

Audited Financial Statements

CHINA UNIVERSAL INTERNATIONAL SERIES –
CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series, an
umbrella unit trust established under the laws of Hong Kong)

31 December 2014

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 unitholders	8
Statement of cash flows	9
Notes to the financial statements	10 - 28
UNAUDITED INVESTMENT PORTFOLIO	29 - 30
UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS	31 - 33
UNAUDITED PERFORMANCE TABLE	34

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
3710-11, Two International Finance Centre
8 Finance Street
Central
Hong Kong

DIRECTORS OF THE MANAGER

LIN Lijun
LI Wen
ZHANG Hui

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
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REPORT OF THE MANAGER TO THE UNITHOLDERS

Fund Performance

For the year ended 31 December 2014, China-Hong Kong Strategy Fund (the "Sub-Fund") had an accumulated return of 5.16%, outperformed benchmark MSCI China Index's 4.67%. Since the inception on 16 November 2012, the Sub-Fund achieved an accumulative return of 29.01%, surpassing benchmark MSCI China's Index's 14.70%.

Market Review

In 2014, the market continued to struggle between the positive and negative factors of monetary loosening expectation and lackluster economic growth. China's GDP growth has gradually trended below 7.5% in 2014, and the nation's moderating manufacturing PMI both suggested diminishing economic activities. Nonetheless, the softening economy has trigger PBOC's surprise move to cut interest rate first time in two years. Although it's consensus belief that a single rate cut will not be strong enough to lift the economy back to high growth trajectory, investors are optimistic that there will be more loosening monetary measure down the road, such as lowering reserve requirement ratio or even further interest rate cuts. Meanwhile, despite that Federal Reserve of the United States ("the FED") has ended its Quantitative Easing in the year, there is still a long way to go before its first rate hike. As such, Hong Kong market is still enjoying ample liquidity from global fund flow.

Market Outlook

China has just kick started its monetary loosening cycle, and we believe there are more monetary easing measures in the future. Since the interest rate cut in November, A-share market performed strongly as Shanghai Composite Index registered a 20.6% rally to close the year. On the flip side, Hang Seng Index dropped 1.6% during the last 2 months in 2014, driving the Hang Seng China AH Premium Index to reach its peak at 130. In our view, Hong Kong's equity market is gaining its attractiveness as many listed companies are trading at significant discount against their A-share counterparts. In terms of investment strategy, we continue to favor sectors with long-term growth prospect such as Healthcare and IT. We will also increase our exposure in financial sector in the near term on the back of China's monetary loosening backdrop.

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

For and on behalf of

China Universal Asset Management (Hong Kong) Company Limited, the Manager

22 April 2015

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY 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 China-Hong Kong Strategy Fund for the year ended 31 December 2014 in accordance with the provisions of the trust deed dated 29 December 2011 as amended by two supplemental deeds dated 5 October 2012 and 15 July 2013 (collectively, the "Trust Deed").

On behalf of
BOCI-Prudential Trustee Limited, the Trustee

22 April 2015

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 umbrella unit trust established 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 28, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows 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 Trust Deed of the Sub-Fund (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 umbrella unit trust established 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 2014, 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
22 April 2015

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

		Year ended 31 December 2014 HK\$	For the period from 16 November 2012 (date of inception) to 31 December 2013 HK\$
	Notes		
INCOME			
Dividend income		3,089,000	2,381,609
Interest income		2,209	2,933
Net gains on financial assets at fair value through profit or loss	7	<u>6,237,150</u>	<u>23,317,473</u>
		<u>9,328,359</u>	<u>25,702,015</u>
EXPENSES			
Management fee	4	(980,444)	(1,047,873)
Trustee fee	4	(420,000)	(229,827)
Custodian fee	4	(16,502)	(44,222)
Investment handling fee	4	-	(8,100)
Broker commission and investment transaction fee		(956,350)	(1,457,870)
Other expenses		<u>(5,652)</u>	<u>(46,559)</u>
		<u>(2,378,948)</u>	<u>(2,834,451)</u>
PROFIT BEFORE TAX		6,949,411	22,867,564
Income tax	5	<u>(142,984)</u>	<u>(120,065)</u>
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>6,806,427</u>	<u>22,747,499</u>

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

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK\$	2013 HK\$
ASSETS			
Financial assets at fair value through profit or loss	7	127,046,512	109,465,395
Cash and bank balances	8	6,237,984	12,449,646
Amount due from broker		10,321,190	949,048
Prepayment and other receivables		<u>62,313</u>	<u>3,300</u>
TOTAL ASSETS		<u><u>143,667,999</u></u>	<u><u>122,867,389</u></u>
LIABILITIES			
Management fee payable	4	91,440	79,572
Trustee fee payable	4	37,333	36,167
Amount due to broker		5,477,148	-
Other payables and accruals		<u>8,152</u>	<u>4,151</u>
TOTAL LIABILITIES		<u><u>5,614,073</u></u>	<u><u>119,890</u></u>
EQUITY			
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u><u>138,053,926</u></u>	<u><u>122,747,499</u></u>
NUMBER OF UNITS IN ISSUE			
- Class A units	9	-	-
- Class I units	9	10,700,760.779	10,005,236.681
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
- Class A units		N/A	N/A
- Class I units		12.901	12.268

For and on behalf of
China Universal Asset Management (Hong Kong)
Company Limited, as the Manager

For and on behalf of
BOCI-Prudential Trustee Limited,
as the Trustee

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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 UNITHOLDERS

Year ended 31 December 2014

HK\$

At 16 November 2012 (date of inception)	-
Subscription of units	125,000,000
Redemption of units	(25,000,000)
Total comprehensive income for the period	<u>22,747,499</u>
At 31 December 2013 and 1 January 2014	122,747,499
Subscription of units	8,500,000
Total comprehensive income for the year	<u>6,806,427</u>
At 31 December 2014	<u><u>138,053,926</u></u>

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
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STATEMENT OF CASH FLOWS

Year ended 31 December 2014

		For the period from 16 November 2012(date of inception) to 31 December 2013 HK\$
	Note	Year ended 31 December 2014 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		6,949,411
Adjustments for:		
Interest income on bank deposits		(2,209)
Dividend income		(3,089,000)
		<u>3,858,202</u>
		22,867,564
Increase in financial assets at fair value through profit or loss		(17,581,117)
Increase in amount due from broker		(9,372,142)
Increase in prepayment and other receivables		(59,013)
Increase in management fee payable		11,868
Increase in trustee fee payable		1,166
Increase in amount due to broker		5,477,148
Increase in other payables and accruals		<u>4,001</u>
		(17,659,887)
Net cash used in operations		(89,814,831)
Interest received		2,209
Dividend received, net of tax		<u>2,946,016</u>
Net cash flows used in operating activities		<u>(14,711,662)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units		8,500,000
Payments on redemption of units		<u>-</u>
Net cash flows from financing activities		<u>8,500,000</u>
		125,000,000
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(6,211,662)
Cash and cash equivalents at beginning of year/period		<u>12,449,646</u>
		-
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		
		<u>6,237,984</u>
		<u>12,449,646</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8	<u>6,237,984</u>
		<u>12,449,646</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. THE SUB-FUND

China Universal International Series (the "Trust") was constituted as an open-ended unit trust established under the laws of Hong Kong pursuant to the trust deed dated 29 December 2011 as amended by two 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 commenced as a separate sub-fund of the Trust on 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 (the "SFO") and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code").

The Manager of the Sub-Fund is China Universal Asset Management (Hong Kong) Company Limited (the "Manager") and the Trustee is BOCI-Prudential Trustee Limited (the "Trustee"). The Custodian is Bank of China (Hong Kong) Limited (the "Custodian").

Two classes of units, namely Class A units and Class I units, are available for subscription for the Sub-Fund. Class A units and Class I units are subject to different management fee. For the year ended 31 December 2014, only Class I units were in issue.

The Sub-Fund primarily invests in securities listed on the Hong Kong Stock Exchange ("HKEx") and, to a lesser extent, the China B-Shares markets of the Shanghai Stock Exchange ("SHEX") or the Shenzhen Stock Exchange ("SZEx"). 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 HKEx, and up to 30% in securities listed on the China B-share markets of the SHEX or the SZEx and non-Hong Kong Dollar denominated securities listed on the HKEx (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 People's Republic of China ("PRC"), Hong Kong, Macau and Taiwan ("Greater China") or derive the majority of their revenue from business or operations relating to Greater China.

With effect from 6 March 2015, the investment objective and the investment policy of the Sub-Fund was revised in the manner as described in the Seventh Addendum to the Explanatory Memorandum. After revision, at least 70% of the Sub-Fund's non-cash assets will be invested in equity securities listed on HKEx and up to 30% in securities listed on other stock exchanges around the world (including China A-Shares and China B-Shares), debt securities and other collective investment schemes. The Sub-Fund may have direct exposure to China A-Share by using Renminbi Qualified Foreign Institutional Investors ("RQFII") quota of the Manager. The Sub-Fund may also directly invest certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.1 BASIS OF PREPARATION

These financial statements 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Sub-Fund has adopted the following revised standard for the first time for the current year's financial statements.

Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKFRS 13	<i>Short-term Receivables and Payables</i>
included in <i>Annual Improvements 2010-2012 Cycle</i>	

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 have had no impact on the Sub-Fund as the Sub-Fund does not have any offsetting arrangement.

The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Sub-Fund.

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED

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

HKFRS 9	<i>Financial Instruments</i> ¹
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¹ Effective for annual periods beginning on or after 1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED (continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Sub-Fund expects to adopt HKFRS 9 from 1 January 2018. The Sub-Fund expects that the adoption of HKFRS 9 will have an impact on the classification of the Sub-Fund's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

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. 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 bank balances, amount due from broker and other receivables.

Financial liabilities at amortised cost

The Sub-Fund includes in this category amounts relating to management fee payable, trustee fee payable, amount due to broker and other payables and accruals.

(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 are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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 gains 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 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.

(v) Derecognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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.

Foreign currency

These financial statements are presented in HK\$, which is the Sub-Fund's functional and presentation currency. Foreign currency transactions recorded by the Sub-Fund are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the reporting date. Differences arising on settlement or transaction of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value 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 or loss on financial assets and liabilities at fair value through profit or loss'.

Functional 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, the 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\$.

Amount due to broker

Amount due to broker is payable for securities purchased (in a regular way transaction) that has been contracted for but not yet delivered on the reporting date. Refer to the accounting policy for financial liabilities, other than those classified as at fair value through profit or loss, for recognition and measurement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amount due from broker

Amount due from broker is receivable for securities sold (in a regular way transaction) that has been contracted for but not yet delivered on the reporting date. Refer to the accounting policy for loans and receivables for recognition and measurement

Redeemable units

Redeemable units are classified as an equity instrument when:

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

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

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

Two classes of units, namely Class A units and Class I units, are available for the Sub-Fund. For the year ended 31 December 2014, only Class I units were in issue. The Sub-Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under the revised HKAS 32 and are classified as equity.

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

The issuance, acquisition and cancellation of redeemable units are accounted for as financial liabilities transactions. Upon issuance of redeemable units, the consideration received is included in equity.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

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

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

Cash and cash equivalents

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand, demand deposits, and short-term deposits in bank, 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 balances 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 as it accrues, 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 year 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 average cost and disposal amount.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (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

The Sub-Fund is exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, 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 Sub-Fund. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. A proposed distribution is recognised as a liability in the period in which it is approved by the Manager. No distribution will be paid out of the Sub-Fund's capital.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Sub-Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions

The key assumptions concerning the future and other 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 described below. The Sub-Fund based its assumptions and 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.

4. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS AND RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions entered into during the year between the Sub-Fund and the Manager and their 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, the Manager and their connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with connected persons except for those disclosed below:

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 units of the Sub-Fund by the Manager as at 31 December 2014 were as follows:

At 31 December 2014	Units outstanding at 31 December 2013	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2014
CUAM China-Hong Kong Strategy Fund – Class I	<u>10,005,236.681</u>	<u>-</u>	<u>-</u>	<u>10,005,236.681</u>

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

At 31 December 2013	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	<u>-</u>	<u>12,285,400.859</u>	<u>(2,280,164.178)</u>	<u>10,005,236.681</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS AND RELATED PARTY TRANSACTIONS (continued)

Investment handling fee

The Sub-Fund pays investment handling fee of HK\$100 per transaction to the Trustee. For the year ended 31 December 2014, no investment handling fee paid by the Sub-Fund to the Trustee (2013: HK\$8,100).

Brokerage commission

BOCI Securities Limited, an affiliate of the Trustee, rendered brokerage services for the Sub-Fund's purchases and sales of securities. During the year/period ended 31 December 2014 and 31 December 2013, the transaction details were as follows:

2014	Aggregate value of purchases and sales of securities HK\$	Total commission paid HK\$	% of Sub- Fund's total transactions during the year %	Average commission rate %
BOCI Securities Limited	52,991,962	45,818	10.43%	0.09%
2013	Aggregate value of purchases and sales of securities HK\$	Total commission paid HK\$	% of Sub- Fund's total transactions during the year %	Average commission rate %
BOCI Securities Limited	40,746,011	35,641	6.12%	0.09%

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 year, interest income on these bank balances was HK\$2,209 (2013: HK\$2,933).

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 per annum (up to maximum of 3% per annum in total by giving not less than one month's prior notice to the unitholders) 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 0.15% per annum (up to maximum of 0.5% per annum by giving not less than one month's prior notice to the unitholders) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS AND RELATED PARTY TRANSACTIONS (continued)

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 unitholders of the Sub-Fund calculated and is paid monthly in arrears.

Certain charges, fees and expenses borne by the Manager

Pursuant to the Addendum of the Explanatory Memorandum dated 14 March 2014, certain charges, fees and expenses were borne by the Manager. For the year ended 31 December 2014, the Manager borne and paid a total sum of HK\$444,646 (2013: HK\$709,915) for all costs of printing semi-annual reports, auditors' remuneration, publishing fees, and the expenses of preparing and printing any explanatory memorandum of the Sub-Fund.

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.

Withholding tax

A 10% PRC withholding tax is levied on dividend and interest derived by foreign investors from PRC companies which would have the obligation to withhold the tax on behalf of the foreign investors. As such, the issuers would have the obligation to withhold the tax on behalf of the Sub-Fund for the 10% withholding tax imposed on dividend and interest income. The Sub-Fund has recognised dividend income of listed equity securities. The withholding tax of listed equity securities for the year ended 31 December 2014 was HK\$142,984 (2013: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 HK\$	2013 HK\$
Held for trading:		
Listed equity securities	<u>127,046,512</u>	<u>109,465,395</u>
Net gain recognised in relation to financial assets at fair value through profit or loss:		
Realised gain	13,139,729	12,329,002
Unrealised (loss)/ gain	<u>(6,902,579)</u>	<u>10,988,471</u>
Net gain	<u>6,237,150</u>	<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 shows an analysis of the Sub-Fund's financial assets measured at fair value at 31 December 2014 and at 31 December 2013.

At 31 December 2014	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
<u>Financial assets at fair value through profit or loss – held for trading:</u>				
Listed equity securities	<u>127,046,512</u>	<u>-</u>	<u>-</u>	<u>127,046,512</u>
At 31 December 2013	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
<u>Financial assets at fair value through profit or loss – held for trading:</u>				
Listed equity securities	<u>109,465,395</u>	<u>-</u>	<u>-</u>	<u>109,465,395</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

When fair values of listed equity securities at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

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 year/period ended 31 December 2014 and 31 December 2013.

8. CASH AND BANK BALANCES

The cash at banks held with the Custodian of the Sub-Fund, was placed into accounts bearing floating interest.

9. NUMBER OF UNITS IN ISSUE

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

	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 and 1 January 2014	-	10,005,236.681
Subscription of units	-	695,524.098
Redemption of units	-	-
At 31 December 2014	-	10,700,760.779

10. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

10. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk management (continued)

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 unitholders 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 unitholders 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.

At 31 December 2014		Effect on net assets attributable to
	Change in equity prices	in net assets attributable to unitholders for the year
		HK\$/Unit
MSCI China Index	±5%	±0.594
At 31 December 2013		Effect on net assets attributable to
	Change in equity prices	in net assets attributable to unitholders for the period
		HK\$/Unit
MSCI China Index	±5%	±0.547

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

Risk management (continued)

Market risk (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 asset. Exposure to liquidity risk arises because of the possibility that the Sub-Fund could be required to pay its liabilities or redeem its units earlier than expected. The Sub-Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Sub-Fund's net asset value per unit at the time of redemption, calculated in accordance with the Sub-Fund's Trust Deed. It is the Sub-Fund's policy that the Manager monitors the Sub-Fund's liquidity position on a daily basis.

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

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When 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 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.

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 2014

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

Risk management (continued)

Liquidity risk (continued)

At 31 December 2014	Less than 3 months HK\$	3 to 6 months HK\$	Total HK\$
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	127,046,512	-	127,046,512
Cash and bank balances	6,237,984	-	6,237,984
Amount due from broker	10,321,190	-	10,321,190
Financial assets included in prepayment and other receivables	<u>55,313</u>	<u>-</u>	<u>55,313</u>
Total financial assets	<u>143,660,999</u>	<u>-</u>	<u>143,660,999</u>
	Less than 3 months HK\$	3 to 6 months HK\$	Total HK\$
<u>Financial liabilities</u>			
Management fee payable	91,440	-	91,440
Trustee fee payable	37,333	-	37,333
Amount due to broker	5,477,148	-	5,477,148
Other payables and accruals	<u>8,152</u>	<u>-</u>	<u>8,152</u>
Total financial liabilities	<u>5,614,073</u>	<u>-</u>	<u>5,614,073</u>
At 31 December 2013	Less than 3 months HK\$	3 to 6 months HK\$	Total HK\$
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	109,465,395	-	109,465,395
Cash and bank balances	12,449,646	-	12,449,646
Amount due from broker	949,048	-	949,048
Financial assets included in prepayment and other receivables	<u>3,300</u>	<u>-</u>	<u>3,300</u>
Total financial assets	<u>122,867,389</u>	<u>-</u>	<u>122,867,389</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

Risk management (continued)

Liquidity risk (continued)

	Less than 3 months HK\$	3 to 6 months 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
	<u>119,890</u>	<u>-</u>	<u>119,890</u>
Total financial liabilities	<u>119,890</u>	<u>-</u>	<u>119,890</u>

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 summarises the Sub-Fund's assets placed with banks and the custodian and their related credit ratings from Standard & Poor's ("S&P"):

At 31 December 2014	HK\$	Credit rating	Source of credit rating
Bank			
Bank of China (Hong Kong) Limited	6,237,984	A+	S&P
Custodian			
Bank of China (Hong Kong) Limited	127,046,512	A+	S&P
At 31 December 2014	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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

Risk management (continued)

Credit and counterparty risk (continued)

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 2014.

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. 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 specialised software or research services and performance insurance.

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 on 27 December 2013. The arrangement was renewed on 8 December 2014. During the year ended 31 December 2014, no commission rebates was received by the Manager (2013: Nil).

12. EVENTS AFTER THE REPORTING PERIOD

During the period between the reporting date and the date of authorisation of these financial statements, the Sub-Fund has a total subsequent subscription of HK\$30,000.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 22 April 2015.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND

(A Sub-Fund of China Universal International Series)

UNAUDITED INVESTMENT PORTFOLIO

31 December 2014

	Holdings	Fair Value HK\$	% of net assets
<u>LISTED EQUITY SECURITIES</u>			
Mainland China			
Denominated in HK\$			
CHONGQING CHANGAN AUTOMOBILE CO LTD-B	148,410	2,606,080	1.89
WUXI LITTLE SWAN CO LTD-B	107,900	1,368,172	0.99
Hong Kong			
Denominated in HK\$			
BANK OF CHINA LTD-H	598,000	2,613,260	1.89
BOYAA INTERACTIVE INTL LTD	618,000	3,516,420	2.55
CHINA CITIC BANK CORP LTD-H	1,518,000	9,441,960	6.84
CHINA CONSTRUCTION BANK CORP-H	1,880,000	11,975,600	8.67
CHINA EVERBRIGHT BANK CO LTD-H	1,280,000	5,401,600	3.91
CHINA LIFE INSURANCE CO LTD-H	208,000	6,333,600	4.59
CHINA MERCHANTS BANK CO LTD-H	160,000	3,113,600	2.26
CHINA MOBILE LTD	48,000	4,344,000	3.15
CHINA PETROLEUM & CHEMICAL CORP-H	598,000	3,737,500	2.71
CHINA PIONEER PHARMA HLDGS LTD	680,000	4,148,000	3.00
CHINA POWER INTL DEVELOPMENT LTD	80,000	314,400	0.23
DONGFENG MOTOR GROUP CO LTD-H	238,000	2,613,240	1.89
DYNAGREEN ENVIRONMENTAL PROTECTION GROUP CO LTD-H	1,231,000	5,687,220	4.12
GUOTAI JUNAN INTL HLDGS LTD	1,188,000	7,009,200	5.08
HAITONG SECURITIES CO LTD-H	388,000	7,573,760	5.49
NAGACORP LTD	280,000	1,775,200	1.29
PHOENIX SATELLITE TELEVISION HLDGS LTD	580,000	1,415,200	1.02
PING AN INSURANCE GROUP CO OF CHINA LTD-H	58,000	4,587,800	3.32
SINO BIOPHARMACEUTICAL LTD	380,000	2,671,400	1.93
SINOPEC ENGINEERING (GROUP) CO LTD-H	238,000	1,247,120	0.90
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD-H	1,318,000	3,229,100	2.34
SUNAC CHINA HLDGS LTD	1,280,000	10,099,200	7.32
TENCENT HLDGS LTD	800	90,000	0.06
TOWNGAS CHINA CO LTD	80,000	628,800	0.46
TRAVELSKY TECHNOLOGY LTD-H	316,000	2,648,080	1.92
UNITED LABORATORIES LTD	218,000	987,540	0.71
YANZHOU COAL MINING CO LTD-H	878,000	5,768,460	4.18
YUZHOU PROPERTIES CO LTD	5,180,000	10,101,000	7.32
TOTAL INVESTMENTS, AT FAIR VALUE		127,046,512	92.03
TOTAL INVESTMENTS, AT COST		122,970,888	

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND

(A Sub-Fund of China Universal International Series)

UNAUDITED INVESTMENT PORTFOLIO (continued)

31 December 2014

<u>TOTAL NET ASSETS</u>	Fair Value HK\$	% of net assets
Total investment	127,046,512	92.03
Other net assets	11,007,414	7.97
	<hr/>	
Total net assets	138,053,926	100.00
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CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2014

	Movements			
Listed equities	Holdings as at 1 January 2014	Additions	Disposals	Holdings as at 31 December 2014
Mainland China				
CHONGQING CHANGAN AUTOMOBILE CO LTD-B	-	148,410	-	148,410
WEIFU HIGH TECHNOLOGY GROUP CO LTD-B	-	247,958	(247,958)	-
WUXI LITTLE SWAN CO LTD-B	-	280,000	(172,100)	107,900
Hong Kong				
BANK OF CHINA LTD-H	-	1,658,000	(1,060,000)	598,000
BOYAA INTERACTIVE INTL LTD	-	618,000	-	618,000
CHAOWEI POWER HLDGS LTD	-	318,000	(318,000)	-
CHINA CINDA ASSET MANAGEMENT CO LTD-H	-	528,000	(528,000)	-
CHINA CITIC BANK CORP LTD-H	-	1,518,000	-	1,518,000
CHINA CONSTRUCTION BANK CORP-H	388,000	3,070,000	(1,578,000)	1,880,000
CHINA EVERBRIGHT BANK CO LTD-H	-	1,280,000	-	1,280,000
CHINA LIFE INSURANCE CO LTD-H	-	258,000	(50,000)	208,000
CHINA MEDICAL SYSTEM HLDGS LTD	518,000	315,000	(833,000)	-
CHINA MERCHANTS BANK CO LTD-H	308,000	828,000	(976,000)	160,000
CHINA MINSHENG BANKING CORP LTD-H	380,000	-	(380,000)	-
CHINA MOBILE LTD	98,000	88,000	(138,000)	48,000
CHINA PETROLEUM & CHEMICAL CORP-H	-	598,000	-	598,000
CHINA PIONEER PHARMA HLDGS LTD	-	1,780,000	(1,100,000)	680,000
CHINA POWER INTL DEVELOPMENT LTD	2,580,000	600,000	(3,100,000)	80,000
CHINA RESOURCES GAS GROUP LTD	288,000	-	(288,000)	-
CHINA SANJINAG FINE CHEMICALS CO LTD	200,000	318,000	(518,000)	

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

UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2014

	Movements			
Listed equities (continued)	Holdings as at 1 January 2014	Additions	Disposals	Holdings as at 31 December 2014
Hong Kong (continued)				
CHINA SUNTIEN GREEN ENERGY CORP LTD-H	1,880,000	-	(1,880,000)	-
CNOOC LTD	-	118,000	(118,000)	-
DATANG INTL POWER GENERATION CO LTD-H	1,180,000	800,000	(1,980,000)	-
DONGFENG MOTOR GROUP CO LTD-H	-	238,000	-	238,000
DYNAGREEN ENVIRONMENTAL PROTECTION GROUP CO LTD-H	-	1,231,000	-	1,231,000
ENN ENERGY HLDGS LTD	68,000	40,000	(108,000)	-
FORGAME HLDGS LTD	-	118,000	(118,000)	-
GALAXY ENTERTAINMENT GROUP LTD	-	78,000	(78,000)	-
GREAT WALL MOTOR CO LTD-H	30,000	68,000	(98,000)	-
GUANGSHEN RAILWAY CO LTD-H	-	618,000	(618,000)	-
GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HLDGS CO LTD - H	78,000	-	(78,000)	-
GUOTAI JUNAN INTL HLDGS LTD	-	3,768,000	(2,580,000)	1,188,000
GUOTAI JUNAN INTL HLDGS LTD- RIGHTS (EX 29AUG2014 TD 10SEP- 17SEP2014)	-	116,000	(116,000)	-
HAITONG SECURITIES CO LTD-H	-	518,000	(130,000)	388,000
HC INTL INC	-	98,000	(98,000)	-
KINGSOFT CORP LTD	-	158,000	(158,000)	-
LENOVO GROUP LTD	-	158,000	(158,000)	-
LIVZON PHARMACEUTICAL GROUP INC-H	-	56,000	(56,000)	-
MTR CORP LTD	-	186,500	(186,500)	-
NAGACORP LTD	980,000	500,000	(1,200,000)	280,000
PETROCHINA CO LTD-H	-	478,000	(478,000)	-
PHOENIX SATELLITE TELEVISION HLDGS LTD	-	1,130,000	(550,000)	580,000
PING AN INSURANCE GROUP CO OF CHINA LTD-H	-	58,000	-	58,000
SA SA INTL HLDGS LTD	-	1,088,000	(1,088,000)	-

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

UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2014

	Movements			
Listed equities (continued)	Holdings as at 1 January 2014	Additions	Disposals	Holdings as at 31 December 2014
Hong Kong (continued)				
SHENZHEN INTL HLDGS LTD	1,507,500	-	(1,507,500)	-
SHIMAO PROPERTY HLDGS LTD	358,000	110,000	(468,000)	-
SINO BIOPHARMACEUTICAL LTD	680,000	-	(300,000)	380,000
SINOPEC ENGINEERING (GROUP) CO LTD-H	238,000	-	-	238,000
SINOPEC SHANGHAI PETROCHEMICAL CO LTD-H	-	1,180,000	(1,180,000)	-
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD-H	-	2,380,000	(1,062,000)	1,318,000
SUNAC CHINA HLDGS LTD	1,280,000	2,880,000	(2,880,000)	1,280,000
TENCENT HLDGS LTD	18,800	75,200	(93,200)	800
TIANNENG POWER INTL LTD	-	718,000	(718,000)	-
TOWNGAS CHINA CO LTD	880,000	100,000	(900,000)	80,000
TRAVELSKY TECHNOLOGY LTD-H	-	628,000	(312,000)	316,000
UNITED LABORATORIES LTD	2,580,000	-	(2,362,000)	218,000
WHARF HLDGS LTD	-	51,000	(51,000)	-
YANZHOU COAL MINING CO LTD-H	-	878,000	-	878,000
YUEXIU REAL ESTATE INVESTMENT TRUST	-	1,018,000	(1,018,000)	-
YUZHOU PROPERTIES CO LTD	-	5,180,000	-	5,180,000
United States				
CHEETAH MOBILE INC-ADR	-	79	(79)	-

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY
FUND

(A Sub-Fund of China Universal International Series)

UNAUDITED PERFORMANCE TABLE

31 December 2014

1. NET ASSET VALUE

	Net assets value per unit HK\$	Total net asset value HK\$
As at 31 December 2014		
- Class A units	N/A	N/A
- Class I units	12.901	138,053,927
As at 31 December 2013 ¹		
- Class A units	N/A	N/A
- Class I units	12.268	122,747,499

¹ Inception on 16 November 2012

2. HIGHEST ISSUE AND LOWEST REDEMPTION PRICES PER UNIT

	Highest subscription unit price HK\$	Lowest redemption unit price HK\$
During the year ended 31 December 2014		
- Class A units	N/A	N/A
- Class I units	13.323	11.059
For the period from 16 November 2012 (date of inception) to 31 December 2013		
- Class A units	N/A	N/A
- Class I units	12.268	9.972