year ended 31 December 2013

RMB

At 17 February 2012 (date of inception)	-
Subscription of redeemable units	633,403,536
Redemption of redeemable units	(179,501,451)
Increase in net assets attributable to holders of redeemable units during the period	<u>4,196,459</u>
At 31 December 2012 and 1 January 2013	458,098,544
Subscription of redeemable units	104,125,500
Redemption of redeemable units	(221,290,848)
Decrease in net assets attributable to holders of redeemable units during the year	<u>(2,450,002)</u>
At 31 December 2013	<u><u>338,483,194</u></u>

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	Year ended 31 December 2013 RMB	Period from 17 February 2012 (date of inception) to 31 December 2012 RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		(1,088,306)	6,736,405
Adjustments for:			
Interest income on financial assets at fair value through profit or loss		(22,896,468)	(22,646,636)
Interest income on bank deposits		(101,440)	(738,117)
Distribution to unitholders		9,015,089	12,212,141
		(15,071,125)	(4,436,207)
Decrease/(increase) in financial assets at fair value through profit or loss		115,564,846	(413,331,665)
Increase in deposit reserve-China Exchange Clearing		-	(308,000)
Decrease/(increase) in prepayments		228	(9,662)
(Decrease)/increase in management fee payable		(95,453)	534,846
(Decrease)/increase in trustee fee payable		(13,260)	65,740
(Decrease)/increase in other payables and accruals		(37,227)	186,223
Net cash from/(used in) operations		100,348,009	(417,298,725)
Tax paid		(130,875)	(153,586)
Interest received		25,994,368	8,062,127
Net cash flows from/(used in) operating activities		126,211,502	(409,390,184)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of units		104,224,510	633,304,526
Payments for redemption of units		(206,039,818)	(178,849,150)
Distribution to unitholders		(9,015,089)	(12,212,141)
Net cash flows (used in)/from financing activities		(110,830,397)	442,243,235
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,381,105	32,853,051
Cash and cash equivalents at beginning of year/period		32,853,051	-
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	8	48,234,156	32,853,051
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Bank balance	8	48,234,156	32,853,051
		48,234,156	32,853,051

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
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STATEMENT OF DISTRIBUTION

Year ended 31 December 2013

	Notes	RMB
Undistributed income at 17 February 2012 (date of inception)		-
Increase in net assets attributable to holders of redeemable units during the period		4,196,459
Add: Finance costs – distribution to unitholders		12,212,141
Less: Unrealised gain on financial assets at fair value through profit or loss	7	(1,409,844)
Undistributed income before distribution		14,998,756
Interim (2 <sup>nd</sup> quarter) distribution (RMB0.038 per unit) distributed on 13 June 2012	6	(2,176,197)
Interim (3 <sup>rd</sup> quarter) distribution (RMB0.050 per unit) distributed on 13 September 2012	6	(2,656,920)
Final distribution (RMB0.158 per unit) distributed on 13 December 2012	6	(7,379,024)
Transfer to capital		(2,786,615)
Undistributed income at 31 December 2012 and 1 January 2013		-
Decrease in net assets attributable to holders of redeemable units during the year		(2,450,002)
Add: Finance costs – distribution to unitholders		9,015,089
Add: Unrealised loss on financial assets at fair value through profit or loss	7	11,684,546
Undistributed income before distribution		18,249,633
Interim (1 <sup>st</sup> quarter) distribution (RMB0.058 per unit) distributed on 13 March 2013	6	(2,465,973)
Interim (2 <sup>nd</sup> quarter) distribution (RMB0.066 per unit) distributed on 18 June 2013	6	(2,853,646)
Interim (3 <sup>rd</sup> quarter) distribution (RMB0.070 per unit) distributed on 13 September 2013	6	(2,974,605)
Final distribution (RMB0.020 per unit) distributed on 13 December 2013	6	(720,865)
Transfer to capital		(9,234,544)
Undistributed income at 31 December 2013		-

The amount available for distribution is the total net amount receivable by the Sub-Fund in respect of the relevant period ("Total Income") minus any expenses chargeable against income, subject to adjustments made in accordance with the Trust Deed. Total Income would include amount receivable by way of interests (e.g. generated from bank deposits and debt securities), or other receipts as determined by the Manager to be in the nature of income. Unrealised capital gain or loss does not form part of Total Income and therefore would not impact on the amount available for distribution.

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

1. THE SUB-FUND

China Universal International Series (the “Trust”) was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to the principal Trust Deed dated 29 December 2011 and its supplemental deeds dated 5 October 2012 and 15 July 2013 (collectively, the “Trust Deed”). The Trust currently consists of three sub-funds namely CUAM RMB Bondplus Fund, CUAM China-Hong Kong Strategy Fund and CUAM Hong Kong Dollar Bond Fund.

CUAM RMB Bondplus Fund (the “Sub-Fund”) was constituted as a separate sub-fund of the Trust on 29 December 2011. The Sub-Fund is an open-ended unit trust authorized by the Securities and Futures Commission of Hong Kong (the “SFC”) under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the “SFC Code”). Authorisation by the SFC does not imply official approval or recommendation. The Sub-Fund was launched and incepted on 17 February 2012.

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

Two classes of units, namely Class A units and Class I units, are available for the Sub-Fund. Class A units and Class I units are subject to different management fees. For the year ended 31 December 2013, Class A units and Class I units were in issue.

The Sub-Fund invests in debt securities issued within the People’s Republic of China (the “PRC”) and the PRC equity securities by using RQFII quota of the Manager. The RQFII quota of the Manager is RMB1.1 billion with a remaining quota of RMB787 million as at 31 December 2013 (2012: RMB665 million).

The investment objective of the Sub-Fund is to achieve consistent return and long term capital growth by primarily (i.e. not less than 80% of its net assets) investing in the PRC Renminbi (“RMB”) fixed income securities.

2.1 BASIS OF PREPARATION

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E to the SFC Code.

The financial statements have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. The financial statements are presented in RMB and all values are rounded to the nearest RMB except where otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.2 IMPACT OF CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to HKFRS effective as of 1 January 2013:

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Sub Fund is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Sub Fund's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. HKFRS 13 also requires additional disclosures.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

- HKFRS 9 *Financial Instruments*<sup>2</sup>
- HKAS 32 Amendments *Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*<sup>1</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2014*

<sup>2</sup> *No mandatory effective date yet determined but is already available for adoption*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

### 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Sub-Fund upon adoption on 1 January 2014.

The Manager is in the progress of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Manager considers that these new and revised HKFRSs are unlikely to have a significant impact on the Sub-Fund's results of financial performance or position for the Sub-Fund.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial instruments

##### **(i) Classification**

The Sub-Fund classifies its financial assets and liabilities into the categories below in accordance with HKAS 39.

##### **Financial assets at fair value through profit or loss**

The Sub-Fund classifies all of its investments as financial assets held for trading.

*Financial assets held for trading:* financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes equity securities and debt instruments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

##### **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 cash and cash equivalent, subscription proceeds receivable, interest receivable on debt securities and other receivables.

##### **Other financial liabilities**

This category includes all financial liabilities. The Sub-Fund includes in this category amounts relating to distribution payable to unitholders and other short-term payables.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

**(ii) Recognition**

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

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

**(iii) Initial measurement**

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

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

**(iv) Subsequent measurement**

After initial measurement, the Sub-Fund measures financial instruments which are classified as fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in 'Net gain/ loss on financial assets at fair value through profit or loss'. Interest earned on such instruments are recorded separately in "Interest income on financial assets at fair value through profit or loss".

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(v) Derecognition**

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

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

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

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

Fair value measurement

The Sub-Fund measures financial instruments, such as, equities investments at fair value at each balance sheet 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.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Sub-Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. An impairment exists if one or more events that have occurred after the initial recognition of the asset and have 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

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

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

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

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Amount due from broker

Amount due from broker is receivable for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

Net assets attributable to holders of redeemable units

The Sub-Fund issues redeemable units, namely Class A units and Class I units, which are redeemable at the unitholder's option and are classified as financial liabilities.

The holder of redeemable units can redeem the units during the Hong Kong and PRC business days of each calendar month or such other day or days determined by the Manager and Trustee may agree from time to time for cash equal to a proportionate share of the Sub-Fund's net assets attributable to holders of redeemable units of the relevant classes.

Redeemable units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net assets attributable to holders of redeemable units per unit at the time of issue or redemption. The Sub-Fund's net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders by the number of units in issue.

Distributions to unitholders

Distributions are at the discretion of the Manager. A distribution to the Sub-Fund's unitholders is included in profit or loss in the statement of comprehensive income as the *"Finance costs"*. A proposed distribution is recognised as a liability in the year in which it is approved by the Manager of the Sub-Fund.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and demand deposits with original maturities of three months or less.

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 appropriate.

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net (loss)/gain on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets as at “fair value through profit or loss” and excludes interest income and expense.

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

Realised gains and losses on disposals of financial instruments classified as “fair value through profit or loss” are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

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

Taxes

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

#### Going concern

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

#### Estimates

The key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Sub-Fund based its estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Sub-Fund. Such changes are reflected in the assumptions when they occur.

#### Taxation

In preparing these financial statements, the management 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.

### 4. FEES

#### Management fee

The Manager is entitled to receive, on an annual basis, a management fee from the Sub-Fund, at a rate of 1.5% for Class A units and 0.75% for Class I units (up to maximum of 3% per annum in total by giving not less than one month's prior notice to the unitholders) per annum with respect to the net assets attributable to holders of redeemable units of each class of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears.

#### Trustee fee

The Trustee is entitled to receive, on an annual basis, a trustee fee from the Sub-Fund, at the current rate ranging from 0.175% to 0.11% per annum of the net assets attributable to holders of redeemable units of the Sub-Fund calculated, subject to a minimum monthly fee of RMB40,000, and accrued on each dealing day and is paid monthly in arrears.

#### Custodian and RQFII Custodian fee

The Custodian is entitled to receive, on an annual basis, custodian fees from the Sub-Fund, at a rate up to 0.1% per annum of the net assets attributable to holders of redeemable units of the Sub-Fund calculated and is paid monthly in arrears. The fees and charges payable to the RQFII Custodian are borne by the Custodian.

As at 31 December 2013, no fees were the payable to the Custodian.

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5. INCOME TAX

Hong Kong Tax

No provision for Hong Kong profits tax has been made for the Sub-Fund. The Sub-Fund is authorised by the SFC as a collective investment scheme pursuant to Section 104 of the SFO for offering to the retail public in Hong Kong. It is exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

PRC Tax

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

*Capital gains Tax*

Specific rules governing taxes on RQFII's capital gains derived from trading of PRC investment securities have yet to be announced. In the absence of such specific rules, PRC income tax treatment should be governed by the general tax provisions of the Corporate Income Tax Law, which stipulates a 10% tax on a withholding basis for capital gains derived on disposal of PRC investment securities. Therefore, in light of the potential liability, the Sub-Fund has elected to withhold a 10% tax provision on both capital gains realised and unrealised on the PRC investment securities.

The capital gains tax for the year ended 31 December 2013 was RMB815,045 (period from 17 February 2012 (date of inception) to 31 December 2012: RMB785,552).

*Distribution Tax*

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

The distribution tax for the year ended 31 December 2013 was RMB546,651 (period from 17 February 2012 (date of inception) to 31 December 2012: RMB1,754,394).

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6. DISTRIBUTION

	2013 RMB
Interim (1 <sup>st</sup> quarter) dividend (RMB0.058 per unit) distributed on 13 March 2013	2,465,973
Interim (2 <sup>nd</sup> quarter) dividend (RMB0.066 per unit) distributed on 18 June 2013	2,853,646
Interim (3 <sup>rd</sup> quarter) dividend (RMB0.070 per unit) distributed on 13 September 2013	2,974,605
Final dividend (RMB0.020 per unit) distributed on 13 December 2013	<u>720,865</u>
	<u>9,015,089</u>
	2012 RMB
Interim (2 <sup>nd</sup> quarter) dividend (RMB0.038 per unit) distributed on 13 June 2012	2,176,197
Interim (3 <sup>rd</sup> quarter) dividend (RMB0.050 per unit) distributed on 13 September 2012	2,656,920
Final dividend (RMB0.158 per unit) distributed on 13 December 2012	<u>7,379,024</u>
	<u>12,212,141</u>

The Manager has declared, on behalf of the Sub-Fund, the above interim and final dividend during the periods ended 31 December 2013 and 2012. The distributions were paid out on 19 March 2013, 24 June 2013, 23 September 2013 and 19 December 2013, respectively.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 RMB	2012 RMB
Held for trading		
- Quoted debt securities	<u>297,766,819</u>	<u>413,331,665</u>
Total financial assets at fair value through profit or loss	<u>297,766,819</u>	<u>413,331,665</u>
Net gains or losses recognised in relation to financial assets at fair value through profit or loss:		
- realised gain	4,248,623	2,757,544
- unrealised (loss)/gain	<u>(11,684,546)</u>	<u>1,409,844</u>
Net (loss)/gain	<u>(7,435,923)</u>	<u>4,167,388</u>



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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The Sub-Fund invests in PRC corporate bonds. In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuers or comparable issuers and yield curves. Adjustments are made to valuation when necessary to recognise differences in the instrument terms. To the extent that the significant inputs are observable, the Sub-Fund categorises these investments as Level 2.

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2013.

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets held for trading:				
- Quoted debt securities	-	297,766,819	-	297,766,819

There are no investments classified within level 3 and no transfers of fair value measurements between level 1 and level 2 for the year ended 31 December 2013.

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

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets held for trading:				
- Quoted debt securities	-	413,331,665	-	413,331,665

There are no investments classified within level 3 and no transfers of fair value measurements between level 1 and level 2 for the period from 17 February 2012 (date of inception) to 31 December 2012.

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8. CASH AND CASH EQUIVALENTS

	2013 RMB	2012 RMB
Bank balance	<u>48,234,156</u>	<u>32,853,051</u>

The bank balance is the cash at bank held in interest bearing accounts with Bank of China (Hong Kong) Limited and Bank of China Limited, affiliate companies of the Trustee.

9. NUMBER OF UNITS IN ISSUE

The following is the subscription/(redemption) of units of the Sub-Fund during the year ended 31 December 2013:

	Number of Class A units	Number of Class I units
At 17 February 2012 (date of inception)	-	-
Subscription of units	46,124,987.31	17,087,195.20
Redemption of units	<u>(9,876,051.47)</u>	<u>(7,773,482.14)</u>
At 31 December 2012 and 1 January 2013	36,248,935.84	9,313,713.06
Subscription of units	8,224,130.77	1,929,012.35
Redemption of units	<u>(15,228,046.63)</u>	<u>(6,567,515.26)</u>
At 31 December 2013	<u>29,245,019.98</u>	<u>4,675,210.15</u>

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10. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

A reconciliation of the net assets attributable to holders of redeemable units as reported in the statement of financial position to the net assets attributable to holders of redeemable units as determined for the purposes of processing unit subscriptions and redemptions is provided below:

	2013 RMB
Published net assets attributable to holders of redeemable units	340,949,287
Unrecorded redemption on 31 December 2013	(2,015,242)
Adjustment on preliminary expense (note)	<u>(450,851)</u>
Net assets attributable to holders of redeemable units (per audited financial statements)	<u>338,483,194</u>
	2012 RMB
Published net assets attributable to holders of redeemable units	458,857,231
Unrecorded redemption on 31 December 2012	(157,690)
Adjustment on preliminary expense (note)	<u>(600,997)</u>
Net assets attributable to holders of redeemable units (per audited financial statements)	<u>458,098,544</u>

Note:

The published net assets are calculated in accordance with the explanatory memorandum where preliminary expenses are capitalised and to be amortised over the first five years of the operation of the Sub-Fund, while for the net assets as reported in the audited financial statements, preliminary expenses are expensed as incurred, as required under HKFRS, in the profit or loss.

	Published net assets per unit At 31 December 2013 RMB	Net assets per unit (per audited financial statements) RMB
Class A units		
Net assets attributable to holders of redeemable units per unit	<u>9.973</u>	<u>9.959</u>
Class I units		
Net assets attributable to holders of redeemable units per unit	<u>10.114</u>	<u>10.100</u>

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10. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (continued)

<u>At 31 December 2012</u>	Published net assets per unit RMB	Net assets per unit (per audited financial statements) RMB
Class A units		
Net assets attributable to holders of redeemable units per unit	<u>10.054</u>	<u>10.041</u>
Class I units		
Net assets attributable to holders of redeemable units per unit	<u>10.119</u>	<u>10.105</u>

Capital management

The Sub-Fund's objectives for managing capital are to invest the capital in investments in order to achieve its investment objective while maintaining sufficient liquidity to meet the expenses of the Sub-Fund, and to meet redemption requests as they arise.

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES

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

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

**Market risk**

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments. Market movement may therefore result in substantial fluctuation in the net assets attributable to holders of redeemable units per unit of the Sub-Fund.

The maximum credit risk resulting from financial instruments approximate their carrying amounts.

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

- Fixed income securities price risk
- Interest rate risk
- Foreign exchange risk

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

**Market risk** (continued)

Fixed income securities price risk

Fixed income securities price risk is the risk of unfavorable changes in the fair values of debt securities as the result of changes in the value of individual fixed income securities. As at the end of the reporting period, the fixed income securities price risk exposure arises from the Sub-Fund's investments in fixed income securities.

Management's estimation of the effect on changes in net assets attributable to holders of redeemable units for the year due to a reasonably possible change in the applicable fixed income index, Chinabond Composite Index, which is an internally predetermined benchmark for fixed income investment of the Sub-Fund, with all other variables held constant, is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

2013

	Change in index price	Effect on net assets attributable to holders of redeemable units and on changes in net assets attributable to holders of redeemable units for the year
Market index		RMB/Unit
Chinabond Composite Index	±0.47%	±0.05

2012

	Change in index price	Effect on net assets attributable to holders of redeemable units and on changes in net assets attributable to holders of redeemable units for the year
Market index		RMB/Unit
Chinabond Composite Index	±3.19%	±0.431

Interest rate risk

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

As the Sub-Fund has invested in fixed income securities whose values are driven significantly by changes in interest rates, the Sub-Fund is subject to interest rate risk. When interest rates rise, the value of previously acquired fixed income securities will normally fall because new debt securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired debt securities will normally rise. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and takes appropriate measures accordingly to control the impact of interest rate risk.

The majority of interest rate exposure arises on investments in debt securities. Most of the Sub-Fund's investments in debt securities carry fixed interest rates and the average duration of the fixed income portion is around 2.4 years for the year ended 31 December 2013 (for the period ended 31 December 2012: 2.5 years).

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

**Market risk** (continued)

Interest rate risk (continued)

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

The sensitivity of both the net assets attributable to unitholders and the change in net assets attributable to unitholders from operations is the effect of the assumed changes in interest rates on changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the end of the reporting period. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	Financial assets at fair value through profit or loss RMB	Change in basis points	Sensitivity of changes in fair value of investments increase/(decrease) RMB
As at 31 December 2013			
Quoted interbank debt securities	297,766,819	±50	¥1,488,834
As at 31 December 2012			
Quoted interbank debt securities	413,331,665	±50	¥2,066,658

The Sub-Fund also has interest-bearing bank deposits. As the bank deposits are on demand, the Manager considers the movement in interest rates will have insignificant cash flow impact on the daily net assets attributable to holders of redeemable units as at 31 December 2013 and therefore no sensitivity analysis of interest on bank deposits is presented.

Foreign exchange risk

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

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

**Liquidity risk**

Liquidity risk is defined as the risk that the Sub-Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Sub-Fund is exposed to cash redemptions of its redeemable units on every business day during the calendar year.

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

Foreign exchange risk (continued)

**Liquidity risk** (continued)

Liquidity risk may also result from an inability to sell a financial asset quickly at an amount close to its fair value. The Sub-Fund invests generally in the PRC bond market. The RMB denominated bond market is at a developing stage and the market capitalisation and the trading volume may be lower than those of the more developed markets. In the absence of an active market, the Sub-Fund may need to hold the debt securities until their maturity date. Even if a secondary market develops, the price at which debt securities are traded may be higher or lower than the initial subscription price due to many factors including prevailing interest rates. Further, the bid and offer spread of the price of debt securities may be wide and significant trading costs could be incurred. The Sub-Fund may suffer losses when such investments are sold.

The Manager seeks to control the liquidity risk of the investment portfolio in order to meet unitholders' redemption requests. However, if sizable redemption requests are received, the Manager may need to liquidate investment at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses as a result.

**Financial liabilities**

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Sub-Fund can be required to pay.

**Financial assets**

Analysis of equity and debt securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

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

**Liquidity risk** (continued)

**Financial assets** (continued)

The following table summarises the maturity profile of the Sub-Fund's financial liabilities. Balances due within one year equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Sub-Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Sub-Fund's contractual commitments and liquidity.

	On demand RMB	Less than 3 month RMB	3-6 months RMB	Total RMB
At 31 December 2013				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	-	297,766,819	-	297,766,819
Cash and cash equivalents	48,234,156	-	-	48,234,156
Interest receivable	-	5,266,497	7,059,669	12,326,166
Deposit reserve – China Exchange Clearing	308,000	-	-	308,000
Subscription proceeds receivable	-	-	-	-
Total financial assets	<u>48,542,156</u>	<u>303,033,316</u>	<u>7,059,669</u>	<u>358,635,141</u>
<u>Financial liabilities</u>				
Redemption proceeds payable	-	15,903,331	-	15,903,331
Management fee payable	-	439,393	-	439,393
Trustee fee payable	-	52,480	-	52,480
Other payables and accruals	-	8,427	140,569	148,996
Net assets attributable to holders of redeemable units	<u>338,483,194</u>	<u>-</u>	<u>-</u>	<u>338,483,194</u>
Total financial liabilities	<u>338,483,194</u>	<u>16,403,631</u>	<u>140,569</u>	<u>355,027,394</u>



CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
(A Sub-Fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

**Liquidity risk** (continued)

**Financial assets (continued)**

	On demand RMB	Less than 3 month RMB	3-6 months RMB	Total RMB
At 31 December 2012				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	-	413,331,665	-	413,331,665
Cash and cash equivalents	32,853,051	-	-	32,853,051
Interest receivable	-	15,322,626	-	15,322,626
Deposit reserve – China Exchange Clearing	308,000	-	-	308,000
Subscription proceeds receivable	-	99,010	-	99,010
Total financial assets	<u>33,161,051</u>	<u>428,753,301</u>	<u>-</u>	<u>461,914,352</u>
<u>Financial liabilities</u>				
Redemption proceeds payable	-	652,301	-	652,301
Management fee payable	-	534,846	-	534,846
Trustee fee payable	-	65,740	-	65,740
Other payables and accruals	-	10,958	175,265	186,223
Net assets attributable to holders of redeemable units	<u>458,098,544</u>	<u>-</u>	<u>-</u>	<u>458,098,544</u>
Total financial liabilities	<u>458,098,544</u>	<u>1,263,845</u>	<u>175,265</u>	<u>459,537,654</u>

**Credit and counterparty risk**

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

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

The Sub-Fund's maximum exposure to credit risk at the end of the reporting period is the carrying amount of total assets as shown on the statement of financial position.

The Manager considers that none of these assets are impaired nor past due as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

***Credit and counterparty risk*** (continued)

The Sub-Fund has the majority of its fixed income securities invested in credit rating of AA bonds. The default risk of the issuer is expected to be lowered by investing in a high credit rating instruments. However, it is worthwhile to note that due to the limited access of the Chinese fixed income securities, the credit rating are normally provided by Chinese local rating agencies, including but not limited to four major agencies (i) China Chengxin International Credit Rating Co., Ltd. (a joint-venture with Fitch Ratings and the International Finance Corporation (“IFC”)); (ii) China Lianhe Credit Rating Co. Ltd.; (iii) Dagong Global Credit Rating Co., Ltd. (in partnership with Moody’s); and (iv) Shanghai Far East Credit Rating Co., Ltd. Chinese fixed income securities are not usually rated by internationally recognized credit ratings agency like Moody’s, Standard & Poor’s and Fitch Ratings. Below is a table showing the allocation of fixed income securities in the bond portfolio in terms of credit ratings:

As of Dec 31 2013	Assigned by the Chinese local rating agencies	Percentage of fixed income portfolio (%)
	AAA	1.00
	AA*	99.00
	A	0.0

\*AA credit ratings including AA+, AA and AA- ratings

As of Dec 31 2012	Assigned by the Chinese local rating agencies	Percentage of fixed income portfolio (%)
	AAA	4.84
	AA*	94.19
	A	0.97

\*AA credit ratings including AA+, AA and AA- ratings

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

Fair value of financial instruments

Management has assessed that the fair values of cash and cash equivalents, the current portion of financial assets included in financial asset at fair value through profit or loss, prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

12. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS

Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year between the Sub-Fund and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with connected persons except for what is disclosed in Note 4 to the financial statements and that disclosed below.

Bank deposits and investments held by the Trustee's affiliates

The Sub-Fund's bank deposits and investments were held by the Trustee's affiliates, Bank of China (Hong Kong) Limited and Bank of China Limited, the Custodian and RQFII Custodian of the Sub-Fund, respectively. Further details of the balances held are described in Note 8 to the financial statements. During the year, interest income on these bank balances was RMB90,733 (Period from 17 February 2012 (date of inception) to 31 December 2012: RMB204,590).

All transactions entered into during the year between the Sub-Fund and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms.

13. SOFT COMMISSION ARRANGEMENTS

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

The goods and services must be of demonstrable benefit to the Sub-Fund and may include research and advisory services, computer hardware associated with specialized software or research services and performance insurance.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

14. EVENTS AFTER THE REPORTING PERIOD

- (a) The Manager has made an application on behalf of the Sub-Fund to the State Administration of Foreign Exchange ("SAFE") for an adjustment of RQFII quota attributable to the Sub-Fund from RMB1.1 billion to RMB500 million. The application has been granted by SAFE on 14 February 2014 which makes the RQFII quota available for the Sub-Fund to be RMB500 million. The reduced RQFII quota of RMB600 million will be subject to other uses at the discretion of the Manager.
- (b) On 5 March 2014, the Manager declared, on behalf of the Sub-Fund, interim (1<sup>st</sup> quarter) dividend of RMB1,218,806 (at RMB0.045 per unit). This distribution was paid out on 19 March 2014.
- (c) During the year between the end of the reporting period and the date of authorisation of these financial statements, the Sub-Fund has a total subsequent subscription and redemption of RMB22,788,886 and RMB97,292,720 respectively.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 25 April 2014.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
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UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

31 December 2013

		Movement			
	At 1 January 2013	Additions	Corporate Action	Disposals	At 31 December 2013
<b><u>LISTED EQUITIES</u></b>					
<b>Denominated in HKD</b>					
Bank of Communications Co Ltd- A	-	600,000	-	(600,000)	-
Beijing Tored Outdoor Products Co Ltd- A	-	267,600	53,519	(321,119)	-
China Intl Travel Service Corp Ltd- A	-	239,957	-	(239,957)	-
Dashang Group Co Ltd- A	-	370,000	-	(370,000)	-
Gree Electric Appliances Inc- A	-	439,956	-	(439,956)	-
Haining China Leather Market Co Ltd- A	-	433,150	263,950	(697,100)	-
Industrial Bank Co Ltd- A	-	400,000	-	(400,000)	-
Shanghai Jahwa United Co Ltd- A	-	276,551	93,276	(369,827)	-
Shenzhen Hongtao Decoration Co Ltd- A	-	681,901	-	(681,901)	-
Tasly Pharmaceutical Group Co Ltd- A	-	117,230	97,230	(214,460)	-
Total listed equities	-	3,826,345	507,975	(4,334,320)	-

**QUOTED DEBT SECURITIES**

*China*

**Denominated in RMB**

Anhui Taier Heavy Industry Co Ltd Cb 0.9% A 09 JAN 2018	-	4,000,000	-	(4,000,000)	-
Changzhou Wujin City Construction Investment 6.22% A 08 JUN 2018	10,000,000	-	-	(10,000,000)	-
Chengshang Group Co Ltd 4.6% A 07 MAR 014	-	10,000,000	-	(10,000,000)	-
China Minsheng Banking Corp Ltd Cb 0.6% A 15 MAR 2019	-	957,000	-	(957,000)	-
China Petroleum & Chem Cb 1% A 23 FEB 2017	-	14,000,000	-	(14,000,000)	-
China Petroleum & Chemical Corp 0.8% A 20 FEB 2014	-	5,188,000	-	(5,188,000)	-
CPT Technology Group Co Ltd 5.05% A 29 MAR 2014	-	10,000,000	-	(10,000,000)	-
Dalian Container Terminal Co Ltd 4.85% A 20 MAY 2013	10,000,000	-	-	(10,000,000)	-
Daqin Railway Co Ltd 4.88% A 10 DEC 2015	20,000,000	-	-	(20,000,000)	-
E-land Intl Fashion Shanghai Co 5.65% A 07 MAY 2015	20,000,000	-	-	(20,000,000)	-
GD Power Development Co Ltd Cb 1% A 19 AUG 2017	-	3,000,000	-	(3,000,000)	-

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
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UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

31 December 2013

	Movement				
	At 1 January 2013	Additions	Corporate Action	Disposals	At 31 December 2013
<b><u>QUOTED DEBT SECURITIES</u></b>					
<b>(continued)</b>					
<i>China</i>					
<b>Denominated in RMB</b>					
Hanzhong City Construction Investment & Development Co Ltd 7.48% A 14 MAR 2018	3,971,000	9,000,000	-	(4,901,000)	8,070,000
Jian City Construction Investment & Development Co Ltd 7.8% A 20 APR 2019	30,000,000	30,000,000	-	(30,000,000)	30,000,000
Jiangsu Lianyun Development Group Co Ltd 6.1% A 19 JUN 2019	10,000,000	10,000,000	-	(10,000,000)	10,000,000
Kangmei Pharmaceutical Co Ltd 6% A 17 JUN 2018	19,995,000	-	-	(19,995,000)	-
Kingfa SCI & Tech Co Ltd 8.2% A 24 JUL 2013	3,607,000	-	-	(3,607,000)	-
Lianhe Chemical Technology Co Ltd 7.3% A 21 FEB 2019	10,102,200	12,887,200	-	(10,102,200)	12,887,200
Mesnac Co Ltd 5.48% A 02 JUN 2016	5,237,000	7,407,000	-	(5,237,000)	7,407,000
Mianyang Investment Hldg Group Co Ltd 7.7% A 26 MAR 2019	20,000,000	20,000,000	-	(20,000,000)	20,000,000
Nanan City Trade Industry & Agriculture Investment Management Co Ltd 8.5% A 25 APR 2019	20,000,000	-	-	-	20,000,000
Nanjing High Speed Gear Manufacturing Co Ltd 5.3% A 20 FEB 2014	-	30,000,000	-	-	30,000,000
Ningbo Shanshan Group Co Ltd 6.24% A 20 JUN 2016	20,000,000	10,000,000	-	(30,000,000)	-
Pubang Landscape Architecture Co Ltd 5.5% A 10 MAY 2018	-	22,000,000	-	-	22,000,000
Qitaihe Baotailong Coal & Coal Chemicals Pcl 7.3% A 11 APR 2017	14,955,000	14,955,000	-	(29,910,000)	-
Shandong Lingong Construction Machinery Co Ltd 5.93% A 28 MAR 2015	30,000,000	30,000,000	-	(60,000,000)	-
Shanghai International Port Group Co Ltd 4.69% A 30 MAR 2016	-	6,000,000	-	(3,000,000)	3,000,000
Shanghai Raas Blood Products Co Ltd 5.6% A 26 MAR 2018	-	27,500,000	-	-	27,500,000
Shanghai Real Estate Group Co Ltd 6.12% A 17 MAY 2017	30,000,000	30,000,000	-	(30,000,000)	30,000,000
Tianchen Chemical Co Ltd 5.8% A 29 MAR 2013	30,000,000	-	-	(30,000,000)	-
Tsingtao Brewery Group Co Ltd 4.7% A 22 MAY 2018	-	20,000,000	-	(20,000,000)	-
Weiqiao Textile Co Ltd 7% A 23 OCT 2018	-	10,000,000	-	-	10,000,000
Xinjiang Guanghui Industry Co Ltd 6.95% A 26 AUG 2016	8,498,000	-	-	(8,498,000)	-

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
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UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

31 December 2013

	Movement				
	At 1 January 2013	Additions	Corporate Action	Disposals	At 31 December 2013
<b><u>QUOTED DEBT SECURITIES</u></b>					
<b>(continued)</b>					
<i>China</i>					
<b>Denominated in RMB</b>					
Yuntianhua Group 5.81% A 15 JUL 2016	30,000,000	50,000,000	-	(50,000,000)	30,000,000
Zhejiang Jiuli Hi-Tech Metals Co Ltd 4.89% A 11 MAR 2014	-	10,000,000	-	(10,000,000)	-
Zhejiang Transfar Co Ltd 5.6% A 15 MAR 2018	-	2,640,000	-	-	2,640,000
Zhejiang Yasha Decoration Co Ltd 5.2% A 13 JUL 2017	20,000,000	20,000,000	-	(20,000,000)	20,000,000
Zhucheng Economic Development & Investment Co Ltd 6.8% A 29 NOV 2019	20,000,000	-	-	(5,000,000)	15,000,000
Zoomlion Heavy Industry Science and Technology Co 6.5% A 21 APR 2016	20,556,000	9,899,000	-	(25,558,000)	4,897,000
Total debt securities	406,921,200	429,433,200	-	(532,953,200)	303,401,200

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
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UNAUDITED PERFORMANCE TABLE

31 December 2013

	Net assets attributable to holders of redeemable units per unit RMB	Net assets attributable to holders of redeemable units RMB
- Class A units	9.959	291,263,077
- Class I units	10.100	47,220,117

PERFORMANCE RECORD

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
- Class A units	10.382	9.957
- Class I units	10.482	10.097

31 December 2012

	Net assets attributable to holders of redeemable units per unit RMB	Net assets attributable to holders of redeemable units RMB
- Class A units	10.041	363,979,140
- Class I units	10.105	94,119,404

PERFORMANCE RECORD

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
- Class A units	10.233	9.987
- Class I units	10.269	9.996



CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM RMB BONDPLUS FUND  
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UNAUDITED INVESTMENT PORTFOLIO

31 December 2013

	Holding/ Nominal value	Fair value	Accrued Interest	% of net assets
<i>China</i>				
<b>Denominated in RMB</b>				
Hanzhong City Construction Investment & Development Co Ltd 7.48% A 14 MAR 2018	8,070,000	7,785,936	484,563	2.30
Jian City Construction Investment & Development Co Ltd 7.8% A 20 APR 2019	30,000,000	29,650,260	1,641,206	8.75
Jiangsu Lianyun Development Group Co Ltd 6.1% A 19 JUN 2019	10,000,000	9,525,300	327,562	2.81
Lianhe Chemical Technology Co Ltd 7.3% A 21 FEB 2019	12,887,200	12,822,764	809,316	3.79
Mesnac Co Ltd 5.48% A 02 JUN 2016	7,407,000	7,332,930	236,870	2.17
Mianyang Investment Holding Group Co Ltd 7.7% A 26 MAR 2019	20,000,000	19,655,140	1,185,589	5.81
Nanan City Trade Industry & Agriculture Investment Management Co Ltd 8.5% A 25 APR 2019	20,000,000	20,162,120	1,169,041	5.96
Nanjing High Speed Gear Manufacturing Co Ltd 5.3% A 20 FEB 2014	30,000,000	29,882,160	1,372,192	8.83
Pubang Landscape Architecture Co Ltd 5.5% A 10 MAY 2018	22,000,000	20,922,000	782,356	6.18
Shanghai International Port Group Co Ltd 4.69% A 30 MAR 2016	3,000,000	2,982,900	106,778	0.88
Shanghai Raas Blood Products Co Ltd 5.6% A 26 MAR 2018	27,500,000	26,290,000	1,185,589	7.77
Shanghai Real Estate Group Co Ltd 6.12% A 17 MAY 2017	30,000,000	29,333,760	1,151,901	8.67
Weiqiao Textile Co Ltd 7% A 23 OCT 2018	10,000,000	9,963,000	134,247	2.94
Yuntianhua Group 5.81% A 15 JUL 2016	30,000,000	29,252,520	811,808	8.64
Zhejiang Transfar Co Ltd 5.6% A 15 MAR 2018	2,640,000	2,471,014	118,272	0.73
Zhejiang Yasha Decoration Co Ltd 5.2% A 13 JUL 2017	20,000,000	19,900,000	490,082	5.88
Zhucheng Economic Development & Investment Co Ltd 6.8% A 29 NOV 2019	15,000,000	14,962,500	92,219	4.42
Zoomlion Heavy Industry Science and Technology Co 6.5% A 21 APR 2016	4,897,000	4,872,515	222,377	1.44
Total debt securities		297,766,819	12,321,968	87.97

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UNAUDITED INVESTMENT PORTFOLIO

31 December 2013

**TOTAL NET ASSETS**

Total debt securities (Cost: RMB308,041,520)	297,766,819	87.97%
Cash and cash equivalents	48,234,156	14.25%
	<hr/>	<hr/>
	346,000,975	102.22%
Other net assets	(7,517,781)	(2.22%)
	<hr/>	<hr/>
Total net assets	<u>338,483,194</u>	<u>100.00%</u>