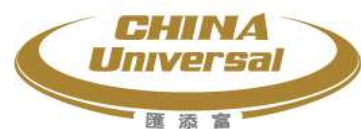


Audited Financial Statements

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 2015



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

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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

TRUSTEE AND REGISTRAR

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

DIRECTORS OF THE MANAGER

LI Wen
WAN Qing (Appointed on 10 June 2015)
ZHANG Hui
LIN Lijun (Resigned on 10 June 2015)

AUDITORS

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

SOLICITORS TO THE MANAGER

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

CUSTODIAN

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

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

REPORT OF THE MANAGER TO THE UNITHOLDERS

Fund Performance

For the year ended 31 December 2015, the Class I of CUAM China-Hong Kong Strategy Fund had an accumulated loss of 4.69%. Since the inception on 16 November 2012, Class I achieved an accumulative return of 22.95%. The Class A of CUAM China-Hong Kong Strategy Fund had an accumulated loss of 24.22% since its inception date on 17 April 2015.

Market Review

In our view, the Hong Kong equity market closely linked to the Chinese economy on the fundamental side, but tracks US monetary policy on the liquidity side. In 2015, both the fundamental and liquidity front faced great challenge.

In terms of fundamental, the Chinese economy is in the transitional phase from the "Old" to "New" economy. We are seeing weakness in the "Old" economy as GDP growth is trending down from 7% to 6.5%, while the manufacturing PMI consistently stayed below 50, which suggests business activity contraction. On the flip side, the industries which represent the "New" economy are delivering healthy growth, such as internet, healthcare, and sectors that benefit from consumption upgrades. A way to gauge the performance is that the service PMI of China has been staying at a trajectory of above 50, which represents business activity expansion. On the liquidity front, the US Federal Reserve started its first rate hike in 9 years. Because Hong Kong pegs its currency to the US dollar, the funding cost would inevitably have to go up, which negatively impacts the liquidity. The consensus belief is that the US Fed rate hike will be progressed in a gradual manner, so Hong Kong's liquidity risk is expected to be under control.

Market Outlook

We are of the view that China's "Old" to "New" economic transition may not be a smooth ride, coupling with the Renminbi depreciation effect, the market will likely stay volatile. In terms of strategy, we continue to favor sectors with long-term growth prospect, such as Healthcare, Internet, and those that can enjoy consumption upgrades. In addition, we will increase our exposure in value stocks shall there be any market volatility to create buying opportunity.

Maintaining a good temperament, sticking to our firm-wide alpha-focused investment principle with discipline are the keys to achieve outperforming investment return. We 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 2016

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 2015 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 2016

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 30, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, the statement of changes in equity, 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 Hong Kong Institute of Certified Public Accountants, and are responsible for ensuring 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"), 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.

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 misstatements. We are also required to assess whether the financial statements have been properly prepared, in all material respects, 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 Sub-Fund's preparation of the financial statements that give a true and fair value in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 2015, 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 all material respects, 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 2016

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 2015

	Notes	2015 HK\$	2014 HK\$
INCOME			
Dividend income		3,219,088	3,089,000
Interest income		538	2,209
Net (losses)/gains on financial assets at fair value through profit or loss	7	(12,346,115)	6,237,150
		<u>(9,126,489)</u>	<u>9,328,359</u>
EXPENSES			
Management fee	4	(1,187,574)	(980,444)
Trustee fee	4	(420,000)	(420,000)
Custodian fee	4	(29,345)	(16,502)
Broker commission and investment transaction fee		(652,080)	(956,350)
Other expenses		<u>(13,829)</u>	<u>(5,652)</u>
		<u>(2,302,828)</u>	<u>(2,378,948)</u>
(LOSS)/PROFIT BEFORE TAX		(11,429,317)	6,949,411
Income tax	5	<u>(163,906)</u>	<u>(142,984)</u>
OPERATING LOSS		<u>(11,593,223)</u>	<u>-</u>
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		11,593,223	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>-</u>	<u>6,806,427</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 2015

	Notes	2015 HK\$	2014 HK\$
ASSETS			
Financial assets at fair value through profit or loss	7	159,279,740	127,046,512
Cash and bank balances	8	531,521	6,237,984
Amount due from broker		-	10,321,190
Prepayment and other receivables		26,878	62,313
TOTAL ASSETS		<u>159,838,139</u>	<u>143,667,999</u>
LIABILITIES			
Management fee payable	4	101,803	91,440
Trustee fee payable	4	35,000	37,333
Amount due to broker		-	5,477,148
Other payables and accruals		2,552	8,152
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>139,355</u>	<u>5,614,073</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>159,698,784</u>	<u>-</u>
TOTAL LIABILITIES		159,838,139	5,614,073
TOTAL EQUITY	10	-	138,053,926
TOTAL LIABILITIES AND EQUITY		<u>159,838,139</u>	<u>143,667,999</u>
NUMBER OF UNITS IN ISSUE			
- Class A units	9	4,912.180	-
- Class I units	9	12,986,339.747	10,700,760.779
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT			
- Class A units		7.578	N/A
- Class I units		12.295	12.901

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

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Total equity HK\$
At 1 January 2014	122,747,499
Subscription of units	8,500,000
Profit and total comprehensive income for the year	<u>6,806,427</u>
At 31 December 2014 and 1 January 2015	138,053,926
Reclassification of the redeemable units as financial liabilities	<u>(138,053,926)</u>
At 31 December 2015	<u><u>-</u></u>

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 2015

	HK\$
At 1 January 2015	-
Reclassification of the redeemable units as financial liabilities	138,053,926
Subscription of units	34,729,382
Redemption of units	(1,491,301)
Decrease in net assets attributable to unitholders during the year	(11,593,223)
At 31 December 2015	<u>159,698,784</u>

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 HK\$	2014 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(11,429,317)	6,949,411
Adjustments for:			
Interest income on bank deposits		(538)	(2,209)
Dividend income		(3,219,088)	(3,089,000)
		(14,648,943)	3,858,202
Increase in financial assets at fair value through profit or loss		(32,233,228)	(17,581,117)
Decrease/(increase) in amount due from broker		10,321,190	(9,372,142)
Decrease/(increase) in prepayment and other receivables		35,435	(59,013)
Increase in management fee payable		10,363	11,868
(Decrease)/increase in trustee fee payable		(2,333)	1,166
(Decrease)/increase in amount due to broker		(5,477,148)	5,477,148
(Decrease)/increase in other payables and accruals		(5,600)	4,001
Net cash used in operations		(42,000,264)	(17,659,887)
Interest received		538	2,209
Dividend received, net of tax		3,055,182	2,946,016
Net cash flows used in operating activities		(38,944,544)	(14,711,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		34,729,382	8,500,000
Payments on redemption of units		(1,491,301)	-
Net cash flows from financing activities		33,238,081	8,500,000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,706,463)	(6,211,662)
Cash and cash equivalents at beginning of year		6,237,984	12,449,646
CASH AND CASH EQUIVALENTS AT END OF YEAR		531,521	6,237,984
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	8	531,521	6,237,984

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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 2015, Class A units and Class I units were in issue.

The investment objective of the Sub-Fund is to achieve medium to long-term capital growth through investing primarily in securities of companies which are established in the People's Republic of China ("PRC"), Hong Kong, Macau and Taiwan ("Greater China") or having their income, revenue, assets, economic activities, business or operations associated with Greater China.

The Sub-Fund primarily invests in equity securities listed on the Hong Kong Stock Exchange ("HKEx") and, to a lesser extent, in equity 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 target asset allocation is that at least 80% of the Sub-Fund's non-cash assets will be invested in equity securities listed on the HKEx, and up to 20% of its net assets in equity securities listed on other stock exchanges around the world (including China A-Shares and China B-Shares), debt securities, and other collective investment schemes, subject to the investment and borrowing restrictions in the Explanatory Memorandum.

The Sub-Fund may have direct exposure to China A-Share using Renminbi Qualified Foreign Institutional Investors ("RQFII") quota of the Manager allocated to the Sub-Fund. The Sub-Fund may also directly invest in certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect. Besides, the Sub-Fund may invest in exchange-traded funds ("ETF") listed on the HKEx to gain exposure to China A-Shares (including physical and synthetic ETF).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting principles adopted in the current year are consistent with those of the prior year; expect that the Sub-Fund has adopted the following new revised accounting standard:

Annual Improvements 2010-2012 Cycle

The Sub-Fund has applied the applicable improvement for the first time in these financial statements. This includes:

HKAS 24 Related Party Disclosures: Clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment to HKAS 24 has 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> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

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 is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Sub-Fund's financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED (continued)

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. The Sub-Fund expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Sub-Fund's financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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.

(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 or 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) ***Derecognition*** (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Sub-Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. An impairment exists if one or more events that have occurred after the initial recognition of the asset and have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Net assets attributable to unitholders

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 unitholders 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 unitholders 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 unitholders per unit at the time of issue or redemption. The Sub-Fund's net assets attributable to unitholders per unit is calculated by dividing the net assets attributable to unitholders by the number of units in issue.

Prior to the issuance of Class A units in 2015, only Class I units were in issue. The Sub-Fund's redeemable units met the definition of puttable instruments classified as equity instruments under the revised HKAS 32 and were then classified as equity.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of comprehensive income.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Manager does not intend to make any distribution of income in respect of the Sub-Fund.

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.

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.

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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 2015 were as follows:

At 31 December 2015	Units outstanding at 31 December 2014	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2015
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 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>

Investment handling fee

The Sub-Fund pays investment handling fee of HK\$100 per transaction to the Trustee. For the year ended 31 December 2015, no investment handling fee was charged to the Sub-Fund as this was borne by the Manager (2014: Nil).

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

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 ended 31 December 2015 and 31 December 2014, the transaction details were as follows:

2015	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	64,074,703	60,117	19.15%	0.09%
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%

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\$538 (2014: HK\$2,209).

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.

NOTES TO THE FINANCIAL STATEMENTS

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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 Explanatory Memorandum dated October 2015 of the Sub-Fund, certain charges, fees and expenses which are attributable to the Sub-Fund are borne by the Manager at its discretion starting from 1 January 2014 until a future date as notified by the Manager. For the year ended 31 December 2015, the Manager borne and paid a total sum of HK\$467,419 (2014: HK\$444,646) for 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 2015 was HK\$163,906 (2014: HK\$142,984).

6. DISTRIBUTION

According to the distribution policy as stated in the Explanatory Memorandum of the Sub-Fund, the Manager does not intend to make any distribution of income in respect of the Sub-Fund.

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$	2014 HK\$
Held for trading:		
Listed equity securities	<u>159,279,740</u>	<u>127,046,512</u>
Net (losses)/gains recognised in relation to financial assets at fair value through profit or loss:		
Realised gain	6,373,954	13,139,729
Unrealised loss	(18,720,069)	(6,902,579)
Net (losses)/gains	<u>(12,346,115)</u>	<u>6,237,150</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 2015 and at 31 December 2014.

At 31 December 2015	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>159,279,740</u>	<u>-</u>	<u>-</u>	<u>159,279,740</u>

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

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>

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 ended 31 December 2015 and 31 December 2014.

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 1 January 2014	-	10,005,236.681
Subscription of units	<u>-</u>	<u>695,524.098</u>
At 31 December 2014 and 1 January 2015	-	10,700,760.779
Subscription of units	108,963.110	2,349,208.935
Redemption of units	(<u>104,050.930</u>)	(<u>63,629.967</u>)
At 31 December 2015	<u>4,912.180</u>	<u>12,986,339.747</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. SHARE CAPITAL

During the year ended 31 December 2014, there were only Class I units in issue and the Sub-Fund concluded that these units had all features and met all the conditions for classification as equity instruments.

During the year ended 31 December 2015, following the issuance of Class A units which are subject to different fee structures, the Sub-Fund concluded that the condition that the financial instruments have identical features was no longer met under HKAS32. Therefore, the Sub-Fund has prospectively reclassified the redeemable units as financial liabilities. The amount reclassified was the entire equity balance which was determined to be the fair value of the liability to unitholders at the date of the reclassification.

11. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

Risk management (continued)

Market risk (continued)

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' reference 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 2015	Change in equity prices	Effect on net assets attributable to in net assets attributable to unitholders for the year
		HK\$/Unit
MSCI China Index	±5%	±0.613

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

Risk management (continued)

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.

At 31 December 2015	Less than 3 months HK\$	3 to 6 months HK\$	Others* HK\$	Total HK\$
<u>Financial assets</u>				
Financial assets at fair value				
through profit or loss	159,279,740	-	-	159,279,740
Cash and bank balances	531,521	-	-	531,521
Financial assets included in				
prepayment and other receivables	19,878	-	-	19,878
Total financial assets	159,831,139	-	-	159,831,139

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

Risk management (continued)

Liquidity risk (continued)

	Less than 3 months HK\$	3 to 6 months HK\$	Others* HK\$	Total HK\$
<u>Financial liabilities</u>				
Management fee payable	101,803	-	-	101,803
Trustee fee payable	35,000	-	-	35,000
Other payables and accruals	2,552	-	-	2,552
Net assets attributable to unitholders*	-	-	159,698,784	159,698,784
Total financial liabilities	139,355	-	159,698,784	159,838,139

* As detailed in the explanatory memorandum of the Sub-Fund, the redeemable participating units might be subject to redemption restrictions.

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	55,313	-	55,313
Total financial assets	143,660,999	-	143,660,999
	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	8,152	-	8,152
Total financial liabilities	5,614,073	-	5,614,073

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

Risk management (continued)

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 2015	HK\$	Credit rating	Source of credit rating
Bank			
Bank of China (Hong Kong) Limited	531,521	A+	S&P
Custodian			
Bank of China (Hong Kong) Limited	159,279,740	A+	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

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 2015 and 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. SOFT COMMISSION ARRANGEMENTS

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

The goods and services must be of demonstrable benefit to the Sub-Fund and may include research and advisory services, 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 2015, no commission rebates was received by the Manager (2014: Nil).

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 22 April 2016.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
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UNAUDITED INVESTMENT PORTFOLIO

31 December 2015

	Holdings	Fair Value HK\$	% of net assets
<u>LISTED EQUITY SECURITIES</u>			
Mainland China			
Denominated in HK\$			
CHONGQING CHANGAN AUTOMOBILE CO LTD-B	8,000	136,800	0.09
WUXI LITTLE SWAN CO LTD-B	100	1,850	0.00
Hong Kong			
Denominated in HK\$			
3SBIO INC	368,000	4,003,840	2.51
AIA GROUP LTD	98,000	4,566,800	2.86
CHINA CONSTRUCTION BANK CORP-H	1,580,000	8,389,800	5.25
CHINA LIFE INSURANCE CO LTD-H	258,000	6,462,900	4.05
CHINA MEDICAL SYSTEM HLDGS LTD	298,000	3,403,160	2.13
CHINA MERCHANTS BANK CO LTD-H	457,000	8,363,100	5.24
CHINA MOBILE LTD	98,000	8,575,000	5.37
CHINA PETROLEUM & CHEMICAL CORP-H	8,000	37,440	0.02
CHINA PIONEER PHARMA HLDGS LTD	1,580,000	4,424,000	2.77
CHINA POWER INTL DEVELOPMENT LTD	1,000	4,480	0.00
CHINA SUNTIEN GREEN ENERGY CORP LTD-H	1,380,000	1,711,200	1.07
CIFI HLDGS GROUP CO LTD	1,880,000	3,252,400	2.04
COWELL E HLDGS INC	2,780,000	8,951,600	5.61
DAWNRAYS PHARMACEUTICAL (HLDGS) LTD	2,100,000	12,642,000	7.91
DYNAGREEN ENVIRONMENTAL PROTECTION GROUP CO LTD-H	1,580,000	8,010,600	5.02
GF SECURITIES CO LTD-H	1,000	19,460	0.01
GREENLAND HONG KONG HLDGS LTD	518,000	1,564,360	0.98
GUANGDONG NAN YUE LOGISTICS CO LTD-H	777,000	4,545,450	2.85
GUOTAI JUNAN INTL HLDGS LTD	262,000	712,640	0.45
HENDERSON LAND DEVELOPMENT CO LTD	1,100	52,250	0.03
HONG KONG EXCHANGES & CLEARING LTD	39,800	7,900,300	4.95
NAGACORP LTD	2,000	9,800	0.01
PHOENIX SATELLITE TELEVISION HLDGS LTD	2,036,000	3,705,520	2.32
PING AN INSURANCE GROUP CO OF CHINA LTD-H	116,000	4,988,000	3.12
RED STAR MACALLINE GROUP CORP LTD-H	100,000	948,000	0.59
SINO BIOPHARMACEUTICAL LTD	580,000	4,094,800	2.56
SINOPEC ENGINEERING (GROUP) CO LTD-H	238,000	1,575,560	0.99

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UNAUDITED INVESTMENT PORTFOLIO (continued)

31 December 2015

<u>LISTED EQUITY SECURITIES</u> (continued)	Holdings	Fair Value HK\$	% of net assets
Hong Kong (continued)			
Denominated in HK\$			
SOUTHWEST SECURITIES INTL SECURITIES LTD	2,580,000	1,806,000	1.13
SUN HUNG KAI PROPERTIES LTD	1,000	93,600	0.06
TENCENT HLDGS LTD	86,800	13,237,000	8.28
TONG REN TANG TECHNOLOGIES CO LTD-H	380,000	4,833,600	3.03
TOWNGAS CHINA CO LTD	1,000	4,500	0.00
TRAVELSKY TECHNOLOGY LTD-H	138,000	1,760,880	1.10
UNITED LABORATORIES LTD	780,000	3,346,200	2.10
YUNNAN WATER INVESTMENT CO LTD-H	598,000	3,079,700	1.93
YUZHOU PROPERTIES CO LTD	3,880,000	8,148,000	5.10
United States			
Denominated in US\$			
ALIBABA GROUP HLDG LTD-SPONSORED ADS	10,500	6,613,875	4.14
BAIDU INC-ADR	1,050	1,538,436	0.96
TAL EDUCATION GROUP-ADR	4,900	1,764,839	1.11
TOTAL INVESTMENTS, AT FAIR VALUE		<u>159,279,740</u>	<u>99.74</u>
TOTAL INVESTMENTS, AT COST		<u>173,924,186</u>	
<u>TOTAL NET ASSETS</u>			
Total investment		159,279,740	99.74
Other net assets		<u>419,044</u>	<u>0.26</u>
Total net assets		<u>159,698,784</u>	<u>100.00</u>

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UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2015

	Movements				
Listed equities	Holdings as at 1 January 2015	Additions	Corporate Action	Disposals	Holdings as at 31 December 2015
Mainland China					
CHONGQING CHANGAN AUTOMOBILE CO LTD-B	148,410	-	-	(140,410)	8,000
WUXI LITTLE SWAN CO LTD-B	107,900	-	-	(107,800)	100
Hong Kong					
3SBIO INC	-	368,000	-	-	368,000
AIA GROUP LTD	-	98,000	-	-	98,000
BANK OF CHINA LTD-H	598,000	-	-	(598,000)	-
BANK OF COMMUNICATIONS CO LTD-H	-	780,000	-	(780,000)	-
BOYAA INTERACTIVE INTL LTD	618,000	-	-	(618,000)	-
CHINA CITIC BANK CORP LTD-H	1,518,000	-	-	(1,518,000)	-
CHINA CONSTRUCTION BANK CORP-H	1,880,000	200,000	-	(500,000)	1,580,000
CHINA EVERBRIGHT BANK CO LTD-H	1,280,000	400,000	-	(1,680,000)	-
CHINA LIFE INSURANCE CO LTD-H	208,000	50,000	-	-	258,000
CHINA MEDICAL SYSTEM HLDGS LTD	-	298,000	-	-	298,000
CHINA MERCHANTS BANK CO LTD-H	160,000	576,000	-	(279,000)	457,000
CHINA MOBILE LTD	48,000	62,000	-	(12,000)	98,000
CHINA PETROLEUM & CHEMICAL CORP-H	598,000	-	-	(590,000)	8,000
CHINA PIONEER PHARMA HLDGS LTD	680,000	1,200,000	-	(300,000)	1,580,000
CHINA POWER INTL DEVELOPMENT LTD	80,000	450,000	-	(529,000)	1,000
CHINA SUNTIEN GREEN ENERGY CORP LTD-H	-	1,380,000	-	-	1,380,000
CIFI HLDGS GROUP CO LTD	-	1,880,000	-	-	1,880,000

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UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2015

	Movements				
Listed equities (continued)	Holdings as at 1 January 2015	Additions	Corporate Action	Disposals	Holdings as at 31 December 2015
Hong Kong (continued)					
COWELL E HLDGS INC	-	2,780,000	-	-	2,780,000
DAWNRAYS PHARMACEUTICAL (HLDGS) LTD	-	2,480,000	-	(380,000)	2,100,000
DONGFENG MOTOR GROUP CO LTD-H	238,000	-	-	(238,000)	-
DYNAGREEN ENVIRONMENTAL PROTECTION GROUP CO LTD-H	1,231,000	449,000	-	(100,000)	1,580,000
GF SECURITIES CO LTD-H	-	238,000	-	(237,000)	1,000
GREENLAND HONG KONG HLDGS LTD	-	518,000	-	-	518,000
GUANGDONG NAN YUE LOGISTICS CO LTD-H	-	518,000	259,000	-	777,000
GUOTAI JUNAN INTL HLDGS LTD	1,188,000	2,808,000	976,000	(4,710,000)	262,000
HAITONG SECURITIES CO LTD-H	388,000	100,000	-	(488,000)	-
HENDERSON LAND DEVELOPMENT CO LTD	-	51,000	100	(50,000)	1,100
HONG KONG EXCHANGES & CLEARING LTD	-	51,800	-	(12,000)	39,800
KINGSOFT CORP LTD	-	38,000	-	(38,000)	-
NAGACORP LTD	280,000	-	-	(278,000)	2,000
PHOENIX SATELLITE TELEVISION HLDGS LTD	580,000	1,456,000	-	-	2,036,000
PING AN INSURANCE GROUP CO OF CHINA LTD-H	58,000	-	58,000	-	116,000
RED STAR MACALLINE GROUP CORP LTD-H	-	100,000	-	-	100,000
SINO BIOPHARMACEUTICAL LTD	380,000	500,000	440,000	(740,000)	580,000
SINOPEC ENGINEERING (GROUP) CO LTD-H	238,000	-	-	-	238,000
SINOPEC OILFIELD SERVICE CORP -H	1,318,000	-	-	(1,318,000)	-
SOUTHWEST SECURITIES INTL SECURITIES LTD	-	2,580,000	-	-	2,580,000
SUN HUNG KAI PROPERTIES LTD	-	22,000	-	(21,000)	1,000
SUNAC CHINA HLDGS LTD	1,280,000	238,000	-	(1,518,000)	-
TENCENT HLDGS LTD	800	86,000	-	-	86,800

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UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2015

	Movements				
	Holdings as at 1 January 2015	Additions	Corporate Action	Disposals	Holdings as at 31 December 2015
Listed equities (continued)					
Hong Kong (continued)					
TONG REN TANG TECHNOLOGIES CO LTD-H	-	380,000	-	-	380,000
TOWNGAS CHINA CO LTD	80,000	600,000	-	(679,000)	1,000
TRAVELSKY TECHNOLOGY LTD-H	316,000	-	-	(178,000)	138,000
UNITED LABORATORIES LTD	218,000	2,578,000	-	(2,016,000)	780,000
YANZHOU COAL MINING CO LTD-H	878,000	400,000	-	(1,278,000)	-
YUNNAN WATER INVESTMENT CO LTD-H	-	598,000	-	-	598,000
YUZHOU PROPERTIES CO LTD	5,180,000	700,000	-	(2,000,000)	3,880,000
United States					
ALIBABA GROUP HLDG LTD- SPONSORED ADS	-	10,500	-	-	10,500
BAIDU INC-ADR	-	2,100	-	(1,050)	1,050
TAL EDUCATION GROUP-ADR	-	4,900	-	-	4,900

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
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UNAUDITED PERFORMANCE TABLE

31 December 2015

1. NET ASSET VALUE

	Net assets value per unit HK\$	Total net asset value HK\$
As at 31 December 2015		
- Class A units	7.578	37,225
- Class I units	12.295	159,661,559
As at 31 December 2014		
- Class A units	N/A	N/A
- Class I units	12.901	138,053,926
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 2015		
- Class A units	10.331	6.670
- Class I units	16.712	10.803
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