

Audited Financial Statements

**CHINA UNIVERSAL INTERNATIONAL SERIES –
CUAM CHINA-HONG KONG STRATEGY 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)

For the period from 16 November 2012 (date of inception) to 31 December 2013



CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

CONTENTS

| | Pages |
|--|---------|
| ADMINISTRATION AND MANAGEMENT | 1 |
| REPORT OF THE MANAGER TO THE UNITHOLDER | 2 |
| REPORT OF THE TRUSTEE TO THE UNITHOLDER | 3 |
| INDEPENDENT AUDITORS' REPORT | 4 - 5 |
| AUDITED FINANCIAL STATEMENTS | |
| Statement of comprehensive income | 6 |
| Statement of financial position | 7 |
| Statement of changes in net assets attributable to holders of redeemable units | 8 |
| Statement of cash flows | 9 |
| Statement of distribution | 10 |
| Notes to the financial statements | 11 - 26 |
| UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS | 27 - 28 |
| UNAUDITED PERFORMANCE TABLE | 29 |
| UNAUDITED INVESTMENT PORTFOLIO | 30 |

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY 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

REPORT OF THE MANAGER TO THE UNITHOLDERS

Fund Performance

For the year ended 31 December 2013, China-Hong Kong Strategy Fund (the “Sub-Fund”) had an accumulated return of 18.70%, outperformed benchmark MSCI China Index’s 0.43%. Since its inception on 16 November 2012, the Sub-Fund achieved an accumulative return of 22.68%, surpassing benchmark MSCI China’s Index’s by 9.59%.

Market Review

In 2013, Hong Kong equities market started the year on a downward trend with challenging headwinds such as the continued moderation of Chinese economic growth and potential Quantitative Easing exit by the Federal Reserve of the United States (the “Fed”). Nonetheless, with the conclusion of China’s 18th Third Plenum in November, the central government released multiple reform proposals to tackle China’s long-term structural issues, which are considered to be the growth bottlenecks of the economy. Albeit the reform package is not expected to bring imminent effect to the economy, investors were fueled with optimism which translated into a short rally in the second half of year.

Market Outlook

Despite government’s increasing effort to push for economic reforms, more evidence has to be shown before we are convinced that the long-term structural issues in China are resolved. Going into 2014, as China is expected to remain a lukewarm economic growth, couple with the tapering of bond purchase by the Fed, we expect Hong Kong equities market to remain challenging and become structurally diverse. Sectors with strong fundamental, such as Healthcare, Clean Energy, and IT, may continue to outperform others. As such, in terms of investment strategy, we prefer non-cyclical industries and corporates with high earnings visibility.

Maintaining a good temperament, sticking to our firm-wide alpha-focused investment principle with discipline are the keys to achieve outperforming investment return, especially in a challenging market. Our team will apply the principle through bottom-up stock picking, and select high quality companies with compelling value propositions.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
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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 China-Hong Kong Strategy Fund for the period from 16 November 2012 (date of inception) to 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

25 April 2014

Independent auditors' report

To the Trustee and the Manager of
CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY 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 China-Hong Kong Strategy Fund (a Sub-Fund of China Universal International Series) (the “Trust”) and referred to as the “Sub-Fund”) set out on pages 6 to 26, 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 period from 16 November 2012 (date of inception) to 31 December 2013, 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 CHINA-HONG KONG STRATEGY 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 period from 16 November 2012 (date of inception) to 31 December 2013 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 CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF COMPREHENSIVE INCOME

For the period from 16 November 2012 (date of inception) to 31 December 2013

| | Notes | HK\$ |
|--|-------|--------------------------|
| INCOME | | |
| Dividend income | | 2,381,609 |
| Interest income | | 2,933 |
| Net gain on financial assets at fair value through profit or loss | 7 | 23,317,473 |
| Foreign exchange differences, net | | <u>(557)</u> |
| | | <u>25,701,458</u> |
| EXPENSES | | |
| Management fee | 4 | (1,047,873) |
| Trustee fee | 4 | (229,827) |
| Custodian fee | 4 | (44,222) |
| Investment handling fee | 12 | (8,100) |
| Broker commission and investment transaction fee | | (1,457,870) |
| Other expenses | | <u>(46,002)</u> |
| | | <u>(2,833,894)</u> |
| Operating profit | | 22,867,564 |
| Withholding tax | 5 | <u>(120,065)</u> |
| INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u><u>22,747,499</u></u> |

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF FINANCIAL POSITION

31 December 2013

| | Notes | HK\$ |
|---|-------|---------------------------|
| ASSETS | | |
| Financial assets at fair value through profit or loss | 7 | 109,465,395 |
| Cash and cash equivalents | 8 | 12,449,646 |
| Amount due from brokers | | 949,048 |
| Other receivables | | <u>3,300</u> |
| TOTAL ASSETS | | <u><u>122,867,389</u></u> |
| LIABILITIES | | |
| Management fee payable | 4 | 79,572 |
| Trustee fee payable | 4 | 36,167 |
| Other payables and accruals | | <u>4,151</u> |
| TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS) | | <u><u>119,890</u></u> |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS | 10 | <u><u>122,747,499</u></u> |
| TOTAL LIABILITIES AND EQUITY | | <u><u>122,867,389</u></u> |
| NUMBER OF UNITS IN ISSUE | | |
| - Class A units | 9 | - |
| - Class I units | 9 | 10,005,236.681 |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS | | |
| - Class A units | 10 | N/A |
| - Class I units | 10 | 12.268 |

.....
Manager

.....
Trustee

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

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

For the period from 16 November 2012 (date of inception) to 31 December 2013

HK\$

| | |
|--|---------------------------|
| At 16 November 2012 (date of inception) | - |
| Subscription of units | 125,000,000 |
| Redemption of units | (25,000,000) |
| Increase in net assets attributable to holders of redeemable units for the period | <u>22,747,499</u> |
| At 31 December 2013 | <u><u>122,747,499</u></u> |

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF CASH FLOWS

For the period from 16 November 2012 (date of inception) to 31 December 2013

| | Note | HK\$ |
|---|----------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | | 22,867,564 |
| Adjustments for: | | |
| Interest income on bank deposits | | (2,933) |
| Dividend income | | (2,381,609) |
| | | <u>20,483,022</u> |
| Increase in financial assets at fair value through profit or loss | | (109,465,395) |
| Increase in amount due from brokers | | (949,048) |
| Increase in other receivables | | (3,300) |
| Increase in management fee payable | | 79,572 |
| Increase in trustee fee payable | | 36,167 |
| Increase in other payables and accruals | | <u>4,151</u> |
| Net cash used in operations | | (89,814,831) |
| Withholding tax paid | | (120,065) |
| Interest received | | 2,933 |
| Dividend received | | <u>2,381,609</u> |
| Net cash flows used in operating activities | | <u>(87,550,354)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of units | | 125,000,000 |
| Payments on redemption of units | | <u>(25,000,000)</u> |
| Net cash flows from financing activities | | <u>100,000,000</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 12,449,646 |
| Cash and cash equivalents at beginning of period | | <u>-</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 8 | <u>12,449,646</u> |
| ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Bank balances | 8 | <u>12,449,646</u> |
| | | <u>12,449,646</u> |

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF DISTRIBUTION

For the period from 16 November 2012 (date of inception) to 31 December 2013

| | Note | HK\$ |
|---|------|---------------------|
| Undistributed income at 16 November 2012 (date of inception) | | - |
| Increase in net assets attributable to holders of redeemable units for the period | | 22,747,499 |
| Less: Unrealised gain on financial assets at fair value through profit or loss | 7 | <u>(10,988,471)</u> |
| Undistributed income before distribution | | 11,759,028 |
| Transfer to capital | | <u>(11,759,028)</u> |
| Undistributed income at 31 December 2013 | | <u><u>-</u></u> |

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 dividend income), 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 CHINA-HONG KONG STRATEGY 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 China-Hong Kong Strategy Fund (the “Sub-Fund”) was constituted as a separate sub-fund of the Trust in 16 November 2012. The Sub-Fund is an open-ended unit trust authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the “SFC Code”). Authorisation by the SFC does not imply official approval or recommendation. The Sub-Fund was launched and incepted on 16 November 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”).

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 fee. For the period ended 31 December 2013, only Class I units were in issue.

The Sub-Fund primarily invests in securities listed on the Hong Kong Stock Exchange and, to a lesser extent, the China B-Shares markets of the Shanghai Stock Exchange or the Shenzhen stock Exchange. The target asset allocation is that at least 70% of the Sub-Fund’s non-cash assets will be invested in securities listed on the Hong Kong Stock Exchange, and up to 30% in securities listed on the China B-share markets of the Shanghai Stock Exchange or the Shenzhen Stock Exchange and non-Hong Kong Dollar denominated securities listed on the Hong Kong Stock Exchange (including but not limited to non-Hong Kong Dollar denominated exchanged traded fund with exposure to China A-Shares).

The investment objective of the Sub-Fund is to achieve medium to long-term capital growth using bottom up research approach to invest in a portfolio of equity securities issued by companies which are established in the PRC, Hong Kong, Macau and Taiwan or derive the majority of their revenue from business or operations relating to Greater China.

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 Hong Kong Dollar (“HK\$”) and all values are rounded to the nearest HK\$ except where otherwise indicated.

The Sub-Fund has adopted for the first time all the applicable and effective HKFRS.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.2 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*²
- HKAS 32 Amendments *Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*¹

¹ *Effective for annual periods beginning on or after 1 January 2014*

² *No mandatory effective date yet determined but is 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

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.

2.3 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. 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 equivalents and other receivables.

Financial liabilities

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

(i) 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.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) 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 change in unrealised gains/ (losses) on financial assets at fair value through profit or loss”. Dividend revenue elements of such instruments are recorded separately in “Dividend income”.

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.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Interest income 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 HK\$, 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 HK\$. Therefore, HK\$ 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 HK\$.

Foreign currency transactions

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 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 gains/(losses) on financial assets 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank.

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 profit or loss for all interest-bearing financial instruments using the effective interest method.

Dividend income

Dividend income is recognised when the Sub-Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the profit or loss.

Net 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 and dividend income.

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

Realised gains and losses on disposals of financial assets classified as "at 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).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 1.25% 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 a rate of 0.11% to 0.15% per annum of the net assets attributable to holders of redeemable units of the Sub-Fund calculated, subject to a minimum monthly fee of HK\$35,000, and accrued on each dealing day and is paid monthly in arrears. The minimum fee was waived for the first year of the initial launch of the Sub-Fund.

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 accrued on each dealing day and is paid monthly in arrears.

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

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 offer 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.

Distribution Tax

A 10% PRC withholding tax has been levied on dividend payments from PRC companies to foreign investors. The distribution tax for the period from 16 November 2012 (date of inception) to 31 December 2013 is HK\$120,065.

6. DISTRIBUTION

According to the distribution policy as stated in the Sub-Fund Explanatory Memorandum, the Manager does not presently intend to make cash distributions in respect of the Sub-Fund. Income earned by the Sub-Fund is reinvested in the Sub-Fund and reflected in the value of its units.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | HK\$ |
|--|--------------------|
| Held for trading | |
| - Listed equity securities | <u>109,465,395</u> |
| Total financial assets at fair value through profit or loss | <u>109,465,395</u> |
| Net gain recognised in relation to financial assets at fair value through profit or loss | |
| - realised gain | 12,329,002 |
| - unrealised gain | <u>10,988,471</u> |
| Net gain | <u>23,317,473</u> |

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

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

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

| | Level 1 HK\$ | Level 2 HK\$ | Level 3 HK\$ | Total HK\$ |
|--|--------------------|-----------------|-----------------|--------------------|
| Financial assets at fair value through profit or loss: | | | | |
| - Listed equity securities | <u>109,465,395</u> | <u>-</u> | <u>-</u> | <u>109,465,395</u> |

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

8. CASH AND CASH EQUIVALENTS

| | HK\$ |
|---------------|-------------------|
| Bank balances | <u>12,449,646</u> |

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

9. NUMBER OF UNITS IN ISSUE

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

| | Number of Class A units | Number of Class I units |
|---|----------------------------|----------------------------|
| At 16 November 2012 (date of inception) | - | - |
| Subscription of units | - | 12,285,400.859 |
| Redemption of units | - | (2,280,164.178) |
| At 31 December 2013 | - | 10,005,236.681 |

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 HK\$ |
|--|--|
| Published net assets attributable to holders of redeemable units | 122,747,499 |
| Net assets attributable to holders of redeemable units (per audited financial statements) | 122,747,499 |
| <u>At 31 December 2013</u> | |
| Published net assets per unit HK\$ | Net assets per unit (per audited financial statements) HK\$ |
| Class A units | |
| Net assets attributable to holders of redeemable units per unit | N/A |
| Class I units | |
| Net assets attributable to holders of redeemable units per unit | 12.268 |

Capital management

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES

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

- Equity price risk
- Interest rate risk
- Foreign exchange risk

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 is exposed to equity price risk as changes in prices of equity instruments of its investments will affect its net asset value. Equity price risk can be mitigated by constructing a diversified portfolio of investment across different issuers, different sectors or traded on different markets by the investment strategies of investment manager.

Management's estimation of the effect on changes in net assets attributable to holders of redeemable units for the period due to a reasonably possible change in the price of its underlying investments' index, MSCI China Index, 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.

| | Change in equity prices | Effect on net assets attributable to holders of redeemable units and on changes in net assets attributable to holders of redeemable units for the period |
|------------------|----------------------------|---|
| | | HK\$/Unit |
| MSCI China Index | ±5% | ±0.547 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

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 rate. As the Sub-Fund has no investments in fixed income assets, the Manager considers that changes in the fair value of the investment portfolio of the Sub-Fund in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis of the investment portfolio of the Sub-Fund 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 HK\$, 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 another financial assets. The Sub-Fund is exposed to cash redemptions of its redeemable units on every business day during the calendar year.

As at 31 December 2013, the Sub-Fund held liquid assets, comprising financial assets at fair value through profit or loss, cash and cash equivalents, and other receivables that are expected to readily generate cash inflows for managing liquidity risk.

The following table summarises the maturity profile of the Sub-Fund's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted cash flows.

| | On demand HK\$ | Less than 3 month HK\$ | Total HK\$ |
|---|--------------------|------------------------------|--------------------|
| At 31 December 2013 | | | |
| <u>Financial assets</u> | | | |
| Financial assets at fair value through profit or loss | 109,465,395 | - | 109,465,395 |
| Cash and cash equivalents | 12,449,646 | - | 12,449,646 |
| Due from brokers | - | 949,048 | 949,048 |
| Other receivables | | 3,300 | 3,300 |
| | | | |
| Total financial assets | <u>121,915,041</u> | <u>952,348</u> | <u>122,867,389</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

Liquidity risk (continued)

| | On demand HK\$ | Less than 3 month HK\$ | Total HK\$ |
|---|--------------------|------------------------------|--------------------|
| <u>Financial liabilities</u> | | | |
| Management fee payable | - | 79,572 | 79,572 |
| Trustee fee payable | - | 36,167 | 36,167 |
| Other payables and accruals | - | 4,151 | 4,151 |
| Net assets attributable to holders of redeemable units (*) | <u>122,747,499</u> | <u>-</u> | <u>122,747,499</u> |
| Total financial liabilities | <u>122,747,499</u> | <u>119,890</u> | <u>122,867,389</u> |

* subject to redemption policy

Credit and counterparty risk

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

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

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

As at 31 December 2013

| | HK\$ | Credit rating | Source of credit rating |
|-----------------------------------|-------------|---------------|----------------------------|
| Bank | | | |
| Bank of China (Hong Kong) Limited | 12,449,646 | A+ | S&P |
| Custodian | | | |
| Bank of China (Hong Kong) Limited | 109,465,395 | A+ | S&P |

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)

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, due from brokers 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.

12. TRANSACTIONS WITH MANAGER AND ITS CONNECTED PERSONS

Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the period 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 those disclosed in Note 4 to the financial statements and below.

Holdings of the Sub-Fund

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund.

The holdings of Class I in the Sub-Fund by the Manager as at 31 December 2013 were as follows:

| <u>31 December 2013</u> | Units at the inception of the Sub-Fund | Units subscribed during the period | Units redeemed during the period | Units outstanding at 31 December 2013 |
|---|--|---|---|--|
| CUAM China-Hong Kong Strategy Fund – Class I | - | 12,285,400.859 | (2,280,164.178) | 10,005,236.681 |

Investment handling fee

The Sub-Fund pays investment handling fee of HK\$100 per transaction to the Trustee. For the period ended 31 December 2013, the Sub-Fund paid a total of HK\$8,100 to the Trustee for investment handling fee.

Broker commission

The Sub-Fund utilises the trading services of various brokers. The Sub-Fund did not enter into any transactions with any related broker for the period ended 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

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. Further details of the bank balances held are described in Note 8 to the financial statements. During the period, interest income on these bank balances was HK\$2,933.

All transactions entered into during the period 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.

Fees and charges borne by the Manager

In the November 2012 addendum of the explanatory memorandum, certain administrative fees and charges were borne by the Manager. For the period ended 31 December 2013, the Manager borne and paid a total sum of HK\$709,915 for the establishment cost, auditors' remuneration, publishing fees and transaction fee of the trustee and custodian, for the Sub-Fund.

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.

On 27 December 2013, the Manager participated in a soft dollar arrangement with one of the brokers in respect of the transactions for the accounts of the Sub-Fund. During the period ended 31 December 2013, no commission rebates was received by the Manager.

14. EVENTS AFTER THE REPORTING PERIOD

(a) With effect from 8 April 2014, the Sub-Fund has authorised two new classes of units: Class A RMB Units and Class I RMB Units.

(b) During the period between the end of the reporting period and the date of authorisation of these financial statements, the Sub-Fund has a total subsequent subscription in Class I HKD of HK\$8,500,000.

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 CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

31 December 2013

| Listed equities | Movements | | | Holdings as at 31 December 2013 |
|--|--|------------|--------------|--|
| | Holdings as at 16 November 2012 | Additions | Disposals | |
| AGRICULTURAL BANK OF CHINA LTD -H | - | 686,000 | (686,000) | - |
| BAOFENG MODERN INTL HLDGS CO LTD | - | 12,060,000 | (12,060,000) | - |
| BEIJING TONG REN TANG CHINESE MEDICINE CO LTD | - | 610,000 | (610,000) | - |
| BOC HONG KONG (HLDGS) LTD | - | 310,500 | (310,500) | - |
| CENTRAL CHINA REAL ESTATE LTD | - | 360,000 | (360,000) | - |
| CHANGSHOUHUA FOOD CO LTD | - | 1,580,000 | (1,580,000) | - |
| CHINA CONSTRUCTION BANK CORP -H | - | 1,188,000 | (800,000) | 388,000 |
| CHINA EVERBRIGHT INTL LTD | - | 760,000 | (760,000) | - |
| CHINA FIBER OPTIC NETWORK SYSTEM GROUP LTD | - | 4,380,000 | (4,380,000) | - |
| CHINA MEDICAL SYSTEM HLDGS LTD | - | 980,000 | (462,000) | 518,000 |
| CHINA MERCHANTS BANK CO LTD-H | - | 626,000 | (318,000) | 308,000 |
| CHINA MERCHANTS PROPERTY DEV CO LTD-B | - | 118,000 | (118,000) | - |
| CHINA MINSHENG BANKING CORP LTD -H | - | 1,701,000 | (1,321,000) | 380,000 |
| CHINA MOBILE LTD | - | 98,000 | - | 98,000 |
| CHINA NATIONAL ACCORD MEDICINES CO LTD-B | - | 241,859 | (241,859) | - |
| CHINA POWER INTL DEVELOPMENT LTD | - | 3,880,000 | (1,300,000) | 2,580,000 |
| CHINA RESOURCES GAS GROUP LTD | - | 746,000 | (458,000) | 288,000 |
| CHINA RESOURCES POWER HLDGS CO | - | 176,000 | (176,000) | - |
| CHINA SANJINAG FINE CHEMICALS CO LTD | - | 3,177,000 | (2,977,000) | 200,000 |
| CHINA SUNTIEN GREEN ENERGY CORP LTD -H | - | 1,880,000 | - | 1,880,000 |
| CHINA TRADITIONAL CHINESE MEDICINE CO LTD | - | 780,000 | (780,000) | - |
| CHINA VANKE CO LTD-B | - | 346,000 | (346,000) | - |
| CHONGQING CHANGAN AUTOMOBILE CO LTD-B | - | 1,812,936 | (1,812,936) | - |
| CNOOC LTD | - | 178,000 | (178,000) | - |
| CSPC PHARMACEUTICAL GROUP LTD | - | 188,000 | (188,000) | - |
| DATANG INTL POWER GENERATION CO LTD-H | - | 1,880,000 | (700,000) | 1,180,000 |
| DAWN RAYS PHARMACEUTICAL (HLDGS) LTD | - | 2,760,000 | (2,760,000) | - |
| DONGFENG MOTOR GROUP CO LTD-H | - | 616,000 | (616,000) | - |
| ENN ENERGY HLDGS LTD | - | 188,000 | (120,000) | 68,000 |
| GALAXY ENTERTAINMENT GROUP LTD | - | 80,000 | (80,000) | - |

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

31 December 2013

| Listed equities (continued) | Movements | | | Holdings as at 31 December 2013 |
|---|--|-----------|-------------|--|
| | Holdings as at 16 November 2012 | Additions | Disposals | |
| GREAT WALL MOTOR CO LTD-H | - | 138,500 | (108,500) | 30,000 |
| GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HLDGS CO LTD - H | - | 580,000 | (502,000) | 78,000 |
| GUOTAI JUNAN INTL HLDGS LTD | - | 468,000 | (468,000) | - |
| HANG SENG BANK LTD | - | 36,700 | (36,700) | - |
| HENDERSON LAND DEVELOPMENT CO LTD | - | 87,000 | (87,000) | - |
| HENGAN INTL GROUP CO LTD | - | 42,000 | (42,000) | - |
| HKT TRUST AND HKT LTD | - | 667,000 | (667,000) | - |
| HONG KONG EXCHANGES & CLEARING LTD | - | 18,000 | (18,000) | - |
| HONGHUA GROUP LTD | - | 1,180,000 | (1,180,000) | - |
| HUANENG POWER INTL INC-H | - | 314,000 | (314,000) | - |
| HUBEI SANONDA CO LTD-B | - | 1,579,990 | (1,579,990) | - |
| JU TENG INTL HLDGS LTD | - | 276,000 | (276,000) | - |
| KUNLUN ENERGY CO LTD | - | 480,000 | (480,000) | - |
| LANSEN PHARMACEUTICAL HLDGS LTD | - | 1,180,000 | (1,180,000) | - |
| LAO FENG XIANG CO LTD-B | - | 122,000 | (122,000) | - |
| LIJUN INTL PHARMACEUTICAL (HLDG) CO LTD | - | 2,180,000 | (2,180,000) | - |
| LINK REAL ESTATE INVESTMENT TRUST | - | 74,000 | (74,000) | - |
| LIVZON PHARMACEUTICAL GROUP INC-B | - | 38,000 | (38,000) | - |
| MTR CORP LTD | - | 308,000 | (308,000) | - |
| NAGACORP LTD | - | 1,580,000 | (600,000) | 980,000 |
| PETROCHINA CO LTD-H | - | 366,000 | (366,000) | - |
| PROSPERITY REIT | - | 310,000 | (310,000) | - |
| SAMSONITE INTL SA | - | 150,000 | (150,000) | - |
| SHANGHAI WINGSUNG INVESTMENT MANAGEMENT CO LTD-B | - | 395,369 | (395,369) | - |
| SHENZHEN INTL HLDGS LTD | - | 5,507,500 | (4,000,000) | 1,507,500 |
| SHIMAO PROPERTY HLDGS LTD | - | 358,000 | - | 358,000 |
| SINO BIOPHARMACEUTICAL LTD | - | 2,268,000 | (1,588,000) | 680,000 |
| SINOPEC ENGINEERING (GROUP) CO LTD-H | - | 238,000 | - | 238,000 |
| SJM HLDGS LTD | - | 110,000 | (110,000) | - |
| SMARTONE TELECOMMUNICATIONS | - | 201,500 | (201,500) | - |
| SPT ENERGY GROUP INC | - | 298,000 | (298,000) | - |
| SUNAC CHINA HLDGS LTD | - | 3,065,000 | (1,785,000) | 1,280,000 |
| TANG PALACE CHINA HLDGS LTD | - | 552,000 | (552,000) | - |
| TENCENT HLDGS LTD | - | 18,800 | - | 18,800 |
| TONG REN TANG TECHNOLOGIES CO LTD-H | - | 280,000 | (280,000) | - |
| TOWNGAS CHINA CO LTD | - | 1,068,000 | (188,000) | 880,000 |
| UNITED LABORATORIES LTD | - | 2,580,000 | - | 2,580,000 |
| YUZHOU PROPERTIES CO LTD | - | 800,000 | (800,000) | - |

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED PERFORMANCE TABLE

31 December 2013

| | Net assets attributable to holders of redeemable units per unit HK\$ | Net assets attributable to holders of redeemable units HK\$ |
|-----------------|---|--|
| - Class A units | N/A | N/A |
| - Class I units | 12.268 | 122,747,499 |

PERFORMANCE RECORD

| | Highest issue price per unit HK\$ | Lowest redemption price per unit HK\$ |
|-----------------|--|---|
| - Class A units | N/A | N/A |
| - Class I units | 12.268 | 9.972 |

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED INVESTMENT PORTFOLIO

31 December 2013

| | Holdings | Fair Value HK\$ | % of net assets |
|---|-----------|--------------------|--------------------|
| <u>LISTED EQUITY SECURITIES</u> | | | |
| <i>Hong Kong</i> | | | |
| Denominated in HK\$ | | | |
| CHINA CONSTRUCTION BANK CORP-H | 388,000 | 2,269,800 | 1.85 |
| CHINA MEDICAL SYSTEM HLDGS LTD | 518,000 | 4,294,220 | 3.50 |
| CHINA MERCHANTS BANK CO LTD-H | 308,000 | 5,088,160 | 4.15 |
| CHINA MINSHENG BANKING CORP LTD-H | 380,000 | 3,271,800 | 2.67 |
| CHINA MOBILE LTD | 98,000 | 7,879,200 | 6.42 |
| CHINA POWER INTL DEVELOPMENT LTD | 2,580,000 | 7,120,800 | 5.80 |
| CHINA RESOURCES GAS GROUP LTD | 288,000 | 7,776,000 | 6.33 |
| CHINA SANJINAG FINE CHEMICALS CO LTD | 200,000 | 792,000 | 0.65 |
| CHINA SUNTIEN GREEN ENERGY CORP LTD-H | 1,880,000 | 5,470,800 | 4.46 |
| DATANG INTL POWER GENERATION CO LTD-H | 1,180,000 | 4,224,400 | 3.44 |
| ENN ENERGY HLDGS LTD | 68,000 | 3,899,800 | 3.18 |
| GREAT WALL MOTOR CO LTD-H | 30,000 | 1,284,000 | 1.05 |
| GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HLDGS CO LTD - H | 78,000 | 2,117,700 | 1.73 |
| NAGACORP LTD | 980,000 | 8,006,600 | 6.52 |
| SHENZHEN INTL HLDGS LTD | 1,507,500 | 1,462,275 | 1.19 |
| SHIMAO PROPERTY HLDGS LTD | 358,000 | 6,379,560 | 5.20 |
| SINO BIOPHARMACEUTICAL LTD | 680,000 | 4,182,000 | 3.41 |
| SINOPEC ENGINEERING (GROUP) CO LTD-H | 238,000 | 2,760,800 | 2.25 |
| SUNAC CHINA HLDGS LTD | 1,280,000 | 5,952,000 | 4.85 |
| TENCENT HLDGS LTD | 18,800 | 9,298,480 | 7.54 |
| TOWNGAS CHINA CO LTD | 880,000 | 7,911,200 | 6.45 |
| UNITED LABORATORIES LTD | 2,580,000 | 8,023,800 | 6.54 |
| | | | |
| TOTAL INVESTMENTS, AT FAIR VALUE | | <u>109,465,395</u> | <u>89.18</u> |
| <u>TOTAL NET ASSETS</u> | | | |
| Total investment (cost: HK\$ 98,476,924) | | 109,465,395 | 89.18 |
| Other net assets | | 13,282,104 | 10.82 |
| | | | |
| Total net assets | | <u>122,747,499</u> | <u>100.00</u> |