

SEMI-ANNUAL REPORT

For the financial period ending 30 June 2017

Nikko AM
China Onshore Fund Series

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This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|----------------------------------|--------------|--------------|-------------|-------------|-------------|------------------------|
| Nikko AM China Onshore Bond Fund | 0.69 | 0.70 | -0.34 | - | - | 3.37 |

Source: © 2017 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 30 June 2017. 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.

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|----------------------------------|--------------|--------------|-------------|-------------|-------------|------------------------|
| Nikko AM China Onshore Bond Fund | -4.34 | -4.33 | -5.32 | - | - | 1.50 |

Source: © 2017 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 30 June 2017. 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

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|---|--------------|--------------|-------------|-------------|-------------|------------------------|
| Nikko AM China Equity Fund | 9.03 | 14.77 | 11.76 | - | - | 1.42 |
| CSI 300 Index (Net Total Return) ¹ | 8.67 | 14.44 | 16.16 | - | - | 2.78 |

Source: © 2017 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 30 June 2017. 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.

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|---|--------------|--------------|-------------|-------------|-------------|------------------------|
| Nikko AM China Equity Fund | 3.58 | 9.03 | 6.18 | - | - | -1.40 |
| CSI 300 Index (Net Total Return) ¹ | 8.67 | 14.44 | 16.16 | - | - | 2.78 |

Source: © 2017 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 30 June 2017. 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.

Nikko AM China Onshore Bond Fund

Portfolio Review

Fund gained 0.70% in 1H17

The Nikko AM China Onshore Bond Fund (the "Fund") posted a return of 0.70% (in RMB terms, NAV-NAV basis) in the six months to end June 2017. The decision to stay defensive on both duration and credit risk taking at the start of the period was promoted by policymakers' move to intensify deleveraging efforts. From May onwards, we gradually increased duration risk. The double announcements on the tweaks in the People's Bank of China (PBoC)'s daily foreign exchange (FX) formula and the interbank repo fixing market signalled the authorities' intention to stabilise the FX and rates market. These, together with the PBoC's slight softening of its policy stance on deleveraging, prompted us to increase our exposure to longer-dated Chinese Government Bonds (CGBs) and unwind most of our dollar holdings.

Market Review

China's economy grew at 6.9% in the first quarter; headline inflation registered higher

Government infrastructure spending and strength in the housing market supported an acceleration in Chinese economic activity in the first quarter of 2017. The 6.9% year-on-year (YoY) growth was the fastest growth rate since the third quarter of 2015. Meanwhile, the headline consumer price index (CPI) rose 1.5% YoY in May, from 1.2% in April. This was the third consecutive month that CPI registered higher, and was driven by a continued moderation in the decline of food prices. In contrast, the producer price index (PPI) moderated to 5.5% YoY, on the back of slower growth in the mining and raw materials categories. Notably, this is the lowest level that the PPI has been since December 2016.

China's CBRC tightened regulation

In April, the China Banking Regulatory Commission (CBRC) published a set of guidelines aimed at controlling risks in the banking sector. The guidelines will increase the scope of monitoring liquidity risk to include interbank business, investment, custodian business and wealth management products (WMPs), and covers areas such as property related loans, on and off balance sheet bond holdings, and implicit guarantees. As regulators stepped up efforts to clamp down on potential risks of WMPs in particular, banks have been unwinding their investments, which have caused a squeeze in liquidity conditions in the onshore bond market. Notably, the Chinese central bank described the guidelines as part of financial deleveraging and said it expects more of such measures in the future.

PBoC tweaked daily CNY fixing and introduced new interbank repo system

The People's Bank of China (PBoC) announced a tweak to its daily FX fixing formula. Under the new formula, a counter cyclical adjustment factor will be considered in addition to the overnight changes from the previous day's closing price in a basket of currencies. The modified mechanism aims to reduce excessive volatility of CNY that may be driven by market sentiment. In addition to this, the interbank market introduced a set of new fixings for the interbank repo market on 31 May - a move seemingly designed to pave the way to introduce market-based policy interest rate targets using the interbank repo market.

Regulators approved “Bond Connect” programme

In May, regulators in Hong Kong and Mainland China officially approved the launch of the “Bond Connect” programme. The Hong Kong Monetary Authority and Chinese central bank noted that only north-bound flows will be allowed initially, albeit with no quota, and that the programme will only be targeting institutional investors. The programme was launched in July 2017.

China to sell US Dollar denominated government bonds; programme to support treasury bond market makers launched

China’s Ministry of Finance announced that it will be selling RMB 14bn worth of CNH bonds and RMB 2bn worth of USD denominated bonds in 2017. Half of the planned Dim Sum bonds will be offered in the first half, with the remainder to be sold in the second half of the year. Meanwhile, issuance of USD denominated bonds – the first since 2004 - will be conducted in the latter half of 2017. In June, the Ministry of Finance began operating a programme to support treasury bond market makers. The programme - which was first announced by the ministry in September 2016 - would be providing liquidity to bond market makers by buying or selling bonds through an auction, which is expected to be held on the third Tuesday of each month.

Moody’s cuts China’s credit rating

Moody’s Investors Service cut its rating on China’s debt to ‘A1’ from ‘Aa3’, changing the outlook to ‘stable’ from ‘negative’. The credit rating agency cited the likelihood of a “material-rise” in economy-wide debt and the burden that will place on the state’s finances, as reasons for the downgrade. It further highlighted that it believes the Chinese economy would be increasingly dependent on government stimulus to achieve official growth targets. China’s Ministry of Finance rebutted Moody’s decision, stating that the credit rating agency has underestimated the Chinese government’s ability to implement structural reform and expand aggregate demand. Reacting to Moody’s announcement, S&P, which put China on a negative watch at the same time as Moody’s last March, said it was not planning to make out-of-schedule ratings change on China. S&P’s rating is now one notch above that of Moody’s and Fitch.

MSCI added A-shares to global benchmark equity index

During the period, global index provider MSCI announced that it was including Chinese stocks in its global benchmark equity index for the first time – a landmark step in China’s integration within the global financial system. MSCI cited improved accessibility of the China A-share market as a result of the stock connect programme and easing of pre-approval requirements for index-linked investment products, as factors for its decision.

Yields of onshore government and corporate bonds moved higher

Chinese government bonds came under selling pressure at the start of the year as inflationary expectations picked up amid signs of economic recovery and a multi-year high PPI. A campaign by the authorities to control leverage in the financial system pushed yields (particularly short term rates) higher. Towards the end of the period, a pullback in crude oil prices, moderation in Chinese PPI, as well as the injection of liquidity by the PBoC supported a drop in yields. Meanwhile, the first three months of the year saw demand for corporate bonds negatively affected by tighter liquidity conditions as regulators sought to

control risks in the property market as well as in the banking sector. Buying interest picked up towards the end of the period in anticipation of the launch in July of a bond connect trading link between the mainland and Hong Kong.

Market Outlook & Strategy

Duration to be extended in the event of a market correction

The PBoC has been marginally softening its policy stance on deleveraging and stabilising its CNY FX stance. This prompted us to adjust our portfolio strategy. On rates, we have neutralised the short duration in the portfolio by switching from the short-dated credit bonds into long-dated policy bank bonds last month. On the FX side, we have unwound most of our dollar holdings. We will look to add duration on any correction in the relatively strong bond rally in June 2017.

Nikko AM China Equity Fund

Portfolio Review

The Fund outperformed in 1H17

For the six months ended 30 June 2017, the Nikko AM China Equity Fund (the “Fund”) returned 14.77% (USD terms, on NAV-NAV basis), outperforming the Shanghai Shenzhen CSI 300 Index (Net Total Return) which returned 14.44%. Stock selection and our exposure to consumer and cyclical stocks contributed to the outperformance.

Market Review

A-share market recovered along with the economy

Chinese stocks entered to a slow bull market in the first six months of 2017 after the market tumble at the end of 2016. The CSI 300 Index gained on the back of a rally in large cap stocks. Key drivers of sentiment included a recovering global economy, a stabilising RMB, and improving earnings growth, notably in large cap cyclical and consumer stocks. Chinese A-shares increased in the first half of 2017 in tandem with the global market, however mid and small cap stocks in the Shenzhen stock exchange recorded losses over the same period. The market diverged, as the valuations of mid and small caps appeared high, while their earnings growth lagged their large cap counterparts.

Chinese economy showed resilience

Chinese economic growth topped expectations yet again in the June quarter, with GDP expanding 6.9% from a year earlier. The figure, marginally ahead of forecasts looking for an increase of 6.8%, was the tenth consecutive GDP report where the year-on-year growth rate was either in line with expectations or exceeded them by 0.1%. Strength in the economy was mostly attributed to the promising property market in third and fourth tier cities, and to healthy demand for property related consumption, such as building material, construction, home appliance, and construction machinery. As a result, most cyclical sectors benefited from the strong demand and earnings picked up. However, robust economic growth allowed more room for the authorities to accelerate the deleveraging of the financial system. Meanwhile, monetary policies were fine-tuned to

prevent an overheating of the property market. As such, while interest rates have risen in recent months due to the earlier policy tightening, they have yet to pose a drag to China's economic growth.

The portfolio was well-positioned to enjoy the market rebound

In the six months to end-June, we maintained an overweight to the consumer discretionary sector, where we think long term growth remains compelling. We also like the electric vehicle (EV) sector and believe China will be a dominant player in the sector in the next five to ten years. We had added exposure to cyclical stocks during the market downturn, but reduced our exposure over the review period as we think the economic recovery may peak and cyclical stocks could face profit-taking pressure. Overall, our portfolio structure was well-positioned to benefit from the market rebound in the first half of the year.

Market Outlook & Strategy

Headwinds ahead despite the market's recent rally

After the market rally which started at the end of May, we think the market may need some time to consolidate. The market's recent strong performance represents a temporary relief amid the cycle of rising interest rates, which are expected to continue over the medium-term. However, some headwinds are still ahead. Changes in regulatory action and increased policy coordination will not impact deleveraging efforts and the tightening of regulatory supervision. Instead, the recent shift in policy action stems from the PBoC's need to maintain stability over the short-term as well as its Macro Prudential Assessments (MPAs). Meanwhile, potential monetary policy tightening will drag on China's economic growth.

We are still positive on the A-share market in the long term. During the month of June, MSCI announced the inclusion of A-shares in their benchmark emerging markets index. Although the initial inclusion factor is not high (5%) and the money inflow scale is not so large, we believe that this will increase overseas investors' participation in A-shares in the medium to long term. This would subsequently accelerate the internationalisation of the A-shares market.

Maintain overweight on consumer stocks while reducing weight on outperforming electronics and telecommunications stocks

In the next few months, we may continue to take profit from some outperforming consumer stocks and shift to defensive names. In the event of a market correction, we will focus on accumulating some undervalued large caps and growth stocks to rebalance the portfolio. Overall, our overweight in the consumer sector, especially on home appliance and food and beverage, will remain intact. We could look to take profit from some electronics and telecommunication stocks if the outperformance continues.

IMPORTANT INFORMATION

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For Hong Kong Investors

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Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

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 2017 to 30 June 2017 (unaudited)*

| | Nikko AM China Onshore Bond Fund | | Nikko AM China Equity Fund | |
|--|-------------------------------------|--------------------|-------------------------------|--------------------|
| | 30 June 2017 | 30 June 2016 | 30 June 2017 | 30 June 2016 |
| | RMB | RMB | RMB | RMB |
| Income | | | | |
| Dividend | - | - | 263,759 | 215,171 |
| Interest | 137,640 | 15,675 | 4,336 | 3,136 |
| Other Income | - | 80,950 | - | - |
| | <u>137,640</u> | <u>96,625</u> | <u>268,095</u> | <u>218,307</u> |
| Less: Expenses | | | | |
| Management fee | 1,162,834 | 1,256,423 | 204,006 | 206,747 |
| Registrar fee | 12,131 | 11,345 | 5,757 | 5,518 |
| Trustee fee | 35,171 | 38,418 | 11,002 | 10,874 |
| Custody fee | (51,247) | 114,834 | 6,478 | 6,830 |
| Audit fee | 81,170 | 79,643 | 61,958 | 61,229 |
| Valuation fee | 46,894 | 51,224 | 15,401 | 15,222 |
| Transaction costs | 8,412 | 19,396 | 113,405 | 117,869 |
| Preliminary expenses | - | 331,571 | - | - |
| Impairment loss | 630,154 | - | - | - |
| Other expenses | 53,770 | 60,463 | 64,996 | 92,138 |
| | <u>1,979,289</u> | <u>1,963,317</u> | <u>483,003</u> | <u>516,427</u> |
| Net losses | <u>1,841,649</u> | <u>(1,866,692)</u> | <u>(214,908)</u> | <u>(298,120)</u> |
| Net gains or losses on value of investments and financial derivatives | | | | |
| Net gains/(losses) on investments | 3,337,207 | 8,370,803 | 3,318,036 | (5,005,069) |
| Net foreign exchange gains/(losses) | 87,529 | 58,734 | (123) | 34,455 |
| Net gains on financial derivatives | 335,200 | 154,562 | - | - |
| | <u>3,759,936</u> | <u>8,584,099</u> | <u>3,317,913</u> | <u>(4,970,614)</u> |
| Total return/(deficit) for the financial period before income tax | <u>1,918,287</u> | <u>6,717,407</u> | <u>3,103,005</u> | <u>(5,268,734)</u> |
| Less: Income tax | (235,287) | (130,655) | (27,278) | (25,580) |
| Total return/(deficit) for the financial period after income tax | <u>1,683,000</u> | <u>6,586,752</u> | <u>3,075,727</u> | <u>(5,294,314)</u> |

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 2017 (unaudited)*

| | Nikko AM China Onshore Bond Fund | | Nikko AM China Equity Fund | |
|--|---|-------------------------|---------------------------------------|-------------------------|
| | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 |
| | RMB | RMB | RMB | RMB |
| ASSETS | | | | |
| Portfolio of investments | 243,968,936 | 255,378,923 | 27,237,645 | 26,006,783 |
| Sales awaiting settlement | 1,153,734 | 2,256,401 | - | - |
| Receivables | - | 39,113 | 95 | - |
| Cash and bank balances | 8,161,375 | 6,604,823 | 1,403,700 | 987,477 |
| Term deposits | - | 10,000,000 | - | - |
| Reserves accounts | 41,744 | 45,944 | 56,000 | 56,000 |
| Financial derivatives at fair value | 203,687 | - | - | - |
| Total assets | <u>253,529,476</u> | <u>274,325,204</u> | <u>28,697,440</u> | <u>27,050,260</u> |
| LIABILITIES | | | | |
| Payables | 2,725,255 | 2,548,444 | 195,936 | 265,684 |
| Distributions payable | 825,620 | 915,802 | - | - |
| Financial derivatives at fair value | 12,667 | - | - | - |
| Total liabilities | <u>3,563,542</u> | <u>3,464,246</u> | <u>195,936</u> | <u>265,684</u> |
| EQUITY | | | | |
| Net assets attributable to unitholders | <u>249,965,934</u> | <u>270,860,958</u> | <u>28,501,504</u> | <u>26,784,576</u> |

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 2017 to 30 June 2017 (unaudited)

| | Nikko AM China Onshore Bond Fund | | Nikko AM China Equity Fund | |
|--|-------------------------------------|-------------------------|-------------------------------|-------------------------|
| | 30 June 2017 RMB | 31 December 2016 RMB | 30 June 2017 RMB | 31 December 2016 RMB |
| Net assets attributable to unitholders at the beginning of the financial period/year | 270,860,958 | 303,153,368 | 26,784,576 | 33,046,901 |
| Operations | | | | |
| Change in net assets attributable to unitholders resulting from operations | 1,683,000 | 4,001,659 | 3,075,727 | (4,764,338) |
| Unitholders' contributions /(withdrawals) | | | | |
| Creation of units | 8,944,416 | 28,558,751 | - | 2,802,887 |
| Cancellation of units | (26,390,664) | (54,057,725) | (1,358,799) | (4,300,874) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | (17,446,248) | (25,498,974) | (1,358,799) | (1,497,987) |
| Distributions | (5,131,776) | (10,795,095) | - | - |
| Total increase in net assets attributable to unitholders | (20,895,024) | (32,292,410) | 1,716,928 | (6,262,325) |
| Net assets attributable to unitholders at the end of the financial period/year | 249,965,934 | 270,860,958 | 28,501,504 | 26,784,576 |

NIKKO AM CHINA ONSHORE FUND SERIES

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

STATEMENT OF PORTFOLIO

As at 30 June 2017 (unaudited)

| By Geography (Primary) | Nikko AM China Onshore Bond Fund | | |
|--|----------------------------------|--------------------------------------|---|
| | Holdings at 30 June 2017 | Fair value at 30 June 2017 RMB | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
| Quoted Fixed Income Securities | | | |
| BRITISH VIRGIN ISLANDS | | | |
| Unican Limited 5.15% due 02/07/2018 | 6,500,000 | 6,520,020 | 2.61 |
| Total BRITISH VIRGIN ISLANDS | | 6,520,020 | 2.61 |
| CAYMAN ISLANDS | | | |
| Dorsett Hospitality International Limited 6% due 03/04/2018 | 4,000,000 | 3,977,520 | 1.59 |
| Lai Fung Holdings Limited 6.875% due 25/04/2018 | 11,000,000 | 11,070,290 | 4.43 |
| Logan Property Holdings Company Limited 5.25% due 23/02/2023 | 500,000 | 3,182,570 | 1.27 |
| Total CAYMAN ISLANDS | | 18,230,380 | 7.29 |
| CHINA | | | |
| Aluminum Corporation of China 5.99% due 03/09/2019 | 10,000,000 | 10,212,410 | 4.09 |
| Aluminum Corporation of China Limited 5.2% due 22/01/2018 | 10,000,000 | 10,014,140 | 4.01 |
| Bank of China Limited 3.6% due 12/07/2018 | 3,400,000 | 3,378,087 | 1.35 |
| Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020 | 20,000,000 | 19,878,760 | 7.95 |
| China Cinda Asset Management Company Limited 4.3% due 22/05/2020 | 10,000,000 | 9,909,080 | 3.96 |
| China CITIC Bank Corporation Limited 0% due 27/09/2017 | 10,000,000 | 9,896,240 | 3.96 |
| China Development Bank 3.18% due 05/04/2026 | 10,000,000 | 9,188,530 | 3.68 |
| China Development Bank 3.81% due 05/02/2025 | 10,000,000 | 9,685,330 | 3.87 |
| China Development Bank 4.2% due 19/01/2027 | 10,000,000 | 9,853,790 | 3.94 |
| China Development Bank 4.9% due 12/06/2024 | 10,000,000 | 10,409,110 | 4.16 |
| China Government Bond 3.31% due 30/11/2025 | 4,000,000 | 3,741,300 | 1.50 |
| China Government Bond 3.6% due 21/05/2030 | 7,000,000 | 6,433,875 | 2.57 |
| China Government Bond 3.6% due 27/06/2028 | 5,000,000 | 4,680,175 | 1.87 |
| China Government Bond 3.85% due 12/12/2026 | 2,500,000 | 2,423,213 | 0.98 |
| China Government Bond 4.1% due 21/05/2045 | 1,000,000 | 922,015 | 0.38 |
| China National Gold Group Corporation 5.29% due 29/12/2049 | 10,000,000 | 10,063,150 | 4.03 |
| CITIC Securities Company Limited 5.1% due 25/06/2025 | 5,000,000 | 5,100,000 | 2.04 |
| Export-Import Bank of China 3.87% due 14/09/2025 | 10,000,000 | 9,704,110 | 3.88 |
| Guangzhou Yue Xiu Holding Limited 5.2% due 28/02/2020 | 10,000,000 | 10,157,160 | 4.06 |
| Jinchuan Group Company Limited 4.75% due 17/07/2017 | 5,000,000 | 4,932,750 | 1.97 |
| Poly Real Estate Group Company Limited 4.8% due 26/12/2019 | 10,000,000 | 10,054,190 | 4.02 |
| Qianhai Financial Holdings Company Limited 4.55% due 28/10/2017 | 4,000,000 | 4,004,260 | 1.60 |
| Shanghai Shimao Company Limited 6.08% due 10/03/2018 | 10,000,000 | 10,075,290 | 4.03 |
| Shenhua Group Corporation Limited 3.35% due 25/01/2021 | 10,000,000 | 9,635,370 | 3.85 |
| Zhejiang Geely Holding Group Company Limited 5.9% due 24/01/2020 | 2,500,000 | 2,570,760 | 1.04 |
| Total CHINA | | 196,923,095 | 78.79 |
| NEW ZEALAND | | | |
| Fonterra Co-Operative Group Limited 4% due 22/06/2020 | 5,000,000 | 4,956,150 | 1.98 |
| Total NEW ZEALAND | | 4,956,150 | 1.98 |

NIKKO AM CHINA ONSHORE FUND SERIES

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

STATEMENT OF PORTFOLIO

As at 30 June 2017 (unaudited)

| | Nikko AM China Onshore Bond Fund | |
|--|--------------------------------------|--|
| By Geography (Primary) (continued) | Holdings at 30 June 2017 | Percentage of total net assets attributable to unitholders at 30 June 2017 |
| | Fair value at 30 June 2017 RMB | % |
| Quoted Fixed Income Securities (continued) | | |
| POLAND | | |
| Republic of Poland Government International Bond 3.4% due 26/08/2019 | 10,000,000 | 3.88 |
| Total POLAND | <u>9,693,930</u> | <u>3.88</u> |
| SUPRANATIONAL | | |
| Central American Bank for Economic Integration 3.95% due 21/09/2019 | 3,500,000 | 1.38 |
| Total SUPRANATIONAL | <u>3,460,436</u> | <u>1.38</u> |
| Accrued Interest receivable on quoted fixed income securities | <u>4,184,925</u> | <u>1.67</u> |
| Total Quoted Fixed Income Securities | <u>243,968,936</u> | <u>97.60</u> |
| Portfolio of investments | 243,968,936 | 97.60 |
| Other net assets | 5,996,998 | 2.40 |
| Net assets attributable to unitholders | <u>249,965,934</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 2017 (unaudited)

| Nikko AM China Onshore Bond Fund | | | |
|---|--|---|---|
| By Geography (Summary) | | Percentage of total net assets attributable to unitholders at 30 June 2017 % | Percentage of total net assets attributable to unitholders at 31 December 2016 % |
| Quoted Fixed Income Securities | | | |
| British Virgin Islands | | 2.61 | 2.37 |
| Cayman Islands | | 7.29 | 6.93 |
| China | | 78.79 | 74.53 |
| Hong Kong SAR | | - | 1.83 |
| Netherlands | | - | - |
| New Zealand | | 1.98 | 1.81 |
| Poland | | 3.88 | 3.59 |
| Supranational | | 1.38 | 1.28 |
| Accrued interest receivable on quoted fixed income securities | | 1.67 | 1.94 |
| Total Quoted Fixed Income Securities | | 97.60 | 94.28 |
| Portfolio of investments | | 97.60 | 94.28 |
| Other net assets | | 2.40 | 5.72 |
| Net assets attributable to unitholders | | 100.00 | 100.00 |

| Nikko AM China Onshore Bond Fund | | | |
|---|---|---|---|
| By Industry (Secondary) | Fair value at 30 June 2017 RMB | Percentage of total net assets attributable to unitholders at 30 June 2017 % | Percentage of total net assets attributable to unitholders at 31 December 2016 % |
| Auto Manufacturers | - | - | 0.97 |
| Banks | 42,514,847 | 17.02 | 12.41 |
| Coal | - | - | 3.59 |
| Diversified Financial Services | 15,624,280 | 6.25 | 9.87 |
| Food | 4,956,150 | 1.98 | 1.81 |
| Lodging | 3,977,520 | 1.59 | 1.83 |
| Mining | 64,663,140 | 25.87 | 14.76 |
| Multi-National | 3,460,436 | 1.38 | 1.28 |
| Real Estate | 47,110,260 | 18.85 | 16.45 |
| Sovereign | 37,598,618 | 15.04 | 21.95 |
| Transportation | 19,878,760 | 7.95 | 7.42 |
| Accrued interest receivable on quoted fixed income securities | 4,184,925 | 1.67 | 1.94 |
| Portfolio of investments | 243,968,936 | 97.60 | 94.28 |
| Other net assets | 5,996,998 | 2.40 | 5.72 |
| Net assets attributable to unitholders | 249,965,934 | 100.00 | 100.00 |

NIKKO AM CHINA ONSHORE FUND SERIES

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

STATEMENT OF PORTFOLIO

As at 30 June 2017 (unaudited)

| Nikko AM China Equity Fund | | | |
|---|-----------------------------|--------------------------------------|---|
| By Industry (Primary) | Holdings at 30 June 2017 | Fair value at 30 June 2017 RMB | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
| Quoted Equities | | | |
| ADVERTISING | | | |
| Guangdong Advertising Group Company Limited | 34,000 | 273,020 | 0.96 |
| Total ADVERTISING | | 273,020 | 0.96 |
| AIRLINES | | | |
| China Southern Airlines Company Limited | 40,000 | 348,000 | 1.22 |
| Total AIRLINES | | 348,000 | 1.22 |
| AUTO MANUFACTURERS | | | |
| SAIC Motor Corporation Limited | 18,000 | 558,000 | 1.96 |
| Total AUTO MANUFACTURERS | | 558,000 | 1.96 |
| AUTO PARTS & EQUIPMENT | | | |
| Changchun Faway Automobile Components Company Limited | 20,000 | 382,200 | 1.34 |
| Total AUTO PARTS & EQUIPMENT | | 382,200 | 1.34 |
| BANKS | | | |
| Agricultural Bank of China Limited | 250,000 | 880,000 | 3.09 |
| Bank of Beijing Company Limited | 60,970 | 559,095 | 1.96 |
| China CITIC Bank Corporation Limited | 60,000 | 377,400 | 1.32 |
| China Construction Bank Corporation | 110,000 | 676,500 | 2.37 |
| China Merchants Bank Company Limited | 40,000 | 955,600 | 3.35 |
| Huaxia Bank Company Limited | 48,000 | 442,560 | 1.56 |
| Industrial Bank Company Limited | 50,000 | 841,500 | 2.95 |
| Total BANKS | | 4,732,655 | 16.60 |
| BEVERAGES | | | |
| Anhui Gujing Distillery Company Limited | 6,000 | 305,700 | 1.07 |
| Kweichow Moutai Company Limited | 2,000 | 943,700 | 3.31 |
| Shanxi Xinghuacun Fen Wine Factory Company Limited | 10,000 | 346,900 | 1.22 |
| Wuliangye Yibin Company Limited | 10,000 | 556,600 | 1.95 |
| Total BEVERAGES | | 2,152,900 | 7.55 |
| BIOTECHNOLOGY | | | |
| Hualan Biological Engineering Incorporated | 9,000 | 328,500 | 1.15 |
| Total BIOTECHNOLOGY | | 328,500 | 1.15 |
| BUILDING MATERIALS | | | |
| China Jushi Company Limited | 26,000 | 285,480 | 1.00 |
| Gree Electric Appliances Incorporation of Zhuhai | 23,000 | 946,910 | 3.32 |
| Hongfa Technology Company Limited | 9,000 | 359,010 | 1.26 |
| Total BUILDING MATERIALS | | 1,591,400 | 5.58 |
| CHEMICALS | | | |
| Shandong Hualu Hengsheng Chemical Company Limited | 28,570 | 335,412 | 1.18 |
| Tangshan Sanyou Chemical Industries Company Limited | 45,000 | 452,250 | 1.59 |
| Total CHEMICALS | | 787,662 | 2.77 |

NIKKO AM CHINA ONSHORE FUND SERIES

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STATEMENT OF PORTFOLIO

As at 30 June 2017 (unaudited)

| Nikko AM China Equity Fund | | | |
|---|-----------------------------|--------------------------------------|---|
| By Industry (Primary) (continued) | | | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
| | Holdings at 30 June 2017 | Fair value at 30 June 2017 RMB | |
| Quoted Equities (continued) | | | |
| DISTRIBUTION/WHOLESALE | | | |
| China Meheco Company Limited | 24,000 | 622,800 | 2.19 |
| Total DISTRIBUTION/WHOLESALE | | 622,800 | 2.19 |
| DIVERSIFIED FINANCIAL SERVICES | | | |
| CITIC Securities Company Limited | 35,000 | 595,700 | 2.09 |
| GF Securities Company Limited | 20,000 | 345,000 | 1.21 |
| Huatai Securities Company Limited | 25,000 | 447,500 | 1.57 |
| Total DIVERSIFIED FINANCIAL SERVICES | | 1,388,200 | 4.87 |
| ELECTRIC | | | |
| China Yangtze Power Company Limited | 35,000 | 538,300 | 1.89 |
| Total ELECTRIC | | 538,300 | 1.89 |
| ELECTRONICS | | | |
| Luxshare Precision Industry Company Limited | 20,000 | 584,800 | 2.05 |
| Shenzhen Inovance Technology Company Limited | 14,856 | 379,422 | 1.33 |
| Total ELECTRONICS | | 964,222 | 3.38 |
| ENGINEERING AND CONSTRUCTION | | | |
| China CAMC Engineering Company Limited | 18,000 | 373,140 | 1.31 |
| China Gezhouba Group Company Limited | 35,000 | 393,400 | 1.38 |
| Total ENGINEERING AND CONSTRUCTION | | 766,540 | 2.69 |
| ENVIRONMENTAL CONTROL | | | |
| Beijing Originwater Technology Company Limited | 13,000 | 242,450 | 0.85 |
| Total ENVIRONMENTAL CONTROL | | 242,450 | 0.85 |
| FOOD | | | |
| Inner Mongolia Yili Industrial Group Company Limited | 30,000 | 647,700 | 2.27 |
| Yonghui Superstores Company Limited | 85,000 | 601,800 | 2.11 |
| Total FOOD | | 1,249,500 | 4.38 |
| FOREST PRODUCTS & PAPER | | | |
| Shandong Sun Paper Industry JSC Limited | 85,000 | 624,750 | 2.19 |
| Total FOREST PRODUCTS & PAPER | | 624,750 | 2.19 |
| HOLDING COMPANIES-DIVERSIFIED | | | |
| Shanghai Jiabao Industry & Commerce Group Company Limited | 32,500 | 529,100 | 1.86 |
| Total HOLDING COMPANIES-DIVERSIFIED | | 529,100 | 1.86 |
| HOME FURNISHINGS | | | |
| Hangzhou Robam Appliances Company Limited | 9,100 | 395,668 | 1.39 |
| Midea Group Company Limited | 15,000 | 645,600 | 2.27 |
| Suofeiya Home Collection Company Limited | 8,000 | 328,000 | 1.15 |
| Total HOME FURNISHINGS | | 1,369,268 | 4.81 |

NIKKO AM CHINA ONSHORE FUND SERIES

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

STATEMENT OF PORTFOLIO

As at 30 June 2017 (unaudited)

| Nikko AM China Equity Fund | | | |
|--|-----------------------------|--------------------------------------|---|
| By Industry (Primary) (continued) | | | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
| | Holdings at 30 June 2017 | Fair value at 30 June 2017 RMB | |
| Quoted Equities (continued) | | | |
| HOUSEWARES | | | |
| Zhejiang Supor Cookware Company Limited | 9,100 | 373,555 | 1.31 |
| Total HOUSEWARES | | 373,555 | 1.31 |
| INSURANCE | | | |
| New China Life Insurance Company Limited | 8,000 | 411,200 | 1.44 |
| Ping An Insurance Group Company of China Limited | 30,000 | 1,488,300 | 5.22 |
| Total INSURANCE | | 1,899,500 | 6.66 |
| LEISURE TIME | | | |
| China International Travel Service Corporation Limited | 13,000 | 391,820 | 1.37 |
| Total LEISURE TIME | | 391,820 | 1.37 |
| MACHINERY-CONSTRUCTION & MINING | | | |
| Sany Heavy Industry Company Limited | 35,000 | 284,550 | 1.00 |
| Total MACHINERY-CONSTRUCTION & MINING | | 284,550 | 1.00 |
| MISCELLANEOUS MANUFACTURE | | | |
| Shenzhen O-Film Tech Company Limited | 25,000 | 454,250 | 1.60 |
| Total MISCELLANEOUS MANUFACTURE | | 454,250 | 1.60 |
| PHARMACEUTICALS | | | |
| Cachet Pharmaceutical Company Limited | 10,000 | 392,900 | 1.38 |
| Dong-E-E-Jiao Company Limited | 5,500 | 395,395 | 1.39 |
| Jiangsu Hengrui Medicine Company Limited | 8,640 | 437,098 | 1.53 |
| Shenzhen Salubris Pharmaceuticals Company Limited | 12,500 | 445,750 | 1.56 |
| Total PHARMACEUTICALS | | 1,671,143 | 5.86 |
| REAL ESTATE | | | |
| China Merchants Shekou Industrial Zone Holdings Company Limited | 15,000 | 320,400 | 1.13 |
| Shanghai AJ Group Company Limited | 32,000 | 479,360 | 1.68 |
| Total REAL ESTATE | | 799,760 | 2.81 |
| SOFTWARE | | | |
| Neusoft Corporation | 15,000 | 233,250 | 0.82 |
| Zhejiang Dahua Technology Company Limited | 15,000 | 342,150 | 1.20 |
| Total SOFTWARE | | 575,400 | 2.02 |

NIKKO AM CHINA ONSHORE FUND SERIES

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

STATEMENT OF PORTFOLIO

As at 30 June 2017 (unaudited)

| Nikko AM China Equity Fund | | | |
|--|-----------------------------|--------------------------------------|---|
| By Industry (Primary) (continued) | Holdings at 30 June 2017 | Fair value at 30 June 2017 RMB | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
| Quoted Equities (continued) | | | |
| TELECOMMUNICATIONS | | | |
| Fiberhome Telecommunication Technologies Company Limited | 12,000 | 304,200 | 1.07 |
| Hytera Communications Corporation Limited | 20,000 | 321,800 | 1.13 |
| ZTE Corporation | 30,000 | 712,200 | 2.50 |
| Total TELECOMMUNICATIONS | | <u>1,338,200</u> | <u>4.70</u> |
| Total Quoted Equities | | <u>27,237,645</u> | <u>95.57</u> |
| Portfolio of investments | | 27,237,645 | 95.57 |
| Other net assets | | 1,263,859 | 4.43 |
| Net assets attributable to unitholders | | <u>28,501,504</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 2017 (unaudited)

| By Industry (Summary) | Nikko AM China Equity Fund | |
|---|---|---|
| | Percentage of total net assets attributable to unitholders at 30 June 2017 % | Percentage of total net assets attributable to unitholders at 31 December 2016 % |
| Quoted Equities | | |
| Advertising | 0.96 | 1.87 |
| Agriculture | - | 3.54 |
| Airlines | 1.22 | - |
| Auto Manufacturers | 1.96 | 1.58 |
| Auto Parts & Equipment | 1.34 | - |
| Banks | 16.60 | 17.77 |
| Beverages | 7.55 | 5.62 |
| Biotechnology | 1.15 | 1.60 |
| Building Materials | 5.58 | - |
| Chemicals | 2.77 | 3.87 |
| Coal | - | 1.20 |
| Distribution/Wholesale | 2.19 | 1.71 |
| Diversified Financial Services | 4.87 | 8.04 |
| Electric | 1.89 | 2.89 |
| Electrical Component & Equipment | - | 1.04 |
| Electronics | 3.38 | 3.19 |
| Engineering and Construction | 2.69 | 5.07 |
| Environmental Control | 0.85 | 1.31 |
| Food | 4.38 | 1.83 |
| Forest Products & Paper | 2.19 | 1.75 |
| Holding Companies-Diversified | 1.86 | 2.77 |
| Home Furnishings | 4.81 | 1.37 |
| Housewares | 1.31 | 1.43 |
| Insurance | 6.66 | 5.52 |
| Internet | - | 2.43 |
| Iron/Steel | - | 1.00 |
| Leisure Time | 1.37 | - |
| Machinery-Construction & Mining | 1.00 | - |
| Metal Fabricate/Hardware | - | 0.97 |
| Mining | - | 1.34 |
| Miscellaneous Manufacture | 1.60 | 1.02 |
| Oil and Gas Services | - | 2.58 |
| Pharmaceuticals | 5.86 | 6.91 |
| Real Estate | 2.81 | 1.22 |
| Software | 2.02 | - |
| Telecommunications | 4.70 | 4.66 |
| Total Quoted Equities | 95.57 | 97.10 |
| Portfolio of investments | 95.57 | 97.10 |
| Other net assets | 4.43 | 2.90 |
| Net assets attributable to unitholders | 100.00 | 100.00 |

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

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REPORT TO UNITHOLDERS

For the financial period from 01 January 2017 to 30 June 2017 (unaudited)

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statements of Portfolio on pages 12 to 19.

2. Credit rating of debt securities

Nikko AM China Onshore Bond Fund

| | Fair value at 30 June 2017 RMB | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
|--|--------------------------------------|---|
| A- | 14,865,230 | 5.95 |
| A+ | 19,878,760 | 7.95 |
| A1 | 22,878,848 | 9.15 |
| A2 | 9,693,930 | 3.88 |
| AA- | 55,005,383 | 22.01 |
| BBB+ | 10,054,190 | 4.02 |
| BBB | 15,163,150 | 6.07 |
| BBB- | 10,014,140 | 4.01 |
| B+ | 11,070,290 | 4.43 |
| B1 | 3,182,570 | 1.27 |
| NR | 67,977,520 | 27.19 |
| Accrued interest receivable on quoted fixed income securities | 4,184,925 | 1.67 |
| Total | 243,968,936 | 97.60 |

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 2017 to 30 June 2017 (unaudited)

3. Top 10 holdings

Nikko AM China Onshore Bond Fund

10 Largest holdings at 30 June 2017

| | Fair value RMB | Percentage of total net assets attributable to unitholders % |
|---|-------------------|--|
| Beijing Infrastructure Investment Company Limited 4.9% due 11/08/2020 | 19,878,760 | 7.95 |
| Lai Fung Holdings Limited 6.875% due 25/04/2018 | 11,070,290 | 4.43 |
| China Development Bank 4.9% due 12/06/2024 | 10,409,110 | 4.16 |
| Aluminum Corporation of China 5.99% due 03/09/2019 | 10,212,410 | 4.09 |
| Guangzhou Yue Xiu Holding Limited 5.2% due 28/02/2020 | 10,157,160 | 4.06 |
| Shanghai Shimao Company Limited 6.08% due 10/03/2018 | 10,075,290 | 4.03 |
| China National Gold Group Corporation 5.29% due 29/12/2049 | 10,063,150 | 4.03 |
| Poly Real Estate Group Company Limited 4.8% due 26/12/2019 | 10,054,190 | 4.02 |
| Aluminum Corporation of China Limited 5.2% due 22/01/2018 | 10,014,140 | 4.01 |
| China Cinda Asset Management Company Limited 4.3% due 22/05/2020 | 9,909,080 | 3.96 |

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 |

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 2017 to 30 June 2017 (unaudited)

3. Top 10 holdings (continued)

Nikko AM China Equity Fund

10 Largest holdings at 30 June 2017

| | Fair value RMB | Percentage of total net assets attributable to unitholders % |
|--|-------------------|--|
| Ping An Insurance Group Company of China Limited | 1,488,300 | 5.22 |
| China Merchants Bank Company Limited | 955,600 | 3.35 |
| Gree Electric Appliances Incorporation of Zhuhai | 946,910 | 3.32 |
| Kweichow Moutai Company Limited | 943,700 | 3.31 |
| Agricultural Bank of China Limited | 880,000 | 3.09 |
| Industrial Bank Company Limited | 841,500 | 2.95 |
| ZTE Corporation | 712,200 | 2.50 |
| China Construction Bank Corporation | 676,500 | 2.37 |
| Inner Mongolia Yili Industrial Group Company Limited | 647,700 | 2.27 |
| Midea Group Company Limited | 645,600 | 2.27 |

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 2017 RMB | Percentage of total net assets attributable to unitholders % | Unrealised gains/(losses) RMB | Realised gains/(losses) RMB |
|---------------------------------------|--------------------------------------|--|-------------------------------------|-----------------------------------|
| Forward foreign exchange contracts | 191,020 | 0.08 | 191,020 | 183,413 |
| Interest rate swaps | - | - | - | (39,233) |

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 2017 to 30 June 2017 (unaudited)

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.

10. Amount of units created and cancelled for the financial period ended 30 June 2017

| | Nikko AM China Onshore Bond Fund RMB | Nikko AM China Equity Fund RMB |
|-----------------|--|--------------------------------------|
| Units created | 8,944,416 | - |
| Units cancelled | (26,390,664) | (1,358,799) |

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 2017 to 30 June 2017 (unaudited)

11. Turnover ratio

Nikko AM China Onshore Bond Fund

| | | 30 June 2017 | 30 June 2016 |
|--|-----|--------------|--------------|
| Lower of total value of purchases or sales | RMB | 44,501,657 | 66,516,720 |
| Average daily net asset value | RMB | 260,193,502 | 278,712,270 |
| Total turnover ratio^{Note} | % | 17.10 | 23.87 |

Nikko AM China Equity Fund

| | | 30 June 2017 | 30 June 2016 |
|--|-----|--------------|--------------|
| Lower of total value of purchases or sales | RMB | 15,486,523 | 13,290,778 |
| Average daily net asset value | RMB | 27,451,760 | 27,426,474 |
| Total turnover ratio^{Note} | % | 56.41 | 48.46 |

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 2016, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

12. Expense ratio

Nikko AM China Onshore Bond Fund

| | | 30 June 2017 | 30 June 2016 |
|---|-----|--------------|--------------|
| Total operating expenses | | | |
| -Including preliminary expenses | RMB | 2,828,680 | 3,872,822 |
| -Excluding preliminary expenses | RMB | 2,828,680 | 3,541,251 |
| Average daily net asset value | RMB | 265,160,035 | 291,381,941 |
| Total expense ratio^{Note} | % | | |
| -Including preliminary expenses | % | 1.07 | 1.33 |
| -Excluding preliminary expenses | % | 1.07 | 1.22 |

Nikko AM China Equity Fund

| | | 30 June 2017 | 30 June 2016 |
|---|-----|--------------|--------------|
| Total operating expenses | RMB | 703,588 | 722,934 |
| Average daily net asset value | RMB | 27,758,263 | 29,324,686 |
| Total expense ratio^{Note} | % | 2.53 | 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.

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 2017 to 30 June 2017 (unaudited)

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").

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.

In addition to related party information shown elsewhere in the financial statements (including the 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 Deeds:

| | Nikko AM China Onshore Bond Fund | | Nikko AM China Equity Fund | |
|--|-------------------------------------|-------------------------|-------------------------------|-------------------------|
| | 30 June 2017 RMB | 31 December 2016 RMB | 30 June 2017 RMB | 31 December 2016 RMB |
| Bank balances held with related party of the Trustee | 6,063,851 | 5,471,663 | 315,070 | 271,804 |
| Term deposit held with related party of the trustee | - | 10,000,000 | - | - |

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

Nil

Intentionally left blank.

Intentionally left blank.

Intentionally left blank.

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

Company registration number 198202562H

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
Seet Oon Hui Eleanor
David Jonathan Semaya
Yu-Ming Wang

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, operating through its 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)

PERFORMANCE SUMMARY

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|----------------------------------|--------------|--------------|-------------|-------------|-------------|------------------------|
| 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.

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|----------------------------------|--------------|--------------|-------------|-------------|-------------|------------------------|
| 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

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|---|--------------|--------------|-------------|-------------|-------------|------------------------|
| Nikko AM China Equity Fund | -5.60 | -2.61 | -19.31 | - | - | -8.14 |
| CSI 300 Index (Net Total Return) ¹ | -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.

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|---|--------------|--------------|-------------|-------------|-------------|------------------------|
| Nikko AM China Equity Fund | -10.32 | -7.48 | -23.35 | - | - | -11.64 |
| CSI 300 Index (Net Total Return) ¹ | -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.

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.

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.

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.

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.

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

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) 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 of this document, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

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

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

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

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

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 | | | | | |
| Income | | | | | |
| 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> |
| Less: Expenses | | | | | |
| 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> |
| Net losses | | <u>(4,437,944)</u> | <u>(3,248,286)</u> | <u>(558,830)</u> | <u>(606,612)</u> |
| Net gains or losses on value of investments and financial derivatives | | | | | |
| 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> |
| Total return/(deficit) for the financial year/period before income tax | | <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) |
| Total return/(deficit) for the financial year/period after income tax | | <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 |
| ASSETS | | | | |
| 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 |
| Total assets | 274,325,204 | 306,675,658 | 27,050,260 | 33,326,084 |
| LIABILITIES | | | | |
| 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 | - | - |
| Total liabilities | 3,464,246 | 3,522,290 | 265,684 | 279,183 |
| EQUITY | | | | |
| 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 |
| Net assets attributable to unitholders at the beginning of the financial year/period | | 303,153,368 | 177,386,123 | 33,046,901 | - |
| Operations | | | | | |
| Change in net assets attributable to unitholders resulting from operations | | 4,001,659 | 16,378,913 | (4,764,338) | 3,660,548 |
| Unitholders' contributions/(withdrawals) | | | | | |
| 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 |
| Net assets attributable to unitholders at the end of the financial year/period | 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)

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 % |
| Quoted Fixed Income Securities | | | |
| BRITISH VIRGIN ISLANDS | | | |
| Unican Limited 5.15% due 02/07/2018 | 6,500,000 | 6,410,593 | 2.37 |
| Total BRITISH VIRGIN ISLANDS | | 6,410,593 | 2.37 |
| CAYMAN ISLANDS | | | |
| 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 |
| Total CAYMAN ISLANDS | | 18,780,660 | 6.93 |
| CHINA | | | |
| 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 % |
| Quoted Fixed Income Securities (continued) | | | |
| CHINA (continued) | | | |
| 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 |
| Total CHINA | | 201,877,610 | 74.53 |
| HONG KONG SAR | | | |
| ICBCIL Finance Company Limited 3.9% due 18/06/2018 | 5,000,000 | 4,943,475 | 1.83 |
| Total HONG KONG SAR | | 4,943,475 | 1.83 |
| NEW ZEALAND | | | |
| Fonterra Co-Operative Group Limited 4% due 22/06/2020 | 5,000,000 | 4,909,210 | 1.81 |
| Total NEW ZEALAND | | 4,909,210 | 1.81 |
| POLAND | | | |
| Republic of Poland Government International Bond 3.4% due 26/08/2019 | 10,000,000 | 9,721,090 | 3.59 |
| Total POLAND | | 9,721,090 | 3.59 |
| SUPRANATIONAL | | | |
| Central American Bank for Economic Integration 3.95% due 21/09/2019 | 3,500,000 | 3,469,375 | 1.28 |
| Total SUPRANATIONAL | | 3,469,375 | 1.28 |

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 % |
|---|------------------------------------|---|--|
| Quoted Fixed Income Securities (continued) | | | |
| Accrued interest receivable on quoted fixed income securities | | 5,266,910 | 1.94 |
| Total Quoted Fixed Income Securities | | 255,378,923 | 94.28 |
| Portfolio of investments | | 255,378,923 | 94.28 |
| Other net assets | | 15,482,035 | 5.72 |
| Net assets attributable to unitholders | | 270,860,958 | 100.00 |

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 % |
|---|--|--|
| Quoted Fixed Income Securities | | |
| 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 |
| Total Quoted Fixed Income Securities | 94.28 | 98.52 |
| Portfolio of investments | 94.28 | 98.52 |
| Other net assets | 5.72 | 1.48 |
| Net assets attributable to unitholders | 100.00 | 100.00 |

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 |
| Portfolio of investments | 255,378,923 | 94.28 | 98.52 |
| Other net assets | 15,482,035 | 5.72 | 1.48 |
| Net assets attributable to unitholders | 270,860,958 | 100.00 | 100.00 |

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 % |
| Quoted Equities | | | |
| ADVERTISING | | | |
| Guangdong Advertising Group Company Limited** | 40,000 | 502,000 | 1.87 |
| Total ADVERTISING | | 502,000 | 1.87 |
| AGRICULTURE | | | |
| Beijing Shunxin Agriculture Company Limited | 26,000 | 572,000 | 2.14 |
| Guangdong Haid Group Company Limited | 25,000 | 376,250 | 1.40 |
| Total AGRICULTURE | | 948,250 | 3.54 |
| AUTO MANUFACTURERS | | | |
| Saic Motor Corporation Limited | 18,000 | 422,640 | 1.58 |
| Total AUTO MANUFACTURERS | | 422,640 | 1.58 |
| BANKS | | | |
| 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 |
| Total BANKS | | 4,758,767 | 17.77 |
| BEVERAGES | | | |
| 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 |
| Total BEVERAGES | | 1,505,450 | 5.62 |
| BIOTECHNOLOGY | | | |
| Hualan Biological Engineering Incorporated | 12,000 | 429,000 | 1.60 |
| Total BIOTECHNOLOGY | | 429,000 | 1.60 |
| CHEMICALS | | | |
| 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 |
| Total CHEMICALS | | 1,035,191 | 3.87 |
| COAL | | | |
| Shanxi Lu'an Environmental Energy Development Company Limited | 40,000 | 322,000 | 1.20 |
| Total COAL | | 322,000 | 1.20 |

** 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 % |
| Quoted Equities (continued) | | | |
| DISTRIBUTION/WHOLESALE | | | |
| China Meheco Company Limited | 24,000 | 456,720 | 1.71 |
| Total DISTRIBUTION/WHOLESALE | | 456,720 | 1.71 |
| DIVERSIFIED FINANCIAL SERVICES | | | |
| 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 |
| Total DIVERSIFIED FINANCIAL SERVICES | | 2,152,350 | 8.04 |
| ELECTRIC | | | |
| China Yangtze Power Company Limited | 40,000 | 507,200 | 1.89 |
| Yunnan Wenshan Electric Power Company Limited | 20,000 | 267,400 | 1.00 |
| Total ELECTRIC | | 774,600 | 2.89 |
| ELECTRICAL COMPONENT & EQUIPMENT | | | |
| Sunwoda Electronic Company Limited | 20,000 | 278,000 | 1.04 |
| Total ELECTRICAL COMPONENT & EQUIPMENT | | 278,000 | 1.04 |
| ELECTRONICS | | | |
| 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 |
| Total ELECTRONICS | | 853,122 | 3.19 |
| ENGINEERING AND CONSTRUCTION | | | |
| 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 |
| Total ENGINEERING AND CONSTRUCTION | | 1,358,190 | 5.07 |
| ENVIRONMENTAL CONTROL | | | |
| Beijing Originwater Technology Company Limited | 20,035 | 351,013 | 1.31 |
| Total ENVIRONMENTAL CONTROL | | 351,013 | 1.31 |
| FOOD | | | |
| Yonghui Superstores Company Limited | 100,000 | 491,000 | 1.83 |
| Total FOOD | | 491,000 | 1.83 |
| FOREST PRODUCTS & PAPER | | | |
| Shandong Sun Paper Industry JSC Limited | 70,000 | 467,600 | 1.75 |
| Total FOREST PRODUCTS & PAPER | | 467,600 | 1.75 |

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 % |
| Quoted Equities (continued) | | | |
| HOLDING COMPANIES-DIVERSIFIED | | | |
| 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 |
| Total HOLDING COMPANIES-DIVERSIFIED | | 741,450 | 2.77 |
| HOME FURNISHINGS | | | |
| Hangzhou Robam Appliances Company Limited | 10,000 | 368,000 | 1.37 |
| Total HOME FURNISHINGS | | 368,000 | 1.37 |
| HOUSEWARES | | | |
| Zhejiang Supor Cookware Company Limited | 11,000 | 384,120 | 1.43 |
| Total HOUSEWARES | | 384,120 | 1.43 |
| INSURANCE | | | |
| 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 |
| Total INSURANCE | | 1,479,600 | 5.52 |
| INTERNET | | | |
| Hithink Royalfly Information Network Company Limited | 4,000 | 275,120 | 1.03 |
| Wangsu Science & Technology Company Limited | 7,000 | 375,270 | 1.40 |
| Total INTERNET | | 650,390 | 2.43 |
| IRON/STEEL | | | |
| Hesteel Company Limited | 80,000 | 267,200 | 1.00 |
| Total IRON/STEEL | | 267,200 | 1.00 |
| METAL FABRICATE/HARDWARE | | | |
| Xinxing Ductile Iron Pipes Company Limited | 50,000 | 258,500 | 0.97 |
| Total METAL FABRICATE/HARDWARE | | 258,500 | 0.97 |
| MINING | | | |
| China Nonferrous Metal Industry's Foreign Engineering and Construction Company Limited | 45,000 | 359,550 | 1.34 |
| Total MINING | | 359,550 | 1.34 |
| MISCELLANEOUS MANUFACTURE | | | |
| Shenzhen O-Film Tech Company Limited | 8,000 | 274,240 | 1.02 |
| Total MISCELLANEOUS MANUFACTURE | | 274,240 | 1.02 |
| OIL AND GAS SERVICES | | | |
| 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 |
| Total OIL AND GAS SERVICES | | 691,950 | 2.58 |

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 % |
| Quoted Equities (continued) | | | |
| PHARMACEUTICALS | | | |
| 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 |
| Total PHARMACEUTICALS | | 1,851,190 | 6.91 |
| REAL ESTATE | | | |
| China Merchants Shekou Industrial Zone Holdings Company Limited | 20,000 | 327,800 | 1.22 |
| Total REAL ESTATE | | 327,800 | 1.22 |
| TELECOMMUNICATIONS | | | |
| 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 |
| Total TELECOMMUNICATIONS | | 1,246,900 | 4.66 |
| Total Quoted Equities | | 26,006,783 | 97.10 |
| Portfolio of investments | | 26,006,783 | 97.10 |
| Other net assets | | 777,793 | 2.90 |
| Net assets attributable to unitholders | | 26,784,576 | 100.00 |

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 % |
| Quoted Equities | | |
| 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 |
| Total Quoted Equities | 97.10 | 96.28 |
| Portfolio of investments | 97.10 | 96.28 |
| Other net assets | 2.90 | 3.72 |
| Net assets attributable to unitholders | 100.00 | 100.00 |

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 2016

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.

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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.

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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

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Interest income (continued)

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

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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 |
| | 672,165 | 1,253,645 | 45,940 | 2,021 |

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 |
| | 2,548,444 | 2,003,650 | 265,684 | 279,183 |

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 | 2015 |
| | RMB | RMB |
| Receivable from unitholders for creation of units | 522 | 1,609,886 |
| Accrued interest receivable | 37,778 | - |
| Other receivables | 813 | - |
| | 39,113 | 1,609,886 |

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 | 54,512,005 | 59,448,066 |
| Net assets attributable to unitholders- RMB | 270,860,958 | 303,153,368 |
| Net asset value per unit- RMB | 4.969 | 5.099 |

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 | 4,322,367 | 4,569,902 |
| Net assets attributable to unitholders- RMB | 26,784,576 | 33,046,901 |
| Net asset value per unit- RMB | 6.197 | 7.231 |

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.

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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:

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

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

[^]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.

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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 |
| | 10,795,095 | 10,538,711 |

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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.

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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.

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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 |
| Assets | | | | | | |
| 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 |
| Total assets | 29,824,550 | 22,507,660 | 133,546,190 | 80,884,380 | 7,562,424 | 274,325,204 |
| Liabilities | | | | | | |
| Payables | - | - | - | - | 2,548,444 | 2,548,444 |
| Distributions payable | - | - | - | - | 915,802 | 915,802 |
| Total liabilities | - | - | - | - | 3,464,246 | 3,464,246 |

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 |
| Assets | | | | | | |
| 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 |
| Total assets | 45,190,646 | 21,981,780 | 146,710,019 | 84,922,255 | 7,870,958 | 306,675,658 |
| Liabilities | | | | | | |
| Payables | - | - | - | - | 2,003,650 | 2,003,650 |
| Distributions payable | - | - | - | - | 998,728 | 998,728 |
| Financial derivatives at fair value | - | - | - | - | 519,912 | 519,912 |
| Total liabilities | - | - | - | - | 3,522,290 | 3,522,290 |

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.

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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 |
|------------------------------|--------------|--------------------|------------|--------------------|
| Assets | | | | |
| 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 |
| Total assets | 6,391 | 274,318,000 | 813 | 274,325,204 |
| Liabilities | | | | |
| Payables | - | 2,548,444 | - | 2,548,444 |
| Distribution payable | - | 915,802 | - | 915,802 |
| Total liabilities | - | 3,464,246 | - | 3,464,246 |
| Net currency exposure | 6,391 | 270,853,754 | 813 | |

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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 |
|---|-------------------|--------------|--------------------|--------------------|
| Assets | | | | |
| 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 |
| Total assets | 19,586,706 | 2,501 | 287,086,451 | 306,675,658 |
| Liabilities | | | | |
| Payables | - | - | 2,003,650 | 2,003,650 |
| Distribution payable | - | - | 998,728 | 998,728 |
| Total liabilities | - | - | 3,002,378 | 3,002,378 |
| Net off-balance sheet derivative financial instruments | | | | |
| | (9,853,424) | - | 9,333,512 | |
| Net currency exposure | 9,733,282 | 2,501 | 293,417,585 | |

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 |
|------------------------------|---------------|-------------------|---------------|-------------------|
| Assets | | | | |
| 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 |
| Total assets | 25,637 | 26,981,648 | 42,975 | 27,050,260 |
| Liabilities | | | | |
| Payables | - | 265,684 | - | 265,684 |
| Total liabilities | - | 265,684 | - | 265,684 |
| Net currency exposure | 25,637 | 26,715,964 | 42,975 | |

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

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 |
|------------------------------|---------------|-------------------|---------------|-------------------|
| Assets | | | | |
| 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 |
| Total assets | 20,517 | 33,265,045 | 40,522 | 33,326,084 |
| Liabilities | | | | |
| Payables | - | 279,183 | - | 279,183 |
| Total liabilities | - | 279,183 | - | 279,183 |
| Net currency exposure | 20,517 | 32,985,862 | 40,522 | |

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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 |
| Liabilities | | | | |
| Payables | 2,548,444 | 2,003,650 | 265,684 | 279,183 |
| Distribution payable | 915,802 | 998,728 | - | - |
| Contractual cash outflows (excluding gross settled derivatives) | 3,464,246 | 3,002,378 | 265,684 | 279,183 |

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 |
| Less than 3 months | | |
| Currency forwards | | |
| - Inflows | - | 9,333,512 |
| - Outflows | - | (9,853,424) |
| Net outflow | - | (519,912) |

(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 2016

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 |
| | 24,032,254 | 231,346,669 | 40,227,855 | 258,450,734 |

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.

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

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 |
|---|--------------------------------------|--------------------------------------|----------------------------|
| Bank balance | | | |
| - BNP Paribas Securities Services Singapore Branch | A | A+ | Standard & Poor's |
| - Bank of China Limited | A | A | Standard & Poor's |
| Financial derivatives | | | |
| - JP Morgan Chase & Company | N/A | A- | Standard & Poor's |
| Custodian | | | |
| - 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

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

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

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 |
|--|----------------|----------------|----------------|---------------|
| Assets | | | | |
| 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 |
|--|----------------|----------------|----------------|---------------|
| Assets | | | | |
| Financial assets designated at fair value through profit or loss at inception: | | | | |
| - Quoted fixed income securities | | - 298,678,589 | - | - 298,678,589 |
| Liabilities | | | | |
| - 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 |
|--|----------------|----------------|----------------|--------------|
| Assets | | | | |
| Financial assets designated at fair value through profit or loss at inception: | | | | |
| - Quoted equities | 25,504,783 | - | 502,000 | 26,006,783 |

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

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 |
|--|----------------|----------------|----------------|--------------|
| Assets | | | | |
| 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 |

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

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) |
| Closing balance | 502,000 | 502,000 |
| 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:

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

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 |
| Total expense ratio¹ | <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 |
| Total expense ratio¹ (annualised) | | |
| - Including preliminary expenses | % 2.64 | 3.84 |
| - Excluding preliminary expenses | <u>% 2.64</u> | <u>3.15</u> |

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

13. Financial ratios (continued)

Turnover ratio

| Nikko AM China Onshore Bond Fund | | | |
|--|-----|--------------------|-------------|
| | | 2016 | 2015 |
| Lower of total value of purchases or sales | RMB | 120,786,930 | 195,293,337 |
| Average daily net asset value | RMB | 274,413,661 | 264,437,331 |
| Total turnover ratio² | % | 44.02 | 73.85 |

| Nikko AM China Equity Fund | | | |
|--|-----|-------------------|---|
| | | | 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 | 29,671,715 | 8,256,969 |
| Average daily net asset value | RMB | 27,740,272 | 32,393,029 |
| Total turnover ratio² | % | 106.96 | 25.49 |

¹ 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.

² 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

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

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 |
| Total | 255,378,923 | 94.28 |

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

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 |

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

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 |

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

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) |

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

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

| | Nikko AM China Onshore Bond Fund RMB | Nikko AM China Equity Fund RMB |
|-----------------|---|---|
| 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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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
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TRUSTEE

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Singapore 049319

AUDITORS

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20 Collyer Quay, #01-01
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CUSTODIANS

Singapore Custodian
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20 Collyer Quay, #01-01
Singapore 049319

China Custodian (for Nikko AM China Onshore Bond Fund)
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China Custodian (for Nikko AM China Equity Fund)
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This report is also available on our website (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) ¹ | -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) ¹ | -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.

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

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.

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.

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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For Hong Kong Investors

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Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

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)*

| | Nikko AM China Onshore Bond Fund | | Nikko AM China Equity Fund |
|--|---|---------------------|---------------------------------------|
| | 30 June 2016 | 30 June 2015 | 30 June 2016 |
| | RMB | RMB | RMB |
| Income | | | |
| Dividend | - | - | 215,171 |
| Interest | 15,675 | 83,824 | 3,136 |
| Other Income | 80,950 | - | - |
| | 96,625 | 83,824 | 218,307 |
| Less: Expenses | | | |
| 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 |
| | 1,963,317 | 1,407,320 | 516,427 |
| Net losses | (1,866,692) | (1,323,496) | (298,120) |
| Net gains or losses on value of investments and financial derivatives | | | |
| 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 | - |
| | 8,584,099 | 7,499,211 | (4,970,614) |
| Total return/(deficit) for the financial period before income tax | 6,717,407 | 6,175,715 | (5,268,734) |
| Less: Income tax | (130,655) | (517,337) | (25,580) |
| Total return/(deficit) for the financial period after income tax | 6,586,752 | 5,658,378 | (5,294,314) |

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)*

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

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)*

| | 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 |
| Net assets attributable to unitholders at the beginning of the financial period/year | 303,153,368 | 177,386,123 | 33,046,901 | - |
| Operations | | | | |
| Change in net assets attributable to unitholders resulting from operations | 6,586,752 | 16,378,913 | (5,294,314) | 3,660,548 |
| Unitholders' contributions /(withdrawals) | | | | |
| Creation of units | 8,191,743 | 208,208,284 | 2,802,887 | 31,165,255 |
| Cancellation of units | (42,505,912) | (88,281,241) | (3,863,800) | (1,778,902) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | (34,314,169) | 119,927,043 | (1,060,913) | 29,386,353 |
| Distributions | (5,437,935) | (10,538,711) | - | - |
| Total increase in net assets attributable to unitholders | (33,165,352) | 125,767,245 | (6,355,227) | 33,046,901 |
| Net assets attributable to unitholders at the end of the financial period/year | 269,988,016 | 303,153,368 | 26,691,674 | 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 % |
| Quoted Fixed Income Securities | | | |
| BRITISH VIRGIN ISLANDS | | | |
| Unican Limited 5.15% due 02/07/2018 | 6,500,000 | 6,525,675 | 2.42 |
| Total BRITISH VIRGIN ISLANDS | | 6,525,675 | 2.42 |
| CAYMAN ISLANDS | | | |
| 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 |
| Total CAYMAN ISLANDS | | 22,196,170 | 8.22 |
| CHINA | | | |
| 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)*

| Nikko AM China Onshore Bond Fund | | | |
|--|---------------------------------|---------------------------------------|---|
| By Geography (Primary) (continued) | | | Percentage of total net assets attributable to unitholders at 30 June 2016 |
| | Holdings at 30 June 2016 | Fair value at 30 June 2016 RMB | % |
| Quoted Fixed Income Securities (continued) | | | |
| CHINA (continued) | | | |
| 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 |
| Total CHINA | | 216,513,438 | 80.19 |
| HONG KONG SAR | | | |
| ICBCIL Finance Company Limited 3.9% due 18/06/2018 | 5,000,000 | 5,036,820 | 1.87 |
| Total HONG KONG SAR | | 5,036,820 | 1.87 |
| NETHERLANDS | | | |
| Volkswagen International Finance NV 3.5% due 23/01/2019 | 2,000,000 | 1,984,340 | 0.73 |
| Total NETHERLANDS | | 1,984,340 | 0.73 |
| NEW ZEALAND | | | |
| Fonterra Co-Operative Group Limited 4% due 22/06/2020 | 5,000,000 | 4,991,500 | 1.85 |
| Total NEW ZEALAND | | 4,991,500 | 1.85 |
| Accrued interest receivable on quoted fixed income securities | | 3,965,166 | 1.47 |
| Total Quoted Fixed Income Securities | | 261,213,109 | 96.75 |
| Portfolio of investments | | 261,213,109 | 96.75 |
| Other net assets | | 8,774,907 | 3.25 |
| Net assets attributable to unitholders | | 269,988,016 | 100.00 |

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 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 % |
| Quoted Fixed Income Securities | | |
| 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 |
| Total Quoted Fixed Income Securities | 96.75 | 98.52 |
| Portfolio of investments | 96.75 | 98.52 |
| Other net assets | 3.25 | 1.48 |
| Net assets attributable to unitholders | 100.00 | 100.00 |

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 Industry (Secondary) | Fair value at 30 June 2016 RMB | Percentage of total net assets attributable to unitholders at 30 June 2016 % | Percentage of total net assets attributable to unitholders at 31 December 2015 % |
| 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 |
| Accrued interest receivable on quoted fixed income securities | 3,965,166 | 1.47 | 2.06 |
| Portfolio of investments | 261,213,109 | 96.75 | 98.52 |
| Other net assets | 8,774,907 | 3.25 | 1.48 |
| Net assets attributable to unitholders | 269,988,016 | 100.00 | 100.00 |

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 % |
|--|-----------------------------|--------------------------------------|---|
| Quoted Equities | | | |
| ADVERTISING | | | |
| Guangdong Advertising Group Company Limited | 40,000 | 565,200 | 2.12 |
| Total ADVERTISING | | 565,200 | 2.12 |
| AGRICULTURE | | | |
| Beijing Shunxin Agriculture Company Limited | 22,000 | 523,160 | 1.96 |
| Shandong Yisheng Livestock & Poultry Breeding Company Limited | 10,000 | 438,100 | 1.64 |
| Total AGRICULTURE | | 961,260 | 3.60 |
| BANKS | | | |
| 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 |
| Total BANKS | | 3,991,691 | 14.95 |
| BEVERAGES | | | |
| Beijing Yanjing Brewery Company Limited | 55,000 | 417,450 | 1.56 |
| Kweichow Moutai Company Limited | 2,000 | 583,840 | 2.19 |
| Total BEVERAGES | | 1,001,290 | 3.75 |
| BIOTECHNOLOGY | | | |
| Hualan Biological Engineering Incorporated | 16,000 | 502,400 | 1.88 |
| Total BIOTECHNOLOGY | | 502,400 | 1.88 |
| CHEMICALS | | | |
| Hebei Baoshuo Company | 20,000 | 274,800 | 1.03 |
| Sinopec Shanghai Petrochemical Company Limited | 50,000 | 305,000 | 1.14 |
| Total CHEMICALS | | 579,800 | 2.17 |
| COAL | | | |
| 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 |
| Total COAL | | 634,000 | 2.38 |
| COMPUTERS | | | |
| Aisino Corporation | 18,000 | 428,400 | 1.60 |
| Total COMPUTERS | | 428,400 | 1.60 |

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 % |
|---|-----------------------------|--------------------------------------|---|
| Quoted Equities (continued) | | | |
| DISTRIBUTION/WHOLESALE | | | |
| China Meheco Company Limited | 24,000 | 380,640 | 1.43 |
| Total DISTRIBUTION/WHOLESALE | | 380,640 | 1.43 |
| DIVERSIFIED FINANCIAL SERVICES | | | |
| 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 |
| Total DIVERSIFIED FINANCIAL SERVICES | | 1,884,960 | 7.06 |
| ELECTRICAL COMPONENT AND EQUIPMENT | | | |
| Changzhou Xingyu Automotive Lighting Systems Company Limited | 4,000 | 183,280 | 0.69 |
| Hangzhou Zhongheng Electric Company Limited | 14,000 | 384,020 | 1.44 |
| Total ELECTRICAL COMPONENT AND EQUIPMENT | | 567,300 | 2.13 |
| ELECTRONICS | | | |
| Luxshare Precision Industry Company Limited | 21,000 | 412,650 | 1.55 |
| Shenzhen Inovance Technology Company Limited | 20,856 | 404,615 | 1.51 |
| Total ELECTRONICS | | 817,265 | 3.06 |
| ENGINEERING AND CONSTRUCTION | | | |
| 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 |
| Total ENGINEERING AND CONSTRUCTION | | 1,118,544 | 4.19 |
| ENVIRONMENTAL CONTROL | | | |
| Beijing Originwater Technology Company Limited | 20,035 | 298,120 | 1.12 |
| Total ENVIRONMENTAL CONTROL | | 298,120 | 1.12 |
| FOOD | | | |
| Fujian Sunner Development Company Limited | 20,000 | 518,000 | 1.94 |
| Total FOOD | | 518,000 | 1.94 |
| FOREST PRODUCTS AND PAPER | | | |
| Shandong Chenming Paper Holdings Limited | 32,000 | 253,760 | 0.95 |
| Total FOREST PRODUCTS AND PAPER | | 253,760 | 0.95 |
| HEALTHCARE-PRODUCTS | | | |
| Lepu Medical Technology Beijing Company Limited | 15,000 | 273,600 | 1.03 |
| Total HEALTHCARE-PRODUCTS | | 273,600 | 1.03 |

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 % |
|--|-----------------------------|--------------------------------------|---|
| Quoted Equities (continued) | | | |
| HOLDING COMPANIES-DIVERSIFIED | | | |
| China Dalian International Cooperation Group Holdings Limited | 14,000 | 308,980 | 1.16 |
| Total HOLDING COMPANIES-DIVERSIFIED | | 308,980 | 1.16 |
| HOME FURNISHINGS | | | |
| Hangzhou Robam Appliances Company Limited | 15,000 | 551,550 | 2.07 |
| Midea Group Company Limited | 13,000 | 308,360 | 1.15 |
| Total HOME FURNISHINGS | | 859,910 | 3.22 |
| HOUSEWARES | | | |
| Zhejiang Supor Cookware Company Limited | 11,000 | 378,950 | 1.42 |
| Total HOUSEWARES | | 378,950 | 1.42 |
| INSURANCE | | | |
| 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 |
| Total INSURANCE | | 1,527,000 | 5.72 |
| INTERNET | | | |
| Wangsu Science & Technology Company Limited | 5,000 | 336,000 | 1.26 |
| Total INTERNET | | 336,000 | 1.26 |
| MEDIA | | | |
| Zhejiang Huace Film & TV Company Limited | 17,600 | 274,032 | 1.03 |
| Total MEDIA | | 274,032 | 1.03 |
| MINING | | | |
| 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 |
| Total MINING | | 760,100 | 2.85 |
| MISCELLANEOUS MANUFACTURE | | | |
| Suzhou Victory Precision Manufacture Company Limited | 25,000 | 246,250 | 0.92 |
| Total MISCELLANEOUS MANUFACTURE | | 246,250 | 0.92 |

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 % |
|---|-----------------------------|--------------------------------------|---|
| Quoted Equities (continued) | | | |
| PHARMACEUTICALS | | | |
| 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 |
| Total PHARMACEUTICALS | | <u>1,300,216</u> | <u>4.87</u> |
| REAL ESTATE | | | |
| 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 |
| Total REAL ESTATE | | <u>1,054,200</u> | <u>3.95</u> |
| SEMICONDUCTORS | | | |
| Jiangsu Changjiang Electronics Technology Company Limited | 10,000 | 202,900 | 0.76 |
| Total SEMICONDUCTORS | | <u>202,900</u> | <u>0.76</u> |
| SOFTWARE | | | |
| Zhejiang Dahua Technology Company Limited | 29,870 | 391,297 | 1.46 |
| Total SOFTWARE | | <u>391,297</u> | <u>1.46</u> |
| TELECOMMUNICATIONS | | | |
| Fiberhome Telecommunication Technologies Company Limited | 20,000 | 485,600 | 1.82 |
| Total TELECOMMUNICATIONS | | <u>485,600</u> | <u>1.82</u> |
| Total Quoted Equities | | <u>22,901,665</u> | <u>85.80</u> |
| Portfolio of investments | | 22,901,665 | 85.80 |
| Other net assets | | 3,790,009 | 14.20 |
| Net assets attributable to unitholders | | <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 |
| | % | % |
| Quoted Equities | | |
| 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 |
| Total Quoted Equities | 85.80 | 96.28 |
| Portfolio of investments | 85.80 | 96.28 |
| Other net assets | 14.20 | 3.72 |
| Net assets attributable to unitholders | 100.00 | 100.00 |

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)

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 |
| Total | 261,213,109 | 96.75 |

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)

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 |

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)

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.
-

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)

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

| | Nikko AM China Onshore Bond Fund | Nikko AM China Equity Fund |
|-----------------|---|---------------------------------------|
| | RMB | RMB |
| 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

| | | 30 June 2016 | 30 June 2015 |
|---|-----|---------------------|--------------|
| Lower of total value of purchases or sales | RMB | 66,516,720 | 60,969,916 |
| Average daily net asset value | RMB | 278,712,270 | 224,492,537 |
| Total turnover ratio ^{Note} | % | 23.87 | 27.16 |

Nikko AM China Equity Fund

| | | 30 June 2016 |
|---|-----|---------------------|
| Lower of total value of purchases or sales | RMB | 13,290,778 |
| Average daily net asset value | RMB | 27,426,474 |
| Total turnover ratio ^{Note} | % | 48.46 |

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)

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 |
| Total expense ratio^{Note} (annualised) | | | |
| -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 |
| Total expense ratio^{Note} (annualised) | % | 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)

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 | 6,168,020 | 4,928,012 | 3,694,613 | 901,043 |

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

Company registration number 198202562H