

# ANNUAL REPORT

For the financial year ended 31 December 2016

**Nikko AM**  
**China Onshore Fund Series**

**MANAGERS**

Nikko Asset Management Asia Limited  
12 Marina View, #18-02, Asia Square Tower 2,  
Singapore 018961  
Company Registration Number: 198202562H

**DIRECTORS**

Lim Say Boon  
Lim Soon Chong  
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David Jonathan Semaya  
Yu-Ming Wang

**TRUSTEE**

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Singapore 049319

**AUDITORS**

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Singapore 048424

**REGISTRAR**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
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**CUSTODIANS**

Singapore Custodian  
BNP Paribas Securities Services, operating through its Singapore Branch  
20 Collyer Quay, #01-01  
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China Custodian (for Nikko AM China Onshore Bond Fund)

Bank of China Limited  
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Beijing, China 100818

China Custodian (for Nikko AM China Equity Fund)

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33rd Floor, HSBC Building, Shanghai IFC,  
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This report is also available on our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Nikko AM China Onshore Bond Fund	-2.42	-1.03	1.42	-	-	3.79

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 31 December 2016. Returns are calculated on a NAV-NAV basis, RMB, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Nikko AM China Onshore Bond Fund	-7.30	-5.98	-3.65	-	-	1.51

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 31 December 2016. Returns are calculated on a NAV-NAV basis, RMB, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 10 September 2014

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Nikko AM China Equity Fund	-5.60	-2.61	-19.31	-	-	-8.14
CSI 300 Index (Net Total Return) <sup>1</sup>	-2.33	1.51	-15.41	-	-	-6.24

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 31 December 2016. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Nikko AM China Equity Fund	-10.32	-7.48	-23.35	-	-	-11.64
CSI 300 Index (Net Total Return) <sup>1</sup>	-2.33	1.51	-15.41	-	-	-6.24

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 31 December 2016. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 7 September 2015

#### Note:

(1) The benchmark of the Nikko AM China Equity Fund is CSI 300 Index (Net Total Return) and is stated in USD terms.

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## **Nikko AM China Onshore Bond Fund**

### **Portfolio Review**

#### ***Fund gained 1.42% in 2016***

The Nikko AM China Onshore Bond Fund (the “Fund”) posted a return of 1.42% (in RMB terms, NAV-NAV basis) in 2016. The decision to trim credit exposure at the start of the period was prompted mainly by profit taking following the strong bond rally in February. However, as onshore corporate default concerns grew, we decided to further reduce credit risk by trimming our credit exposure in the dim sum bond market. Heading towards the last quarter of 2016, the improvement in the global and domestic economic outlook led us to trim duration. Although shortly after, following the massive sell-off in fixed income assets prompted by Donald Trump’s unexpected win in the US presidential elections, we re-extended our duration position in government bonds. On the credit side, we expected FX pressure to likely push up credit spreads, leading us to further reduce our credit risk.

### **Market Review**

#### ***China PPI turned positive in September; GDP growth registered 6.7% in 2016***

Following more than four years of being in the negative, PPI inflation registered positive in September. The gauge of factory-gate prices strengthened further in the succeeding months, registering 5.5% year-on-year (YoY) in December. The recovery in PPI over the period was led mainly by gains in the mining sector as well as improvement in raw material prices. Meanwhile, for the whole year, the Chinese economy expanded 6.7% – the lowest since 1990, albeit in line with the official growth target of 6.5-7.0%. Investment was the main drag on the economy, while consumption provided support to overall growth.

#### ***China appointed a new Finance Minister***

Towards the end of the year, the head of China’s State Administration of Taxation, Xiao Jie, was appointed as the new Finance Minister, replacing Lou Jiwei. The announcement from the Standing Committee of the National People’s Congress also installed new leadership at three other ministries.

#### ***MSCI delayed the inclusion of ‘A’ shares to its Emerging Markets Index***

During the period, MSCI announced that it will delay including China ‘A’ shares into its MSCI Emerging Markets Index. The widely-followed global index provider acknowledged the recent reform efforts by Chinese authorities to improve accessibility of its stock market to global investors, but “stressed the need for a period of observation to assess the effectiveness” of these changes. Investor concern over lack of the openness and transparency of Chinese markets was the main reason cited for the delay. Nonetheless, MSCI said that it will continue to review the proposed inclusion of ‘A’ shares, and does not rule out a potential off-cycle announcement ahead of the next scheduled review in June 2017.

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### ***Moody's and S&P downgraded China's government bond rating outlook***

Both Moody's and S&P lowered their outlook for China's sovereign rating from 'stable' to 'negative' in the year. According to Moody's, the ongoing and prospective weakening of fiscal metrics, China's shrinking foreign reserves and prevailing uncertainty relating to economic reform, collectively warranted the revision. Meanwhile, apart from citing rising public and corporate debt as underlying reasons for its revised outlook, S&P also noted that China's investment rate – at higher than 40% - is not sustainable.

### ***Policymakers hardened stance on deleveraging***

Over the period, the Chinese government introduced several measures to tighten onshore financing for developers. Among other things, the National Development and Reform Commission (NDRC) restricted property developers from issuing enterprise bonds for commercial property development, although it noted that bond issuances for social housing purposes in low-inventory cities continued to be permitted. Separately, the head of statistics and analysis at The People's Bank of China (PBoC) called for stronger intervention as well as hiking rates as a possible option to check the depreciation of the currency that has pressurized capital outflows.

### ***State Council approved Shenzhen-Hong Kong Stock Connect***

In August, China's State Council approved a trading link between the stock markets of Shenzhen and Hong Kong (SZ-HK Stock Connect), adding on to an existing program between Shanghai and Hong Kong (SH-HK Stock Connect). No upper limit on the total amount of Chinese shares foreigners can hold under the SZ-HK Stock Connect was set, while the current aggregate quota under the SH-HK Stock Connect will be scrapped.

### ***Yields of onshore government and corporate bonds ended higher***

The sell-off in the CNY bond market started gradually in October, with the rise in yields prompted mainly by inflationary fears and a broad-based unwinding of Emerging Market (EM) positions. The return of PPI to positive territory in September sparked fears of rising inflation. Meanwhile, Donald Trump's upset win in the US presidential election in November triggered a myriad of uncertainties, resulting in a surge in global fixed income yields and a significant withdrawal of funds from EM. The hardest hit for the market came towards the end of the period when the government clamped down on leveraging by bond investors and conducted unsterilised FX intervention in the offshore CNH amidst the sharp dollar rally.

## **Market Outlook & Strategy**

### ***Putting on dynamic duration hedge, stay cautious on credit risk***

In our view, recent actions by the PBoC are better explained by the authorities' intention to stabilise the CNY rather than justified by fundamentals. As the outlook for the CNY is subject to global FX market fluctuations, our strategy is to work on dynamically hedging the impact of FX on both the onshore and offshore rates markets. In the meantime, we would prefer to maintain neutral duration and stay cautious on credit risk.

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## **Nikko AM China Equity Fund**

### **Portfolio Review**

#### ***The Fund underperformed in 2016 after inception***

For the year ended 31 December 2016, The Nikko AM China Equity Fund (the "Fund") returned -19.31% (USD terms, on NAV-NAV basis), underperforming the Shanghai Shenzhen CSI 300 Index which returned -15.41%. The underperformance was mainly due to a rebound in large caps after the market turmoil in January, while mid and small caps continued their decline.

### **Market Review**

#### ***Chinese stocks experienced a volatile year***

The A-share market had been on a decline since the beginning of 2016, with the major index down more than 20% in a month. Key drivers of stock market underperformance included the accelerating RMB depreciation as well as the triggering of the A-share circuit breaker, which caused liquidity to dry up and increased panic selling. In order to calm frenzied market sentiment, authorities rolled out measures to stabilise the market and the CNY, including suspending the circuit breaker, injecting funds to boost liquidity and renewing restrictions on sales by major shareholders.

Following the market slump early in the year, major central banks cooperated with each other to stabilise global currencies and stock markets. As a result, investors became more positive about the A-shares market and began pursuing large caps with high dividend yields. At the end of June, UK voted to leave the European Union, causing major stock markets to tumble again. However, global markets quickly dismissed risks from "BREXIT" and rebounded to new highs on the back of more quantitative easing measures by central banks. Since then, A-shares stabilised and bottomed up gradually, supported by economic recovery and fiscal policy.

#### ***The Chinese economy rebounded on the back of a strong property market***

Since the stock market turmoil in June 2015, the central bank turned to loose monetary policy in order to support the economy. The property market benefitted the most from ample liquidity and property sales growth remained strong until tightening measures were implemented in October. As a result, the Chinese economy saw its bottom in mid-2016 before gradually rebounding. Boosted by higher government spending and record bank lending, China's GDP grew a faster-than-expected 6.8% in the fourth quarter of 2016, giving the country an added tailwind heading into what was expected to be a turbulent year. Overall, the economy expanded 6.7% in 2016, which was line with the government's growth target of 6.5-7%, but still the slowest pace in 26 years.

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### ***Directionless market made stock picking challenging***

In the first half of the year, our portfolio was hit by the market downturn, but gradually recovered thereafter. Although we had shifted more weighting from growth to value stocks, it was difficult to catch up with the market because the index was largely driven by large caps which had substantially underperformed in 2015. Meanwhile, volatility was higher and the stock market lost direction, making it challenging to pick stocks using fundamental factors.

### **Market Outlook & Strategy**

#### ***Slow bull market expected in 2017***

In 2017, we expect the A-shares market to enter a slow bull market. Firstly, the possibility of a market bubble has since been almost removed after the market collapse in June 2015. The CSI 300 Index is now valued lower than the S&P 500 and hence more attractive to both domestic and foreign investors. However the overall valuations of mid and small caps is still relatively high and should still be in the de-rating stage in 2017. Thus we think strategic stock selection is important this year. Secondly, large caps, most of which are cyclical stocks, are expected receive an earnings boost thanks to the economic rebound. As a result, the index should be pushed higher. Lastly, Chinese authorities are in the process of deleveraging the financial market on the back of recent economic recovery and lower currency depreciation pressure. The stock market will be hurt by tightening liquidity, although should benefit from improving company earnings and money outflow from fixed income and property markets. Overall, the health of the stock market in 2017 could depend heavily on earnings growth while volatility is expected to be lower than that in 2015 and 2016.

Liquidity is still a cause for concern for Chinese investors amid the deleveraging process. Additionally, there has been uncertainty surrounding Trump's proposed policies and their potential global impact. After markets surged on hopes that Trump's mooted policies of tax cuts, financial deregulation and infrastructure spending will boost economic growth, stocks are now under selling pressure amid concerns about the domestic and international discord that some of his actions have sown.

#### ***Remain focused on stock picking in 2017***

Considering that we are currently in a sluggish bull market, we strive to pick stocks from sectors that would benefit the most from the economic boom and inflation. In our view, macro indicators will continue to improve as the economy is still on the upcycle. Thus we are overweight on cyclical stocks such as chemicals, construction, oil services and equipment. Should inflation catch up subsequently, the pressure could shift from upstream to downstream and consumer goods will be the key benefactor. Meanwhile, banks are one of our favourites this year because the sector was still undervalued. Earnings growth should be strong in 2017 and non-performing loans should improve amid economic boom.

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**Key investment themes for 2017**

SOE reform and inflation could be key themes that drive the stock market in 2017. Firstly, SOE reform has been a top priority for both central and local governments. Seven sectors have been targeted and we expect that the government could accelerate restructuring so as to set the standard for remaining sectors.

Meanwhile, the Producer Price Index is the highest level in five years. The inflation could transfer to consumer sectors sooner or later and increasing prices could boost earnings growth of listed companies.



## IMPORTANT INFORMATION

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The fund is only offered to professional investors and is not authorized by the Securities and Futures Commission in Hong Kong. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

## SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

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### Appointment of soft dollar brokers

The Managers will only appoint soft dollar brokers onto their broker panel after they have ensured that:

- a) full disclosure of the practice of accepting soft dollars is made;
- b) the commission rates charged are comparable with the market rates;
- c) there is no conflict of interest;
- d) the soft dollar credits are used only for clearly defined services;
- e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and
- f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

### Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the Sub-Funds shall be segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). The Managers will execute trades for such accounts only with authorised full service brokers.

The Managers are responsible for ensuring that the allocation quotas are adhered to. In addition, the Managers will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

Subject to the provisions of the Code\*, in its management of the Sub-Funds, the Managers may receive soft dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Sub-Funds and the soft dollars received would be restricted to the following kinds of services:

- a) specific advice as to the advisability of dealing in, or of the value of any investments;
- b) research and advisory services;
- c) economic and political analysis;
- d) portfolio analysis including valuation and portfolio measurements;
- e) market analysis;
- f) data and quotation services;
- g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
- h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:

- a) travel, accommodation and entertainment expenses;
- b) general administrative goods and services including office equipment and premises;
- c) membership fees;
- d) employee salaries; and
- e) direct money payments / rebates.

The Managers will retain the records of the payments made using soft dollar commissions.

Notwithstanding the above, investors should note that currently, the Managers do not intend to receive soft dollar commissions in respect of the Nikko AM China Onshore Bond Fund.

In relation to the Nikko AM China Equity Fund, the Managers will not accept or enter into soft-dollar commissions / arrangements unless:

- a) such soft-dollar commissions / arrangements would in the opinion of the Managers, assist the Managers in their management of the Nikko AM China Equity Fund;
- b) at all times, best execution is carried out by the Managers for the transactions; and
- c) no unnecessary trades are entered into in order to qualify for such soft-dollar commissions / arrangements.

\* The "**Code**" means the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as may be amended, modified, or supplemented from time to time by the Authority.

## **NIKKO AM CHINA ONSHORE FUND SERIES**

*(Constituted under a Trust Deed registered in the Republic of Singapore)*

### **REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2016*

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The Trustee is under a duty to take into custody and hold the assets of the sub-funds of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund (collectively referred to as the "Sub-Funds") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Sub-Funds during the financial year covered by these financial statements, set out on pages 15 to 49, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee  
BNP Paribas Trust Services Singapore Limited

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Authorised signatory

## **NIKKO AM CHINA ONSHORE FUND SERIES**

*(Constituted under a Trust Deed registered in the Republic of Singapore)*

### **STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2016*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 15 to 49, comprising the Statements of Total Return, Statements of Financial Position, Statements of Movements of Unitholders' Funds, Statements of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions and the portfolio holdings of the sub-funds of Nikko AM China Onshore Fund Series, comprising Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund (collectively referred to as the "Sub-Funds") as at 31 December 2016, and the financial performance and movements in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Sub-Funds will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager  
Nikko Asset Management Asia Limited

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Authorised signatory

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF NIKKO AM CHINA ONSHORE FUND SERIES**  
(Constituted under a Trust Deed registered in the Republic of Singapore)

***Our Opinion***

In our opinion, the accompanying financial statements of the sub-funds of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund (collectively referred to as the "Sub-Funds"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial positions and portfolio holdings of the Sub-Funds as at 31 December 2016, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

*What we have audited*

The financial statements of the Sub-Funds comprise:

- the Statements of Financial Position as at 31 December 2016;
- the Statements of Portfolio as at 31 December 2016;
- the Statements of Total Return for the financial year then ended;
- the Statements of Movements of Unitholders' Funds for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

***Basis for Opinion***

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

*Independence*

We are independent of the Sub-Funds in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

***Other Information***

The Sub-Funds' Manager (the "Manager") is responsible for the other information. The other information comprises the relevant sections of the annual report included in pages 1 to 11 and 50 to 54, which we obtained prior to the date of this auditor's report, and excludes the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF NIKKO AM CHINA ONSHORE FUND SERIES**  
(Constituted under a Trust Deed registered in the Republic of Singapore)

***Responsibilities of the Manager for the Financial Statements***

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Sub-Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Sub-Funds or to cease the Sub-Funds' operations, or has no realistic alternative but to do so.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF NIKKO AM CHINA ONSHORE FUND SERIES**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

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

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore,

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENTS OF TOTAL RETURN

For the financial year ended 31 December 2016

		Nikko AM China Onshore Bond Fund		Nikko AM China Equity Fund	
	Note	2016 RMB	2015 RMB	2016 RMB	2015 RMB
For the financial period from 15 June 2015 (date of commencement) to 31 December					
<b>Income</b>					
Dividends		-	-	401,718	17,640
Interest	3	71,924	126,358	6,181	6,968
Other Income		80,950	-	-	-
		<u>152,874</u>	<u>126,358</u>	<u>407,899</u>	<u>24,608</u>
<b>Less: Expenses</b>					
Management fee		2,474,961	2,397,617	417,160	153,910
Registrar fee		23,768	21,439	11,216	3,480
Trustee fee		75,359	71,809	22,023	6,552
Custody fee		52,883	237,343	12,414	5,666
Audit fee		155,636	148,389	119,037	109,161
Valuation fee		100,478	95,745	30,830	9,172
Transaction costs		30,906	80,730	234,179	83,905
Preliminary expenses		-	-	-	222,939
Impairment loss	11(g)	1,163,600	-	-	-
Other expenses		513,227	321,572	119,870	36,435
		<u>4,590,818</u>	<u>3,374,644</u>	<u>966,729</u>	<u>631,220</u>
<b>Net losses</b>		<u>(4,437,944)</u>	<u>(3,248,286)</u>	<u>(558,830)</u>	<u>(606,612)</u>
<b>Net gains or losses on value of investments and financial derivatives</b>					
Net gains on investments		9,332,928	22,566,747	(4,193,711)	4,333,816
Net foreign exchange gain/(loss)		25,570	(49,297)	34,143	(64,635)
Net loss on financial derivatives		(246,730)	(1,636,606)	-	-
		<u>9,111,768</u>	<u>20,880,844</u>	<u>(4,159,568)</u>	<u>4,269,181</u>
<b>Total return/(deficit) for the financial year/period before income tax</b>		<u>4,673,824</u>	<u>17,632,558</u>	<u>(4,718,398)</u>	<u>3,662,569</u>
Less: Income tax	4	(672,165)	(1,253,645)	(45,940)	(2,021)
<b>Total return/(deficit) for the financial year/period after income tax</b>		<u>4,001,659</u>	<u>16,378,913</u>	<u>(4,764,338)</u>	<u>3,660,548</u>

The accompanying notes form an integral part of the financial statements



## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Nikko AM China Onshore Bond Fund		Nikko AM China Equity Fund	
Note	2016 RMB	2015 RMB	2016 RMB	2015 RMB
<b>ASSETS</b>				
Portfolio of investments	255,378,923	298,678,589	26,006,783	31,818,818
Sales awaiting settlement	2,256,401	-	-	-
Receivables	6 39,113	1,609,886	-	-
Cash and bank balances	6,604,823	6,330,636	987,477	1,451,266
Term deposits	10,000,000	-	-	-
Reserves accounts	10 45,944	56,547	56,000	56,000
<b>Total assets</b>	<b>274,325,204</b>	<b>306,675,658</b>	<b>27,050,260</b>	<b>33,326,084</b>
<b>LIABILITIES</b>				
Payables	5 2,548,444	2,003,650	265,684	279,183
Distributions payable	915,802	998,728	-	-
Financial derivatives at fair value	8 -	519,912	-	-
<b>Total liabilities</b>	<b>3,464,246</b>	<b>3,522,290</b>	<b>265,684</b>	<b>279,183</b>
<b>EQUITY</b>				
Net assets attributable to unitholders	7 270,860,958	303,153,368	26,784,576	33,046,901

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENTS OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 31 December 2016

	Note	Nikko AM China Onshore Bond Fund		Nikko AM China Equity Fund	
		2016 RMB	2015 RMB	2016 RMB	2015 RMB
					For the financial period from 15 June 2015 (date of commencement) to 31 December
<b>Net assets attributable to unitholders at the beginning of the financial year/period</b>		<b>303,153,368</b>	177,386,123	<b>33,046,901</b>	-
<b>Operations</b>					
Change in net assets attributable to unitholders resulting from operations		4,001,659	16,378,913	(4,764,338)	3,660,548
<b>Unitholders' contributions/(withdrawals)</b>					
Creation of units		28,558,751	208,208,284	2,802,887	31,165,255
Cancellation of units		(54,057,725)	(88,281,241)	(4,300,874)	(1,778,902)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(25,498,974)	119,927,043	(1,497,987)	29,386,353
Distributions	9	(10,795,095)	(10,538,711)	-	-
Total (decrease)/ increase in net assets attributable to unitholders		(32,292,410)	125,767,245	(6,262,325)	33,046,901
<b>Net assets attributable to unitholders at the end of the financial year/period</b>	7	<b>270,860,958</b>	303,153,368	<b>26,784,576</b>	33,046,901

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

Nikko AM China Onshore Bond Fund			
By Geography (Primary)	Holdings at 31 December 2016	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Fixed Income Securities</b>			
<b>BRITISH VIRGIN ISLANDS</b>			
Unican Limited 5.15% due 02/07/2018	6,500,000	6,410,593	2.37
<b>Total BRITISH VIRGIN ISLANDS</b>		6,410,593	2.37
<b>CAYMAN ISLANDS</b>			
Agile Group Holdings Limited 6.5% due 28/02/2017	3,000,000	2,993,760	1.10
Dorsett Hospitality International Limited 6% due 03/04/2018	5,000,000	4,950,250	1.83
Lai Fung Holdings Limited 6.875% due 25/04/2018	11,000,000	10,836,650	4.00
<b>Total CAYMAN ISLANDS</b>		18,780,660	6.93
<b>CHINA</b>			
Aluminum Corporation of China 5.99% due 03/09/2019	10,000,000	10,195,420	3.76
Aluminum Corporation of China Limited 5.2% due 22/01/2018	10,000,000	10,025,050	3.70
Bank of China Limited 3.6% due 12/07/2018	3,400,000	3,349,510	1.24
Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020	20,000,000	20,107,040	7.42
China Cinda Asset Management Company Limited 4.3% due 22/05/2020	10,000,000	10,057,900	3.71
China Development Bank Corporation 3.18% due 05/04/2026	10,000,000	9,620,010	3.55
China Development Bank Corporation 3.81% due 05/02/2025	10,000,000	9,975,930	3.68
China Development Bank Corporation 4.9% due 12/06/2024	10,000,000	10,672,400	3.94
China Government Bond 3.28% due 02/06/2019	2,000,000	1,981,940	0.73
China Government Bond 3.31% due 30/11/2025	4,000,000	3,851,980	1.42
China Government Bond 3.55% due 12/12/2021	2,500,000	2,461,087	0.91
China Government Bond 3.6% due 21/05/2030	7,000,000	6,677,265	2.47
China Government Bond 3.64% due 09/04/2025	10,000,000	10,461,130	3.86
China Government Bond 3.85% due 12/12/2026	2,500,000	2,489,825	0.92
China Government Bond 4.1% due 21/05/2045	1,000,000	958,310	0.35
China Government Bond 4.13% due 18/09/2024	10,000,000	10,850,420	4.01

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

Nikko AM China Onshore Bond Fund			
By Geography (Primary) (continued)	Holdings at 31 December 2016	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Fixed Income Securities (continued)</b>			
<b>CHINA (continued)</b>			
China National Gold Group Corporation 5.29% due 29/12/2049	10,000,000	10,231,570	3.78
CITIC Securities Company Limited 5.1% due 25/06/2025	5,000,000	5,323,270	1.97
Export-Import Bank of China 3.87% due 14/09/2025	10,000,000	10,003,840	3.69
Guangzhou Yue Xiu Holdings Limited 5.2% due 28/02/2020	10,000,000	10,331,970	3.82
Jinchuan Group Company Limited 4.75% due 17/07/2017	10,000,000	9,513,900	3.51
Poly Real Estate Group Company Limited 4.8% due 26/12/2019	10,000,000	10,197,720	3.77
Shanghai Shimao Company Limited 6.08% due 10/03/2018	10,000,000	10,201,560	3.77
Shenhua Group Corporation Limited 3.35% due 25/01/2021	10,000,000	9,728,320	3.59
Zhejiang Geely Holding Group Company Limited 5.9% due 24/01/2020	2,500,000	2,610,243	0.96
<b>Total CHINA</b>		<b>201,877,610</b>	<b>74.53</b>
<b>HONG KONG SAR</b>			
ICBCIL Finance Company Limited 3.9% due 18/06/2018	5,000,000	4,943,475	1.83
<b>Total HONG KONG SAR</b>		<b>4,943,475</b>	<b>1.83</b>
<b>NEW ZEALAND</b>			
Fonterra Co-Operative Group Limited 4% due 22/06/2020	5,000,000	4,909,210	1.81
<b>Total NEW ZEALAND</b>		<b>4,909,210</b>	<b>1.81</b>
<b>POLAND</b>			
Republic of Poland Government International Bond 3.4% due 26/08/2019	10,000,000	9,721,090	3.59
<b>Total POLAND</b>		<b>9,721,090</b>	<b>3.59</b>
<b>SUPRANATIONAL</b>			
Central American Bank for Economic Integration 3.95% due 21/09/2019	3,500,000	3,469,375	1.28
<b>Total SUPRANATIONAL</b>		<b>3,469,375</b>	<b>1.28</b>

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

#### Nikko AM China Onshore Bond Fund

##### By Geography (Primary) (continued)

	Holdings at 31 December 2016	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Fixed Income Securities</b> (continued)			
Accrued interest receivable on quoted fixed income securities		5,266,910	1.94
<b>Total Quoted Fixed Income Securities</b>		<b>255,378,923</b>	<b>94.28</b>
<b>Portfolio of investments</b>		<b>255,378,923</b>	<b>94.28</b>
<b>Other net assets</b>		<b>15,482,035</b>	<b>5.72</b>
<b>Net assets attributable to unitholders</b>		<b>270,860,958</b>	<b>100.00</b>

#### Nikko AM China Onshore Bond Fund

##### By Geography (Summary)

	Percentage of total net assets attributable to unitholders at 31 December 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Fixed Income Securities</b>		
British Virgin Islands	2.37	2.29
Cayman Islands	6.93	14.27
China	74.53	73.20
Hong Kong SAR	1.83	3.24
Netherlands	-	1.89
New Zealand	1.81	1.57
Poland	3.59	-
Supranational	1.28	-
Accrued interest receivable on quoted fixed income securities	1.94	2.06
<b>Total Quoted Fixed Income Securities</b>	<b>94.28</b>	<b>98.52</b>
<b>Portfolio of investments</b>	<b>94.28</b>	<b>98.52</b>
<b>Other net assets</b>	<b>5.72</b>	<b>1.48</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

By Industry (Secondary)	Nikko AM China Onshore Bond Fund		
	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Auto Manufacturers	2,610,243	0.97	1.89
Banks	33,617,850	12.41	6.85
Basic Materials	-	-	10.24
Coal	9,728,320	3.59	-
Consumer	-	-	2.42
Distribution/wholesale	-	-	3.46
Diversified Financial Services	26,735,238	9.87	3.25
Energy	-	-	3.30
Engineering and Construction	-	-	6.70
Financial Services	-	-	17.17
Food	4,909,210	1.81	2.39
Internet	-	-	4.15
Lodging	4,950,250	1.83	1.62
Mining	39,965,940	14.76	1.68
Multi-National	3,469,375	1.28	-
Oil and Gas	-	-	3.51
Real Estate	44,561,660	16.45	7.29
Sovereign	59,456,887	21.95	17.24
Transportation	20,107,040	7.42	-
Utilities	-	-	3.30
Accrued interest receivable on quoted fixed income securities	5,266,910	1.94	2.06
<b>Portfolio of investments</b>	<b>255,378,923</b>	<b>94.28</b>	<b>98.52</b>
<b>Other net assets</b>	<b>15,482,035</b>	<b>5.72</b>	<b>1.48</b>
<b>Net assets attributable to unitholders</b>	<b>270,860,958</b>	<b>100.00</b>	<b>100.00</b>

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

Nikko AM China Equity Fund			
By Industry (Primary)	Holdings at 31 December 2016	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Equities</b>			
<b>ADVERTISING</b>			
Guangdong Advertising Group Company Limited**	40,000	502,000	1.87
<b>Total ADVERTISING</b>		<u>502,000</u>	<u>1.87</u>
<b>AGRICULTURE</b>			
Beijing Shunxin Agriculture Company Limited	26,000	572,000	2.14
Guangdong Haid Group Company Limited	25,000	376,250	1.40
<b>Total AGRICULTURE</b>		<u>948,250</u>	<u>3.54</u>
<b>AUTO MANUFACTURERS</b>			
Saic Motor Corporation Limited	18,000	422,640	1.58
<b>Total AUTO MANUFACTURERS</b>		<u>422,640</u>	<u>1.58</u>
<b>BANKS</b>			
Bank of Beijing Company Limited	95,970	936,667	3.50
Bank of Nanjing Company Limited	40,000	433,600	1.62
China Merchants Bank Company Limited	50,000	880,500	3.29
China Minsheng Banking Corporation Limited	80,000	727,200	2.71
Huaxia Bank Company Limited	60,000	651,000	2.43
Industrial Bank Company Limited	70,000	1,129,800	4.22
<b>Total BANKS</b>		<u>4,758,767</u>	<u>17.77</u>
<b>BEVERAGES</b>			
Anhui Gujing Distillery Company Limited	10,000	455,000	1.70
Beijing Yanjing Brewery Company Limited	55,000	382,250	1.43
Kweichow Moutai Company Limited	2,000	668,200	2.49
<b>Total BEVERAGES</b>		<u>1,505,450</u>	<u>5.62</u>
<b>BIOTECHNOLOGY</b>			
Hualan Biological Engineering Incorporated	12,000	429,000	1.60
<b>Total BIOTECHNOLOGY</b>		<u>429,000</u>	<u>1.60</u>
<b>CHEMICALS</b>			
Shandong Hualu Hengsheng Chemical Company Limited	21,977	291,195	1.09
Sinopec Shanghai Petrochemical Company Limited	49,914	321,446	1.20
Tangshan Sanyou Chemical Industries Company Limited	45,000	422,550	1.58
<b>Total CHEMICALS</b>		<u>1,035,191</u>	<u>3.87</u>
<b>COAL</b>			
Shanxi Lu'an Environmental Energy Development Company Limited	40,000	322,000	1.20
<b>Total COAL</b>		<u>322,000</u>	<u>1.20</u>

\*\* This security has been suspended from trading during the financial year and the fair value represents the Manager's best estimate.

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

Nikko AM China Equity Fund			
By Industry (Primary) (continued)	Holdings at 31 December 2016	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Equities (continued)</b>			
<b>DISTRIBUTION/WHOLESALE</b>			
China Meheco Company Limited	24,000	456,720	1.71
<b>Total DISTRIBUTION/WHOLESALE</b>		<b>456,720</b>	<b>1.71</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
Changjiang Securities Company Limited	60,000	613,800	2.29
China Merchants Securities Company Limited	45,000	734,850	2.75
Huatai Securities Company Limited	45,000	803,700	3.00
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>2,152,350</b>	<b>8.04</b>
<b>ELECTRIC</b>			
China Yangtze Power Company Limited	40,000	507,200	1.89
Yunnan Wenshan Electric Power Company Limited	20,000	267,400	1.00
<b>Total ELECTRIC</b>		<b>774,600</b>	<b>2.89</b>
<b>ELECTRICAL COMPONENT &amp; EQUIPMENT</b>			
Sunwoda Electronic Company Limited	20,000	278,000	1.04
<b>Total ELECTRICAL COMPONENT &amp; EQUIPMENT</b>		<b>278,000</b>	<b>1.04</b>
<b>ELECTRONICS</b>			
Luxshare Precision Industry Company Limited	14,000	290,500	1.09
Shenzhen Everwin Precision Technology Company Limited	10,000	260,600	0.97
Shenzhen Inovance Technology Company Limited	14,856	302,022	1.13
<b>Total ELECTRONICS</b>		<b>853,122</b>	<b>3.19</b>
<b>ENGINEERING AND CONSTRUCTION</b>			
China Camc Engineering Company Limited	22,000	504,240	1.88
China Gezhouba Group Company Limited	45,000	413,550	1.55
Shanghai Tunnel Engineering Company Limited	40,000	440,400	1.64
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>1,358,190</b>	<b>5.07</b>
<b>ENVIRONMENTAL CONTROL</b>			
Beijing Originwater Technology Company Limited	20,035	351,013	1.31
<b>Total ENVIRONMENTAL CONTROL</b>		<b>351,013</b>	<b>1.31</b>
<b>FOOD</b>			
Yonghui Superstores Company Limited	100,000	491,000	1.83
<b>Total FOOD</b>		<b>491,000</b>	<b>1.83</b>
<b>FOREST PRODUCTS &amp; PAPER</b>			
Shandong Sun Paper Industry JSC Limited	70,000	467,600	1.75
<b>Total FOREST PRODUCTS &amp; PAPER</b>		<b>467,600</b>	<b>1.75</b>

The accompanying notes form an integral part of the financial statements



## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

Nikko AM China Equity Fund			
By Industry (Primary) (continued)	Holdings at 31 December 2016	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Equities (continued)</b>			
<b>HOLDING COMPANIES-DIVERSIFIED</b>			
China Dalian International Cooperation Group Holdings Limited	14,000	382,200	1.43
Shanghai Jiabao Industry & Commerce Group Company Limited	25,000	359,250	1.34
<b>Total HOLDING COMPANIES-DIVERSIFIED</b>		<b>741,450</b>	<b>2.77</b>
<b>HOME FURNISHINGS</b>			
Hangzhou Robam Appliances Company Limited	10,000	368,000	1.37
<b>Total HOME FURNISHINGS</b>		<b>368,000</b>	<b>1.37</b>
<b>HOUSEWARES</b>			
Zhejiang Supor Cookware Company Limited	11,000	384,120	1.43
<b>Total HOUSEWARES</b>		<b>384,120</b>	<b>1.43</b>
<b>INSURANCE</b>			
China Pacific Insurance Group Company Limited	15,000	416,700	1.55
Ping An Insurance Group Company of China Limited	30,000	1,062,900	3.97
<b>Total INSURANCE</b>		<b>1,479,600</b>	<b>5.52</b>
<b>INTERNET</b>			
Hithink Royalfly Information Network Company Limited	4,000	275,120	1.03
Wangsu Science & Technology Company Limited	7,000	375,270	1.40
<b>Total INTERNET</b>		<b>650,390</b>	<b>2.43</b>
<b>IRON/STEEL</b>			
Hesteel Company Limited	80,000	267,200	1.00
<b>Total IRON/STEEL</b>		<b>267,200</b>	<b>1.00</b>
<b>METAL FABRICATE/HARDWARE</b>			
Xinxing Ductile Iron Pipes Company Limited	50,000	258,500	0.97
<b>Total METAL FABRICATE/HARDWARE</b>		<b>258,500</b>	<b>0.97</b>
<b>MINING</b>			
China Nonferrous Metal Industry's Foreign Engineering and Construction Company Limited	45,000	359,550	1.34
<b>Total MINING</b>		<b>359,550</b>	<b>1.34</b>
<b>MISCELLANEOUS MANUFACTURE</b>			
Shenzhen O-Film Tech Company Limited	8,000	274,240	1.02
<b>Total MISCELLANEOUS MANUFACTURE</b>		<b>274,240</b>	<b>1.02</b>
<b>OIL AND GAS SERVICES</b>			
China Oil HBP Science & Technology Company Limited	35,000	285,950	1.07
Yantai Jereh Oilfield Services Group Company Limited	20,000	406,000	1.51
<b>Total OIL AND GAS SERVICES</b>		<b>691,950</b>	<b>2.58</b>

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

Nikko AM China Equity Fund			
By Industry (Primary) (continued)	Holdings at 31 December 2016	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Equities (continued)</b>			
<b>PHARMACEUTICALS</b>			
Cachet Pharmaceutical Company Limited	10,000	425,300	1.59
Jiangsu Hengrui Medicine Company Limited	7,200	327,744	1.22
Shenzhen Salubris Pharmaceuticals Company Limited	15,000	438,600	1.64
Shijiazhuang Yiling Pharmaceutical Company Limited	15,000	258,600	0.96
Zhejiang Huahai Pharmaceutical Company Limited	18,200	400,946	1.50
<b>Total PHARMACEUTICALS</b>		<b>1,851,190</b>	<b>6.91</b>
<b>REAL ESTATE</b>			
China Merchants Shekou Industrial Zone Holdings Company Limited	20,000	327,800	1.22
<b>Total REAL ESTATE</b>		<b>327,800</b>	<b>1.22</b>
<b>TELECOMMUNICATIONS</b>			
Fiberhome Telecommunication Technologies Company Limited	20,000	504,200	1.88
Hytera Communications Corporation Limited	20,000	264,200	0.99
ZTE Corporation	30,000	478,500	1.79
<b>Total TELECOMMUNICATIONS</b>		<b>1,246,900</b>	<b>4.66</b>
<b>Total Quoted Equities</b>		<b>26,006,783</b>	<b>97.10</b>
<b>Portfolio of investments</b>		<b>26,006,783</b>	<b>97.10</b>
<b>Other net assets</b>		<b>777,793</b>	<b>2.90</b>
<b>Net assets attributable to unitholders</b>		<b>26,784,576</b>	<b>100.00</b>

The accompanying notes form an integral part of the financial statements

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2016

By Industry (Summary)	Nikko AM China Equity Fund	
	Percentage of total net assets attributable to unitholders at 31 December 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities</b>		
Advertising	1.87	-
Agriculture	3.54	-
Auto Manufacturers	1.58	1.54
Banks	17.77	15.05
Beverages	5.62	1.66
Biotechnology	1.60	-
Building Materials	-	1.03
Chemicals	3.87	-
Coal	1.20	-
Computers	-	2.20
Distribution/Wholesale	1.71	-
Diversified Financial Services	8.04	10.36
Electric	2.89	-
Electrical Component & Equipment	1.04	3.37
Electronics	3.19	4.83
Engineering and Construction	5.07	2.44
Environmental Control	1.31	3.36
Food	1.83	1.73
Forest Products & Paper	1.75	1.30
Healthcare	-	0.93
Holding Companies - Diversified	2.77	2.83
Home Furnishings	1.37	3.12
Housewares	1.43	-
Insurance	5.52	6.61
Internet	2.43	-
Iron/Steel	1.00	-
Leisure Products	-	1.88
Media	-	2.25
Metal Fabricate/Hardware	0.97	-
Mining	1.34	-
Miscellaneous Manufacture	1.02	-
Oil and Gas Services	2.58	-
Packaging & Containers	-	1.71
Pharmaceuticals	6.91	6.99
Real Estate	1.22	7.65
Semiconductors	-	1.69
Software	-	4.67
Telecommunications	4.66	3.34
Transportation	-	3.74
<b>Total Quoted Equities</b>	<b>97.10</b>	<b>96.28</b>
<b>Portfolio of investments</b>	<b>97.10</b>	<b>96.28</b>
<b>Other net assets</b>	<b>2.90</b>	<b>3.72</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

As the Sub-Fund invests wholly into China equities, it is not meaningful to classify the investments into geography.

*The accompanying notes form an integral part of the financial statements*

## NIKKO AM CHINA ONSHORE FUND SERIES

*(Constituted under a Trust Deed registered in the Republic of Singapore)*

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*For the financial year ended 31 December 2016*

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### 1. General

Nikko AM China Onshore Fund Series (the "Fund") comprising of Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund (collectively referred to as the "Sub-Funds") is an unit trust in Singapore constituted under a Trust Deed dated 7 July 2014 as amended by Supplemental Deeds and Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Sub-Funds is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Sub-Funds is Nikko Asset Management Asia Limited (the "Manager").

There are currently three classes of units established within each of the Sub-Funds, namely USD Class Units (denominated in USD), RMB Class Units (denominated in RMB) and SGD Class Units (denominated in SGD).

The classes in the Sub-Funds differ, amongst other things, in terms of the currency of denomination, minimum initial and subsequent investment amounts.

As of 31 December 2016, only units in RMB Class Units (denominated in RMB) and USD Class Units (denominated in USD) have been issued by Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund respectively.

#### 2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

##### (a) Basis of preparation

The financial statements have been prepared under the historical-cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

##### (b) Recognition of income

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

##### (c) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid on the distribution date. This amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 2. Significant accounting policies (continued)

##### (d) Investments

Investments are classified as financial assets at fair value through profit or loss.

##### (i) *Initial recognition*

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

##### (ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statements of Total Return in the year in which they arise.

##### (iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statements of Total Return.

##### (e) Basis of valuation of investments

The fair value of financial assets and liabilities 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 investments held by the Sub-Funds is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

The quoted market price used for fixed income securities held by the Sub-Funds, is the mid market price for both financial assets and liabilities.

##### (f) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

##### (g) Foreign currency translation

##### (i) *Functional and presentation currency*

The Sub-Funds qualify as authorised schemes under the Securities and Futures Act ("SFA") of Singapore and is offered to retail investors in Singapore. The Sub-Funds' activities are substantially based in Singapore, with subscription and redemptions of the units of the Sub-Funds denominated in Renminbi ("RMB") and United States Dollar ("USD") for Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund respectively.

## NIKKO AM CHINA ONSHORE FUND SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 2. Significant accounting policies (continued)

##### (g) Foreign currency translation (continued)

###### (i) *Functional and presentation currency* (continued)

The performance of the Sub-Funds are measured and reported to the investors in Renminbi. The Manager considers the Renminbi as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are expressed in Renminbi, which is the Sub-Funds' functional and presentation currency.

###### (ii) *Transactions and balances*

Foreign currency monetary assets and liabilities are translated into Renminbi at the rates of exchange prevailing at the reporting date. The net unrealised gain or loss is taken to the Statements of Total Return. Transactions during the year are recorded in Renminbi at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statements of Total Return.

##### (h) Financial derivatives

Financial derivatives including forwards and swaps may be entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets and liabilities held as determined by the Manager and in accordance with the provisions of the Deeds.

Financial derivatives outstanding at the end of the financial year are valued at forward rates or at current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statements of Total Return.

#### 3. Interest income

##### Nikko AM China Onshore Bond Fund

	2016 RMB	2015 RMB
Interest on cash and bank balances	34,146	78,565
Interest on term deposit	37,778	47,793
	<u>71,924</u>	<u>126,358</u>

Term deposits held by Nikko AM China Onshore Bond Fund during the year have effective interest rate of 8% (2015: 4%).

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 3. Interest income (continued)

	<b>Nikko AM China Equity Fund</b>	
	For the financial period from 15 June 2015 (date of commencement) to 31 December	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Interest on cash and bank balances	<b>6,181</b>	6,968

#### 4. Income tax

The Sub-Funds were granted the status of a Designated Unit Trust (DUT) in Singapore. The Manager and the Trustee of the Sub-Funds will ensure that the Sub-Funds fulfill the reporting obligations under the DUT Scheme.

Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT fund is not taxable in accordance with Section 35(12) and (12A) of the Income Tax Act. Such income includes:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities of financial index; and
- (e) discount, prepayment fee, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 4. Income tax (continued)

Income tax for the financial year ended 31 December 2016 and 2015 comprises:

	Nikko AM China Onshore Bond Fund		Nikko AM China Equity Fund	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Capital gains tax	(281,498)	837,282	-	-
Withholding tax	953,663	416,363	45,940	2,021
	<u>672,165</u>	<u>1,253,645</u>	<u>45,940</u>	<u>2,021</u>

The withholding tax represents tax deducted at source on interest income derived from outside Singapore. Capital gains tax comprise of tax on realised capital gains and provisions for potential capital gains tax on the Nikko AM China Onshore Bond Fund's investments outside Singapore. For the year ended 31 December 2016, the capital gains tax for Nikko AM China Onshore Bond Fund is a credit balance due to partial reversal of prior year provisions.

#### 5. Payables

	Nikko AM China Onshore Bond Fund		Nikko AM China Equity Fund	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Amount due to the Manager	651,554	721,863	113,354	132,120
Valuation fees payable	26,118	28,885	8,242	7,764
Trustee fee payable	19,589	21,664	5,888	5,546
Registrar fees payable	2,943	2,772	2,942	2,772
Provision for audit fee	154,715	151,095	120,864	116,718
Amount due to custodian	165,652	79,685	2,767	3,282
Other payables	1,527,873	997,686	11,627	10,981
	<u>2,548,444</u>	<u>2,003,650</u>	<u>265,684</u>	<u>279,183</u>

Amount due to the Manager comprise of management fee payable to Nikko Asset Management Asia Limited. Trustee fee and registrar fee are payable to BNP Paribas Trust Services Singapore Limited. Valuation fee is payable to BNP Paribas Securities Services Singapore Branch. For Nikko AM China Onshore Bond Fund, custody fee is payable to Bank of China Limited and BNP Paribas Securities Services Singapore Branch for China Securities and other offshore China Securities respectively. For Nikko AM China Equity Fund, custody fee is payable to HSBC Bank (China) Company Limited and BNP Paribas Securities Services Singapore Branch for China Securities and other offshore China Securities respectively.



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#### 6. Receivables

	Nikko AM China Onshore Bond Fund	
	2016 RMB	2015 RMB
Receivable from unitholders for creation of units	522	1,609,886
Accrued interest receivable	37,778	-
Other receivables	813	-
	<b>39,113</b>	<b>1,609,886</b>

#### 7. Units in issue

During the year/period ended 31 December 2016 and 31 December 2015, the number of units issued, redeemed and outstanding were as follows:

	Nikko AM China Onshore Bond Fund	
	2016	2015
Units at beginning of the financial year	59,448,066	35,526,687
Units created	5,618,168	41,432,225
Units cancelled	(10,554,229)	(17,510,846)
Units at end of the financial year	<b>54,512,005</b>	<b>59,448,066</b>
Net assets attributable to unitholders- RMB	270,860,958	303,153,368
Net asset value per unit- RMB	<b>4.969</b>	<b>5.099</b>

#### Nikko AM China Equity Fund

	For the financial period from 15 June 2015 (date of commencement) to 31 December	
	2016	2015
Units at beginning of the financial year/period	4,569,902	-
Units created	463,724	4,823,596
Units cancelled	(711,259)	(253,694)
Units at end of the financial year/period	<b>4,322,367</b>	<b>4,569,902</b>
Net assets attributable to unitholders- RMB	26,784,576	33,046,901
Net asset value per unit- RMB	<b>6.197</b>	<b>7.231</b>

For subscription and redemptions and for various fee calculations, investments are stated at the last traded prices on the valuation day for the purpose of determining net asset value per unit. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value for reporting purpose.

## NIKKO AM CHINA ONSHORE FUND SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 7. Units in issue (continued)

For valuation purpose, preliminary expenses are amortised over a period of 36 months from date of commencement of operations while for reporting purpose these preliminary expenses are expensed in the period when they are incurred.

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is provided below:

	<b>Nikko AM China Onshore Bond Fund</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Net assets attributable to unitholders per financial statements per unit	<b>4.969</b>	5.099
Effect of distribution per unit	<b>0.017</b>	0.017
Effect of expensing preliminary expenses per unit	<b>0.001</b>	0.002
Effect of under accrual of other expenses	<b>0.002</b>	-
Effect for movement in the net asset value between the last dealing date and the end of the reporting period <sup>^</sup>	-	-
Net assets attributable to unitholders for issuing/redeeming per unit	<b>4.989</b>	5.118

<sup>^</sup>The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's prospectus. This item reflects the movement in net asset value between the last dealing date and the end of the reporting period due to accrual of operating expenses. In 2016, the effect is less than 0.001.

	<b>Nikko AM China Equity Fund</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Net assets attributable to unitholders per financial statements per unit	<b>6.197</b>	7.231
Effect of adopting bid prices at fair value per unit	<b>(0.001)</b>	0.002
Effect of expensing preliminary expenses per unit	<b>0.031</b>	0.044
Effect for movement in the net asset value between the last dealing date and the end of the reporting period <sup>^</sup>	-	-
Net assets attributable to unitholders for issuing/redeeming per unit	<b>6.227</b>	7.277

<sup>^</sup>The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's prospectus. This item reflects the movement in net asset value between the last dealing date and the end of the reporting period due to accrual of operating expenses. In 2016, the effect is less than 0.001.

## NIKKO AM CHINA ONSHORE FUND SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 8. Financial derivatives

Financial derivatives comprise interest rate swap and forward foreign exchange contracts for purchases and sales of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on interest rate swap and foreign exchange contracts at the reporting date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at statements of financial position date are analysed below.

##### Nikko AM China Onshore Bond Fund

	Contracts or underlying principal amount		Year end positive fair value		Year end negative fair value	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Forward foreign exchange contracts	-	9,519,075	-	-	-	519,912

As at 31 December 2016, there was no open derivative position.

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#### 9. Distributions

##### Nikko AM China Onshore Bond Fund

	2016 RMB	2015 RMB
January interim distribution of RMB 1.69 per 100 units in respect of the financial year ended 31 December 2016	928,861	-
February interim distribution of RMB 1.68 per 100 units in respect of the financial year ended 31 December 2016	922,357	-
March interim distribution of RMB 1.68 per 100 units in respect of the financial year ended 31 December 2016	906,837	-
April interim distribution of RMB 1.69 per 100 units in respect of the financial year ended 31 December 2016	900,147	-
May interim distribution of RMB 1.68 per 100 units in respect of the financial year ended 31 December 2016	888,436	-
June interim distribution of RMB 1.69 per 100 units in respect of the financial year ended 31 December 2016	891,298	-
July interim distribution of RMB 1.70 per 100 units in respect of the financial year ended 31 December 2016	899,344	-
August interim distribution of RMB 1.71 per 100 units in respect of the financial year ended 31 December 2016	891,111	-
September interim distribution of RMB 1.70 per 100 units in respect of the financial year ended 31 December 2016	888,627	-
October interim distribution of RMB 1.70 per 100 units in respect of the financial year ended 31 December 2016	886,883	-
November interim distribution of RMB 1.70 per 100 units in respect of the financial year ended 31 December 2016	875,392	-
December final distribution of RMB 1.68 per 100 units in respect of the financial year ended 31 December 2016	915,802	-
January interim distribution of RMB 1.65 per 100 units in respect of the financial year ended 31 December 2015	-	592,411
February interim distribution of RMB 1.65 per 100 units in respect of the financial year ended 31 December 2015	-	659,622
March interim distribution of RMB 1.65 per 100 units in respect of the financial year ended 31 December 2015	-	739,775
April interim distribution of RMB 1.64 per 100 units in respect of the financial year ended 31 December 2015	-	765,982
May interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2015	-	895,228
June interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2015	-	980,117
July interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2015	-	1,021,887
August interim distribution of RMB 1.67 per 100 units in respect of the financial year ended 31 December 2015	-	960,054
September interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2015	-	962,395
October interim distribution of RMB 1.67 per 100 units in respect of the financial year ended 31 December 2015	-	976,637
November interim distribution of RMB 1.68 per 100 units in respect of the financial year ended 31 December 2015	-	985,875
December final distribution of RMB 1.68 per 100 units in respect of the financial year ended 31 December 2015	-	998,728
	<b>10,795,095</b>	<b>10,538,711</b>

## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 10. Reserve accounts

The Depository, China Securities Depository and Clearing Corporation Limited, requires a minimum clearing reserve fund for settlement of security transactions under the RMB Qualified Foreign Investor Scheme. The Sub-Funds therefore maintain reserve funds with their respective custodian for China Securities.

#### 11. Financial risk management

The Sub-Funds' activities expose it to a variety of risk, including but not limited to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Manager is responsible for the implementation of the overall risk management programme, which seeks to minimise potential adverse effects on the Sub-Funds' financial performance. Specific guidelines on exposures to individual securities and certain industries and/or countries are in place as part of the overall financial risk management to reduce the Sub-Funds' exposures to these risks.

##### **Nikko AM China Onshore Bond Fund**

The Sub-Fund's primary objective is to provide a total return of capital growth and income over the medium to long-term primarily in fixed income instrument issued onshore in the People Republic of China ("PRC") and offshore of the PRC that are denominated in Renminbi. The Sub-Fund may also invest in fixed income instruments issued by Chinese entities that are denominated in currencies other than Renminbi.

##### **Nikko AM China Equity Fund**

The Sub-Fund's primary objective is to achieve medium to long-term appreciation by investing in listed equities in the China A-shares market in the People Republic of China ("PRC").

The Managers have appointed Rongtong Global Investment Limited (the "Investment Advisor") to provide research and advisory services to the Sub-Fund.

These financial instruments are held in accordance with the published investment policies of the Sub-Funds and managed accordingly to achieve the investment objectives.

#### (a) Market risk - Price risk

Price risk is the risk that arises from uncertainties about future prices of financial instruments.

The Sub-Funds' investments are substantially dependent on the changes in market prices. The Sub-Funds overall market positions are monitored regularly so as to assess any changes in fundamentals and valuation. However, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the net asset value of the Sub-Funds.

## NIKKO AM CHINA ONSHORE FUND SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 11. Financial risk management (continued)

##### (a) Market risk - Price risk (continued)

###### **Nikko AM China Onshore Bond Fund**

The Sub-Fund will invest primarily in a portfolio of fixed income instruments issued onshore in the People's Republic of China ("PRC") which may include, but will not be limited to, certificates of deposits, preferred shares, fixed and floating bonds, convertible bonds, notes, bond and money market funds, and other such fixed income instruments issued in the PRC by the governments, governments entities, quasigovernment entities, corporations and/or financial institutions.

The market prices of financial assets held by the Sub-Fund is primarily dependent on prevailing market interest rates, as the Sub-Fund invests in fixed income instruments issued onshore by the PRC and offshore outside of the PRC that are denominated in Renminbi. Consequently, no separate price risk sensitivity analysis is prepared as it is covered in interest rate risk sensitivity analysis.

###### **Nikko AM China Equity Fund**

As the Sub-Fund invests primarily in listed equities in the China A-shares market in the People's Republic of China, the Manager is of the view that the price risk of the sub-fund is best reflected by movements in its benchmark Shanghai Shenzhen CSI 300 Index.

As at 31 December 2016 and 2015, an increase/decrease of the index components within the Index by 10% (2015: 10%), with all other variables held constant, net assets attributable to unitholders for the period would increase/decrease by approximately 9% (2015: 9%). The analysis was based on the assumption that the Index components within the benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Sub-Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on management's current view on the market volatility and other relevant factors.

##### (b) Market risk - Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates (fair value risk).

The Manager regularly assess the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk. The Sub-Funds' overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the Manager.

## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 11. Financial risk management (continued)

##### (b) Market risk - Interest rate risk (continued)

##### Nikko AM China Onshore Bond Fund

The table below summarise the Sub-Fund's exposure to interest rate risks. They include the Sub-Fund's assets and liabilities categorised by the earlier contractual re-pricing or maturity dates.

##### 31 December 2016

	Floating rate		Fixed rate		Non-interest bearing	Total
	Up to 1 year	1-5 years	Over 5 years			
	RMB	RMB	RMB	RMB	RMB	RMB
<b>Assets</b>						
Portfolio of investments	23,173,783	12,507,660	133,546,190	80,884,380	5,266,910	255,378,923
Sales awaiting settlement	-	-	-	-	2,256,401	2,256,401
Receivables	-	-	-	-	39,113	39,113
Cash and bank balances	6,604,823	-	-	-	-	6,604,823
Term deposits	-	10,000,000	-	-	-	10,000,000
Reserve accounts	45,944	-	-	-	-	45,944
<b>Total assets</b>	<b>29,824,550</b>	<b>22,507,660</b>	<b>133,546,190</b>	<b>80,884,380</b>	<b>7,562,424</b>	<b>274,325,204</b>
<b>Liabilities</b>						
Payables	-	-	-	-	2,548,444	2,548,444
Distributions payable	-	-	-	-	915,802	915,802
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,464,246</b>	<b>3,464,246</b>

##### 31 December 2015

	Floating rate		Fixed rate		Non-interest bearing	Total
	Up to 1 year	1-5 years	Over 5 years			
	RMB	RMB	RMB	RMB	RMB	RMB
<b>Assets</b>						
Portfolio of investments	38,803,463	21,981,780	146,710,019	84,922,255	6,261,072	298,678,589
Receivables	-	-	-	-	1,609,886	1,609,886
Cash and bank balances	6,330,636	-	-	-	-	6,330,636
Reserve accounts	56,547	-	-	-	-	56,547
<b>Total assets</b>	<b>45,190,646</b>	<b>21,981,780</b>	<b>146,710,019</b>	<b>84,922,255</b>	<b>7,870,958</b>	<b>306,675,658</b>
<b>Liabilities</b>						
Payables	-	-	-	-	2,003,650	2,003,650
Distributions payable	-	-	-	-	998,728	998,728
Financial derivatives at fair value	-	-	-	-	519,912	519,912
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,522,290</b>	<b>3,522,290</b>

Portfolio of investments, which is a significant item in the Statement of Financial Position, is exposed to currency risk and other price risk. The Manager has considered the impact of currency sensitivity on non-monetary assets as part of the price sensitivity analysis.

As at 31 December 2016 and 2015, an increase/decrease of interest rates by 1% (2015: 1%), with all other variables remaining constant, would result in a decrease/increase of the net assets attributable to unitholders by approximately 4% (2015: 4%). Reasonable possible changes in interest rate are revised annually depending on management's current view of market volatility and other factors.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

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#### 11. Financial risk management (continued)

##### (b) Market risk - Interest rate risk (continued)

###### Nikko AM China Equity Fund

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Sub-Fund's portfolio investments accordingly.

However, the effects of changes in interest rates on the Sub-Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. Hence, no sensitivity analysis has been presented separately.

##### (c) Market risk - Currency risk

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

To minimise currency risk, the Sub-Funds mainly hold its excess cash in its functional currency. For hedging purposes, the Sub-Funds may also enter into forward foreign exchange contracts.

###### Nikko AM China Onshore Bond Fund

The table below summarises the Sub-Fund's exposure to currency risks.

31 December 2016	USD RMB	RMB RMB	SGD RMB	Total RMB
<b>Assets</b>				
Portfolio of investments	-	255,378,923	-	255,378,923
Sales awaiting settlement	-	2,256,401	-	2,256,401
Receivables	-	38,300	813	39,113
Cash and bank balances	6,391	6,598,432	-	6,604,823
Term deposits	-	10,000,000	-	10,000,000
Reserves accounts	-	45,944	-	45,944
<b>Total assets</b>	<b>6,391</b>	<b>274,318,000</b>	<b>813</b>	<b>274,325,204</b>
<b>Liabilities</b>				
Payables	-	2,548,444	-	2,548,444
Distribution payable	-	915,802	-	915,802
<b>Total liabilities</b>	<b>-</b>	<b>3,464,246</b>	<b>-</b>	<b>3,464,246</b>
<b>Net currency exposure</b>	<b>6,391</b>	<b>270,853,754</b>	<b>813</b>	

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## NIKKO AM CHINA ONSHORE FUND SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 11. Financial risk management (continued)

##### (c) Market risk - Currency risk (continued)

###### Nikko AM China Onshore Bond Fund (continued)

31 December 2015	USD RMB	SGD RMB	RMB RMB	Total RMB
<b>Assets</b>				
Portfolio of investments	19,550,023	-	279,128,566	298,678,589
Receivables	-	-	1,609,886	1,609,886
Cash and bank balances	36,683	2,501	6,291,452	6,330,636
Reserves accounts	-	-	56,547	56,547
<b>Total assets</b>	<b>19,586,706</b>	<b>2,501</b>	<b>287,086,451</b>	<b>306,675,658</b>
<b>Liabilities</b>				
Payables	-	-	2,003,650	2,003,650
Distribution payable	-	-	998,728	998,728
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>3,002,378</b>	<b>3,002,378</b>
<b>Net off-balance sheet derivative financial instruments</b>				
	(9,853,424)	-	9,333,512	
<b>Net currency exposure</b>	<b>9,733,282</b>	<b>2,501</b>	<b>293,417,585</b>	

As of 31 December 2016 and 2015, the Sub-Fund does not hold substantial monetary assets/liabilities in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Sub-Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

###### Nikko AM China Equity Fund

31 December 2016	SGD RMB	RMB RMB	USD RMB	Total RMB
<b>Assets</b>				
Portfolio of investments	-	26,006,783	-	26,006,783
Cash and bank balances	25,637	918,865	42,975	987,477
Reserve accounts	-	56,000	-	56,000
<b>Total assets</b>	<b>25,637</b>	<b>26,981,648</b>	<b>42,975</b>	<b>27,050,260</b>
<b>Liabilities</b>				
Payables	-	265,684	-	265,684
<b>Total liabilities</b>	<b>-</b>	<b>265,684</b>	<b>-</b>	<b>265,684</b>
<b>Net currency exposure</b>	<b>25,637</b>	<b>26,715,964</b>	<b>42,975</b>	

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## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 11. Financial risk management (continued)

##### (c) Market risk – Currency risk (continued)

###### Nikko AM China Equity Fund (continued)

31 December 2015	SGD RMB	RMB RMB	USD RMB	Total RMB
<b>Assets</b>				
Portfolio of investments	-	31,818,818	-	31,818,818
Cash and bank balances	20,517	1,390,227	40,522	1,451,266
Reserves accounts	-	56,000	-	56,000
<b>Total assets</b>	<b>20,517</b>	<b>33,265,045</b>	<b>40,522</b>	<b>33,326,084</b>
<b>Liabilities</b>				
Payables	-	279,183	-	279,183
<b>Total liabilities</b>	<b>-</b>	<b>279,183</b>	<b>-</b>	<b>279,183</b>
<b>Net currency exposure</b>	<b>20,517</b>	<b>32,985,862</b>	<b>40,522</b>	

Portfolio of investments, which is a significant item in the Statement of Financial Position is exposed to currency risk and other price risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

As of 31 December 2016 and 2015, the Sub-Fund does not hold substantial monetary assets/liabilities in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Sub-Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

##### (d) Liquidity risk

Liquidity risk is the risk arising from the inability of the Sub-Funds to meet its obligations as and when they fall due without incurring unacceptable cost or losses.

The Sub-Funds are exposed to daily cash redemptions from unitholders. However, in accordance with the Sub-Funds' prospectus, minimum holdings size are set.

To manage the liquidity risk, a cash buffer is maintained in the Sub-Funds and monitored for minimum cash balances to prevent any extensive disposition of assets which may occur at lower prices and overdraft situations to meet trade settlements and obligations.

The Sub-Funds' securities are considered realisable as the majority of the securities are listed on recognized stock exchanges or traded on active markets.

The Sub-Funds' financial liabilities analysed using contracted undiscounted cash flows for maturity grouping based on the remaining period at the reporting date to the contractual maturity date. At the year end, all liabilities are either payable on demand or due in less than 3 months. The impact of discounting is not significant.

## NIKKO AM CHINA ONSHORE FUND SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 11. Financial risk management (continued)

##### (d) Liquidity risk (continued)

	Nikko AM China Onshore Bond Fund		Nikko AM China Equity Fund	
	Less than 3 months		Less than 3 months	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
<b>Liabilities</b>				
Payables	2,548,444	2,003,650	265,684	279,183
Distribution payable	915,802	998,728	-	-
<b>Contractual cash outflows (excluding gross settled derivatives)</b>	<b>3,464,246</b>	<b>3,002,378</b>	<b>265,684</b>	<b>279,183</b>

The table below analyses the Sub-Funds' derivative financial instruments in a loss position that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 3 months equal their carrying balances, as the impact of discounting is not significant.

	Nikko AM China Onshore Bond Fund	
	2016	2015
	RMB	RMB
<b>Less than 3 months</b>		
<b>Currency forwards</b>		
- Inflows	-	9,333,512
- Outflows	-	(9,853,424)
<b>Net outflow</b>	<b>-</b>	<b>(519,912)</b>

##### (e) Credit risk

Credit risk is the risk that a counterparty will be unable to fulfil its obligations to the Sub-Funds in part or in full as and when they fall due.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties as well as the respective credit limits are approved;
- ensuring there are controls in place to identify and assess the creditworthiness of counterparties and review such controls on a semi-annual basis; and
- ensuring that transactions are undertaken with a large number of counterparties.

The Nikko AM China Onshore Bond Fund invests in financial assets, which are of both investment and non-investment grades as rated by Standard & Poor's and/or Moody's. The credit ratings are reviewed regularly.

## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 11. Financial risk management (continued)

##### (e) Credit risk (continued)

The table below analyses the Sub-Fund's investments by credit ratings:

##### Nikko AM China Onshore Bond Fund

	Fair value as at 31 December 2016		Fair value as at 31 December 2015	
	Floating rate securities RMB	Fixed rate securities RMB	Floating rate securities RMB	Floating rate securities RMB
A+u	-	10,784,832	-	-
AA-	-	40,272,180	-	62,076,690
Aa3	-	28,947,125	-	21,594,390
A+	-	20,107,040	-	26,620,265
A-	-	14,967,110	-	15,037,220
A1	-	6,818,885	-	-
A2	-	14,664,565	-	-
A3	-	-	-	4,893,750
BBB+	-	10,197,720	-	18,621,895
BBB	10,231,570	5,323,270	10,371,560	5,380,000
BBB-	-	10,025,050	-	10,135,120
BB-	-	-	-	14,833,364
B+	-	13,830,410	-	10,449,890
Not Rated	12,942,213	51,000,043	28,431,903	63,971,470
Accrued interest receivable on quoted fixed income securities	858,471	4,408,439	1,424,392	4,836,680
	<b>24,032,254</b>	<b>231,346,669</b>	<b>40,227,855</b>	<b>258,450,734</b>

All trade settlement with approved counterparties are on Delivery versus Payment and/or Receipt versus Payment basis, with the exception of initial public offerings, new issues and placement transactions.

Credit risk arises from cash and bank balances and assets held with custodian and counterparties. The table below summarises the credit rating of bank and custodian in which the Sub-Funds' assets are held as at 31 December 2016 and 31 December 2015.

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 11. Financial risk management (continued)

##### (e) Credit risk (continued)

##### Nikko AM China Onshore Bond Fund

	Credit Rating 31 December 2016	Credit rating 31 December 2015	Source of credit rating
<b>Bank balance</b>			
- BNP Paribas Securities Services Singapore Branch	A	A+	Standard & Poor's
- Bank of China Limited	A	A	Standard & Poor's
<b>Financial derivatives</b>			
- JP Morgan Chase & Company	N/A	A-	Standard & Poor's
<b>Custodian</b>			
- BNP Paribas Securities Services Singapore Branch	A	A+	Standard & Poor's
- Bank of China Limited	A	A	Standard & Poor's

##### Nikko AM China Equity Fund

<b>Bank balance</b>			
- BNP Paribas Securities Services Singapore Branch	A	A+	Standard & Poor's
- HSBC Bank (China) Company Limited	A1	A1	Moody's
<b>Custodian</b>			
- BNP Paribas Securities Services Singapore Branch	A	A+	Standard & Poor's
- HSBC Bank (China) Company Limited	A1	A1	Moody's

The credit ratings are based on Long-Term Local Issuer Ratings published by the rating agency.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

##### (f) Capital management

The Sub-Funds' capital is represented by the net assets attributable to unitholders. The Sub-Funds strive to invest the subscriptions of units in investments that meet the Sub-Funds' investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

##### (g) Fair value estimation

The Sub-Funds classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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#### 11. Financial risk management (continued)

##### (g) Fair value estimation (continued)

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Sub-Funds' financial assets and liabilities (by class) measured at fair value at 31 December 2016 and 2015:

#### Nikko AM China Onshore Bond Fund

##### As at 31 December 2016

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities		- 255,378,923	-	- 255,378,923

##### As at 31 December 2015

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities		- 298,678,589	-	- 298,678,589
<b>Liabilities</b>				
- Financial derivatives	-	519,912	-	519,912

#### Nikko AM China Equity Fund

##### As at 31 December 2016

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	25,504,783	-	502,000	26,006,783

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#### 11. Financial risk management (continued)

##### (g) Fair value estimation (continued)

##### **Nikko AM China Equity Fund** (continued)

As at 31 December 2015

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	31,818,818	-	-	31,818,818

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities.

Financial instruments that trade in markets that are not considered active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include corporate and government bonds and over-the-counter derivatives.

The Investments classify within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include a suspended quoted equity. As observable prices are not available for the security, the sub-fund has used valuation techniques to derive the fair value.

During the financial year ended 31 December 2016, there was a transfer of one equity security from level 1 to level 3. The security relates to the shares of Guangdong Advertising Group Company Limited, which was suspended from trading in November 2016. Management has determined the fair value of the investment using the last trade price since suspension less 9%, being adjustment for considerations such as illiquidity, industry index performance and other specific factors to the investment.

Level 3 valuations are reviewed on a monthly basis by the Sub-Fund's pricing committee.

The following table presents the transfers between levels for the year ended 31 December 2016.

	Level 1 RMB	Level 2 RMB	Level 3 RMB
Transfers between Levels 1 and 3:			
- Quoted equities	(570,139)	-	570,139

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 11. Financial risk management (continued)

##### (g) Fair value estimation (continued)

31 December 2016	Quoted Equities RMB	Total RMB
Opening balance	-	-
Purchases	-	-
Sales	-	-
Transfer into Level 3	570,139	570,139
Net gains/(losses) recognized in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(68,139)	(68,139)
<b>Closing balance</b>	<b>502,000</b>	<b>502,000</b>
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(68,139)	(68,139)

#### **Nikko AM China Onshore Bond Fund**

Except for sale awaiting settlement, the cash and bank balances are classified as level 1, the Sub-Funds' assets and liabilities not measured at fair value at 31 December 2016 and 2015 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the reporting date. As at 31 December 2016, the carrying amount of sale awaiting settlement amounting to RMB 2,256,401 has been classified under level 3 as the broker had ran into difficulties in meeting the obligation for settlement of trade. This arose as the underlying issuer of a bond encountered difficulties in raising offshore RMB for payment to holders. Management has determined a 34% discount on the outstanding settlement amount being adjustment for considerations such as liquidity and other specific factors to the investment to be appropriate. The impairment for the year ended 31 December 2016 amounted to \$1,163,600.

#### **Nikko AM China Equity Fund**

Except for cash and bank balances which are classified as level 1, the Sub-Funds' assets and liabilities not measured at fair value at 31 December 2016 and 2015 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the reporting date.

#### 12. Related party transactions

In addition to the related party information shown elsewhere in the financial statements, the following significant transactions took place during the financial year between the Sub-Funds and related parties as term agreed between the parties and within the provisions of the Deeds:



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### NOTES TO THE FINANCIAL STATEMENTS

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#### 12. Related party transactions (continued)

	Nikko AM China Onshore Bond Fund	
	2016 RMB	2015 RMB
Bank balances held with related party of the Trustee	5,471,663	4,928,012
Term deposit held with related party of the Trustee	<u>10,000,000</u>	-

	Nikko AM China Equity Fund	
	2016 RMB	2015 RMB
Bank balances held with related party of the Trustee	<u>271,804</u>	901,043

#### 13. Financial ratios

##### Expense ratio

	Nikko AM China Onshore Bond Fund	
	2016	2015
Total operating expenses	RMB 3,396,312	3,293,914
Average daily net asset value	RMB 274,413,661	264,437,331
<b>Total expense ratio<sup>1</sup></b>	<u>% 1.24</u>	<u>1.25</u>

	Nikko AM China Equity Fund	
	For the financial period from 15 June 2015 (date of commencement) to 31 December 2015	
	2016	2015
Total operating expenses		
- Including preliminary expenses	RMB 732,550	1,243,605
- Excluding preliminary expenses	RMB 732,550	1,020,666
Average daily net asset value	RMB 27,740,272	32,393,029
<b>Total expense ratio<sup>1</sup> (annualised)</b>		
- Including preliminary expenses	% 2.64	3.84
- Excluding preliminary expenses	<u>% 2.64</u>	<u>3.15</u>

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## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 13. Financial ratios (continued)

##### Turnover ratio

<b>Nikko AM China Onshore Bond Fund</b>			
		2016	2015
Lower of total value of purchases or sales	RMB	<b>120,786,930</b>	195,293,337
Average daily net asset value	RMB	<b>274,413,661</b>	264,437,331
<b>Total turnover ratio<sup>2</sup></b>	%	<b>44.02</b>	73.85

<b>Nikko AM China Equity Fund</b>			
			For the financial period from 15 June 2015 (date of commencement) to 31 December
		2016	2015
Lower of total value of purchases or sales	RMB	<b>29,671,715</b>	8,256,969
Average daily net asset value	RMB	<b>27,740,272</b>	32,393,029
<b>Total turnover ratio<sup>2</sup></b>	%	<b>106.96</b>	25.49

<sup>1</sup> The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year/period end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds, tax deducted at source or arising out of income received and impairment loss. The Sub-Funds do not pay any performance fee. The average net asset value is based on the daily balances.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

#### 14. Comparatives

The financial statements for Nikko AM China Equity Fund for the current period are for the financial year ended 31 December 2016. The comparatives are for the financial period from 15 June 2015 (date of commencement) to 31 December 2015. The comparative figures for the statement of total return, statement of movements of unitholders' funds and related notes are therefore not comparable.

## NIKKO AM CHINA ONSHORE FUND SERIES

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### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

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The following contains additional information relating to the Sub-Funds.

**1. Distribution of investments**

Please refer to the Statements of Portfolio on pages 18 to 26.

**2. Credit rating of debt securities**

**Nikko AM China Onshore Bond Fund**

	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders at 31 December 2016 %
A+u	10,784,832	3.98
AA-	40,272,180	14.87
Aa3	28,947,125	10.69
A+	20,107,040	7.42
A-	14,967,110	5.53
A1	6,818,885	2.52
A2	14,664,565	5.41
BBB+	10,197,720	3.76
BBB	15,554,840	5.74
BBB-	10,025,050	3.70
B+	13,830,410	5.11
Not Rated	63,942,256	23.61
Accrued interest receivable on quoted fixed income securities	5,266,910	1.94
<b>Total</b>	<b>255,378,923</b>	<b>94.28</b>

## NIKKO AM CHINA ONSHORE FUND SERIES

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### REPORT TO UNITHOLDERS

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#### 3. Top 10 holdings

##### Nikko AM China Onshore Bond Fund

##### 10 Largest holdings at 31 December 2016

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020	20,107,040	7.42
China Government Bond 4.13% due 18/09/2024	10,850,420	4.01
Lai Fung Holdings Limited 6.875% due 25/04/2018	10,836,650	4.00
China Development Bank Corporation 4.9% due 12/06/2024	10,672,400	3.94
China Government Bond 3.64% due 09/04/2025	10,461,130	3.86
Guangzhou Yue Xiu Holdings Limited 5.2% due 28/02/2020	10,331,970	3.82
China National Gold Group Corporation 5.29% due 29/12/2049	10,231,570	3.78
Shanghai Shimao Company Limited 6.08% due 10/03/2018	10,201,560	3.77
Poly Real Estate Group Company Limited 4.8% due 26/12/2019	10,197,720	3.77
Aluminum Corporation of China 5.99% due 03/09/2019	10,195,420	3.76

##### 10 Largest holdings at 31 December 2015

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020	20,321,680	6.70
China Government Bond 4.13% due 18/09/2024	10,963,950	3.62
China Government Bond 3.64% due 09/04/2025	10,630,440	3.51
China National Petroleum Corporation 4.69% due 11/01/2022	10,629,140	3.51
Guangzhou Yue Xiu Holdings Limited 5.2% due 28/02/2020	10,619,100	3.50
Aluminum Corporation of China 5.99% due 03/09/2019	10,543,080	3.48
Export-Import Bank of China 3.87% due 14/09/2025	10,499,300	3.46
Sinochem International Corporation 4.99% due 05/03/2019	10,480,000	3.46
Lai Fung Holdings Limited 6.875% due 25/04/2018	10,449,890	3.45
Shanghai Shimao Company Limited 6.08% due 10/03/2018	10,435,410	3.44

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## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 3. Top 10 holdings (continued)

##### Nikko AM China Equity Fund

##### 10 Largest holdings at 31 December 2016

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Industrial Bank Company Limited	1,129,800	4.22
Ping An Insurance Group Company of China Limited	1,062,900	3.97
Bank of Beijing Company Limited	936,667	3.50
China Merchants Bank Company Limited	880,500	3.29
Huatai Securities Company Limited	803,700	3.00
China Merchants Securities Company Limited	734,850	2.75
China Minsheng Banking Corporation Limited	727,200	2.71
Kweichow Moutai Company Limited	668,200	2.49
Huaxia Bank Company Limited	651,000	2.43
Changjiang Securities Company Limited	613,800	2.29

##### 10 Largest holdings at 31 December 2015

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Ping An Insurance Group Company of China Limited	1,611,000	4.87
Industrial Bank Company Limited	1,365,600	4.13
Ping An Bank Company Limited	1,019,150	3.08
China Merchants Securities Company Limited	976,950	2.96
Everbright Securities Company Limited	963,480	2.91
Shanghai Jiabao Industry & Commerce Group Company Limited	934,450	2.83
China Merchants Bank Company Limited	899,500	2.72
China Everbright Bank Company Limited	848,000	2.57
Bank of Beijing Company Limited	842,137	2.55
China Fortune Land Development Company Limited	768,000	2.32

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## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 4. Exposure to financial derivatives

##### Nikko AM China Onshore Bond Fund

	Fair value at 31 December 2016 RMB	Percentage of total net assets attributable to unitholders 31 December 2016 %	Unrealised gains/(losses) RMB	Realised gains/(losses) RMB
Forward foreign exchange contracts	-	-	-	153,991
Interest rate swaps	-	-	-	(400,721)

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#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
  - i. the reduction of exposure to counterparties of OTC financial derivatives; and
  - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

#### 6. Collateral

Nil.

#### 7. Securities lending or repurchase transactions

Nil.

#### 8. Investment in unit trusts, mutual funds and collective investment schemes

Nil.

#### 9. Borrowings

Nil.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

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**10. Amount of units created and cancelled for the financial year ended 31 December 2016**

	<b>Nikko AM China Onshore Bond Fund RMB</b>	<b>Nikko AM China Equity Fund RMB</b>
Units created	28,558,751	2,802,887
Units cancelled	(54,057,725)	(4,300,874)

**11. Turnover ratio**

Please refer to Note 13 of the Notes to the Financial Statements on page 49.

**12. Expense ratio**

Please refer to Note 13 of the Notes to the Financial Statements on page 48.

**13. Related party transactions**

Please refer to Note 12 of the Notes to the Financial Statements on page 47.

**14. Any other material information that will adversely impact the valuation of the fund**

Nil.

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Intermediaries Hotline: 1800 535 8025 / 65 6535 8025  
Website: [www.nikkoam.com.sg](http://www.nikkoam.com.sg)

Company registration number 198202562H

# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2016

**Nikko AM**  
**China Onshore Fund Series**

### **MANAGERS**

Nikko Asset Management Asia Limited  
12 Marina View, #18-02, Asia Square Tower 2,  
Singapore 018961  
Company Registration No. 198202562H

### **DIRECTORS**

Lim Say Boon  
Lim Soon Chong  
Andrew Ross Long  
Seet Oon Hui Eleanor  
David Jonathan Semaya  
Yu-Ming Wang

### **TRUSTEE**

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### **AUDITORS**

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### **REGISTRAR**

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### **CUSTODIANS**

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This report is also available on our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<i>Returns (%)</i>	<i>3 Mth</i>	<i>6 Mth</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception</i>
Nikko AM China Onshore Bond Fund	1.15	2.48	6.23	-	-	5.48

Source: © 2016 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on a NAV-NAV basis, RMB, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<i>Returns (%)</i>	<i>3 Mth</i>	<i>6 Mth</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception</i>
Nikko AM China Onshore Bond Fund	-3.91	-2.65	0.92	-	-	2.53

Source: © 2016 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on a NAV-NAV basis, RMB, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 10 September 2014

<i>Returns (%)</i>	<i>3 Mth</i>	<i>6 Mth</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception</i>
Nikko AM China Equity Fund	-4.18	-17.15	-	-	-	-8.20
CSI 300 Index (Net Total Return) <sup>1</sup>	-3.80	-16.67	-	-	-	-9.52

Source: © 2016 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Past performance is not indicative of future performance.

<i>Returns (%)</i>	<i>3 Mth</i>	<i>6 Mth</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception</i>
Nikko AM China Equity Fund	-8.97	-21.29	-	-	-	-12.79
CSI 300 Index (Net Total Return) <sup>1</sup>	-3.80	-16.67	-	-	-	-9.52

Source: © 2016 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Past performance is not indicative of future performance.

### Inception date: 7 September 2015

#### Note:

- (1) The benchmark of the Nikko AM China Equity Fund is CSI 300 Index (Net Total Return) and is stated in USD terms.

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## **Nikko AM China Onshore Bond Fund**

### **Portfolio Review**

#### ***Fund gained 2.48% in 1H16***

The Nikko AM China Onshore Bond Fund (the “Fund”) posted a return of 2.48% (in RMB terms, NAV-NAV basis) in the first half of 2016. At the beginning of the period, the Fund increased allocation into the offshore market where the under-performance to the onshore became pronounced. Following the People’s Bank of China’s (PBoC) move to increase its open market operations from twice-weekly to daily and at the same time, liberalise rules for offshore access to the onshore interbank bond market, we gradually take profit offshore and reinvested back onshore. However, March saw a surge in credit events in the onshore corporate bond market which undermined our performance in April. As we did not expect default concerns to be alleviated anytime soon, we switched to a defensive strategy from May onwards. We kept our credit exposure to the minimum for the rest of the period.

### **Market Review**

#### ***A lower growth target set during the National People’s Congress (NPC)***

China’s NPC convened for its annual session on 5 March. Premier Li Keqiang announced that the government is targeting GDP growth to fall within the range of 6.5-7.0% in 2016, lower than the 7.0% target set in 2015. This is the first time that a range has been adopted as a GDP target, suggesting greater uncertainties ahead. The challenge of meeting the 2016 growth objective was evident in the higher targets for money supply growth and fiscal deficit, set at 13.0% year-on-year (YoY) and 3.0% of GDP, respectively.

#### ***Economic growth expected to be “L-shaped” according to a “person of authority”***

In May, the People’s Daily, an official media of the Chinese Communist Party, published an economic commentary that quoted a “person of authority”. According to “the person of authority” – believed to be a senior government official – economic growth in China will follow an “L-shaped” trajectory in the coming years, as the country seeks to address issues of excess industrial capacity and high leverage. The article also highlighted that high leverage can lead to a systemic financial crisis, and advocated urbanization as a means to reduce housing inventories.

#### ***PBoC imposed a reserve requirement on onshore RMB deposits of offshore banks***

Effective 25 January, the PBoC extended the reserve requirement ratio (RRR) to onshore RMB deposits kept by offshore banks with 19 clearing banks and PBoC Shenzhen and Zhuhui. The Chinese central bank stipulated a 17.5% RRR for larger banks and 15.5% for smaller banks. It qualified that foreign central banks and sovereign wealth funds are, however, to be exempted from the RRR.

#### ***PBoC introduced new CIBM licence to foreign investors with more liberalized terms than existing QFII/ RQFII schemes***

In February, the central bank increased the frequency of its open-market operations from twice-weekly to daily in a bid to strengthen its influence on interest rates and cut banks’ reserve requirement ratios by 50 basis points. In the same month, it announced the introduction of a new CIBM (China Interbank Bond Market) scheme to invite new private foreign investors

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with no quota constraint. The full details concerning foreign institutional investors investing in the market were later revealed in May. The announced guidance was relatively more flexible than what the market expected. In addition to giving them full discretion over their investment amounts with no quota limits, investors will also be able to transfer funds freely without a holding period, and to trade in interest rate swaps, forward rate agreements and bond borrowing/lending onshore.

***Moody's and S&P downgrade China's government bond rating outlook***

Both Moody's and S&P lowered their outlook for China's sovereign rating from 'stable' to 'negative' during the period. According to Moody's, the ongoing and prospective weakening of fiscal metrics, China's shrinking foreign reserves and prevailing uncertainty relating to economic reform have collectively warranted the revision. Meanwhile, apart from citing rising public and corporate debt as underlying reasons for its revised outlook, S&P also noted that China's investment rate – at higher than 40% - is not sustainable.

***United States awarded RQFII quota; PBoC announced further opening up of capital account***

China granted a RMB 250bn investment quota to the United States under the RMB Qualified Foreign Institutional Investor (RQFII) program in June. The quota is expected to significantly boost the RQFII program, which had a size of RMB 502bn as of end-May. Meanwhile, the PBoC also announced that it will allow foreign institutional investors to trade commercial deposits (CDs) on the interbank market, and revealed plans to allow foreign companies to issue shares in China and possibly introduce convertible stock depository receipts.

***Onshore government and corporate bonds ended largely unchanged***

During the first half of the period, signs emerged that China's economy may face a prolonged slowdown. This, together with the liberalization of the interbank market as well as excessive volatility in Chinese equities supported demand for onshore Chinese bonds in the first three months of year. However, yields subsequently crept higher as the market started to re-price policy easing expectations on the back of a rising inflationary outlook. The rise in the number of credit events involving state-owned enterprises and private firms also led to heightened concerns of increasing default risks, leading onshore government and corporate bonds to end the period largely unchanged.

**Market Outlook & Strategy**

***Maintain long duration, minimum credit risk***

Given the unexpected Brexit outcome and further weakness in China's domestic growth indicators, we maintain our long duration strategy while keeping credit exposure to the minimum. We believe the scope for the PBoC to cut rates has widened, as the scope for the Fed to resume hiking rates this year has reduced post-Brexit. This would also dampen the pressure on the Renminbi stemming from a strong dollar induced by Fed hike expectations. As the Special Drawing Rights (SDR) basket entry date approaches, we believe central bank fund flows will increasingly favour the Chinese government bonds – hence, our strategy to maintain long duration.

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## **Nikko AM China Equity Fund**

### **Portfolio Review**

#### ***Fund returned -17.15% in 1H16***

In the first half of 2016, the Nikko AM China Equity Fund (the “Fund”) fell by 17.15% (USD terms, on NAV-NAV basis), slightly underperforming the Shanghai Shenzhen CSI 300 Index which retreated by 16.67% mostly due to market turmoil in January and the underperformance of mid and small caps.

### **Market Review**

#### ***Chinese stocks tumbled sharply at the beginning of the year***

The A-share market tumbled at the beginning of 2016, with the major index down more than 20% in January. Accelerating RMB depreciation was one of the key drivers of the stock market fall. Also, the triggering of the A-share circuit breaker caused liquidity to dry up and increased panic selling. To calm market sentiment, the authorities rolled out some measures including stabilizing the exchange rate, suspending the circuit breaker, injecting funds to boost liquidity, and renewing restrictions on sales by major shareholders. As a result, the market stabilized on the back of stronger CNY, loosening liquidity, and a rebound in overseas markets. Subsequently, market volatility decreased gradually. As investors were still concerned about over-valued mid and small caps, they preferred large caps with low valuations, such as food and beverage, home appliance, pharmaceuticals, and electronics. Also, commodity stocks, such as coal, metals, and agriculture, outperformed, along with the rebound in overseas commodity markets.

#### ***Economic recovery is largely on track***

In the first quarter, China’s economy grew at an annual rate of 6.7%, its slowest quarterly growth in seven years. Afterward, the economy gradually recovered thanks to accelerating fixed asset investment and stabilizing consumption. The official PMI expanded in the last several months, indicating a continued modest pickup in industrial activity which could help relieve some market concern of an economic slowdown. Producer price trends were encouraging in recent months, with price declines narrowing to 2.8% from the previous year. The economic recovery appears to have been proven by stronger demand of materials and the downside risks to growth seem limited in the short run. Also, inflation pressure declined along with the recent easing of food inflation. The central bank has more flexibility to fine-tune monetary policies if the economy faces headwinds in the second half of this year.

#### ***We maintained a balanced portfolio following the market turmoil***

In early 2016, the portfolio was hit by the sharp market tumble and most holdings were pressured by heavy profit-taking. After the big sell-off, we rebalanced the portfolio and accumulated more cyclical stocks to reduce the underweight to cyclical sectors. As we expected volatility to persist, we maintained a balanced portfolio and adopted overweight positions in defensive sectors. Overall, the portfolio benefited from its overweight to consumers but was hurt by the underperformance of several growth stocks.



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## **Market Outlook & Strategy**

### ***Prefer value stocks to growth stocks***

In the second half of 2016, we are maintaining our cautious stance on the market and will continue to focus on stock selection. Firstly, overseas markets are still unstable after “Brexit” and the postponement of a US Federal Reserve (Fed) rate hike. The US dollar trend is also material to all emerging markets as a strong dollar could trigger further currency depreciation and fund outflows in emerging countries. However, the Chinese yuan boasts better fundamentals than many of its emerging market counterparts. Although the Chinese yuan fell sharply to a five-year low after “Brexit”, it should remain largely stable before the Hangzhou G20 meeting in September. Secondly, the Chinese economy is still on track for a short-term recovery. Thanks to the rebound of new home sales in the last 12 months and stimulus by the government, the economy should be supported by a recovery in fixed asset investment. Although we do not expect any upside surprises, economic growth should remain steady in the next two quarters. Lastly, the high valuation of A-shares could hold back a market rebound in the next few months. Despite the large market corrections since last June, the overall valuation of A-shares is still too high, especially within the mid and small caps. We believe the de-rating of overvalued stocks may last for one or two more years. As a result, we would shift more weighting to value stocks from growth stocks amid a market rebound.

### ***The portfolio will be value stock focused***

Since we do not expect more market upside in the next six months, we will hold a relatively defensive portfolio in order to weather the challenging backdrop. We will pick stocks with solid fundamentals from sectors such as food and beverage, agriculture, automotive, and electronics. Meanwhile, we will maintain our underweight positions in the transportation, computer and software, and defence sectors, until we see fundamental changes.

## IMPORTANT INFORMATION

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Nikko Asset Management Asia Limited. Registration Number 198202562H

## SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

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### Appointment of soft dollar brokers

The Managers will only appoint soft dollar brokers onto their broker panel after they have ensured that:

- a) full disclosure of the practice of accepting soft dollars is made;
- b) the commission rates charged are comparable with the market rates;
- c) there is no conflict of interest;
- d) the soft dollar credits are used only for clearly defined services;
- e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and
- f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

### Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the Sub-Funds shall be segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). The Managers will execute trades for such accounts only with authorised full service brokers.

The Managers are responsible for ensuring that the allocation quotas are adhered to. In addition, the Managers will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

Subject to the provisions of the Code\*, in its management of the Sub-Funds, the Managers may receive soft dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Sub-Funds and the soft dollars received would be restricted to the following kinds of services:

- a) specific advice as to the advisability of dealing in, or of the value of any investments;
- b) research and advisory services;
- c) economic and political analysis;
- d) portfolio analysis including valuation and portfolio measurements;
- e) market analysis;
- f) data and quotation services;
- g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
- h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:

- a) travel, accommodation and entertainment expenses;
- b) general administrative goods and services including office equipment and premises;
- c) membership fees;
- d) employee salaries; and
- e) direct money payments / rebates.

The Managers will retain the records of the payments made using soft dollar commissions.

Notwithstanding the above, investors should note that currently, the Managers do not intend to receive soft dollar commissions in respect of the Nikko AM China Onshore Bond Fund.

In relation to the Nikko AM China Equity Fund, the Managers will not accept or enter into soft-dollar commissions / arrangements unless:

- a) such soft-dollar commissions / arrangements would in the opinion of the Managers, assist the Managers in their management of the Nikko AM China Equity Fund;
- b) at all times, best execution is carried out by the Managers for the transactions; and
- c) no unnecessary trades are entered into in order to qualify for such soft-dollar commissions / arrangements.

\* The "**Code**" means the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as may be amended, modified, or supplemented from time to time by the Authority.

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENTS OF TOTAL RETURN***For the financial period from 01 January 2016 to 30 June 2016 (unaudited)*

	<b>Nikko AM China Onshore Bond Fund</b>		<b>Nikko AM China Equity Fund</b>
	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>30 June 2016</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>Income</b>			
Dividend	-	-	215,171
Interest	15,675	83,824	3,136
Other Income	80,950	-	-
	<b>96,625</b>	<b>83,824</b>	<b>218,307</b>
<b>Less: Expenses</b>			
Management fee	1,256,423	1,001,739	206,747
Registrar fee	11,345	10,459	5,518
Trustee fee	38,418	29,842	10,874
Custody fee	114,834	95,165	6,830
Audit fee	79,643	66,612	61,229
Valuation fee	51,224	39,790	15,222
Transaction costs	19,396	40,401	117,869
Preliminary expenses	331,571	1,905	-
Other expenses	60,463	121,407	92,138
	<b>1,963,317</b>	<b>1,407,320</b>	<b>516,427</b>
<b>Net losses</b>	<b>(1,866,692)</b>	<b>(1,323,496)</b>	<b>(298,120)</b>
<b>Net gains or losses on value of investments and financial derivatives</b>			
Net gains/(losses) on investments	8,370,803	7,443,111	(5,005,069)
Net foreign exchange gains/(losses)	58,734	(15,480)	34,455
Net gains on financial derivatives	154,562	71,580	-
	<b>8,584,099</b>	<b>7,499,211</b>	<b>(4,970,614)</b>
<b>Total return/(deficit) for the financial period before income tax</b>	<b>6,717,407</b>	<b>6,175,715</b>	<b>(5,268,734)</b>
Less: Income tax	(130,655)	(517,337)	(25,580)
<b>Total return/(deficit) for the financial period after income tax</b>	<b>6,586,752</b>	<b>5,658,378</b>	<b>(5,294,314)</b>

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENTS OF FINANCIAL POSITION***As at 30 June 2016 (unaudited)*

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	<b>Nikko AM China Onshore Bond Fund</b>		<b>Nikko AM China Equity Fund</b>	
	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>ASSETS</b>				
Portfolio of investments	<b>261,213,109</b>	298,678,589	<b>22,901,665</b>	31,818,818
Sales awaiting settlement	<b>4,002,638</b>	-	-	-
Receivables	<b>779</b>	1,609,886	-	-
Cash and bank balances	<b>7,664,582</b>	6,330,636	<b>4,656,637</b>	1,451,266
Reserves accounts	<b>46,840</b>	56,547	-	56,000
Financial derivatives at fair value	<b>69</b>	-	-	-
<b>Total assets</b>	<b><u>272,928,017</u></b>	<u>306,675,658</u>	<b><u>27,558,302</u></b>	<u>33,326,084</u>
<b>LIABILITIES</b>				
Payables	<b>2,048,703</b>	2,003,650	<b>258,464</b>	279,183
Purchases awaiting settlement	-	-	<b>608,164</b>	-
Distributions payable	<b>891,298</b>	998,728	-	-
Financial derivatives at fair value	-	519,912	-	-
<b>Total liabilities</b>	<b><u>2,940,001</u></b>	<u>3,522,290</u>	<b><u>866,628</u></b>	<u>279,183</u>
<b>EQUITY</b>				
Net assets attributable to unitholders	<b><u>269,988,016</u></b>	<u>303,153,368</u>	<b><u>26,691,674</u></b>	<u>33,046,901</u>

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**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENTS OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial period from 01 January 2016 to 30 June 2016 (unaudited)*

	<b>Nikko AM China Onshore Bond Fund</b>		<b>Nikko AM China Equity Fund</b>	
	<b>30 June 2016 RMB</b>	<b>31 December 2015 RMB</b>	<b>30 June 2016 RMB</b>	<b>31 December 2015 RMB</b>
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>303,153,368</b>	177,386,123	<b>33,046,901</b>	-
<b>Operations</b>				
Change in net assets attributable to unitholders resulting from operations	<b>6,586,752</b>	16,378,913	<b>(5,294,314)</b>	3,660,548
<b>Unitholders' contributions /(withdrawals)</b>				
Creation of units	<b>8,191,743</b>	208,208,284	<b>2,802,887</b>	31,165,255
Cancellation of units	<b>(42,505,912)</b>	(88,281,241)	<b>(3,863,800)</b>	(1,778,902)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(34,314,169)</b>	119,927,043	<b>(1,060,913)</b>	29,386,353
Distributions	<b>(5,437,935)</b>	(10,538,711)	-	-
Total increase in net assets attributable to unitholders	<b>(33,165,352)</b>	125,767,245	<b>(6,355,227)</b>	33,046,901
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>269,988,016</b>	303,153,368	<b>26,691,674</b>	33,046,901

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

Nikko AM China Onshore Bond Fund			
By Geography (Primary)	Holdings at 30 June 2016	Fair value at 30 June 2016 RMB	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Fixed Income Securities</b>			
<b>BRITISH VIRGIN ISLANDS</b>			
Unican Limited 5.15% due 02/07/2018	6,500,000	6,525,675	2.42
<b>Total BRITISH VIRGIN ISLANDS</b>		<b>6,525,675</b>	<b>2.42</b>
<b>CAYMAN ISLANDS</b>			
21Vianet Group Incorporation 6.875% due 26/06/2017	3,000,000	3,023,970	1.13
Alibaba Group Holding Limited 3.6% due 28/11/2024	500,000	3,412,180	1.26
Dorsett Hospitality International Limited 6% due 03/04/2018	5,000,000	4,951,750	1.84
Lai Fung Holdings Limited 6.875% due 25/04/2018	11,000,000	10,808,270	4.00
<b>Total CAYMAN ISLANDS</b>		<b>22,196,170</b>	<b>8.22</b>
<b>CHINA</b>			
Aluminum Corporation of China Limited 5.2% due 22/01/2018	10,000,000	10,100,000	3.74
Aluminum Corporation of China 5.99% due 03/09/2019	10,000,000	10,301,700	3.82
Bank of China Limited 3.6% due 30/06/2017	10,000,000	10,021,850	3.71
Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020	20,000,000	20,544,140	7.61
China Development Bank Corporation 3.81% due 05/02/2025	10,000,000	10,359,970	3.84
China Development Bank Corporation 4.9% due 12/06/2024	10,000,000	11,045,910	4.09
China National Gold Group Corporation 5.29% due 29/12/2049	10,000,000	10,423,800	3.86
China Government Bond 3% due 21/05/2020	9,000,000	8,961,705	3.32
China Government Bond 3.1% due 29/06/2022	5,000,000	4,943,525	1.83
China Government Bond 3.28% due 02/06/2019	2,000,000	2,023,840	0.75
China Government Bond 3.31% due 30/11/2025	4,000,000	3,985,000	1.48
China Government Bond 3.64% due 09/04/2025	10,000,000	10,599,680	3.93
China Government Bond 4.04% due 24/04/2019	10,000,000	10,380,200	3.84
China Government Bond 4.13% due 18/09/2024	10,000,000	10,910,120	4.04
China Cinda Asset Management Company Limited 4.3% due 22/05/2020	10,000,000	10,269,350	3.80
CITIC Securities Company Limited 5.1% due 25/06/2025	5,000,000	5,450,000	2.02
Export-Import Bank of China 3.87% due 14/09/2025	10,000,000	10,397,070	3.85
Guangzhou Yue Xiu Holdings Limited 5.2% due 28/02/2020	10,000,000	10,543,000	3.90
Jinchuan Group Company Limited 4.75% due 17/07/2017	2,000,000	1,866,560	0.69
Poly Real Estate Group Company Limited 4.8% due 26/12/2019	10,000,000	10,443,980	3.87

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)*

<b>Nikko AM China Onshore Bond Fund</b>			
<b>By Geography (Primary) (continued)</b>			<b>Percentage of total net assets attributable to unitholders at 30 June 2016</b>
	<b>Holdings at 30 June 2016</b>	<b>Fair value at 30 June 2016 RMB</b>	<b>%</b>
<b>Quoted Fixed Income Securities (continued)</b>			
<b>CHINA (continued)</b>			
Shanghai Shimao Company Limited 6.08% due 10/03/2018	10,000,000	10,365,080	3.84
Shenhua Group Corporation Limited 3.25% due 14/08/2016	10,000,000	10,004,830	3.71
Shenhua Group Corporation Limited 3.35% due 25/01/2021	10,000,000	9,919,580	3.67
Zhejiang Geely Holding Group Company Limited 5.9% due 24/01/2020	2,500,000	2,652,548	0.98
<b>Total CHINA</b>		<u>216,513,438</u>	<u>80.19</u>
<b>HONG KONG SAR</b>			
ICBCIL Finance Company Limited 3.9% due 18/06/2018	5,000,000	5,036,820	1.87
<b>Total HONG KONG SAR</b>		<u>5,036,820</u>	<u>1.87</u>
<b>NETHERLANDS</b>			
Volkswagen International Finance NV 3.5% due 23/01/2019	2,000,000	1,984,340	0.73
<b>Total NETHERLANDS</b>		<u>1,984,340</u>	<u>0.73</u>
<b>NEW ZEALAND</b>			
Fonterra Co-Operative Group Limited 4% due 22/06/2020	5,000,000	4,991,500	1.85
<b>Total NEW ZEALAND</b>		<u>4,991,500</u>	<u>1.85</u>
<b>Accrued interest receivable on quoted fixed income securities</b>		<u>3,965,166</u>	<u>1.47</u>
<b>Total Quoted Fixed Income Securities</b>		<u>261,213,109</u>	<u>96.75</u>
<b>Portfolio of investments</b>		<u>261,213,109</u>	<u>96.75</u>
<b>Other net assets</b>		<u>8,774,907</u>	<u>3.25</u>
<b>Net assets attributable to unitholders</b>		<u>269,988,016</u>	<u>100.00</u>



## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

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By Geography (Summary)	Nikko AM China Onshore Bond Fund	
	Percentage of total net assets attributable to unitholders at 30 June 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Fixed Income Securities</b>		
British Virgin Islands	2.42	2.29
Cayman Islands	8.22	14.27
China	80.19	73.20
Hong Kong SAR	1.87	3.24
Netherlands	0.73	1.89
New Zealand	1.85	1.57
Accrued interest receivable on quoted fixed income securities	1.47	2.06
<b>Total Quoted Fixed Income Securities</b>	<b>96.75</b>	<b>98.52</b>
<b>Portfolio of investments</b>	<b>96.75</b>	<b>98.52</b>
<b>Other net assets</b>	<b>3.25</b>	<b>1.48</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

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## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

<b>Nikko AM China Onshore Bond Fund</b>			
<b>By Industry (Secondary)</b>	<b>Fair value at 30 June 2016 RMB</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2016 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2015 %</b>
Auto Manufacturers	4,636,888	1.72	1.89
Banks	31,427,730	11.64	6.85
Basic Materials	30,825,500	11.42	10.24
Consumer	-	-	2.42
Distribution/Wholesale	-	-	3.46
Diversified Financial Services	11,562,495	4.29	3.25
Energy	19,924,410	7.38	3.30
Engineering and Construction	20,544,140	7.61	6.70
Financials	47,071,410	17.43	17.17
Food	4,991,500	1.85	2.39
Internet	6,436,150	2.38	4.15
Lodging	4,951,750	1.83	1.62
Mining	1,866,560	0.69	1.68
Oil and Gas	-	-	3.51
Real Estate	10,808,270	4.00	7.29
Sovereign	62,201,140	23.04	17.24
Utilities	-	-	3.30
<b>Accrued interest receivable on quoted fixed income securities</b>	<b>3,965,166</b>	<b>1.47</b>	<b>2.06</b>
<b>Portfolio of investments</b>	<b>261,213,109</b>	<b>96.75</b>	<b>98.52</b>
<b>Other net assets</b>	<b>8,774,907</b>	<b>3.25</b>	<b>1.48</b>
<b>Net assets attributable to unitholders</b>	<b>269,988,016</b>	<b>100.00</b>	<b>100.00</b>

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

Nikko AM China Equity Fund			
By Industry (Primary)	Holdings at 30 June 2016	Fair value at 30 June 2016 RMB	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Equities</b>			
<b>ADVERTISING</b>			
Guangdong Advertising Group Company Limited	40,000	565,200	2.12
<b>Total ADVERTISING</b>		<b>565,200</b>	<b>2.12</b>
<b>AGRICULTURE</b>			
Beijing Shunxin Agriculture Company Limited	22,000	523,160	1.96
Shandong Yisheng Livestock & Poultry Breeding Company Limited	10,000	438,100	1.64
<b>Total AGRICULTURE</b>		<b>961,260</b>	<b>3.60</b>
<b>BANKS</b>			
Bank of Beijing Company Limited	79,975	829,341	3.11
China Everbright Bank Company Limited	200,000	752,000	2.82
China Merchants Bank Company Limited	40,000	700,000	2.62
China Minsheng Banking Corporation Limited	55,000	491,150	1.84
Industrial Bank Company Limited	80,000	1,219,200	4.56
<b>Total BANKS</b>		<b>3,991,691</b>	<b>14.95</b>
<b>BEVERAGES</b>			
Beijing Yanjing Brewery Company Limited	55,000	417,450	1.56
Kweichow Moutai Company Limited	2,000	583,840	2.19
<b>Total BEVERAGES</b>		<b>1,001,290</b>	<b>3.75</b>
<b>BIOTECHNOLOGY</b>			
Hualan Biological Engineering Incorporated	16,000	502,400	1.88
<b>Total BIOTECHNOLOGY</b>		<b>502,400</b>	<b>1.88</b>
<b>CHEMICALS</b>			
Hebei Baoshuo Company	20,000	274,800	1.03
Sinopec Shanghai Petrochemical Company Limited	50,000	305,000	1.14
<b>Total CHEMICALS</b>		<b>579,800</b>	<b>2.17</b>
<b>COAL</b>			
Jizhong Energy Resources Company Limited	70,000	372,400	1.40
Shanxi Lu'an Environmental Energy Development Company Limited	40,000	261,600	0.98
<b>Total COAL</b>		<b>634,000</b>	<b>2.38</b>
<b>COMPUTERS</b>			
Aisino Corporation	18,000	428,400	1.60
<b>Total COMPUTERS</b>		<b>428,400</b>	<b>1.60</b>

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)***Nikko AM China Equity Fund****By Industry (Primary) (continued)**

	Holdings at 30 June 2016	Fair value at 30 June 2016 RMB	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Equities (continued)</b>			
<b>DISTRIBUTION/WHOLESALE</b>			
China Meheco Company Limited	24,000	380,640	1.43
<b>Total DISTRIBUTION/WHOLESALE</b>		<b>380,640</b>	<b>1.43</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
China Merchants Securities Company Limited	45,000	742,500	2.78
Everbright Securities Company Limited	25,000	423,500	1.59
Huatai Securities Company Limited	38,000	718,960	2.69
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>1,884,960</b>	<b>7.06</b>
<b>ELECTRICAL COMPONENT AND EQUIPMENT</b>			
Changzhou Xingyu Automotive Lighting Systems Company Limited	4,000	183,280	0.69
Hangzhou Zhongheng Electric Company Limited	14,000	384,020	1.44
<b>Total ELECTRICAL COMPONENT AND EQUIPMENT</b>		<b>567,300</b>	<b>2.13</b>
<b>ELECTRONICS</b>			
Luxshare Precision Industry Company Limited	21,000	412,650	1.55
Shenzhen Inovance Technology Company Limited	20,856	404,615	1.51
<b>Total ELECTRONICS</b>		<b>817,265</b>	<b>3.06</b>
<b>ENGINEERING AND CONSTRUCTION</b>			
China Camc Engineering Company Limited	26,400	519,288	1.95
Ningbo Construction Company Limited	50,000	289,000	1.08
Shanghai International Airport Company Limited	11,910	310,256	1.16
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>1,118,544</b>	<b>4.19</b>
<b>ENVIRONMENTAL CONTROL</b>			
Beijing Originwater Technology Company Limited	20,035	298,120	1.12
<b>Total ENVIRONMENTAL CONTROL</b>		<b>298,120</b>	<b>1.12</b>
<b>FOOD</b>			
Fujian Sunner Development Company Limited	20,000	518,000	1.94
<b>Total FOOD</b>		<b>518,000</b>	<b>1.94</b>
<b>FOREST PRODUCTS AND PAPER</b>			
Shandong Chenming Paper Holdings Limited	32,000	253,760	0.95
<b>Total FOREST PRODUCTS AND PAPER</b>		<b>253,760</b>	<b>0.95</b>
<b>HEALTHCARE-PRODUCTS</b>			
Lepu Medical Technology Beijing Company Limited	15,000	273,600	1.03
<b>Total HEALTHCARE-PRODUCTS</b>		<b>273,600</b>	<b>1.03</b>

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)***Nikko AM China Equity Fund****By Industry (Primary) (continued)**

	Holdings at 30 June 2016	Fair value at 30 June 2016 RMB	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Equities (continued)</b>			
<b>HOLDING COMPANIES-DIVERSIFIED</b>			
China Dalian International Cooperation Group Holdings Limited	14,000	308,980	1.16
<b>Total HOLDING COMPANIES-DIVERSIFIED</b>		<u>308,980</u>	<u>1.16</u>
<b>HOME FURNISHINGS</b>			
Hangzhou Robam Appliances Company Limited	15,000	551,550	2.07
Midea Group Company Limited	13,000	308,360	1.15
<b>Total HOME FURNISHINGS</b>		<u>859,910</u>	<u>3.22</u>
<b>HOUSEWARES</b>			
Zhejiang Supor Cookware Company Limited	11,000	378,950	1.42
<b>Total HOUSEWARES</b>		<u>378,950</u>	<u>1.42</u>
<b>INSURANCE</b>			
China Pacific Insurance Group Company Limited	15,000	405,600	1.52
Ping An Insurance Group Company of China Limited	35,000	1,121,400	4.20
<b>Total INSURANCE</b>		<u>1,527,000</u>	<u>5.72</u>
<b>INTERNET</b>			
Wangsu Science & Technology Company Limited	5,000	336,000	1.26
<b>Total INTERNET</b>		<u>336,000</u>	<u>1.26</u>
<b>MEDIA</b>			
Zhejiang Huace Film & TV Company Limited	17,600	274,032	1.03
<b>Total MEDIA</b>		<u>274,032</u>	<u>1.03</u>
<b>MINING</b>			
China Nonferrous Metal Industry's Foreign Engineering And Construction Company Limited	60,000	465,000	1.74
Tibet Summit Industrial Company Limited	10,000	295,100	1.11
<b>Total MINING</b>		<u>760,100</u>	<u>2.85</u>
<b>MISCELLANEOUS MANUFACTURE</b>			
Suzhou Victory Precision Manufacture Company Limited	25,000	246,250	0.92
<b>Total MISCELLANEOUS MANUFACTURE</b>		<u>246,250</u>	<u>0.92</u>

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)***Nikko AM China Equity Fund****By Industry (Primary) (continued)**

	Holdings at 30 June 2016	Fair value at 30 June 2016 RMB	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Equities (continued)</b>			
<b>PHARMACEUTICALS</b>			
By-Health Company Limited	20,000	270,800	1.01
Cachet Pharmaceutical Company Limited	8,000	298,000	1.12
Jiangsu Hengrui Medicine Company Limited	7,200	288,792	1.08
Zhejiang Huahai Pharmaceutical Company Limited	18,200	442,624	1.66
<b>Total PHARMACEUTICALS</b>		<u>1,300,216</u>	<u>4.87</u>
<b>REAL ESTATE</b>			
China Fortune Land Development Company Limited	20,000	487,600	1.83
Huafa Industrial Company Limited Zhuhai	20,000	221,400	0.83
Poly Real Estate Group Company Limited	40,000	345,200	1.29
<b>Total REAL ESTATE</b>		<u>1,054,200</u>	<u>3.95</u>
<b>SEMICONDUCTORS</b>			
Jiangsu Changjiang Electronics Technology Company Limited	10,000	202,900	0.76
<b>Total SEMICONDUCTORS</b>		<u>202,900</u>	<u>0.76</u>
<b>SOFTWARE</b>			
Zhejiang Dahua Technology Company Limited	29,870	391,297	1.46
<b>Total SOFTWARE</b>		<u>391,297</u>	<u>1.46</u>
<b>TELECOMMUNICATIONS</b>			
Fiberhome Telecommunication Technologies Company Limited	20,000	485,600	1.82
<b>Total TELECOMMUNICATIONS</b>		<u>485,600</u>	<u>1.82</u>
<b>Total Quoted Equities</b>		<u>22,901,665</u>	<u>85.80</u>
<b>Portfolio of investments</b>		22,901,665	85.80
<b>Other net assets</b>		3,790,009	14.20
<b>Net assets attributable to unitholders</b>		<u>26,691,674</u>	<u>100.00</u>

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

By Industry (Summary)	Nikko AM China Equity Fund	
	Percentage of total net assets attributable to unitholders at 30 June 2016	Percentage of total net assets attributable to unitholders at 31 December 2015
	%	%
<b>Quoted Equities</b>		
Advertising	2.12	-
Agriculture	3.60	-
Auto Manufacturers	-	1.54
Banks	14.95	15.05
Beverages	3.75	1.66
Biotechnology	1.88	-
Building Materials	-	1.03
Chemicals	2.17	-
Coal	2.38	-
Computers	1.60	2.20
Distribution/Wholesale	1.43	-
Diversified Financial Services	7.06	10.36
Electrical Component and Equipment	2.13	3.37
Electronics	3.06	4.83
Engineering and Construction	4.19	2.44
Environmental Control	1.12	3.36
Food	1.94	1.73
Forest Products and Paper	0.95	1.30
Healthcare-Products	1.03	0.93
Holding Companies-Diversified	1.16	2.83
Home Furnishings	3.22	3.12
Housewares	1.42	-
Insurance	5.72	6.61
Internet	1.26	-
Media	1.03	2.25
Mining	2.85	-
Miscellaneous Manufacture	0.92	-
Packaging & Containers	-	1.71
Pharmaceuticals	4.87	6.99
Real Estate	3.95	7.65
Semiconductors	0.76	1.69
Software	1.46	4.67
Telecommunications	1.82	3.34
Leisure Products	-	1.88
Transportation	-	3.74
<b>Total Quoted Equities</b>	<b>85.80</b>	<b>96.28</b>
<b>Portfolio of investments</b>	<b>85.80</b>	<b>96.28</b>
<b>Other net assets</b>	<b>14.20</b>	<b>3.72</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

As the Sub-Fund invests wholly into China equities, it is not meaningful to classify the investments into geography.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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The following contains additional information relating to the Fund.

**1. Distribution of investments**

Please refer to the Statements of Portfolio on pages 12 to 20.

**2. Credit rating of debt securities**

**Nikko AM China Onshore Bond Fund**

	Fair value at 30 June 2016 RMB	Percentage of total net assets attributable to unitholders at 30 June 2016 %
A-	4,991,500	1.85
A+	3,412,180	1.26
A1	30,565,990	11.32
A3	15,306,170	5.67
AA-	4,943,525	1.83
Aa3	78,663,495	29.14
B+	10,808,270	4.00
Baa1	5,450,000	2.02
Baa2	10,443,980	3.87
Baa3	10,423,800	3.86
BBB+	12,084,340	4.48
Not Rated	70,154,693	25.98
Accrued interest receivable on quoted fixed income securities	3,965,166	1.47
<b>Total</b>	<b>261,213,109</b>	<b>96.75</b>

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## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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#### 3. Top 10 holdings

##### Nikko AM China Onshore Bond Fund

###### 10 Largest holdings at 30 June 2016

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020	20,544,140	7.61
China Development Bank Corporation 4.9% due 12/06/2024	11,045,910	4.09
China Government Bond 4.13% due 18/09/2024	10,910,120	4.04
Lai Fung Holdings Limited 6.875% due 25/04/2018	10,808,270	4.00
China Government Bond 3.64% due 09/04/2025	10,599,680	3.93
Guangzhou Yue Xiu Holdings Limited 5.2% due 28/02/2020	10,543,000	3.90
Poly Real Estate Group Company Limited 4.8% due 26/12/2019	10,443,980	3.87
China National Gold Group Corporation 5.29% due 29/12/2049	10,423,800	3.86
Export-Import Bank of China 3.87% due 14/09/2025	10,397,070	3.85
China Government Bond 4.04% due 24/04/2019	10,380,200	3.84

###### 10 Largest holdings at 30 June 2015

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Southwest Securities International Securities Limited 6.45% due 28/05/2018	11,992,260	4.05
Chongqing Land Properties Company Group 6.46% due 03/03/2019	10,580,620	3.57
Guangzhou Metro Corporation 6.05% due 03/06/2024	10,535,160	3.56
Aluminum Corporation of China Limited 5.99% due 03/09/2019	10,415,880	3.52
China Government Bond 4.13% Due 18/09/2024	10,380,230	3.50
China Government Bond 4.04% due 24/04/2019	10,339,110	3.49
Sinochem International Corporation 4.99% due 05/03/2019	10,330,000	3.49
Fujian Investment Development Group Company Limited 5.1% due 16/10/2021	10,195,010	3.44
Shanghai Shimao Company Limited 6.08% due 10/03/2018	10,104,430	3.41
Poly Real Estate Group Company Limited 4.8% due 26/12/2019	10,098,720	3.41

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## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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#### 3. Top 10 holdings (continued)

##### Nikko AM China Equity Fund

##### 10 Largest holdings at 30 June 2016

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Industrial Bank Company Limited	1,219,200	4.56
Ping An Insurance Group Company of China Limited	1,121,400	4.20
Bank of Beijing Company Limited	829,341	3.11
China Everbright Bank Company Limited	752,000	2.82
China Merchants Securities Company Limited	742,500	2.78
Huatai Securities Company Limited	718,960	2.69
China Merchants Bank Company Limited	700,000	2.62
Kweichow Moutai Company Limited	583,840	2.19
Guangdong Advertising Group Company Limited	565,200	2.12
Hangzhou Robam Appliances Company Limited	551,550	2.07

#### 4. Exposure to financial derivatives

##### Nikko AM China Onshore Bond Fund

	Fair value at 30 June 2016 RMB	Percentage of total net assets attributable to unitholders %	Unrealised gains/(losses) RMB	Realised gains/(losses) RMB
Forward foreign exchange contracts	69	-	69	154,493

#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
  - the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
  - the sum of the values of cash collateral received pursuant to:
    - the reduction of exposure to counterparties of OTC financial derivatives; and
    - EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.
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## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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**6. Collateral**

Nil.

**7. Securities lending or repurchase transactions**

Nil.

**8. Investment in unit trusts, mutual funds and collective investment schemes**

Nil.

**9. Borrowings**

Nil.

**10. Amount of units created and cancelled for the financial period ended 30 June 2016**

	<b>Nikko AM China Onshore Bond Fund</b>	<b>Nikko AM China Equity Fund</b>
	<b>RMB</b>	<b>RMB</b>
Units created	8,191,743	2,802,887
Units cancelled	(42,505,912)	(3,863,800)

**11. Turnover ratio**

**Nikko AM China Onshore Bond Fund**

		<b>30 June 2016</b>	30 June 2015
Lower of total value of purchases or sales	RMB	<b>66,516,720</b>	60,969,916
Average daily net asset value	RMB	<b>278,712,270</b>	224,492,537
<b>Total turnover ratio</b> <sup>Note</sup>	%	<b>23.87</b>	27.16

**Nikko AM China Equity Fund**

		<b>30 June 2016</b>
Lower of total value of purchases or sales	RMB	<b>13,290,778</b>
Average daily net asset value	RMB	<b>27,426,474</b>
<b>Total turnover ratio</b> <sup>Note</sup>	%	<b>48.46</b>

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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#### 12. Expense ratio

##### Nikko AM China Onshore Bond Fund

		30 June 2016	30 June 2015
Total operating expenses			
-Including preliminary expenses	RMB	3,872,822	2,436,928
-Excluding preliminary expenses	RMB	3,541,251	2,244,718
Average daily net asset value	RMB	291,381,941	199,193,093
<b>Total expense ratio<sup>Note</sup> (annualised)</b>			
-Including preliminary expenses	%	1.33	1.48
-Excluding preliminary expenses	%	1.22	1.40

##### Nikko AM China Equity Fund

		30 June 2016
Total operating expenses	RMB	722,934
Average daily net asset value	RMB	29,324,686
<b>Total expense ratio<sup>Note</sup> (annualised)</b>	%	3.03

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Sub-Funds do not pay any performance fee. The average net asset value is based on the daily balances.

#### 13. Related party transactions

The Manager of the Fund is Nikko Asset Management Asia Limited, a subsidiary of Nikko Asset Management International Limited. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee").

Management fee is payable to the Manager. Trustee and registrar fee are payable to the Trustee. Custody fee and valuation fee are payable to a related company of the Trustee, BNP Paribas Securities Services Singapore Branch.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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#### 13. Related party transactions (continued)

In addition to related party information shown elsewhere in the financial statements (including Statement of Portfolio), the following significant transactions took place during the financial period between the Fund and a related party at terms agreed between the parties and within the provisions of the Deed:

	Nikko AM China Onshore Bond Fund		Nikko AM China Equity Fund	
	30 June 2016 RMB	31 December 2015 RMB	30 June 2016 RMB	31 December 2015 RMB
Bank balances held with related party of the trustee	<b>6,168,020</b>	4,928,012	<b>3,694,613</b>	901,043

#### 14. Any other material information that will adversely impact the valuation of the fund

Nil.

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12 Marina View, #18-02 Asia Square Tower 2, Singapore 018961  
Intermediaries Hotline: 1800 535 8025 / 65 6535 8025  
Website: [www.nikkoam.com.sg](http://www.nikkoam.com.sg)

Company registration number 198202562H



# ANNUAL REPORT

For the financial year ended 31 December 2015

**Nikko AM**  
**China Onshore Fund Series**

### **MANAGERS**

Nikko Asset Management Asia Limited  
12 Marina View, #18-02, Asia Square Tower 2,  
Singapore 018961  
Company Registration No. 198202562H

### **DIRECTORS**

Lim Say Boon  
V Arivazhagan  
Seet Oon Hui Eleanor  
Andrew Ross Long  
Yu-Ming Wang  
David Semaya

### **TRUSTEE**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
Singapore 049319

### **AUDITORS**

PricewaterhouseCoopers LLP  
8 Cross Street, #17-00 PWC Building  
Singapore 048424

### **REGISTRAR**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
Singapore 049319

### **CUSTODIANS**

Singapore Custodian  
BNP Paribas Securities Services, Singapore Branch  
20 Collyer Quay, #01-01  
Singapore 049319

#### China Custodian (for Nikko AM China Onshore Bond Fund)

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

#### China Custodian (for Nikko AM China Equity Fund)

HSBC Bank (China) Company Limited  
33rd Floor, HSBC Building, Shanghai IFC,  
8 Century Avenue, Pudong,  
Shanghai, China (200120)

This report is also available on our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM China Onshore Bond Fund	2.72	3.66	6.12	-	-	-	5.65

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. Returns are calculated on a NAV-NAV basis, RMB, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM China Onshore Bond Fund	-2.42	-1.52	0.82	-	-	-	1.59

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. Returns are calculated on a NAV-NAV basis, RMB, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 10 September 2014

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM China Equity Fund	14.46	-	-	-	-	-	10.80
CSI 300 Index <sup>1</sup>	14.07	-	-	-	-	-	8.58

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM China Equity Fund	8.74	-	-	-	-	-	5.26
CSI 300 Index <sup>1</sup>	14.07	-	-	-	-	-	8.58

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Past performance is not indicative of future performance.

### Inception date: 7 September 2015

#### Note:

(1) The benchmark of the Nikko AM China Equity Fund is CSI 300 index and is stated in USD terms.

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## **Nikko AM China Onshore Bond Fund**

### **Portfolio Review**

#### ***Fund gained 6.12% in 2015***

The Nikko AM China Onshore Bond Fund (the “Fund”) posted a return of 6.12% (in RMB terms, NAV-NAV basis) in 2015. At the start of the period, the preference was for government bonds over credit bonds. The Fund started to extend duration and increased the exposure in credits to the offshore high-yield space towards the middle of the year, but reallocated the portfolio to onshore policy bank bonds and onshore government bonds in July and August amid increased volatility following the sharp crash in Chinese equity markets and the central bank’s move to change the CNY fixing mechanism. Towards the end of 2015, the Fund started increasing its overall credit profile again, following an aggressive tightening in onshore credit spreads.

### **Market Review**

#### ***People’s Bank of China (PBoC) further loosened monetary policy***

The PBoC trimmed interest rates by a total of 125 basis points (bps) and lowered bank’s reserve requirement ratio several times in 2015. It also used non-conventional tools such as the standing lending facility (SLF), pledged supplementary lending (PSL), and medium-term lending facility (MLF), among others, to further loosen monetary conditions in response to a disappointing growth outlook. Towards the end of the year, the Chinese central bank also removed the deposit rate cap for banks, henceforth leading markets to fully determine interest rates.

#### ***RMB to join International Monetary Fund’s (IMF) Special Drawing Rights (SDR) basket***

The IMF announced that the Chinese Yuan will be included in the SDR basket, and be given a weighting of 10.92% in a revised basket that will come into effect on 1 October 2016. Following the announcement, the PBoC assured that China will continue its reforms and open up its financial markets to consolidate the RMB’s role in the SDR basket.

#### ***PBoC announced change in pricing mechanism for CNY fixing; China Foreign Exchange Trade System (CFETS) released the RMB foreign exchange (FX) Index***

In August, the PBoC announced a change in its manner of setting the CNY fixing midpoint, which effectively weakened the currency against the USD. This resulted in a wild gyrations of both the CNY and CNH, which only stabilised after repeated intervention by the Chinese central bank. Towards the end of the year, the PBoC moved another step closer towards establishing a more market-determined regime for its currency. The CFETS unveiled a CNY trade-weighted index in December, with the objective of redirecting the focus away from the RMB’s move against the USD, to its performance against a basket of currencies. The basket comprises 13 currencies of China’s major trading partners.

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### ***PBoC opened up the onshore repo and interbank FX markets***

During the period, the Chinese central bank started allowing all overseas RMB clearing and settlement banks to participate in the onshore interbank bond market. In addition, it also provided foreign central banks access to the onshore interbank FX market to trade the RMB against other currencies using the spot market as well as via derivative instruments.

### ***China's Fifth Plenum outlined the 13th five-year plan; one-child policy loosened***

The Fifth Plenum of the Communist Party concluded on 29 October 2015. The communiqué outlined the direction of the country's development in the next five years, committing to build China into a moderately affluent society by 2020. It reiterated the aim to double the GDP per capita income by 2020 from 2010's level. The press release also emphasised the role of innovation and mentioned the need to strengthen the country's social safety net. Notably, the country loosened the one-child policy to soon allow all households to have two children.

### ***Onshore government and corporate bonds rallied***

The rate cuts announced by the Chinese central bank and other loosening measures introduced in the period helped onshore Chinese bonds register gains over the year. Short to mid-tenor government securities outperformed their longer-dated counterparts, with yields of 1-year and 5-year onshore government bonds declining about 91bps and 87bps respectively in 2015. Similarly, onshore corporate bonds ended the period higher, with yields of 5-year and 10-year AAA rated corporate bonds shrinking about 156bps and 129bps respectively.

## **Market Outlook & Strategy**

### ***Extending exposures into dollar***

Amid the strong rally in the China onshore market, we took some profit to increase the allocation offshore again. This time, we picked up some dollar credit papers issued by Chinese names. The Renminbi Qualified Domestic Institutional Investor (RQDII) flows have ebbed as the Chinese authorities are trying to rein in speculators in the FX market and have temporarily plugged all channels of capital outflows. This has put a stop to the dim sum bond market rally where we have also taken some profits. Going forward, our strategy is to continue to increase our modest exposure in the USD as a way to mitigate the volatility in the CNH FX market.

## **Nikko AM China Equity Fund**

### **Portfolio Review**

#### ***Fund outperformed in 2015 after inception***

Since the inception on 7 September 2015, the Nikko AM China Equity Fund (the "Fund") gained 10.80% (USD terms, NAV-NAV basis), outperforming the CSI 300 Index which returned 8.58% due to market rebound and portfolio outperformance.

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## **Market Review**

### ***A-share market rebounded from market turmoil***

China's stock market had a rollercoaster ride in 2015. The market surged relentlessly in the first half of the year due to loosening monetary policy and lax margin requirements. Investors were extremely optimistic on thematic investing in mid- and small- caps and pushed the market valuation higher. However, the market peaked in mid-June and slumped about 40% within three months mostly due to tightening rules on margin trading and lower risk appetite. To avoid a market meltdown, the Chinese government launched a series of measures to stabilise the market and improve sentiment. In September, the US Federal Reserve postponed the hike in interest rate and emerging markets rebounded sharply. Since then, the A-share market saw its bottom and moved up gradually until the end of 2015.

### ***The Chinese economy saw no improvement***

China's macro economy was sluggish in the last six months, notwithstanding the cut in interest rates and bank's reserve requirement ratio. We did not see any fundamental improvement while inflation caught up slightly. For 2015, GDP expanded 6.9% year-on-year, roughly in-line with the government's annual growth rate target of "about 7.0%", but down 0.4% from 7.3% in 2014. Macroeconomic indicators have not shown any sign of improvement in the economy.

### ***We benefited from the rebound since last October***

Since last October, the stock market saw a gradual recovery, and new-economy related stocks outperformed subsequently. As we favour growth stocks relative to large-cap value stocks, our portfolio benefited from the momentum which persisted till the end of the year.

## **Market Outlook & Strategy**

### ***Supply-side reform is the key for China's economy***

Overall, the Chinese economy is still facing a lot of problems, most of which are structural rather than cyclical. The government tried to boost the economy by a massive stimulus plan in 2009 and loose monetary policy in 2014. But the economic slowdown continued while demand remained weak. As such, we do not expect any strong economic stimulus in 2016 and hence we are not expecting a V-shape recovery of the economy. Instead, a long period of L-shape growth is more likely. To arrest the economic slowdown, China has unveiled a new blueprint to embark on supply-side reform. As demand wanes, the government has started to reform the supply side to make effective use of production factors, such as resources, investments, labour and technologies .

### ***We are cautious on the market in 2016***

In the next six months, we are cautious on the stock market since we face a challenging market environment. Economic growth is weakening and may need more time to recover. Market liquidity is tightening mostly due to the pressure from RMB depreciation. The central bank has to stabilise the currency rate to calm market sentiment. However, RMB stabilisation also depends on the pace of US Federal Reserve interest rate hikes. In the

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absence of any positive catalyst, A-share investors' confidence is likely to remain under pressure and sentiment may stay fragile. Although supply-side reform is beneficial for long-term economic growth, it may create a growing risk of stagnation or financial crisis in the short-term. Hence, in view of the systemic risks, we remain cautious on the overall market and are focusing more on stock selection.

***A more defensive portfolio is preferred***

In 2016, the market environment is likely to be more challenging. As a result, we prefer deep value stocks for our core holdings which include property, food and beverage, and pharmaceuticals. Meanwhile, we like stocks in the cyclical sectors which will benefit from the supply-side reform, such as mining and metals stocks. Most of these stocks has negative Price-to-Book ratios, but should be the beneficiaries of supply-side reform. Lastly, we remain positive on the new-economy related stocks because they are the future of China's economy. But we will be more careful on stock selection and identify real growth stocks with huge market potential, high earnings growth, and strong potential to be re-rated.

**Key investment themes for 2016**

In 2016, supply-side reform is the key theme of the stock market. The reform will involve deep structural changes in the traditional economy, which will include most of the cyclical sectors, such as mining, metals, construction materials, and machinery. Listed companies in these sectors are likely to benefit the most from the reform. In addition, we remain positive on the new-economy related sectors. In 2016, cloud computing, virtual reality, big data, and internet security are popular themes within the A-share market.

## IMPORTANT INFORMATION

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This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. Any securities mentioned herein are for illustration purposes only and should not be construed as a recommendation for investment. You should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you. Investments in unit trusts are not deposits in, obligations of, or guaranteed or insured by Nikko Asset Management Asia Limited (**“Nikko AM Asia”**).

**Past performance or any prediction, projection or forecast is not indicative of future performance.** The funds may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the funds are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus and product highlights sheet obtainable from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before investing.

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### **For Hong Kong Investors**

The fund is only offered to professional investors and is not authorized by the Securities and Futures Commission in Hong Kong. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H



## SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

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### Appointment of soft dollar brokers

Soft dollar brokers will be appointed onto the Managers' broker panel only after the Managers have ensured that:

- a) full disclosure of the practice of accepting soft dollars is made;
- b) the commission rates charged are comparable with the market rates;
- c) there is no conflict of interest;
- d) the soft dollar credits are used only for clearly defined services;
- e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and
- f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

### Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the Sub-Funds shall be segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). The Managers will execute trades for such accounts only with authorised full service brokers.

It is the responsibility of the Managers to ensure that the allocation quotas are adhered to. In addition, the Managers will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

Subject to the provisions of the Code\*, in its management of the Sub-Funds, the Managers may receive soft dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Sub-Funds and the soft dollars received would be restricted to the following kinds of services:

- a) specific advice as to the advisability of dealing in, or of the value of any investments;
- b) research and advisory services;
- c) economic and political analysis;
- d) portfolio analysis including valuation and portfolio measurements;
- e) market analysis;
- f) data and quotation services;
- g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
- h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:

- a) travel, accommodation and entertainment expenses;
- b) general administrative goods and services including office equipment and premises;
- c) membership fees;
- d) employee salaries; and
- e) direct money payments / rebates.

Records of the payments made using soft dollar commissions shall be retained with the Managers.

Notwithstanding the above, investors should note that currently, the Managers do not intend to receive soft dollar commissions in respect of the Nikko AM China Onshore Bond Fund.

In relation to the Nikko AM China Equity Fund, the Managers will not accept or enter into soft-dollar commissions / arrangements unless:

- a) such soft-dollar commissions / arrangements would in the opinion of the Managers, assist the Managers in their management of the Nikko AM China Equity Fund;
- b) at all times, best execution is carried out by the Managers for the transactions; and
- c) no unnecessary trades are entered into in order to qualify for such soft-dollar commissions / arrangements.

\* The "Code" means the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as may be amended, modified, or supplemented from time to time by the Authority.

## **NIKKO AM CHINA ONSHORE FUND SERIES**

*(Constituted under a Trust Deed registered in the Republic of Singapore)*

### **REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2015*

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The Trustee is under a duty to take into custody and hold the assets of the sub-funds of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund (collectively referred to as the "Sub-Funds") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Sub-Funds during the financial year/period covered by these financial statements, set out on pages 12 to 43, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee  
BNP Paribas Trust Services Singapore Limited

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Authorised signatory

**NIKKO AM CHINA ONSHORE FUND SERIES**

*(Constituted under a Trust Deed registered in the Republic of Singapore)*

**STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2015*

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In the opinion of the directors of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 12 to 43, comprising the Statements of Total Return, Statements of Financial Position, Statements of Movements of Unitholders' Funds, Statements of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions of the sub-funds of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund (collectively referred to as the "Sub-Funds") as at 31 December 2015, and the total returns and changes in unitholders' funds for the financial year/period then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Sub-Funds will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager  
Nikko Asset Management Asia Limited

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Authorised signatory

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
NIKKO AM CHINA ONSHORE FUND SERIES**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

We have audited the accompanying financial statements of the sub-funds of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund (collectively referred to as the "Sub-Funds") which comprise the Statements of Financial Position and Statements of Portfolio as at 31 December 2015, the Statements of Total Return and Statements of Movements of Unitholders' Funds for the financial year/period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 43.

***Manager's Responsibility for the Financial Statements***

The Sub-Funds' Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the Sub-Funds' preparation and fair presentation of financial statements 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-Funds' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Sub-Funds as at 31 December 2015 and the total returns for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENTS OF TOTAL RETURN***For the financial year ended 31 December 2015*

		<b>Nikko AM China Onshore Bond Fund</b>	<b>Nikko AM China Equity Fund</b>
		For the financial year ended <b>31 December 2015</b> RMB	For the financial period from 07 July 2014 (date of commencement) to 31 December 2014 RMB
	Note		For the financial period from 15 June 2015 (date of commencement) to 31 December 2015 RMB
<b>Income</b>			
Dividend		-	17,640
Interest	3	126,358	6,968
Other Income		-	-
		<u>126,358</u>	<u>24,608</u>
<b>Less: Expenses</b>			
Management fee		2,397,617	153,910
Registrar fee		21,439	3,480
Trustee fee		71,809	6,552
Custody fee		237,343	5,666
Audit fee		148,389	109,161
Valuation fee		95,745	9,172
Transaction costs		80,730	83,905
Preliminary expenses		-	222,939
Other expenses		321,572	36,435
		<u>3,374,644</u>	<u>631,220</u>
<b>Net losses</b>		<u>(3,248,286)</u>	<u>(606,612)</u>
<b>Net gains or losses on value of investments and financial derivatives</b>			
Net gains on investments		22,566,747	4,333,816
Net foreign exchange loss		(49,297)	(64,635)
Net losses on financial derivatives		(1,636,606)	-
		<u>20,880,844</u>	<u>4,269,181</u>
<b>Total return for the financial year/period before income tax</b>		<u>17,632,558</u>	<u>3,662,569</u>
Less: Income tax	4	(1,253,645)	(2,021)
<b>Total return for the financial year/period after income tax</b>		<u>16,378,913</u>	<u>3,660,548</u>

*The accompanying notes form an integral part of the financial statements*

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENTS OF FINANCIAL POSITION***As at 31 December 2015*

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		<b>Nikko AM China Onshore Bond Fund</b>		<b>Nikko AM China Equity Fund</b>
	Note	<b>2015 RMB</b>	2014 RMB	<b>2015 RMB</b>
<b>ASSETS</b>				
Portfolio of investments		<b>298,678,589</b>	175,631,145	<b>31,818,818</b>
Receivables	6	<b>1,609,886</b>	-	-
Cash and bank balances		<b>6,330,636</b>	3,144,022	<b>1,451,266</b>
Reserves accounts	10	<b>56,547</b>	32,774	<b>56,000</b>
<b>Total assets</b>		<b><u>306,675,658</u></b>	<u>178,807,941</u>	<b><u>33,326,084</u></b>
<b>LIABILITIES</b>				
Payables	5	<b>2,003,650</b>	817,864	<b>279,183</b>
Distributions payable		<b>998,728</b>	603,954	-
Financial derivatives at fair value	8	<b>519,912</b>	-	-
<b>Total liabilities</b>		<b><u>3,522,290</u></b>	<u>1,421,818</u>	<b><u>279,183</u></b>
<b>EQUITY</b>				
Net assets attributable to unitholders	7	<b><u>303,153,368</u></b>	<u>177,386,123</u>	<b><u>33,046,901</u></b>

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*The accompanying notes form an integral part of the financial statements*

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENTS OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 31 December 2015*

	<b>Nikko AM China Onshore Bond Fund</b>	<b>Nikko AM China Equity Fund</b>
	For the financial year ended <b>31 December 2015</b> RMB	For the financial period from 07 July 2014 (date of commencement) to 31 December 2014 RMB
Note		For the financial period from <b>15 June 2015</b> (date of commencement) to <b>31 December 2015</b> RMB
<b>Net assets attributable to unitholders at the beginning of the financial year/period</b>	<b>177,386,123</b>	-
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>16,378,913</b>	1,742,095
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>208,208,284</b>	177,897,439
Cancellation of units	<b>(88,281,241)</b>	(205,590)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>119,927,043</b>	177,691,849
Distributions	<b>(10,538,711)</b>	(2,047,821)
Total increase in net assets attributable to unitholders	<b>125,767,245</b>	177,386,123
<b>Net assets attributable to unitholders at the end of the financial year/period</b>	<b>303,153,368</b>	177,386,123

*The accompanying notes form an integral part of the financial statements*

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015*

<b>Nikko AM China Onshore Bond Fund</b>			
<b>By Geography (Primary)</b>	<b>Holdings at 31 December 2015</b>	<b>Fair value at 31 December 2015 RMB</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2015 %</b>
<b>Quoted Fixed Income Securities</b>			
<b>BRITISH VIRGIN ISLANDS</b>			
RKI Finance 2013 Limited 6% due 03/12/2016	2,000,000	1,975,000	0.65
Unican Limited 5.6% due 18/09/2017	5,000,000	4,968,750	1.64
<b>Total BRITISH VIRGIN ISLANDS</b>		<b>6,943,750</b>	<b>2.29</b>
<b>CAYMAN ISLANDS</b>			
21Vianet Group Incorporation 6.875% due 26/06/2017	6,500,000	6,272,500	2.07
Alibaba Group Holding Limited 3.6% due 28/11/2024	1,000,000	6,298,585	2.08
Central China Real Estate Limited 8% due 28/01/2020	1,500,000	9,680,989	3.19
China Hongqiao Group Limited 6.875% due 03/05/2018	500,000	3,177,375	1.05
Dorsett Hospitality International Limited 6% due 03/04/2018	5,000,000	4,899,950	1.61
Lai Fung Holdings Limited 6.875% due 25/04/2018	11,000,000	10,449,890	3.45
Tingyi Cayman Islands Holding Corporation 4.375% due 06/08/2018	2,500,000	2,476,475	0.82
<b>Total CAYMAN ISLANDS</b>		<b>43,255,764</b>	<b>14.27</b>
<b>CHINA</b>			
Aluminum Corporation of China Limited 5.99% due 03/09/2019	10,000,000	10,543,080	3.48
Aluminum Corporation of China Limited 5.2% due 22/01/2018	10,000,000	10,135,120	3.34
Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020	20,000,000	20,321,680	6.70
China Cinda Asset Management Company Limited 4.3% due 22/05/2020	10,000,000	10,268,470	3.39
China Development Bank Corporation 3.81% due 05/02/2025	10,000,000	10,428,140	3.44
China Development Bank Corporation 3.86% due 05/02/2022	10,000,000	10,330,100	3.41
China Government Bond 3.1% due 29/06/2022	10,000,000	9,762,600	3.22
China Government Bond 3.64% due 09/04/2025	10,000,000	10,630,440	3.51
China Government Bond 4.04% due 24/04/2019	10,000,000	10,427,410	3.44
China Government Bond 4.13% due 18/09/2024	10,000,000	10,963,950	3.62
China Huadian Corporation 3.05% due 24/05/2016	10,000,000	10,006,780	3.30
China National Gold Group Corporation 5.29% due 29/12/2049	10,000,000	10,371,560	3.42
China National Petroleum Corporation 4.69% due 11/01/2022	10,000,000	10,629,140	3.51
Citic Securities Company Limited 5.1% due 25/06/2025	5,000,000	5,380,000	1.77
Export-Import Bank of China 3.87% due 14/09/2025	10,000,000	10,499,300	3.46
Guangzhou Yue Xiu Holdings Limited 5.2% due 28/02/2020	10,000,000	10,619,100	3.50

*The accompanying notes form an integral part of the financial statements*



**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015*

<b>Nikko AM China Onshore Bond Fund</b>			
<b>By Geography (Primary) (continued)</b>			<b>Percentage of total net assets attributable to unitholders at 31 December 2015 %</b>
	<b>Holdings at 31 December 2015</b>	<b>Fair value at 31 December 2015 RMB</b>	
<b>Quoted Fixed Income Securities (continued)</b>			
<b>CHINA (continued)</b>			
Jinchuan Group Company Limited 4.75% due 17/07/2017	2,000,000	1,920,000	0.63
Poly Real Estate Group Company Limited 4.8% due 26/12/2019	10,000,000	10,425,420	3.44
Shanghai Shimao Company Limited 6.08% due 10/03/2018	10,000,000	10,435,410	3.44
Shenhua Group Corporation Limited 3.25% due 14/08/2016	10,000,000	10,000,000	3.30
Sinochem International Corporation 4.99% due 05/03/2019	10,000,000	10,480,000	3.46
Zhejiang Geely Holding Group Company Limited 5.9% due 24/01/2020	2,500,000	2,618,000	0.86
Zhejiang Geely Holding Group Company Limited 6.4% due 21/06/2018	4,500,000	4,714,803	1.56
<b>Total CHINA</b>		<b>221,910,503</b>	<b>73.20</b>
<b>HONG KONG SAR</b>			
China City Construction International Company Limited 5.35% due 03/07/2017	5,000,000	4,925,000	1.63
ICBCIL Finance Company Limited 3.9% due 18/06/2018	5,000,000	4,893,750	1.61
<b>Total HONG KONG SAR</b>		<b>9,818,750</b>	<b>3.24</b>
<b>NETHERLANDS</b>			
Volkswagen International Finance NV 3.5% due 23/01/2019	2,000,000	1,870,000	0.62
Volkswagen International Finance NV 3.75% due 30/11/2017	4,000,000	3,850,000	1.27
<b>Total NETHERLANDS</b>		<b>5,720,000</b>	<b>1.89</b>
<b>NEW ZEALAND</b>			
Fonterra Co-operative Group Limited 4% due 22/06/2020	5,000,000	4,768,750	1.57
<b>Total NEW ZEALAND</b>		<b>4,768,750</b>	<b>1.57</b>
<b>Accrued interest receivable on quoted fixed income securities</b>		<b>6,261,072</b>	<b>2.06</b>
<b>Total Quoted Fixed Income Securities</b>		<b>298,678,589</b>	<b>98.52</b>
<b>Portfolio of investments</b>		<b>298,678,589</b>	<b>98.52</b>
<b>Other net assets</b>		<b>4,474,779</b>	<b>1.48</b>
<b>Net assets attributable to unitholders</b>		<b>303,153,368</b>	<b>100.00</b>

*The accompanying notes form an integral part of the financial statements*

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2015

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	Nikko AM China Onshore Bond Fund	
By Geography (Summary)	Percentage of total net assets attributable to unitholders at 31 December 2015 %	Percentage of total net assets attributable to unitholders at 31 December 2014 %
<b>Quoted Fixed Income Securities</b>		
British Virgin Islands	2.29	7.25
Cayman Islands	14.27	13.51
China	73.20	75.50
Hong Kong SAR	3.24	-
Netherlands	1.89	-
New Zealand	1.57	-
Accrued interest receivable on quoted fixed income securities	2.06	2.75
<b>Total Quoted Fixed Income Securities</b>	<b>98.52</b>	<b>99.01</b>
<b>Portfolio of investments</b>	<b>98.52</b>	<b>99.01</b>
<b>Other net assets</b>	<b>1.48</b>	<b>0.99</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

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*The accompanying notes form an integral part of the financial statements*

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015*

<b>Nikko AM China Onshore Bond Fund</b>			
<b>By Industry (Secondary)</b>	<b>Fair value at 31 December 2015 RMB</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2015 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2014 %</b>
Auto Manufacturers	5,720,000	1.89	-
Banks	20,758,240	6.85	1.71
Basic Materials	31,049,760	10.24	-
Consumer	7,332,803	2.42	4.04
Distribution/wholesale	10,480,000	3.46	5.65
Diversified Financial Services	9,862,500	3.25	10.76
Electric	-	-	1.70
Energy	10,000,000	3.30	6.28
Engineering and Construction	20,321,680	6.70	-
Financial Services	52,053,400	17.17	17.02
Food	7,245,225	2.39	-
Industrial	-	-	10.34
Internet	12,571,085	4.15	3.58
Lodging	4,899,950	1.62	-
Mining	5,097,375	1.68	-
Oil and Gas	10,629,140	3.51	2.82
Real Estate	22,105,879	7.29	12.14
Sovereign	52,283,700	17.24	20.22
Utilities	10,006,780	3.30	-
<b>Accrued interest receivable on quoted fixed income securities</b>	<b>6,261,072</b>	<b>2.06</b>	<b>2.75</b>
<b>Portfolio of investments</b>	<b>298,678,589</b>	<b>98.52</b>	<b>99.01</b>
<b>Other net assets</b>	<b>4,474,779</b>	<b>1.48</b>	<b>0.99</b>
<b>Net assets attributable to unitholders</b>	<b>303,153,368</b>	<b>100.00</b>	<b>100.00</b>

*The accompanying notes form an integral part of the financial statements*

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015***Nikko AM China Equity Fund****By Industry (Primary)**

	Holdings at 31 December 2015	Fair value at 31 December 2015 RMB	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities</b>			
<b>AUTO MANUFACTURERS</b>			
Chongqing Changan Automobile Company Limited	30,000	509,100	1.54
<b>Total AUTO MANUFACTURERS</b>		<b>509,100</b>	<b>1.54</b>
<b>BANKS</b>			
Bank of Beijing Company Limited	79,975	842,137	2.55
China Everbright Bank Company Limited	200,000	848,000	2.57
China Merchants Bank Company Limited	50,000	899,500	2.72
Industrial Bank Company Limited	80,000	1,365,600	4.13
Ping An Bank Company Limited	85,000	1,019,150	3.08
<b>Total BANKS</b>		<b>4,974,387</b>	<b>15.05</b>
<b>BEVERAGES</b>			
Jiangsu Yanghe Brewery Joint-Stock Company Limited	8,000	548,320	1.66
<b>Total BEVERAGES</b>		<b>548,320</b>	<b>1.66</b>
<b>BUILDING MATERIALS</b>			
Anhui Conch Cement Company Limited	20,000	341,600	1.03
<b>Total BUILDING MATERIALS</b>		<b>341,600</b>	<b>1.03</b>
<b>COMPUTERS</b>			
Aisino Corporation	13,000	726,830	2.20
<b>Total COMPUTERS</b>		<b>726,830</b>	<b>2.20</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
China Merchants Securities Company Limited	45,000	976,950	2.96
Everbright Securities Company Limited	42,000	963,480	2.91
Guoyuan Securities Company Limited	20,000	451,800	1.37
Huatai Securities Company Limited	32,000	631,040	1.91
Soochow Securities Company Limited	25,000	400,500	1.21
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>3,423,770</b>	<b>10.36</b>
<b>ELECTRICAL COMPONENT &amp; EQUIPMENT</b>			
Camel Group Company Limited	24,000	523,920	1.59
Chinese Universe Publishing and Media Company Limited	25,000	588,250	1.78
<b>Total ELECTRICAL COMPONENT &amp; EQUIPMENT</b>		<b>1,112,170</b>	<b>3.37</b>
<b>ELECTRONICS</b>			
Goertek Incorporation	10,000	346,000	1.05
Luxshare Precision Industry Company Limited	20,000	639,000	1.93
Shenzhen Inovance Technology Company Limited	12,929	610,249	1.85
<b>Total ELECTRONICS</b>		<b>1,595,249</b>	<b>4.83</b>

*The accompanying notes form an integral part of the financial statements*

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015***Nikko AM China Equity Fund****By Industry (Primary)** (continued)

	Holdings at 31 December 2015	Fair value at 31 December 2015 RMB	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities</b> (continued)			
<b>ENGINEERING AND CONSTRUCTION</b>			
China Camc Engineering Company Limited	18,000	455,940	1.38
Shanghai International Airport Company Limited	11,910	351,821	1.06
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>807,761</b>	<b>2.44</b>
<b>ENVIRONMENTAL CONTROL</b>			
Beijing Originwater Technology Company Limited	13,000	673,010	2.04
Tus-Sound Environmental Resources Company Limited	11,000	435,820	1.32
<b>Total ENVIRONMENTAL CONTROL</b>		<b>1,108,830</b>	<b>3.36</b>
<b>FOOD</b>			
Fujian Sunner Development Company Limited	26,000	571,740	1.73
<b>Total FOOD</b>		<b>571,740</b>	<b>1.73</b>
<b>FOREST PRODUCTS &amp; PAPER</b>			
Shandong Chenming Paper Holdings Limited	48,000	428,160	1.30
<b>Total FOREST PRODUCTS &amp; PAPER</b>		<b>428,160</b>	<b>1.30</b>
<b>HEALTHCARE</b>			
Lepu Medical Technology Beijing Company Limited	8,000	308,800	0.93
<b>Total HEALTHCARE</b>		<b>308,800</b>	<b>0.93</b>
<b>HOLDING COMPANIES - DIVERSIFIED</b>			
Shanghai Jiabao Industry & Commerce Group Company Limited	55,000	934,450	2.83
<b>Total HOLDING COMPANIES - DIVERSIFIED</b>		<b>934,450</b>	<b>2.83</b>
<b>HOME FURNISHINGS</b>			
Hangzhou Robam Appliances Company Limited	12,000	539,400	1.63
Midea Group Company Limited	15,000	492,300	1.49
<b>Total HOME FURNISHINGS</b>		<b>1,031,700</b>	<b>3.12</b>
<b>INSURANCE</b>			
New China Life Insurance Company Limited	11,000	574,090	1.74
Ping An Insurance Group Company of China Limited	45,000	1,611,000	4.87
<b>Total INSURANCE</b>		<b>2,185,090</b>	<b>6.61</b>
<b>MEDIA</b>			
Zhejiang Huace Film & TV Company Limited	25,000	744,750	2.25
<b>Total MEDIA</b>		<b>744,750</b>	<b>2.25</b>

*The accompanying notes form an integral part of the financial statements*

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015***Nikko AM China Equity Fund****By Industry (Primary) (continued)**

	Holdings at 31 December 2015	Fair value at 31 December 2015 RMB	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities (continued)</b>			
<b>PACKAGING &amp; CONTAINERS</b>			
ORG Packaging Company Limited	20,000	565,200	1.71
<b>Total PACKAGING &amp; CONTAINERS</b>		<b>565,200</b>	<b>1.71</b>
<b>PHARMACEUTICALS</b>			
By-Health Company Limited	14,000	539,000	1.63
Huadong Medicine Company Limited	5,700	467,172	1.41
Jiangsu Hengrui Medicine Company Limited	9,000	441,000	1.33
Jianmin Pharmaceutical Group Company Limited	15,000	507,450	1.54
Zhejiang Huahai Pharmaceutical Company Limited	14,000	355,460	1.08
<b>Total PHARMACEUTICALS</b>		<b>2,310,082</b>	<b>6.99</b>
<b>REAL ESTATE</b>			
Beijing Homyear Capital Holdings Company Limited	40,000	602,000	1.82
China Fortune Land Development Company Limited	25,000	768,000	2.32
Huafa Industrial Company Limited Zhuhai	45,000	733,500	2.22
Poly Real Estate Group Company Limited	40,000	425,600	1.29
<b>Total REAL ESTATE</b>		<b>2,529,100</b>	<b>7.65</b>
<b>SEMICONDUCTORS</b>			
Sanan Optoelectronics Company Limited	23,000	558,670	1.69
<b>Total SEMICONDUCTORS</b>		<b>558,670</b>	<b>1.69</b>
<b>SOFTWARE</b>			
Beijing E-Hualu Information Technology Company Limited	7,000	323,190	0.98
Glodon Software Company Limited	20,000	363,600	1.10
Sinodata Company Limited	5,200	415,948	1.26
Zhejiang Dahua Technology Company Limited	11,948	440,881	1.33
<b>Total SOFTWARE</b>		<b>1,543,619</b>	<b>4.67</b>
<b>TELECOMMUNICATIONS</b>			
Fiberhome Telecommunication Technologies Company Limited	20,000	571,000	1.73
Guangzhou Haige Communications Group Incorporation Company	32,000	534,080	1.61
<b>Total TELECOMMUNICATIONS</b>		<b>1,105,080</b>	<b>3.34</b>
<b>LEISURE PRODUCTS</b>			
Guangdong Alpha Animation And Culture Company Limited	12,000	620,520	1.88
<b>TOTAL LEISURE PRODUCTS</b>		<b>620,520</b>	<b>1.88</b>

*The accompanying notes form an integral part of the financial statements*

**NIKKO AM CHINA ONSHORE FUND SERIES***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015*

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<b>Nikko AM China Equity Fund</b>			
<b>By Industry (Primary) (continued)</b>			<b>Percentage of total net assets attributable to unitholders at 31 December 2015</b>
	<b>Holdings at 31 December 2015</b>	<b>Fair value at 31 December 2015 RMB</b>	<b>at 31 December 2015 %</b>
<b>Quoted Equities (continued)</b>			
<b>TRANSPORTATION</b>			
Daqin Railway Company Limited	35,000	302,400	0.92
JSTI Group	18,000	390,240	1.18
Sinotrans Air Transportation Development Company Limited	20,000	541,200	1.64
<b>Total TRANSPORTATION</b>		<u>1,233,840</u>	<u>3.74</u>
<b>Total Quoted Equities</b>		<u>31,818,818</u>	<u>96.28</u>
<b>Portfolio of investments</b>		31,818,818	96.28
<b>Other net assets</b>		1,228,083	3.72
<b>Net assets attributable to unitholders</b>		<u>33,046,901</u>	<u>100.00</u>

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*The accompanying notes form an integral part of the financial statements*

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### STATEMENT OF PORTFOLIO

As at 31 December 2015

	Nikko AM China Equity Fund
By Industry (Summary)	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities</b>	
Auto Manufacturers	1.54
Banks	15.05
Beverages	1.66
Building Materials	1.03
Computers	2.20
Diversified Financial Services	10.36
Electrical Component & Equipment	3.37
Electronics	4.83
Engineering and Construction	2.44
Environmental Control	3.36
Food	1.73
Forest Products & Paper	1.30
Healthcare	0.93
Holding Companies - Diversified	2.83
Home Furnishings	3.12
Insurance	6.61
Media	2.25
Packaging & Containers	1.71
Pharmaceuticals	6.99
Real Estate	7.65
Semiconductors	1.69
Software	4.67
Telecommunications	3.34
Leisure Products	1.88
Transportation	3.74
<b>Total Quoted Equities</b>	<b>96.28</b>
<b>Portfolio of investments</b>	<b>96.28</b>
<b>Other net assets</b>	<b>3.72</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>

As the Sub-Fund invests wholly into China equities, it is not meaningful to classify the investments into geography.

*The accompanying notes form an integral part of the financial statements*



## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### 1. General

Nikko AM China Onshore Fund Series (the "Fund"), comprising of Nikko AM China Onshore Bond Fund and Nikko AM China Equity Fund (collectively referred to as the "Sub-Funds"), is an unit trust in Singapore constituted under a Trust Deed dated 7 July 2014 as amended by Supplemental Deeds and Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Sub-Funds is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Sub-Funds is Nikko Asset Management Asia Limited (the "Manager").

#### 2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

##### (a) Basis of preparation

The financial statements have been prepared under the historical-cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

##### (b) Recognition of income

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

##### (c) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid on the distribution date. This amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

##### (d) Investments

Investments are classified as financial assets at fair value through profit or loss.

###### (i) *Initial recognition*

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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#### 2. Significant accounting policies (continued)

##### (d) Investments (continued)

###### (ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statements of Total Return in the year in which they arise.

###### (iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statements of Total Return.

##### (e) Basis of valuation of investments

The fair value of financial assets and liabilities 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 investments held by the Sub-Funds is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value. The quoted market price used for fixed income securities held by the Fund is the mid-market price for both financial assets and liabilities.

##### (f) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

##### (g) Foreign currency translation

###### (i) *Functional and presentation currency*

The Sub-Funds qualify as authorised schemes under the Securities and Futures Act ("SFA") of Singapore and is offered to retail investors in Singapore. The Sub-Funds' activities are substantially based in Singapore, with subscription and redemptions of the units of the Sub-Funds denominated in Renminbi.

The performance of the Sub-Funds are measured and reported to the investors in Renminbi. The Manager considers the Renminbi as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are expressed in Renminbi, which is the Sub-Funds' functional and presentation currency.

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#### 2. Significant accounting policies (continued)

##### (g) Foreign currency translation (continued)

###### (ii) *Transactions and balances*

Foreign currency monetary assets and liabilities are translated into Renminbi at the rates of exchange prevailing at the date of the Statements of Financial Position. The net unrealised gain or loss is taken to the Statements of Total Return. Transactions during the year are recorded in Renminbi at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statements of Total Return.

#### 3. Interest income

	<b>Nikko AM China Onshore Bond Fund</b>	
	<b>For the financial year ended 31 December 2015 RMB</b>	<b>For the financial period from 07 July 2014 (date of commencement) to 31 December 2014 RMB</b>
Interest on cash and bank balances	<b>78,565</b>	37,664
Interest on term deposit	<b>47,793</b>	110,555
	<b>126,358</b>	<b>148,219</b>

  

	<b>Nikko AM China Equity Fund</b>
	<b>For the financial period from 15 June 2015 (date of commencement) to 31 December 2015 RMB</b>
Interest on cash and bank balances	<b>6,968</b>

Term deposits held by Nikko AM China Onshore Bond Fund during the year have effective interest rate of 4% (2014: 2.8% to 3.5%).

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#### 4. Income tax

The Sub-Funds were granted the status of a Designated Unit Trust by the Inland Revenue Authority of Singapore. Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT fund is not taxable in accordance with Section 35(12) and (12A) of the Income Tax Act. Such income includes:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities of financial index; and
- (e) discount, prepayment fee, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

Income tax for the financial year/period ended 31 December 2015 and 2014 comprises:

	<b>Nikko AM China Onshore Bond Fund</b>	<b>Nikko AM China Equity Fund</b>	
	For the financial year ended 31 December 2015 RMB	For the financial period from 07 July 2014 (date of commencement) to 31 December 2014 RMB	For the financial period from 15 June 2015 (date of commencement) to 31 December 2015 RMB
Capital gains tax	837,282	149,365	-
Withholding tax	416,363	2,160	2,021
	<b>1,253,645</b>	<b>151,525</b>	<b>2,021</b>

The withholding tax represents tax deducted at source on interest income derived from outside Singapore. Capital gains tax comprise of tax on realised capital gains and provisions for potential capital gains tax on Nikko AM China Onshore Bond Fund's investments outside Singapore.

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#### 5. Payables

	Nikko AM China Onshore Bond Fund		Nikko AM China Equity Fund
	2015 RMB	2014 RMB	2015 RMB
Amount payable for cancellation of units	-	55,153	-
Amount due to the Manager	<b>721,863</b>	402,542	<b>132,120</b>
Valuation fees payable	<b>28,885</b>	16,100	<b>7,764</b>
Trustee fee payable	<b>21,664</b>	12,075	<b>5,546</b>
Registrar fees payable	<b>2,772</b>	2,881	<b>2,772</b>
Provision for audit fee	<b>151,095</b>	137,448	<b>116,718</b>
Amount due to custodian	<b>79,685</b>	30,815	<b>3,282</b>
Other payables	<b>997,686</b>	160,850	<b>10,981</b>
	<b><u>2,003,650</u></b>	<u>817,864</u>	<b><u>279,183</u></b>

Amount due to the Manager comprise of management fee payable to Nikko Asset Management Asia Limited. Trustee fee and registrar fee are payable to BNP Paribas Trust Services Singapore Limited. Valuation fee is payable to BNP Paribas Securities Services Singapore Branch. For Nikko AM China Onshore Bond Fund, custody fee is payable to Bank of China Limited and BNP Paribas Securities Services Singapore Branch for China Securities and other offshore China Securities respectively. For Nikko AM China Equity Fund, custody fee is payable to HSBC Bank (China) Company Limited and BNP Paribas Securities Services Singapore Branch for China Securities and other offshore China Securities respectively.

#### 6. Receivables

	Nikko AM China Onshore Bond Fund	
	2015 RMB	2014 RMB
Receivable from unitholder for creation of units	<b><u>1,609,886</u></b>	-

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#### 7. Units in issue

During the year/period ended 31 December 2015 and 31 December 2014, the number of units issued, redeemed and outstanding were as follows:

	<b>Nikko AM China Onshore Bond Fund</b>	For the financial period from 07 July 2014 (date of commencement) to 31 December 2014
Units at beginning of the financial year/period	<b>35,526,687</b>	-
Units created	<b>41,432,225</b>	35,567,720
Units cancelled	<b>(17,510,846)</b>	(41,033)
Units at end of the financial year/period	<b>59,448,066</b>	35,526,687
Net assets attributable to unitholders - RMB	<b>303,153,368</b>	177,386,123
Net asset value per unit - RMB	<b>5.099</b>	4.993

  

	<b>Nikko AM China Equity Fund</b>	For the financial period from 15 June 2015 (date of commencement) to 31 December 2015
Units at the beginning of the financial period	-	-
Units created	<b>4,823,596</b>	-
Units cancelled	<b>(253,694)</b>	-
Units at end of the financial period	<b>4,569,902</b>	-
Net assets attributable to unitholders- RMB	<b>33,046,901</b>	-
Net asset value per unit- RMB	<b>7.231</b>	-

As described in Note 2(c), in preparing the Statement of Movements of Unitholders' for the financial year/period ended 31 December 2015 and 2014, the Sub-Funds' distributions should be accrued for at the reporting date if the necessary approvals have been obtained and legal constructive obligation has been created. The difference in recognising distributions as prescribed in Note 2(c) and the methodology indicated in Nikko AM China Onshore Bond Fund's Deeds, resulted in a change in the net asset value of RMB 998,728 (2014: RMB 603,954) for the purpose of calculating the net asset value per unit for processing subscriptions and redemptions in the sub-fund.

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## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 7. Units in issue (continued)

For subscription and redemptions and for various fee calculations, investments are stated at the last traded prices on the valuation day for the purpose of determining net asset value per unit. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value for reporting purpose.

For valuation purpose, preliminary expenses are amortised over a period of 36 months from date of commencement of operations while for reporting purpose these preliminary expenses are expensed in the period when they are incurred.

A reconciliation of the net assets attributable to unitholders per the financial statements and the net assets attributable to unitholders for issuing/redeeming units at the financial year/period end is prepared below:

	<b>Nikko AM China Onshore Bond Fund</b>	
	<b>2015 RMB</b>	<b>2014 RMB</b>
Net assets attributable to unitholders per financial statements per unit	<b>5.099</b>	4.993
Effect of distribution per unit	<b>0.017</b>	0.017
Effect of expensing preliminary expenses per unit	<b>0.002</b>	0.008
Net assets attributable to unitholders for issuing/redeeming per unit	<b>5.118</b>	<b>5.018</b>

  

	<b>Nikko AM China Equity Fund 2015 RMB</b>
Net assets attributable to unitholders per financial statements per unit	<b>7.231</b>
Effect of adopting bid prices at fair value per unit	<b>0.002</b>
Effect of expensing preliminary expenses per unit	<b>0.044</b>
Net assets attributable to unitholders for issuing/redeeming per unit	<b>7.277</b>

#### 8. Financial derivatives

Financial derivatives comprise forward foreign exchange contracts for purchases and sales of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of foreign exchange contracts at the Statements of Financial Position date.

## NIKKO AM CHINA ONSHORE FUND SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 8. Financial derivatives (continued)

The contract or underlying principal amounts of these foreign exchange contracts and their corresponding gross positive or negative fair values at the Statements of Financial Position date are analysed below.

	Nikko AM China Onshore Bond Fund		
	2015		
	Contracts or underlying principal amount RMB	Year end positive fair value RMB	Year end negative fair value RMB
Forward foreign exchange contracts	<b>9,519,075</b>	-	<b>519,912</b>

As at 31 December 2014, there was no open derivative position.

#### 9. Distributions

	Nikko AM China Onshore Bond Fund	
	2015 RMB	2014 RMB
January interim distribution of RMB 1.65 per 100 units in respect of the financial year ended 31 December 2015	592,411	-
February interim distribution of RMB 1.65 per 100 units in respect of the financial year ended 31 December 2015	659,622	-
March interim distribution of RMB 1.65 per 100 units in respect of the financial year ended 31 December 2015	739,775	-
April interim distribution of RMB 1.64 per 100 units in respect of the financial year ended 31 December 2015	765,982	-
May interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2015	895,228	-
June interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2015	980,117	-
July interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2015	1,021,887	-
August interim distribution of RMB 1.67 per 100 units in respect of the financial year ended 31 December 2015	960,054	-
September interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2015	962,395	-
October interim distribution of RMB 1.67 per 100 units in respect of the financial year ended 31 December 2015	976,637	-
November interim distribution of RMB 1.68 per 100 units in respect of the financial year ended 31 December 2015	985,875	-
December interim distribution of RMB 1.68 per 100 units in respect of the financial year ended 31 December 2015	998,728	-
September interim distribution of RMB 1.15 per 100 units in respect of the financial year ended 31 December 2014	-	349,339
October interim distribution of RMB 1.64 per 100 units in respect of the financial year ended 31 December 2014	-	506,109
November interim distribution of RMB 1.66 per 100 units in respect of the financial year ended 31 December 2014	-	588,419
December interim distribution of RMB 1.70 per 100 units in respect of the financial year ended 31 December 2014	-	603,954
	<b>10,538,711</b>	<b>2,047,821</b>



## **NIKKO AM CHINA ONSHORE FUND SERIES**

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*For the financial year ended 31 December 2015*

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#### **10. Reserves accounts**

The Depository, China Securities Depository and Clearing Corporation Limited, requires a minimum clearing reserve fund for settlement of security transactions under the RMB Qualified Foreign Investor Scheme. The Sub-Funds therefore maintain reserve funds with their respective custodian for China Securities.

#### **11. Financial risk management**

The Sub-Funds' activities expose it to a variety of risk, including but not limited to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Manager is responsible for the implementation of the overall risk management programme, which seeks to minimise potential adverse effects on the Sub-Funds' financial performance. Specific guidelines on exposures to individual securities and certain industries and/or countries are in place as part of the overall financial risk management to reduce the Sub-Funds' exposures to these risks.

##### **Nikko AM China Onshore Bond Fund**

The Sub-Fund's primary objective is to provide a total return of capital growth and income over the medium to long-term primarily in fixed income instrument issued onshore in the People's Republic of China ("PRC") and offshore of the PRC that are denominated in Renminbi. The Sub-fund may also invest in fixed income instruments issued by Chinese entities that are denominated in currencies other than Renminbi.

##### **Nikko AM China Equity Fund**

The Sub-Fund's primary objective is to achieve medium to long-term appreciation by investing in listed equities in the China A-shares market in the People's Republic of China ("PRC").

The Managers have appointed Rongtong Global Investment Limited to (the "Investment Advisor") provide research and advisory services to the Sub-Fund.

These financial instruments are held in accordance with the published investment policies of the Sub-Funds and managed accordingly to achieve the investment objectives.

#### **(a) Market risk - Price risk**

Price risk is the risk that arises from uncertainties about future prices of financial instruments.

The Sub-Funds' investments are substantially dependent on the changes in market prices. The Sub-Funds' overall market positions are monitored regularly so as to assess any changes in fundamentals and valuation. However, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the net asset value of the Sub-Funds.

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#### 11. Financial risk management (continued)

##### (a) Market risk - Price risk (continued)

###### **Nikko AM China Onshore Bond Fund**

The Sub-Fund will invest primarily in a portfolio of fixed income instruments issued onshore in the People's Republic of China ("PRC") which may include, but will not be limited to, certificates of deposits, preferred shares, fixed and floating bonds, convertible bonds, notes, bond and money market funds, and other such fixed income instruments issued in the PRC by the governments, governments entities, quasi-government entities, corporations and/or financial institutions.

The market prices of financial assets held by the Sub-Fund is primarily dependent on prevailing market interest rates, as the Sub-Fund invests in fixed income instruments issued onshore by the PRC and offshore outside of the PRC that are denominated in Renminbi. Consequently, no separate price risk sensitivity analysis is prepared as it is covered in interest rate risk sensitivity analysis.

###### **Nikko AM China Equity Fund**

As the Fund invests primarily in listed equities in the China A-shares market in the People's Republic of China, the Manager is of the view that the price risk of the sub-fund is best reflected by movements in its benchmark Shanghai Shenzhen CSI 300 Index.

As at 31 December 2015, an increase/decrease of Index components within the Index by 10%, with all other variables remaining constant, the net assets attributable to unitholders for the period would increase/decrease by approximately 9%. The analysis was based on the assumption that the Index components within the benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on management's current view on the market volatility and other relevant factors.

##### (b) Market risk - Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates (fair value risk).

The Manager regularly assess the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk. The Sub-Funds' overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the Manager.

## NIKKO AM CHINA ONSHORE FUND SERIES

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#### 11. Financial risk management (continued)

##### (b) Market risk - Interest rate risk (continued)

##### Nikko AM China Onshore Bond fund

The table below summarise the Sub-Fund's exposure to interest rate risks. They include the Sub-Fund's assets and liabilities categorised by the earlier contractual re-pricing or maturity dates.

	<u>Floating rate</u>	← Fixed rate →			<u>Non-interest bearing</u>	<u>Total</u>
	RMB	Up to 1 year RMB	1-5 years RMB	Over 5 years RMB	RMB	RMB
<b>31 December 2015</b>						
<b>Assets</b>						
Portfolio of investments	38,803,463	21,981,780	146,710,019	84,922,255	6,261,072	298,678,589
Receivables	-	-	-	-	1,609,886	1,609,886
Cash and bank balances	6,330,636	-	-	-	-	6,330,636
Reserves accounts	56,547	-	-	-	-	56,547
<b>Total Assets</b>	<b>45,190,646</b>	<b>21,981,780</b>	<b>146,710,019</b>	<b>84,922,255</b>	<b>7,870,958</b>	<b>306,675,658</b>
<b>Liabilities</b>						
Payables	-	-	-	-	2,003,650	2,003,650
Distributions payable	-	-	-	-	998,728	998,728
Financial derivatives at fair value	-	-	-	-	519,912	519,912
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,522,290</b>	<b>3,522,290</b>
<b>31 December 2014</b>						
<b>Assets</b>						
Portfolio of investments	51,725,092	4,997,500	51,469,391	62,557,232	4,881,930	175,631,145
Cash and bank balances	3,144,022	-	-	-	-	3,144,022
Reserves accounts	32,774	-	-	-	-	32,774
<b>Total Assets</b>	<b>54,901,888</b>	<b>4,997,500</b>	<b>51,469,391</b>	<b>62,557,232</b>	<b>4,881,930</b>	<b>178,807,941</b>
<b>Liabilities</b>						
Payables	-	-	-	-	817,864	817,864
Distributions payable	-	-	-	-	603,954	603,954
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,421,818</b>	<b>1,421,818</b>

As at 31 December 2015 and 2014, an increase/decrease of interest rates by 1% (2014: 1%), with all other variables remaining constant, would result in an decrease/increase of the net assets attributable to unitholders by approximately 4% (2014: 4%). Reasonable possible changes in interest rate are revised annually depending on management's current view of market volatility and other factors.

##### Nikko AM China Equity Fund

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly.

However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. Hence, no sensitivity analysis has been presented separately.

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#### 11. Financial risk management (continued)

##### (c) Market risk - Currency risk

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

To minimise currency risk, the Sub-Funds mainly hold its excess cash in its functional currency. For hedging purposes, the Sub-Funds may also enter into forward foreign exchange contracts.

##### Nikko AM China Onshore Bond Fund

The table below summarises the Sub-Funds' exposure to currency risks.

	USD RMB	SGD RMB	RMB RMB	Total RMB
<b>31 December 2015</b>				
<b>Assets</b>				
Portfolio of investments	19,550,023	-	279,128,566	298,678,589
Receivables	-	-	1,609,886	1,609,886
Cash and bank balances	36,683	2,501	6,291,452	6,330,636
Reserves accounts	-	-	56,547	56,547
<b>Total Assets</b>	<b>19,586,706</b>	<b>2,501</b>	<b>287,086,451</b>	<b>306,675,658</b>
<b>Liabilities</b>				
Payables	-	-	2,003,650	2,003,650
Distributions payable	-	-	998,728	998,728
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,002,378</b>	<b>3,002,378</b>
<b>Net off-balance sheet derivative financial instruments</b>	<b>(9,853,424)</b>	<b>-</b>	<b>9,333,512</b>	<b>(519,912)</b>
<b>Net currency exposure</b>	<b>9,733,282</b>	<b>2,501</b>	<b>293,417,585</b>	
		SGD RMB	RMB RMB	Total RMB
<b>31 December 2014</b>				
<b>Assets</b>				
Portfolio of investments		-	175,631,145	175,631,145
Cash and bank balances		5	3,144,017	3,144,022
Reserves accounts		-	32,774	32,774
<b>Total Assets</b>		<b>5</b>	<b>178,807,936</b>	<b>178,807,941</b>
<b>Liabilities</b>				
Payables		119,094	698,770	817,864
Distributions payable		-	603,954	603,954
<b>Total Liabilities</b>		<b>119,094</b>	<b>1,302,724</b>	<b>1,421,818</b>
<b>Net currency exposure</b>		<b>(119,089)</b>	<b>177,505,212</b>	

As of 31 December 2015 and 2014, the Sub-Fund does not hold substantial monetary assets/liabilities in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Sub-Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

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#### 11. Financial risk management (continued)

##### (c) Market risk - Currency risk (continued)

###### Nikko AM China Equity Fund

	USD RMB	SGD RMB	RMB RMB	Total RMB
<b>31 December 2015</b>				
<b>Assets</b>				
Portfolio of investments	-	-	31,818,818	31,818,818
Cash and bank balances	40,522	20,517	1,390,227	1,451,266
Reserves accounts	-	-	56,000	56,000
<b>Total Assets</b>	<b>40,522</b>	<b>20,517</b>	<b>33,265,045</b>	<b>33,326,084</b>
<b>Liabilities</b>				
Payables	-	-	279,183	279,183
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>279,183</b>	<b>279,183</b>
<b>Net currency exposure</b>	<b>40,522</b>	<b>20,517</b>	<b>32,985,862</b>	

As of 31 December 2015, the Sub-Fund does not hold substantial monetary assets/liabilities in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Sub-Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

##### (d) Liquidity risk

Liquidity risk is the risk arising from the inability of the Sub-Funds to meet its obligations as and when they fall due without incurring unacceptable cost or losses.

The Sub-Funds are exposed to daily cash redemptions from unitholders. However, in accordance with the Sub-Funds' prospectus, minimum holdings size are set.

To manage the liquidity risk, a cash buffer is maintained in the Sub-Funds and monitored for minimum cash balances to prevent any extensive disposition of assets which may occur at lower prices and overdraft situations to meet trade settlements and obligations.

The Sub-Funds' securities are considered realisable as the majority of the securities are listed on recognised stock exchanges.

The Sub-Funds' financial liabilities are analysed using contracted undiscounted cash flows for maturity grouping based on the remaining period at the statements of financial position date to the contractual maturity date. At the year end, all liabilities are either payable on demand or due in less than 3 months. The impact of discounting is not significant.

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#### 11. Financial risk management (continued)

##### (d) Liquidity risk (continued)

	Nikko AM China Onshore Bond Fund <u>Less than</u> <u>3 months</u>		Nikko AM China Equity Fund <u>Less than</u> <u>3 months</u>
	As at 31 December 2015 RMB	As at 31 December 2014 RMB	As at 31 December 2015 RMB
<b>Liabilities</b>			
Payables	2,003,650	817,864	279,183
Distribution payable	998,728	603,954	-
<b>Contractual cash outflows (excluding gross settled derivatives)</b>	<b>3,002,378</b>	1,421,818	<b>279,183</b>

The table below analyses the Sub-Funds' derivative financial instruments in a loss position that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statements of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 3 months equal their carrying balances, as the impact of discounting is not significant.

	Nikko AM China Onshore Bond Fund	
	As at 31 December 2015 RMB	As at 31 December 2014 RMB
<b>Less than 3 months</b>		
<b>Currency forwards</b>		
- Inflows	9,333,512	-
- Outflows	(9,853,424)	-
<b>Net outflow</b>	<b>(519,912)</b>	-

##### (e) Credit risk

Credit risk is the risk that a counterparty will be unable to fulfil its obligations to the Sub-Funds in part or in full as and when they fall due.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties as well as the respective credit limits are approved;
- ensuring there are controls in place to identify and assess the creditworthiness of counterparties and review such controls on a semi-annual basis; and
- ensuring that transactions are undertaken with a large number of counterparties.

The Nikko AM China Onshore Bond Fund invests in financial assets, which are of both investment and non-investment grades as rated by Standard & Poor's and/or Moody's. The credit ratings are reviewed regularly.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

#### 11. Financial risk management (continued)

##### (e) Credit risk (continued)

#### Nikko AM China Onshore Bond Fund

The table below analyses the Sub-Fund's investments by credit ratings:

	Fair value as at 31 December 2015		Fair value as at 31 December 2014	
	Floating rate securities RMB	Fixed rate securities RMB	Floating rate securities RMB	Fixed rate securities RMB
AA-	-	62,076,690	-	-
Aa3	-	21,594,390	-	60,830,255
A+	-	26,620,265	-	-
A-	-	15,037,220	-	-
A3	-	4,893,750	-	2,080,000
BBB+	-	18,621,895	-	-
BBB	10,371,560	5,380,000	-	-
BBB-	-	10,135,120	-	-
Baa3	-	-	997,000	-
BB	-	-	3,039,795	-
BB-	-	14,833,364	-	3,914,404
B+	-	10,449,890	-	5,758,314
B-	-	-	-	5,947,800
B-u	-	-	-	5,910,810
Not Rated	28,431,903	63,971,470	47,688,298	34,582,539
Accrued interest receivable on quoted fixed income securities	1,424,392	4,836,680	1,838,368	3,043,562
	<b>40,227,855</b>	<b>258,450,734</b>	<b>53,563,461</b>	<b>122,067,684</b>

All trade settlement with approved counterparties are on Delivery versus Payment and/or Receipt versus Payment basis, with the exception of initial public offerings, new issues and placement transactions.

Credit risk arises from cash and bank balances and assets held with custodian and counterparties. The table below summarises the credit rating of bank and custodian in which the Sub-Funds' assets are held as at 31 December 2015 and 31 December 2014.

#### Nikko AM China Onshore Bond Fund

	Credit Rating 31 December 2015	Credit rating 31 December 2014	Source of credit rating
<b>Bank balance</b>			
- BNP Paribas Securities Services Singapore Branch	A+	A+	Standard & Poor's
- Bank of China Limited	A	A	Standard & Poor's
<b>Financial derivatives</b>			
- JP Morgan Chase & Company	A-	-	Standard & Poor's

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(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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#### 11. Financial risk management (continued)

##### (e) Credit risk (continued)

##### Nikko AM China Onshore Bond Fund (continued)

	<b>Credit Rating 31 December 2015</b>	Credit rating 31 December 2014	<b>Source of credit rating</b>
<b>Custodian</b>			
- BNP Paribas Securities Services Singapore Branch	<b>A+</b>	A+	Standard & Poor's
- Bank of China Limited	<b>A</b>	A	Standard & Poor's

##### Nikko AM China Equity Fund

	<b>Credit Rating 31 December 2015</b>	<b>Source of credit rating</b>
<b>Bank balance</b>		
- BNP Paribas Securities Services Singapore Branch	<b>A+</b>	Standard & Poor's
- HSBC Bank (China) Company Limited	<b>A1</b>	Moody's
<b>Custodian</b>		
- BNP Paribas Securities Services Singapore Branch	<b>A+</b>	Standard & Poor's
- HSBC Bank (China) Company Limited	<b>A1</b>	Moody's

The credit ratings are based on Long-Term Local Issuer Ratings published by the rating agency.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

##### (f) Capital management

The Sub-Funds' capital is represented by the net assets attributable to unitholders. The Sub-Funds strive to invest the subscriptions of units in investments that meet the Sub-Funds' investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

##### (g) Fair value estimation

The Sub-Funds classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).



## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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#### 11. Financial risk management (continued)

##### (g) Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Sub-Funds' financial assets and liabilities (by class) measured at fair value at 31 December 2015 and 2014:

#### Nikko AM China Onshore Bond Fund

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>As at 31 December 2015</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	-	298,678,589	-	298,678,589
<b>Liabilities</b>				
Financial derivatives	-	519,912	-	519,912
<b>As at 31 December 2014</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	-	175,631,145	-	175,631,145

#### Nikko AM China Equity Fund

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>As at 31 December 2015</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	31,818,818	-	-	31,818,818

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities.

Financial instruments that trade in markets that are not considered active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include corporate and government bonds, and over-the-counter derivatives.

Except for cash and bank balances which are classified as level 1, the Sub-Funds' assets and liabilities not measured at fair value at 31 December 2015 and 2014 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the statements of financial position date.

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## NIKKO AM CHINA ONSHORE FUND SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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#### 12. Related party transactions

In addition to the related party information shown elsewhere in the financial statements, the following significant transactions took place during the financial year between the Fund and related parties as term agreed between the parties and within the provisions of the Deeds:

	Nikko AM China Onshore Bond Fund	
	2015 RMB	2014 RMB
Bank balances held with related party of the trustee	<u>4,928,012</u>	<u>1,297,286</u>

  

	Nikko AM China Equity Fund
	2015 RMB
Bank balances held with related party of the trustee	<u>901,043</u>

#### 13. Financial ratios

##### Expense ratio

	Nikko AM China Onshore Bond Fund	
	For the financial year ended 31 December 2015	For the financial period from 07 July 2014 (date of commencement) to 31 December 2014
Total operating expenses		
- Including preliminary expenses	RMB 3,293,914	1,070,009
- Excluding preliminary expenses	RMB 3,293,914	801,086
Average daily net asset value	RMB 264,437,331	159,876,388
<b>Total expense ratio<sup>1</sup> (annualised)</b>		
- Including preliminary expenses	% 1.25	2.16
- Excluding preliminary expenses	% 1.25	1.62

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## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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#### 13. Financial ratios (continued)

##### Expense ratio (continued)

		<b>Nikko AM China Equity Fund</b>
		<b>For the financial period from 15 June 2015 (date of commencement) to 31 December 2015</b>
Total operating expenses		
- Including preliminary expenses	RMB	<b>1,243,605</b>
- Excluding preliminary expenses	RMB	<b>1,020,666</b>
Average daily net asset value	RMB	<b>32,393,029</b>
<b>Total expense ratio<sup>1</sup> (annualised)</b>		
- Including preliminary expenses	%	<b>3.84</b>
- Excluding preliminary expenses	%	<b>3.15</b>

##### Turnover ratio

		<b>Nikko AM China Onshore Bond Fund</b>	
		<b>For the financial year ended 31 December 2015</b>	<b>For the financial period from 07 July 2014 (date of commencement) to 31 December 2014</b>
Lower of total value of purchases or sales	RMB	<b>195,293,337</b>	9,620,100
Average daily net asset value	RMB	<b>264,437,331</b>	159,876,388
<b>Total turnover ratio<sup>2</sup></b>	%	<b>73.85</b>	<b>6.02</b>

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## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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#### 13. Financial ratios (continued)

##### Turnover ratio (continued)

		<b>Nikko AM China Equity Fund</b>
		<b>For the financial period from 15 June 2015 (date of commencement) to 31 December 2015</b>
Lower of total value of purchases or sales	RMB	<b>8,256,969</b>
Average daily net asset value	RMB	<b>32,393,029</b>
<b>Total turnover ratio<sup>2</sup></b>	<b>%</b>	<b><u>25.49</u></b>

<sup>1</sup> The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year/period end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Sub-Funds do not pay any performance fee. The average net asset value is based on the daily balances.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

#### 14. Comparatives

There are no comparatives for Nikko AM China Equity Fund as this is the first set of financial statements prepared for the sub-fund since its date of commencement on 15 June 2015. The prior year comparatives for Nikko AM China Onshore Bond Fund are not comparable as it was for the period from 7 July 2014 (date of commencement) to 31 December 2014.

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2015

The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 15 to 23.

#### 2. Credit rating of debt securities

##### Nikko AM China Onshore Bond Fund

	Fair value at 31 December 2015 RMB	Percentage of total net assets attributable to unitholders at 31 December 2015 %
AA-	62,076,690	20.48
A+	26,620,265	8.78
A-	15,037,220	4.96
BBB+	18,621,895	6.14
BBB	15,751,560	5.20
BBB-	10,135,120	3.34
BB-	14,833,364	4.89
B+	10,449,890	3.45
Aa3	21,594,390	7.12
A3	4,893,750	1.62
Not Rated	92,403,373	30.48
Accrued interest receivable on quoted fixed income securities	6,261,072	2.06
<b>Total</b>	<b>298,678,589</b>	<b>98.52</b>

#### 3. Top 10 holdings

##### Nikko AM China Onshore Bond Fund

##### 10 Largest holdings at 31 December 2015

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020	20,321,680	6.70
China Government Bond 4.13% due 18/09/2024	10,963,950	3.62
China Government Bond 3.64% due 09/04/2025	10,630,440	3.51
China National Petroleum Corporation 4.69% due 11/01/2022	10,629,140	3.51
Guangzhou Yue Xiu Holdings Limited 5.2% due 28/02/2020	10,619,100	3.50
Aluminum Corporation of China 5.99% due 03/09/2019	10,543,080	3.48
Export-Import Bank of China 3.87% due 14/09/2025	10,499,300	3.46
Sinochem International Corporation 4.99% due 05/03/2019	10,480,000	3.46
Lai Fung Holdings Limited 6.875% due 25/04/2018	10,449,890	3.45
Shanghai Shimao Company Limited 6.08% due 10/03/2018	10,435,410	3.44

## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2015

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#### 3. Top 10 holdings (continued)

##### **Nikko AM China Onshore Bond Fund** (continued)

10 Largest holdings at 31 December 2014

	Fair value RMB	Percentage of total net assets attributable to unitholders %
China Government Bond 4.04% due 24/04/2019	20,449,580	11.53
Guangzhou Metro Corporation 6.05% due 03/06/2024	10,728,070	6.05
Chongqing Land Properties Company Group 6.46% due 03/03/2019	10,570,000	5.96
China Government Bond 4.13% due 18/09/2024	10,372,530	5.85
China National Petroleum Corporation 4.69% due 11/01/2022	10,148,376	5.72
Fujian Investment Development Group Company Limited 5.1% due 16/10/2021	10,129,210	5.71
Sinochem International Corporation 4.99% due 05/03/2019	10,018,000	5.65
China Development Bank Corporation 5.8% due 03/01/2016	9,824,070	5.54
Guangzhou Yue Xiu Holdings Limited 5.2% due 28/02/2020	9,800,000	5.53
21Vianet Group Incorporation 6.875% due 26/06/2017	6,355,005	3.58

##### **Nikko AM China Equity Fund**

10 Largest holdings at 31 December 2015

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Ping An Insurance Group Company of China Limited	1,611,000	4.87
Industrial Bank Company Limited	1,365,600	4.13
Ping An Bank Company Limited	1,019,150	3.08
China Merchants Securities Company Limited	976,950	2.96
Everbright Securities Company Limited	963,480	2.91
Shanghai Jiabao Industry & Commerce Group Company Limited	934,450	2.83
China Merchants Bank Company Limited	899,500	2.72
China Everbright Bank Company Limited	848,000	2.57
Bank of Beijing Company Limited	842,137	2.55
China Fortune Land Development Company Limited	768,000	2.32

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## NIKKO AM CHINA ONSHORE FUND SERIES

(Constituted under a Trust Deed registered in the Republic of Singapore)

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2015

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#### 4. Exposure to financial derivatives

##### Nikko AM China Onshore Bond Fund

	Fair value at 31 December 2015 RMB	Percentage of total net assets attributable to unitholders 31 December 2015 %	Unrealised gains/(losses) RMB	Realised gains/(losses) RMB
Forward foreign exchange contracts	(519,912)	(0.17)	(519,912)	(1,116,694)

#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
  - i. the reduction of exposure to counterparties of OTC financial derivatives; and
  - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

#### 6. Collateral

Nil.

#### 7. Securities lending or repurchase transactions

Nil.

#### 8. Investment in unit trusts, mutual funds and collective investment schemes

Nil.

#### 9. Borrowings

Nil.

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## NIKKO AM CHINA ONSHORE FUND SERIES

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### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2015

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**10. Amount of units created and cancelled for the financial year/ period ended 31 December 2015**

	<b>Nikko AM China Onshore Bond Fund RMB</b>	<b>Nikko AM China Equity Fund RMB</b>
Units created	208,208,284	31,165,255
Units cancelled	(88,281,241)	(1,778,902)

**11. Turnover ratio**

Please refer to Note 13 of the Notes to the Financial Statements on pages 43.

**12. Expense ratio**

Please refer to Note 13 of the Notes to the Financial Statements on pages 41.

**13. Related party transactions**

Please refer to Note 12 of the Notes to the Financial Statements on page 41.

**14. Any other material information that will adversely impact the valuation of the fund**

Nil.



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