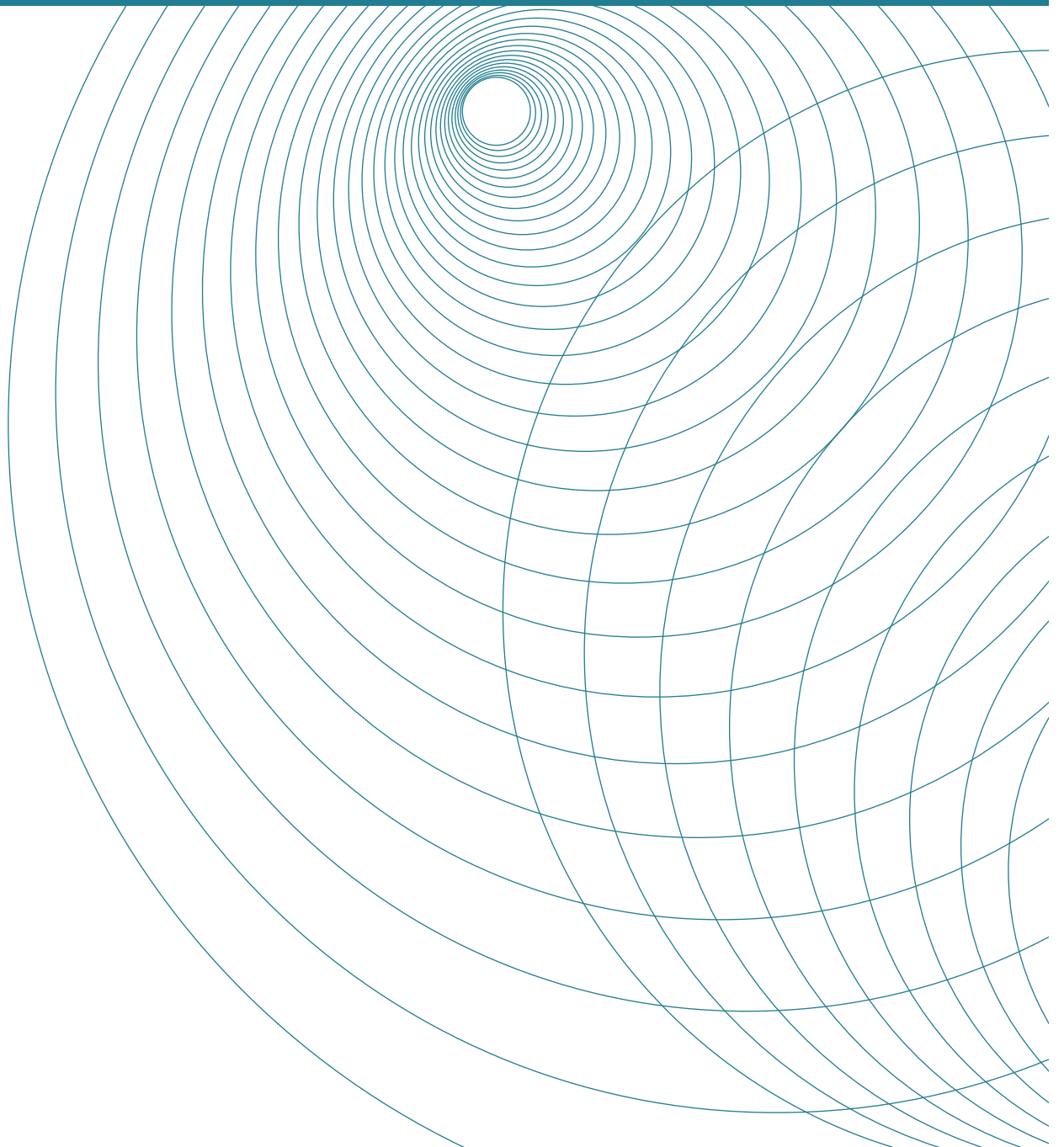

ANNUAL REPORT

Nikko AM China Onshore Fund Series

Nikko AM China Onshore Bond Fund

Financial year ended 31 December 2023



MANAGERS

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Company Registration Number: 198202562H

DIRECTORS OF THE MANAGERS

Seet Oon Hui Eleanor
Yutaka Nishida
Hiroshi Yoh
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TRUSTEE & REGISTRAR

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AUDITORS

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CUSTODIANS

Singapore Custodian
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Singapore 049319

China Custodian (for Nikko AM China Onshore Bond Fund)

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

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	10 Yr	Since Inception
Nikko AM China Onshore Bond Fund - RMB Class	1.50	1.17	2.27	-0.41	1.21	N/A	2.31

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2023. 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	10 Yr	Since Inception
Nikko AM China Onshore Bond Fund - RMB Class	-3.57	-3.89	-2.84	-2.10	0.17	N/A	1.75

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2023. 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, currently nil, as and 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

Note:

Nikko AM China Equity Fund was terminated on 18 May 2021.

Nikko AM China Onshore Bond Fund

Portfolio Review

Fund returned 2.27% in 2023

The Nikko AM China Onshore Bond Fund (the “Fund”) posted a return of 2.27% (in RMB terms, on a NAV-NAV basis) in the 12-month period ending 31 December 2023. The Fund’s holdings in both Chinese government bonds (CGBs) and credits generally contributed positively to returns in the falling yield and credit spread environment. On a sector basis, real estate underperformed, although the small allocations there limited the detraction.

Market Review

China re-opened its borders on 8 January 2023, after three years of being shut due to the COVID-19 pandemic. The National People’s Congress set a GDP growth target of around 5% for 2023, lower than many external forecasts, with fiscal policy less accommodative than in 2022. Monetary policy guidance remained largely unchanged, with the guidance for M2 and credit growth generally aligned with nominal GDP growth, while inflationary pressures were projected to remain benign. Similar to previous years, the recommendations outlined in the Work Report were broad directions and high-level.

The economy grew at a 2.1% quarter-on-quarter (QoQ) pace in the first three months of 2023, a better performance than what markets had expected, driven by strength in services and consumption. However, growth momentum slowed from thereon, prompting concerns over the sustainability of the recovery. As data suggested that growth was faltering, the government took steps to support the economy. The People’s Bank of China (PBOC) lowered several policy rates and the State Council pledged to roll out more measures to enhance economic development. Amid negative real estate company-specific headlines and softening new housing sales momentum, speculation about a significant Chinese stimulus package grew. However, the actual stimulus fell short of expectations. The Politburo’s acknowledgment of “new

difficulties and challenges” for the economy in July, and subsequent stimulus measures sparked a rally in Chinese credits. However, credit spreads resumed their widening path after weak data suggested policy tools have so far been ineffective at rekindling Chinese growth. Although policymakers announced further measures aimed at reviving the economy and boosting investor confidence, sentiment stayed weak as regulators stuck to a targeted approach. In August, there were signs of some stabilisation in the economy, with improvements in industrial production and retail sales, although fixed asset investment and property investment remained weak. Moreover, credit growth picked up, and inflation returned to positive territory. During the month, policymakers announced bolder property easing measures. Markets cheered the nationwide measures, spurring a substantial rally in Chinese property credits. Positive sentiment persisted after the Chinese government announced that it would issue Chinese yuan (CNY) 1 trillion additional sovereign debt, effectively lifting the 2023 fiscal deficit ratio well above the 3% set in March.

Meanwhile, relations between the US and China showed progress towards the end of the year. In November, US President Joe Biden met with Chinese leader Xi Jinping in California. The two presidents held a summit where they agreed, among other things, to resume communications between their militaries.

Overall, China’s economy expanded by 5.2% for the full year in 2023. The full-year number was roughly in line with the government’s target. However, concerns about growth momentum persist as December’s activity data registered mixed. Deflationary pressures added to investors’ concerns, with the headline consumer price index declining for a third straight month and producer prices dropping for the 15th consecutive month in December.

Market Outlook & Strategy

The Chinese economy remains slow and disinflationary pressures persist. There are limited indications that policymakers are inclined toward a large-scale stimulus. Although there are some bright spots in the economy, such as the rapid growth of the electric vehicle industry, its relatively smaller size compared to the property sector means it is unable to meaningfully offset the latter’s drag on the economy.

There remains room for additional monetary accommodation, although the PBOC may adopt a cautious approach in the near term, given its goal of stabilising the currency. Alternative tools such as reserve ratio requirements (RRR) cuts and pledged supplementary lending (PSL) may be employed to inject liquidity, with outright policy rate cuts likely postponed until closer to when the US Federal Reserve cuts interest rates. We look towards the “Two Sessions” (China’s annual parliamentary sitting) in early March for confirmation of the annual growth target, fiscal budget and financing plans amongst other broad economic guidance. Current indications are for an “about 5%” growth target, an official fiscal deficit of 3%, a slightly higher Local Government Special Bond quota and some CNY 1 trillion of special government bond issuance. Given the complexity of China’s fiscal budgets, a closer examination of details such as land sales revenue and local government expenditure is necessary for a clearer picture of the fiscal stance.

Bonds have rallied strongly of late, and we are cautious to chase aggressively at these levels. Further out, the stable growth outlook and low inflation dynamics engender a benign environment for Chinese local currency bonds. Positive real rates do offer value to longer-term investors, and potential future monetary easing could give the bonds a further boost.

China’s current account is still likely to remain positive, allowing it to offset investment outflows to some extent. With a huge foreign currency reserve and policymakers’ tendency to smooth the renminbi’s movements in the foreign exchange market, we continue to expect the currency to remain stable overall.

This document is purely for informational purposes only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. It should not be relied upon as financial advice. 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 funds 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 Fund or any underlying fund may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before deciding whether to invest in the Fund.

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(Where relevant – for funds included under CPFIS) The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

For Hong Kong Investors

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

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 2023

The Trustee is under a duty to take into custody and hold the assets of the sub-fund of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund (the “Sub-Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act 2001, 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-Fund during the financial year covered by these financial statements, set out on pages 10 to 35, 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
27 March 2024

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 2023

In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 10 to 35, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of the sub-fund of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund (the "Sub-Fund") as at 31 December 2023, and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Sub-Fund 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
27 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE SUB-FUND 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-fund of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund (the "Sub-Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants ("RAP 7"), so as to present fairly, in all material respects, the financial position and portfolio holdings of the Sub-Fund as at 31 December 2023, and 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-Fund comprise:

- the Statement of Total Return for the financial year ended 31 December 2023;
- the Statement of Financial Position as at 31 December 2023;
- the Statement of Movements of Unitholders' Funds for the financial year then ended;
- the Statement of Portfolio as at 31 December 2023; and
- the notes to the financial statements, including material accounting policy information.

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-Fund 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-Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report but does not include 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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 THE SUB-FUND 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 RAP 7 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-Fund's 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-Fund or to cease the Sub-Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Sub-Fund's financial reporting process.

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-Fund's 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-Fund's 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-Fund to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF THE SUB-FUND OF NIKKO AM CHINA ONSHORE FUND
SERIES**

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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, 27 March 2024

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2023*

Nikko AM China Onshore Bond Fund			
	Note	2023	2022
		RMB	RMB
Income			
Interest on cash and cash equivalents		72,623	25,864
Other income		468	385
		73,091	26,249
Less: Expenses			
Management fee		930,446	1,104,293
Transfer agent fee		14,713	15,016
Trustee fee		27,946	33,585
Custody fee		59,792	60,458
Audit fee		171,666	146,771
Valuation fee		37,262	44,779
Transaction costs		74,732	71,184
Other expenses		178,566	137,136
		1,495,123	1,613,222
Net losses		(1,422,032)	(1,586,973)
Net gains or losses on value of investments and financial derivatives			
Net gains/(losses) on investments		5,512,086	(885,849)
Net foreign exchange gains		89,142	108,214
Net losses on financial derivatives		(1,825,551)	(1,318,736)
		3,775,677	(2,096,371)
Total return/(deficit) for the financial year before income tax		2,353,645	(3,683,344)
Less: Income tax	4	(472)	(847)
Total return/(deficit) for the financial year after income tax		2,353,173	(3,684,191)

The accompanying notes form an integral part of these financial statements

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2023*

		Nikko AM China Onshore Bond Fund	
	Note	2023	2022
		RMB	RMB
ASSETS			
Portfolio of investments		105,505,528	102,114,030
Cash and cash equivalents		1,321,367	2,466,104
Margin and collateral accounts	8	979,308	803,957
Reserve accounts	10	19,898	23,036
Financial derivatives at fair value	6	593,225	930,054
Total assets		108,419,326	106,337,181
LIABILITIES			
Payables	5	3,823,112	3,757,493
Distributions payable	9	346,813	341,490
Financial derivatives at fair value	6	54,723	-
Total liabilities		4,224,648	4,098,983
EQUITY			
Net assets attributable to unitholders	7	104,194,678	102,238,198

The accompanying notes form an integral part of these financial statements

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 31 December 2023*

		Nikko AM China Onshore Bond Fund	
	Note	2023 RMB	2022 RMB
Net assets attributable to unitholders at the beginning of the financial year		102,238,198	133,243,278
Operations			
Change in net assets attributable to unitholders resulting from operations		2,353,173	(3,684,191)
Unitholders' contributions/(withdrawals)			
Creation of units		3,982,176	4,800,992
Cancellation of units		(246,778)	(27,325,400)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		3,735,398	(22,524,408)
Distributions	9	(4,132,091)	(4,796,481)
Total increase/(decrease) in net assets attributable to unitholders		1,956,480	(31,005,080)
Net assets attributable to unitholders at the end of the financial year	7	104,194,678	102,238,198

The accompanying notes form an integral part of these 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 2023***Nikko AM China Onshore Bond Fund****By Geography (Primary)**

	Holdings at 31 December 2023	Fair value at 31 December 2023 RMB	Percentage of total net assets attributable to unitholders at 31 December 2023 %
Quoted Fixed Income Securities			
BRITISH VIRGIN ISLANDS			
Contemporary Ruiding Development Limited 1.875% due 17/09/2025	200,000	1,349,032	1.30
Powerchina Roadbridge Group (British Virgin Islands) Limited 3.08% due 31/12/2061	300,000	2,029,046	1.95
Sinopec Group Overseas Development 2018 Limited 2.7% due 13/05/2030	200,000	1,295,841	1.24
Yunda Holding Investment Limited 2.25% due 19/08/2025	200,000	1,304,236	1.25
Total BRITISH VIRGIN ISLANDS		5,978,155	5.74
CAYMAN ISLANDS			
China Hongqiao Group Limited 6.25% due 08/06/2024	200,000	1,410,369	1.35
Haidilao International Holding Limited 2.15% due 14/01/2026	200,000	1,303,075	1.25
Meituan 0% due 27/04/2027	300,000	1,954,613	1.88
Tencent Holdings Limited 2.39% due 03/06/2030	200,000	1,213,377	1.17
Weibo Corporation 3.5% due 05/07/2024	200,000	1,407,350	1.35
Total CAYMAN ISLANDS		7,288,784	7.00
CHINA			
Agricultural Bank of China Limited 3.1% due 06/05/2030	10,000,000	10,056,120	9.65
Agricultural Development Bank of China 2.83% due 16/06/2033	10,000,000	10,060,780	9.66
Bank of China Limited 3.25% due 24/01/2032	10,000,000	10,112,720	9.71
China Development Bank 2.59% due 11/01/2026	5,000,000	5,027,480	4.83
China Government Bond 2.44% due 15/10/2027	6,000,000	6,014,250	5.77
China Government Bond 2.48% due 25/09/2028	6,000,000	6,018,906	5.78
China Government Bond 2.5% due 25/07/2027	1,000,000	1,004,554	0.96
China Government Bond 2.52% due 25/08/2033	3,000,000	2,986,101	2.87
China Government Bond 2.67% due 25/11/2033	2,000,000	2,019,976	1.93
China Government Bond 3.01% due 13/05/2028	4,000,000	4,109,780	3.94
CITIC Securities Company Limited 5.1% due 25/06/2025	5,000,000	5,177,145	4.97
Export-Import Bank of China 2.61% due 27/01/2027	1,000,000	1,006,324	0.96
Export-Import Bank of China 3.22% due 14/05/2026	3,000,000	3,059,985	2.94
Industrial & Commercial Bank of China Limited 3.48% due 15/12/2031	10,000,000	10,177,400	9.77

The accompanying notes form an integral part of these 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 2023*

Nikko AM China Onshore Bond Fund			
By Geography (Primary) (continued)	Holdings at 31 December 2023	Fair value at 31 December 2023 RMB	Percentage of total net assets attributable to unitholders at 31 December 2023 %
Quoted Fixed Income Securities (continued)			
CHINA (continued)			
PBOC International Note 3.38% due 21/03/2024	1,000,000	1,001,235	0.96
Zhongan Online P&C Insurance Company Limited 3.5% due 08/03/2026	300,000	1,920,901	1.84
Total CHINA		79,753,657	76.54
HONG KONG SAR			
China Taiping Insurance Holdings Company Limited 6.4% due 09/09/2171	200,000	1,481,759	1.42
CITIC Limited 3.5% due 17/02/2032	200,000	1,284,683	1.23
CNAC HK Finbridge Company Limited 3.375% due 19/06/2024	200,000	1,410,398	1.35
MCC Holding Hong Kong Corporation Limited 2.95% due 31/12/2061	230,000	1,622,391	1.56
Total HONG KONG SAR		5,799,231	5.56
SINGAPORE			
BOC Aviation Limited 4.5% due 23/05/2028	200,000	1,395,117	1.34
COSL Singapore Capital Limited 2.5% due 24/06/2030	400,000	2,486,595	2.39
Total SINGAPORE		3,881,712	3.73
UNITED STATES OF AMERICA			
BOC Aviation USA Corporation 4.875% due 03/05/2033	200,000	1,393,237	1.34
Total UNITED STATES OF AMERICA		1,393,237	1.34
Accrued interest receivable on quoted fixed income securities		1,410,752	1.35
Total Quoted Fixed Income Securities		105,505,528	101.26
Portfolio of investments		105,505,528	101.26
Other net liabilities		(1,310,850)	(1.26)
Net assets attributable to unitholders		104,194,678	100.00

The accompanying notes form an integral part of these 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 2023

Nikko AM China Onshore Bond Fund**By Geography (Summary)**

	Percentage of total net assets attributable to unitholders at 31 December 2023 %	Percentage of total net assets attributable to unitholders at 31 December 2022 %
Quoted Fixed Income Securities		
British Virgin Islands	5.74	8.83
Cayman Islands	7.00	7.55
China	76.54	73.71
Hong Kong SAR	5.56	5.94
Singapore	3.73	2.26
United States of America	1.34	-
Accrued interest receivables on quoted fixed income securities	1.35	1.59
Total Quoted Fixed Income Securities	101.26	99.88
Portfolio of investments	101.26	99.88
Other net (liabilities)/assets	(1.26)	0.12
Net assets attributable to unitholders	100.00	100.00

The accompanying notes form an integral part of these 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 2023***Nikko AM China Onshore Bond Fund****By Industry (Secondary)**

	Fair value at 31 December 2023 RMB	Percentage of total net assets attributable to unitholders at 31 December 2023 %	Percentage of total net assets attributable to unitholders at 31 December 2022 %
Banks	46,435,735	44.57	28.76
Chemicals	1,410,398	1.35	1.32
Diversified Financial Services	7,965,499	7.65	5.12
Electric	-	-	4.82
Electronics	-	-	1.65
Energy-Alternate Sources	1,349,032	1.30	1.22
Engineering and Construction	2,029,046	1.95	1.87
Holding Companies-Diversified	1,284,683	1.23	1.16
Insurance	3,402,660	3.27	1.69
Internet	4,575,340	4.39	2.56
Investment Companies	-	-	1.03
Metal Fabricate/Hardware	1,622,391	1.56	1.50
Mining	1,410,369	1.35	5.83
Oil and Gas	1,295,841	1.24	-
Oil and Gas Services	2,486,595	2.39	7.17
Retail	1,303,075	1.25	-
Sovereign	26,219,876	25.16	30.36
Transportation	1,304,236	1.25	2.23
Accrued interest receivables on quoted fixed income securities	1,410,752	1.35	1.59
Portfolio of investments	105,505,528	101.26	99.88
Other net (liabilities)/assets	(1,310,850)	(1.26)	0.12
Net assets attributable to unitholders	104,194,678	100.00	100.00

The accompanying notes form an integral part of these 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 2023

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

There are currently three classes of units established within the Sub-Fund, namely the USD Class (denominated in USD), the RMB Class (denominated in RMB) and the SGD Class (denominated in SGD). The classes in the Sub-Fund differ in terms of the currency of denomination and minimum initial and subsequent investment amounts.

As of 31 December 2023 and 2022, only units in the RMB Class have been issued.

The Sub-Fund is single priced and the NAV of the Sub-Fund may fall as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such Investments caused by subscriptions, redemptions, switches and/or exchanges of units in the Sub-Fund. To protect unitholders' interests, the Manager shall, in consultation with the Trustee, have the discretion to apply dilution adjustment or swing pricing in certain circumstances which the Manager deem appropriate. Swing Pricing involves making upwards or downwards adjustments in the calculation of the NAV per unit of the Sub-Fund or Class on a particular Dealing Day so that such transaction costs and dealing spreads in respect of the underlying investments are, as far as practicable, passed on to the investors who are subscribing, realising, switching and/or exchanging units on that Dealing Day.

The NAV is adjusted if the net subscription or realisation (including switches and/or exchanges) on a particular Dealing Day reaches or exceeds a certain percentage (the "Swing Threshold") of the size of the Sub-Fund as of such relevant Dealing Day.

Any dilution adjustment as at the last dealing day of the year will be disclosed under Units in issue.

During the financial year ended 31 December 2023, the Sub-Fund did not reach the swing threshold and no swing pricing has been applied. For the financial year ended 31 December 2022, the Sub-Fund had reached the swing threshold and swing pricing had been applied on some Dealing Day.

2. Material accounting policy information

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 instruments at fair value and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" ("RAP 7") issued and revised by the Institute of Singapore Chartered Accountants in August 2023 for the financial year beginning on or after 1 January 2023.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

(a) Basis of preparation (continued)

The adoption of the revised RAP 7 did not result in substantial changes to the accounting policies of the Sub-Fund and had no material effect on the amounts reported for the current or prior years.

(b) Recognition of income

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. The amount shall not be treated as part of the property of the Sub-Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

(d) Investments

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

(i) *Initial recognition*

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

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments is included in the Statement 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 Statement 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 prices used for fixed income securities held by the Sub-Fund is the mid-market price for both financial asset and financial liabilities. Accrued interest or discount or premium on fixed income securities at financial year end date is included in the fair value of fixed income securities. Interest income on fixed income securities is presented within "Net gains/(losses) on investments" in the Statement of Total Return.

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 2023

2. Material accounting policy information (continued)

(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) Sales and purchases awaiting settlement

Sales and purchases awaiting settlement represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

(h) Payables

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks which are subject to an insignificant risk of changes in value.

(j) Foreign currency translation

(i) *Functional and presentation currency*

The Sub-Fund qualifies as an authorised scheme under the Securities and Futures Act 2001 ("SFA") of Singapore and is offered to retail investors in Singapore. The Sub-Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Sub-Fund denominated in Renminbi ("RMB").

The performance of the Sub-Fund is 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-Fund's 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 date of the Statement of Financial Position. The net unrealised gain or loss is taken to the Statement of Total Return within the net foreign exchange gain or loss. Transactions during the financial year are recorded in Renminbi at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

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 2023

2. Material accounting policy information (continued)

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Sub-Fund or the counterparty.

(l) Margin and collateral accounts

Cash margin provided by the Sub-Fund is identified in the Statement of Financial Position as margin and collateral accounts and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Sub-Fund classifies that asset in its Statement of Financial Position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the Notes to the Financial Statements.

(m) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets 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 Statement of Total Return.

When a financial derivative expires, or is sold or terminated, the gains or losses are taken up in the Statement of Total Return.

(n) Expenses

Expenses are recognised in the Statement of Total Return as the related services are performed.

(o) Management fee

Management fee expense is recognised on an accrual basis and in accordance with the Prospectus. Management fee is recognised as an expense over the period for which the service is provided. The management fee charged on any investment in other unit trusts managed by the Manager is rebated back to the Sub-Fund, where applicable.

(p) Creation and cancellation of units

Units are issued and redeemed at the prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption for each respective class. The Sub-Fund's net asset value per unit is calculated by dividing the net asset attributable to the unitholders of each class of units.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates and assumptions

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertain tax positions

The Sub-Fund invests in securities issued by entities which are domiciled in countries other than Singapore. Many of these foreign countries have tax laws that indicate that capital gains taxes and interest income taxes may be applicable to non-residents, such as the Sub-Fund. Typically, these taxes are required to be determined on a self-assessment basis; therefore, such taxes may not be deducted by the bond issuer on a 'withholding' basis.

At 31 December 2023 and 2022, the Sub-Fund has provided for uncertain tax liabilities with respect to foreign capital gains taxes and foreign interest income taxes. The exposure to the Sub-Fund is disclosed under Note 5 Payables in "Provision for tax liabilities".

4. Income tax

The Manager and the Trustee of the Sub-Fund have assessed and are satisfied that the Sub-Fund has met the requisite conditions under the Designated Unit Trust (DUT) scheme for the current financial year. The Manager and Trustee of the Sub-Fund will ensure that the Sub-Fund fulfils its reporting obligations under the DUT Scheme.

Under the DUT Scheme, certain income of the DUT fund is not taxable in accordance with Sections 35(12) and 35(12A) of the Income Tax Act 1947. 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 or financial index;
- (e) discount, prepayment fees, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

Income tax for the financial year ended 31 December 2023 and 2022 comprises:

	Nikko AM China Onshore Bond Fund	
	2023	2022
	RMB	RMB
Withholding tax	472	847

The withholding tax represents tax deducted at source on interest income.

NIKKO AM CHINA ONSHORE FUND SERIES

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5. Payables

Nikko AM China Onshore Bond Fund

	2023 RMB	2022 RMB
Amount due to the Manager	258,522	251,502
Amount due to the Trustee	22,678	7,544
Valuation fee payable	30,238	10,058
Transfer agent fee payable	9,749	3,116
Provision for audit fee	166,042	149,008
Custody fee payable	14,700	15,243
Provision for tax liabilities	3,302,791	3,302,791
Other payables	18,392	18,231
	3,823,112	3,757,493

Amount due to the Manager comprises of management fee payable to Nikko Asset Management Asia Limited. Trustee fee is payable to BNP Paribas Trust Services Singapore Limited. Valuation fee is payable to BNP Paribas, acting through its Singapore Branch. Transfer agent fee is payable to BNP Paribas, operating through its Singapore Branch with effect 1 April 2023. Custody fee is payable to Bank of China Limited and BNP Paribas, acting through its Singapore Branch for China Securities and securities other than China Securities respectively.

6. Financial derivatives

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

Nikko AM China Onshore Bond Fund

	Contract or underlying principal amount		Year-end positive fair value		Year-end negative fair value	
	2023 RMB	2022 RMB	2023 RMB	2022 RMB	2023 RMB	2022 RMB
Forward foreign exchange contracts	29,584,099	25,398,350	372,072	466,136	(54,723)	-
Futures contracts	-	12,113,691	-	75,080	-	-
Interest rate swap contracts	15,000,000	30,000,000	221,153	388,838	-	-
			593,225	930,054	(54,723)	-

NIKKO AM CHINA ONSHORE FUND SERIES

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

6. Financial derivatives (continued)

The Sub-Fund also restricts its exposure to credit losses on the trading derivative instruments it holds by entering into master netting arrangements with approved brokers with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of Statement of Financial Position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Sub-Fund's overall exposure to credit risk on derivative instruments, subject to a master netting arrangement, can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Financial assets and financial liabilities which are subject to enforceable master netting agreements or similar agreements for the financial year ended 31 December 2023 and 2022 are detailed in the following table.

(i) Offsetting financial assets

	Gross amounts of recognised financial assets RMB	Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position RMB	Net amounts of financial assets presented in the Statement of Financial Position RMB	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments RMB	Cash collateral RMB	Net exposure RMB
2023						
Forward foreign exchange contracts	273,219	-	273,219	5,928	-	267,291
Swap contracts	221,153	-	221,153	-	-	221,153
	494,372	-	494,372	5,928	-	488,444

	Gross amounts of recognised financial assets RMB	Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position RMB	Net amounts of financial assets presented in the Statement of Financial Position RMB	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments RMB	Cash collateral RMB	Net exposure RMB
2022						
Forward foreign exchange contracts	335,295	-	335,295	-	-	335,295
Future contracts	75,080	-	75,080	-	-	75,080
Interest rate swap contracts	388,838	-	388,838	-	-	388,838
	799,213	-	799,213	-	-	799,213

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

6. Financial derivatives (continued)

(ii) Offsetting financial liabilities

As at 31 December 2022, there is no position of financial liabilities which are subject to enforceable master netting agreements or similar agreements

2023	Gross amounts of recognised financial liabilities RMB	Gross amounts of recognised financial assets set-off in the Statement of Financial Position RMB	Net amounts of financial liabilities presented in the Statement of Financial Position RMB	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments RMB	Cash collateral RMB	Net exposure RMB
Forward foreign exchange contracts	40,185	-	40,185	5,928	-	34,257

7. Units in issue

During the financial year ended 31 December 2023 and 2022, the number of units issued, redeemed and outstanding were as follows:

Nikko AM China Onshore Bond Fund

<u>RMB Class</u>	2023	2022
Units at beginning of the financial year	23,551,063	28,701,045
Units created	929,988	1,081,437
Units cancelled	(57,577)	(6,231,419)
Units at end of the financial year	<u>24,423,474</u>	<u>23,551,063</u>
Net assets attributable to unitholders - RMB	104,194,678	102,238,198
Net asset value per unit - RMB	<u>4.2662</u>	<u>4.3411</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

7. Units in issue (continued)

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:

<u>RMB Class</u>	2023 RMB	2022 RMB
Net assets attributable to unitholders per financial statements per unit	4.2662	4.3411
Effects of distribution per unit	0.0142	0.0145
Effect for movement in the net assets value between the last dealing date and the end of the reporting period [^]	(0.0002)	-*
Net assets attributable to unitholders for issuing/redeeming per unit	4.2802	4.3556

[^] The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Sub-Fund's Prospectus. This item reflects the movement in net asset value between the last dealing date and the end of reporting period due to accrual of operating expenses.

* Effect is less than 0.0001.

8. Margin and collateral accounts

Nikko AM China Onshore Bond Fund

	2023 RMB	2022 RMB
Margin account	979,308	803,957

Margin accounts represents margin deposits held in respect of open exchange-traded futures contracts held with BNP Paribas, acting through its Singapore Branch. As of 31 December 2023, there was no open exchange-traded futures.

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For the financial year ended 31 December 2023

9. Distributions

Nikko AM China Onshore Bond Fund

	2023 RMB	2022 RMB
January interim distribution of RMB1.45 per 100 units in respect of the financial year ended 31 December 2023	342,447	-
February interim distribution of RMB1.45 per 100 units in respect of the financial year ended 31 December 2023	343,548	-
March interim distribution of RMB1.45 per 100 units in respect of the financial year ended 31 December 2023	344,662	-
April interim distribution of RMB1.45 per 100 units in respect of the financial year ended 31 December 2023	345,774	-
May interim distribution of RMB1.44 per 100 units in respect of the financial year ended 31 December 2023	344,517	-
June interim distribution of RMB1.44 per 100 units in respect of the financial year ended 31 December 2023	345,673	-
July interim distribution of RMB1.43 per 100 units in respect of the financial year ended 31 December 2023	344,380	-
August interim distribution of RMB1.43 per 100 units in respect of the financial year ended 31 December 2023	345,109	-
September interim distribution of RMB1.42 per 100 units in respect of the financial year ended 31 December 2023	343,708	-
October interim distribution of RMB1.41 per 100 units in respect of the financial year ended 31 December 2023	342,182	-
November interim distribution of RMB1.41 per 100 units in respect of the financial year ended 31 December 2023	343,278	-
December final distribution of RMB1.42 per 100 units in respect of the financial year ended 31 December 2023	346,813	-
January interim distribution of RMB1.52 per 100 units in respect of the financial year ended 31 December 2022	-	437,685
February interim distribution of RMB1.52 per 100 units in respect of the financial year ended 31 December 2022	-	438,525
March interim distribution of RMB1.48 per 100 units in respect of the financial year ended 31 December 2022	-	428,402
April interim distribution of RMB1.50 per 100 units in respect of the financial year ended 31 December 2022	-	435,416
May interim distribution of RMB1.49 per 100 units in respect of the financial year ended 31 December 2022	-	433,918
June interim distribution of RMB1.48 per 100 units in respect of the financial year ended 31 December 2022	-	432,402
July interim distribution of RMB1.47 per 100 units in respect of the financial year ended 31 December 2022	-	389,369
August interim distribution of RMB1.46 per 100 units in respect of the financial year ended 31 December 2022	-	387,837
September interim distribution of RMB1.47 per 100 units in respect of the financial year ended 31 December 2022	-	391,745
October interim distribution of RMB1.46 per 100 units in respect of the financial year ended 31 December 2022	-	341,638
November interim distribution of RMB1.44 per 100 units in respect of the financial year ended 31 December 2022	-	338,054
December final distribution of RMB1.45 per 100 units in respect of the financial year ended 31 December 2022	-	341,490
	4,132,091	4,796,481

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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-Fund therefore maintains reserve funds with its respective custodian for China Securities.

11. Financial risk management

The Sub-Fund's activities expose it to a variety of risk, including but not limited to market risk (including price risk, interest rate risk and currency 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-Fund's 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-Fund's exposures to these risks.

The Sub-Fund's primary objective is to provide a total return of capital growth and income over the medium to long-term and invests primarily in fixed income instrument issued onshore in the People's Republic of China ("PRC"), which may include, but will not be limited to, certificate 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 governments, governments entities, quasi government entities, corporations and/or financial institutions, and offshore outside 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.

These financial instruments are held in accordance with the published investment policies of the Sub-Fund 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-Fund's investment is substantially dependent on the changes of market prices. The Sub-Fund's overall market positions are monitored regularly so as to assess any deviation from the Sub-Fund's investment objective. 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-Fund.

The market prices of financial assets held by the Sub-Fund are 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 ONSHORE FUND SERIES

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(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 will 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-Fund's overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the Manager.

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

Nikko AM China Onshore Bond Fund

As at 31 December 2023

	Floating rate	Fixed rate			Non-interest bearing	Total RMB
	RMB	Up to 1 year RMB	1-5 years RMB	Over 5 years RMB	RMB	
Assets						
Portfolio of investments	5,133,196	5,229,352	40,645,398	53,086,830	1,410,752	105,505,528
Cash and cash equivalents	1,321,367	-	-	-	-	1,321,367
Margin and collateral accounts	979,308	-	-	-	-	979,308
Reserve accounts	19,898	-	-	-	-	19,898
Financial derivatives at fair value	-	-	-	-	593,225	593,225
Total assets	7,453,769	5,229,352	40,645,398	53,086,830	2,003,977	108,419,326
Liabilities						
Payables	-	-	-	-	3,823,112	3,823,112
Distributions payable	-	-	-	-	346,813	346,813
Financial derivatives at fair value	-	-	-	-	54,723	54,723
Total liabilities	-	-	-	-	4,224,648	4,224,648

NIKKO AM CHINA ONSHORE FUND SERIES

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

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

As at 31 December 2022

	<u>Floating rate</u>	<u>Fixed rate</u>			<u>Non-interest bearing</u>	<u>Total RMB</u>
	<u>RMB</u>	<u>Up to 1 year RMB</u>	<u>1-5 years RMB</u>	<u>Over 5 years RMB</u>	<u>RMB</u>	
Assets						
Portfolio of investments	9,873,610	3,419,712	62,008,678	25,185,340	1,626,690	102,114,030
Cash and cash equivalents	2,466,104	-	-	-	-	2,466,104
Margin and collateral accounts	803,957	-	-	-	-	803,957
Reserve accounts	23,036	-	-	-	-	23,036
Financial derivatives at fair value	-	-	-	-	930,054	930,054
Total assets	13,166,707	3,419,712	62,008,678	25,185,340	2,556,744	106,337,181
Liabilities						
Payables	-	-	-	-	3,757,493	3,757,493
Distributions payable	-	-	-	-	341,490	341,490
Total liabilities	-	-	-	-	4,098,983	4,098,983

As at 31 December 2023 and 2022, an increase/decrease of interest rates 1% (2022: 1%), with all other variables remaining constant, would result in a decrease/increase of the net assets attributable to unitholders by approximately 4% (2022: 5%). Reasonable possible changes in interest rate are revised annually depending on the Manager's current view of market volatility and other factors.

(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-Fund mainly holds its excess cash in its functional currency. For hedging purposes, the Sub-Fund may also enter into forward foreign exchange contracts.

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 2023***11. Financial risk management (continued)****(c) Market risk - Currency risk (continued)**

The tables below summarise the Sub-Fund's exposure to currency risks.

Nikko AM China Onshore Bond Fund**As at 31 December 2023**

	USD RMB	SGD RMB	EUR RMB	CNY RMB	Total RMB
Assets					
Portfolio of investments	26,450,807	-	-	79,054,721	105,505,528
Cash and cash equivalents	160,289	92,757	438	1,067,883	1,321,367
Margin and collateral accounts	979,308	-	-	-	979,308
Reserve accounts	-	-	-	19,898	19,898
Financial derivatives at fair value	-	-	-	221,153	221,153
Total assets	27,590,404	92,757	438	80,363,655	108,047,254
Liabilities					
Payables	-	168,824	-	3,654,288	3,823,112
Distributions payable	-	-	-	346,813	346,813
Total liabilities	-	168,824	-	4,001,101	4,169,925

**Net off-balance sheet
derivative financial
instruments**

	(26,139,381)	-	-	26,456,730	
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Net currency exposure

	1,451,023	(76,067)	438	102,819,284	
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As at 31 December 2022

	USD RMB	SGD RMB	EUR RMB	CNY RMB	Total RMB
Assets					
Portfolio of investments	25,100,092	-	-	77,013,938	102,114,030
Cash and cash equivalents	58,632	14,813	399	2,392,260	2,466,104
Margin and collateral accounts	803,957	-	-	-	803,957
Reserve accounts	-	-	-	23,036	23,036
Financial derivatives at fair value	75,080	-	-	388,838	463,918
Total assets	26,037,761	14,813	399	79,818,072	105,871,045
Liabilities					
Payables	-	113,345	-	3,644,148	3,757,493
Distributions payable	-	-	-	341,490	341,490
Total liabilities	-	113,345	-	3,985,638	4,098,983

**Net off-balance sheet
derivative financial
instruments**

	(25,080,855)	-	-	25,546,991	
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Net currency exposure

	956,906	(98,532)	399	101,379,425	
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As of 31 December 2023 and 2022, the Sub-Fund does not hold substantial monetary assets/liabilities denominated 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 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 2023

11. Financial risk management (continued)

(d) Liquidity risk

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

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

To manage the liquidity risk, a cash buffer is maintained in the Sub-Fund 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-Fund's financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 31 December 2023 and 2022, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

	Nikko AM China Onshore Bond Fund	
	<u>Less than 3 months</u>	
	As at	As at
	31 December	31 December
	2023	2022
	RMB	RMB
Payables	3,823,112	3,757,493
Distribution payable	346,813	341,490
Contractual cash outflows		
(excluding gross settled derivatives)	4,169,925	4,098,983

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

	<u>Less than 3 months</u>	
	As at	As at
	31 December	31 December
	2023	2022
	RMB	RMB
Currency forwards		
- Outflow	(7,164,083)	-
- Inflow	7,109,360	-
Net outflow	(54,723)	-

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 2023

11. Financial risk management (continued)

(e) Credit risk

Credit risk is the risk that a counterparty will be unable to fulfil its obligations to the Sub-Fund 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 Sub-Fund is also exposed to counterparty credit risk on its financial assets held at amortised cost. As at 31 December 2023 and 2022, the Sub-Fund's financial assets held at amortised cost as disclosed in the Statement of Financial Position are realised within three months. The Manager considers the probability of default to be insignificant as the counterparties generally have a strong capacity to meet their contractual obligations in the near term. Hence, no loss allowance has been recognised based on the 12 month expected credit losses as any such impairment would be insignificant to the Sub-Fund.

The table below analyses the Sub-Fund's investments by credit ratings. The credit ratings are reviewed regularly.

Nikko AM China Onshore Bond Fund

	Fair value at 31 December 2023		Fair value at 31 December 2022	
	Floating rate securities RMB	Fixed rate securities RMB	Floating rate securities RMB	Fixed rate securities RMB
Aa3	-	-	-	1,999,730
A1	-	44,836,285	5,068,870	51,368,680
A2	-	-	-	1,051,753
A3	-	3,771,278	-	3,488,262
Baa1	1,622,391	6,526,177	1,535,954	6,473,752
Baa2	-	6,042,885	-	5,981,866
Baa3	-	1,954,613	1,354,362	1,056,921
Ba3	-	1,410,369	-	3,419,712
Not rated *	3,510,805	34,419,973	1,914,424	15,773,054
Accrued interest receivables on quoted fixed income securities	54,333	1,356,419	245,729	1,380,961
	5,187,529	100,317,999	10,119,339	91,994,691

* Not rated securities are supported by internal and other rating agencies credit ratings but are not disclosed due to licencing restrictions.

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 2023

11. Financial risk management (continued)

(e) Credit risk (continued)

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 cash equivalents and outstanding and committed transactions from brokers. The table below summarises the credit rating of bank and custodians in which the Sub-Fund's assets are held as at 31 December 2023 and 2022.

Nikko AM China Onshore Bond Fund

	Credit rating as at 31 December 2023	Credit rating as at 31 December 2022	Source of credit rating
Bank and custodian			
- BNP Paribas, acting through its Singapore Branch	Aa3	Aa3	Moody's
- Bank of China Limited	A1	A1	Moody's
Counterparties of forward foreign exchange contracts			
- Australia and New Zealand Bank	Aa3	Aa3	Moody's
- Barclays Capital	A1	N.A	Moody's
- Goldman Sachs	A1	A2	Moody's
- HSBC Bank	Aa3	N.A	Moody's
- JP Morgan Chase & Company	A1	A1	Moody's
- Standard Chartered Bank	A1	A3	Moody's
Counterparty of futures contracts and interest rate swap contracts			
- BNP Paribas, acting through its Singapore Branch	Aa3	Aa3	Moody's

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

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

(f) Capital management

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

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 2023

11. Financial risk management (continued)

(g) Fair value estimation

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

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

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2023 and 2022:

Nikko AM China Onshore Bond Fund

As at 31 December 2023	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Assets				
Portfolio of investments:				
- Quoted fixed income securities	-	105,505,528	-	105,505,528
Financial derivatives at fair value	-	593,225	-	593,225
	-	106,098,753	-	106,098,753
Liabilities				
Financial derivatives at fair value	-	54,723	-	54,723
As at 31 December 2022	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Assets				
Portfolio of investments:				
- Quoted fixed income securities	-	102,114,030	-	102,114,030
Financial derivatives at fair value	-	930,054	-	930,054
	-	103,044,084	-	103,044,084

Financial instruments that trade in markets that are not considered to be 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 investment-grade corporate bonds, government bonds issued in the PRC and over-the-counter derivatives.

The assets and liabilities included in the Statement of Financial Position except portfolio of investments and financial derivatives are carried at amortised cost; their carrying values are reasonable approximation of fair value.

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 2023

12. Related party transactions

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

Nikko AM China Onshore Bond Fund

	2023 RMB	2022 RMB
Bank balances held with related party of the Trustee	703,497	580,859
Margin balances held with related party of the Trustee	979,308	803,957

13. Financial ratios

Nikko AM China Onshore Bond Fund

Expense ratio

		2023	2022
<u>RMB Class</u>			
Total operating expenses	RMB	1,420,348	1,542,204
Average daily net asset value	RMB	103,131,367	120,398,253
Total expense ratio¹	%	1.38	1.28

Turnover ratio

		2023	2022
Lower of total value of purchases or sales	RMB	120,251,953	141,940,199
Average daily net asset value	RMB	103,131,367	120,398,253
Total turnover ratio²	%	116.60	117.89

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 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-Fund does 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.

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 2023

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

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 13 to 16.

2. Credit rating of debt securities

Nikko AM China Onshore Bond Fund

	Fair value at 31 December 2023 RMB	Percentage of total net assets attributable to unitholders at 31 December 2023 %
A1	44,836,285	43.03
A3	3,771,278	3.62
Baa1	8,148,568	7.82
Baa2	6,042,885	5.80
Baa3	1,954,613	1.88
Ba3	1,410,369	1.36
Not rated	37,930,778	36.40
Accrued interest receivables on quoted fixed income securities	1,410,752	1.35
Total	105,505,528	101.26

3. Top 10 holdings

Nikko AM China Onshore Bond Fund

10 largest holdings at 31 December 2023

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Industrial & Commercial Bank of China Limited 3.48% due 15/12/2031	10,177,400	9.77
Bank of China Limited 3.25% due 24/01/2032	10,112,720	9.71
Agricultural Development Bank of China 2.83% due 16/06/2033	10,060,780	9.66
Agricultural Bank of China Limited 3.1% due 06/05/2030	10,056,120	9.65
China Government Bond 2.48% due 25/09/2028	6,018,906	5.78
China Government Bond 2.44% due 15/10/2027	6,014,250	5.77
CITIC Securities Company Limited 5.1% due 25/06/2025	5,177,145	4.97
China Development Bank 2.59% due 11/01/2026	5,027,480	4.83
China Government Bond 3.01% due 13/05/2028	4,109,780	3.94
Export-Import Bank of China 3.22% due 14/05/2026	3,059,985	2.94

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 2023

3. Top 10 holdings (continued)

10 largest holdings at 31 December 2022	Fair value RMB	Percentage of total net assets attributable to unitholders %
China Government Bond 2.44% due 15/10/2027	9,919,400	9.70
CITIC Securities Company Limited 5.1% due 25/06/2025	5,231,205	5.12
Industrial & Commercial Bank of China Limited 4.15% due 21/01/2031	5,102,685	4.99
China Development Bank 3.3% due 03/03/2026	5,101,925	4.99
Bank of China Limited 4.5% due 31/12/2059	5,068,870	4.96
China Petroleum & Chemical Corporation 3.2% due 27/07/2026	5,016,875	4.91
State Grid Corporation of China 2.88% due 30/08/2027	4,925,405	4.82
China Construction Bank Corporation 4.2% due 14/09/2030	4,086,536	4.00
China Government Bond 3.01% due 13/05/2028	4,064,816	3.98
Agricultural Development Bank of China 2.61% due 09/03/2025	4,004,000	3.92

4. Exposure to financial derivatives

	Fair value at 31 December 2023 RMB	Percentage of total net assets attributable to unitholders at 31 December 2023 %	Unrealised gains RMB	Realised (losses)/gains RMB
Forward foreign exchange contracts	317,349	0.30	317,349	(1,986,545)
Futures contracts	-	-	-	36,560
Swaps contracts	221,153	0.21	221,153	(414,068)

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 arrangements;
- 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 year ended 31 December 2023

6. Collateral

Please refer to Note 8 of the Notes to the Financial Statements on page 25.

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 year ended 31 December 2023

Nikko AM China Onshore Bond Fund

RMB

Units created	3,982,176
Units cancelled	(246,778)

11. Turnover ratio

Please refer to Note 13 of the Notes to the Financial Statements on page 35.

12. Expense ratio

Please refer to Note 13 of the Notes to the Financial Statements on page 35.

13. Related party transactions

Please refer to Note 12 of the Notes to the Financial Statements on page 35.

14. Any other material information that will adversely impact the valuation of the Sub-Fund

Nil.

15. Soft dollar commissions/arrangements

In their management of the Sub-Fund, the Managers currently do not receive or enter into any soft dollar commissions or arrangements.

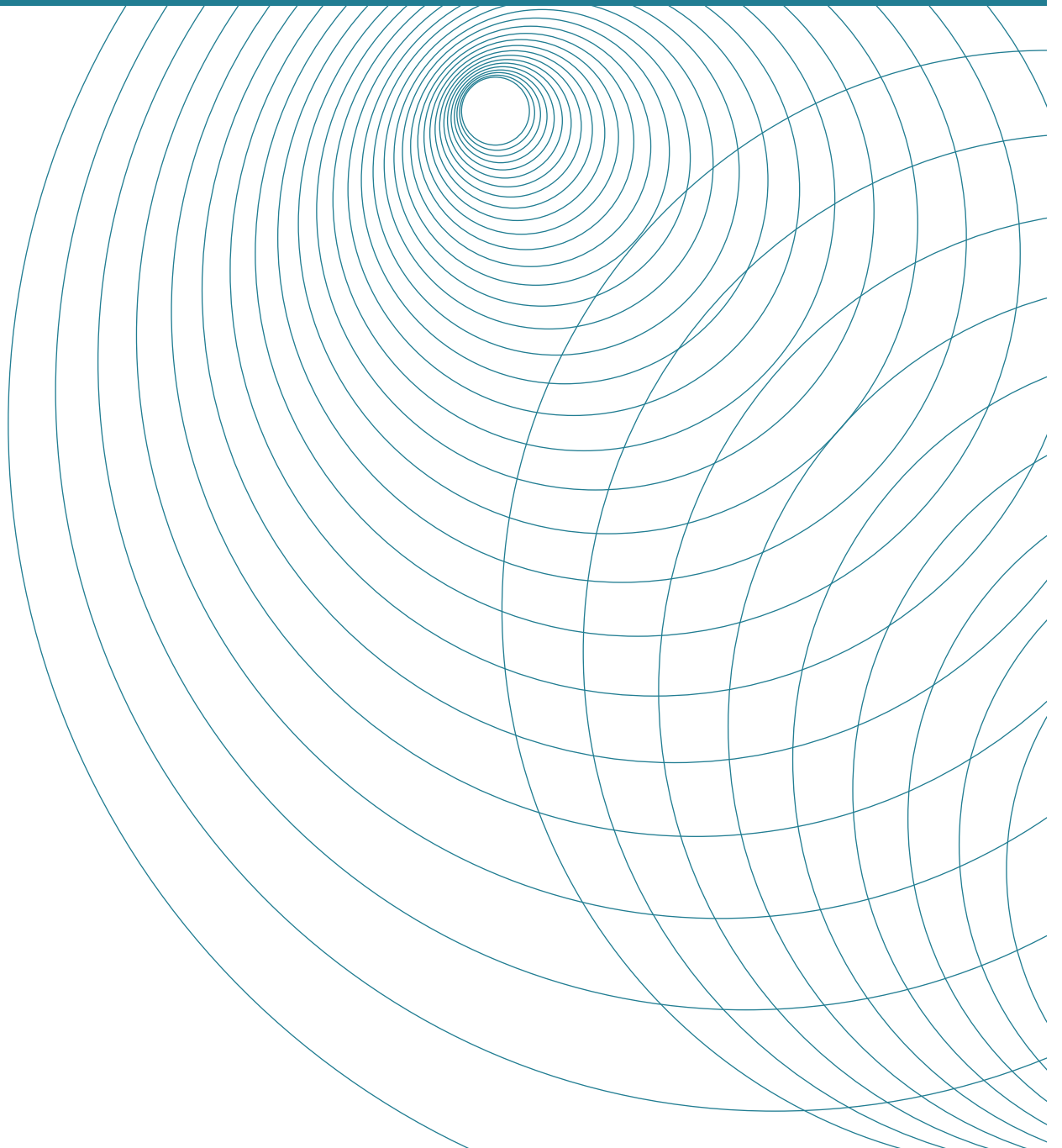
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SEMI-ANNUAL REPORT

Nikko AM China Onshore Fund Series

Financial period ending 30 June 2023



MANAGERS

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Singapore 018961
Company Registration Number: 198202562H

DIRECTORS OF THE MANAGERS

Kiyotaka Ryu
Seet Oon Hui Eleanor

TRUSTEE & REGISTRAR

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

AUDITORS

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CUSTODIANS

Singapore Custodian
BNP Paribas, acting through its Singapore Branch
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Singapore 049319

China Custodian (for Nikko AM China Onshore Bond Fund)

Bank of China Limited
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Beijing, China 100818

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	10 Yr	Since Inception
Nikko AM China Onshore Bond Fund - RMB Class	0.27	1.09	1.20	-0.41	1.58	N/A	2.31

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2023. 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	10 Yr	Since Inception
Nikko AM China Onshore Bond Fund - RMB Class	-4.75	-3.97	-3.86	-2.10	0.54	N/A	1.71

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2023. 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, currently nil, as and 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

Note:

Nikko AM China Equity Fund was terminated on 18 May 2021.

Nikko AM China Onshore Bond Fund

Portfolio Review

Fund returned 1.09% in the first half of 2023 (1H23)

The Nikko AM China Onshore Bond Fund (the "Fund") posted a return of 1.09% (in RMB terms, on a NAV-NAV basis) in the six-months period ending 30 June 2023. The Fund's holdings in both Chinese government bonds (CGBs) and credits contributed positively to returns.

Market Review

China re-opened its borders on 8 January 2023, after three years of being shut since the start of the COVID-19 pandemic. At the National People's Congress in March, policymakers set a GDP growth target of 'around 5%' in 2023, lower than many external forecasts. Fiscal policy also looked less accommodative than both market expectations and 2022's budget. The guidance on monetary policy was largely unchanged, with the guidance for M2 and credit growth generally aligned with nominal GDP growth, while inflationary pressures were projected to remain benign. Similar to previous years, the recommendations set forth in the Work Report were broad directions and high-level.

Economic activity registered a 4.50% year-on-year (YoY) growth in the first three months of 2023, a better performance than what markets had expected. The robust recovery was prompted largely by strength in services and consumption as Chinese policymakers lifted COVID-19 controls. Subsequently, economic indicators reported in the second quarter suggested that growth momentum was fast slowing, with activity and credit data printing mostly below forecasts. Responding to the slew of significantly weak data, the central bank lowered several policy rates in June 2023, and Premier Li Qiang declared government will take steps to boost demand. The 7-day repurchase rate, 1-year Medium Term Lending Facility rate, and 1-year and 5-year loan prime rates (LPR) were all trimmed by 10 basis points (bps) each. The cut to the 5-year LPR, which serves as the benchmark rate for mortgage

loans, undershot expectations of a 15-bps cut. Following this, the State Council pledged to roll out “more forceful measures” in a timely manner to “enhance the momentum of economic development, optimise the economic structure, and promote the sustained recovery of the economy”. Separately, price pressures stayed at low levels throughout the six-month period. The most recent reading showed headline consumer price index (CPI) printed 0.2% YoY in May 2023. Meanwhile, factory-gate inflation, as measured by the producer price index, continued to be in deflationary territory, coming in at -4.6% YoY in the same month.

As data pointed to a worsening downturn in the property sector, contracting exports and cooling consumer spending, investors called for stimulus to revive growth. However, the government’s efforts have been met with skepticism so far, as markets await more concrete measures and stronger stimulus from policymakers.

The Chinese yuan (CNY) depreciated about 4.90% against the US dollar (USD) in the first six months of 2023. In May 2023, the CNY weakened past the key threshold of seven per USD as optimism over China’s economic rebound faded. The currency was allowed to weaken further in the following month to reflect economic fundamentals and help boost export competitiveness. That said, authorities began to act to slow the depreciation towards the end of the period.

Market Outlook & Strategy

China’s disappointing growth in the second quarter is a setback. But even with the current policy settings, full year growth target of “about 5%” still looks achievable. The recent Politburo (highest authority in China) saw top leadership acknowledging issues that most concern investors, although the extent of policy stimulus may not meet investors’ expectations.

Policy support should still help stabilise the economy from here on. Accommodative fiscal policy was prescribed, but measures cited stopped short of any increase in the budget deficit. Monetary policy would likely be accommodative as well, with the flexibility to use both broad and targeted easing. Low consumer prices and producer prices in deflation underscore the weak demand in the economy and would not be a constraint to monetary easing. Such an environment should still engender a rangebound environment for bonds in the near term, especially high-grade credits which offer additional pickup in yields.

On the external front, exports may remain weak in the near term as a result of slowing global growth and the gradual return of outbound tourism will also lower China’s current account surplus. However, this is to some extent priced in the RMB, which has weakened considerably. Current valuations are more reasonable, and the central bank has begun to support the RMB.

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Past performance or any prediction, projection or forecast is not indicative of future performance. The Fund or any underlying fund may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before deciding whether to invest in the Fund.

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(Where relevant – for funds included under CPFIS) The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

For Hong Kong Investors

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial period from 01 January 2023 to 30 June 2023 (unaudited)*

	Nikko AM China Onshore Bond Fund	
	30 June 2023	30 June 2022
	RMB	RMB
Income		
Interest on cash and cash equivalents	29,422	9,423
Other Income	468	385
	29,890	9,808
Less: Expenses		
Management fee	460,267	588,322
Transfer agent fee	8,409	6,950
Trustee fee	13,888	17,663
Custody fee	27,572	32,808
Audit fee	80,647	69,769
Valuation fee	18,518	23,551
Transaction costs	26,610	24,226
Other expenses	113,657	39,743
	749,568	803,032
Net losses	(719,678)	(793,224)
Net gains or losses on value of investments and financial derivatives		
Net gains/(losses) on investments	3,801,516	(1,944,961)
Net foreign exchange gains/(losses)	85,870	(5,388)
Net losses on financial derivatives	(2,031,476)	(949,330)
	1,855,910	(2,899,679)
Total return/(deficit) for the financial period before income tax	1,136,232	(3,692,903)
Less: Income tax	(282)	(422)
Total return/(deficit) for the financial period after income tax	1,135,950	(3,693,325)

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 30 June 2023 (unaudited)*

	Nikko AM China Onshore Bond Fund	
	30 June 2023	31 December 2022
	RMB	RMB
ASSETS		
Portfolio of investments	105,292,402	102,114,030
Cash and cash equivalents	1,710,229	2,466,104
Margin and collateral accounts	976,353	803,957
Reserve accounts	21,716	23,036
Financial derivatives at fair value	216,928	930.054
Total assets	108,217,628	106,337,181
LIABILITIES		
Payables	3,749,322	3,757,493
Distributions payable	345,673	341,490
Financial derivatives at fair value	865,507	-
Total liabilities	4,960,502	4,098,983
EQUITY		
Net assets attributable to unitholders	103,257,126	102,238,198

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial period from 01 January 2023 to 30 June 2023 (unaudited)*

	Nikko AM China Onshore Bond Fund	
	30 June 2023	31 December 2022
	RMB	RMB
Net assets attributable to unitholders at the beginning of the financial period/year	102,238,198	133,243,278
Operations		
Change in net assets attributable to unitholders resulting from operations	1,135,950	(3,684,191)
Unitholders' contributions/(withdrawals)		
Creation of units	1,992,373	4,800,992
Cancellation of units	(42,773)	(27,325,400)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	1,949,600	(22,524,408)
Distributions	(2,066,622)	(4,796,481)
Total increase/(decrease) in net assets attributable to unitholders	1,018,928	(31,005,080)
Net assets attributable to unitholders at the end of the financial period/year	103,257,126	102,238,198

NIKKO AM CHINA ONSHORE FUND SERIES

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

STATEMENT OF PORTFOLIO

As at 30 June 2023 (unaudited)

Nikko AM China Onshore Bond Fund

By Geography (Primary)

	Holdings at 30 June 2023	Fair value at 30 June 2023 RMB	Percentage of total net assets attributable to unitholders at 30 June 2023 %
Quoted Fixed Income Securities			
BRITISH VIRGIN ISLANDS			
Contemporary Ruiding Development Limited 1.875% due 17/09/2025	200,000	1,341,522	1.30
Huarong Finance 2019 Company Limited 3.75% due 29/05/2024	200,000	1,400,157	1.35
PowerChina Roadbridge Group British Virgin Islands Limited 3.08% due 31/12/2061	300,000	2,042,194	1.98
RKPF Overseas 2019 E Limited 7.75% due 31/12/2059	200,000	442,938	0.43
Yunda Holding Investment Limited 2.25% due 19/08/2025	200,000	1,308,691	1.27
Total BRITISH VIRGIN ISLANDS		6,535,502	6.33
CAYMAN ISLANDS			
Haidilao International Holding Limited 2.15% due 14/01/2026	200,000	1,316,737	1.28
Meituan 3.05% due 28/10/2030	400,000	2,311,259	2.24
PDD Holdings Incorporation 0% due 01/12/2025	400,000	2,832,655	2.74
Weibo Corporation 3.5% due 05/07/2024	200,000	1,414,787	1.37
Total CAYMAN ISLANDS		7,875,438	7.63
CHINA			
Agricultural Bank of China Limited 3.1% due 06/05/2030	10,000,000	10,069,820	9.75
Agricultural Development Bank of China 2.25% due 22/04/2025	4,000,000	3,994,240	3.87
Agricultural Development Bank of China 2.61% due 09/03/2025	4,000,000	4,020,092	3.89
Bank of China Limited 3.25% due 24/01/2032	10,000,000	10,062,300	9.74
China Development Bank 2.39% due 02/03/2024	5,000,000	5,009,150	4.85
China Development Bank 2.59% due 11/01/2026	5,000,000	5,029,430	4.87
China Government Bond 2.18% due 25/08/2025	2,000,000	1,998,688	1.94
China Government Bond 2.24% due 25/05/2025	2,000,000	2,003,094	1.94
China Government Bond 2.44% due 15/10/2027	10,000,000	10,015,510	9.70
China Government Bond 2.5% due 25/07/2027	1,000,000	1,003,811	0.97
China Government Bond 3.01% due 13/05/2028	4,000,000	4,110,708	3.98
China Government Bond 3.03% due 11/03/2026	3,000,000	3,065,469	2.97
Chongqing Longhu Development Company Limited 4.44% due 25/01/2024	100,000	99,656	0.10
CITIC Securities Company Limited 5.1% due 25/06/2025	5,000,000	5,233,250	5.07
Export-Import Bank of China 2.61% due 27/01/2027	1,000,000	1,002,794	0.97
Export-Import Bank of China 2.93% due 02/03/2025	6,000,000	6,061,848	5.87
Export-Import Bank of China 3.22% due 14/05/2026	3,000,000	3,064,845	2.97
Zhongan Online P&C Insurance Company Limited 3.5% due 08/03/2026	300,000	1,880,955	1.82
Total CHINA		77,725,660	75.27

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2023 (unaudited)***Nikko AM China Onshore Bond Fund****By Geography (Primary) (continued)**

	Holdings at 30 June 2023	Fair value at 30 June 2023 RMB	Percentage of total net assets attributable to unitholders at 30 June 2023 %
Quoted Fixed Income Securities (continued)			
HONG KONG SAR			
China Taiping Insurance Holdings Company Limited 6.4% due 09/09/2171	200,000	1,513,156	1.46
CITIC Limited 3.5% due 17/02/2032	200,000	1,288,576	1.25
CNAC HK Finbridge Company Limited 3.35% due 31/12/2060	200,000	1,445,370	1.40
MCC Holding Hong Kong Corporation Limited 2.95% due 31/12/2061	230,000	1,629,515	1.58
Total HONG KONG SAR		<u>5,876,617</u>	<u>5.69</u>
SINGAPORE			
BOC Aviation Limited 4.5% due 23/05/2028	200,000	1,403,653	1.36
COSL Singapore Capital Limited 2.5% due 24/06/2030	400,000	2,500,156	2.42
Total SINGAPORE		<u>3,903,809</u>	<u>3.78</u>
SOUTH KOREA			
Hyundai Capital Services Incorporation 3.55% due 21/09/2023	1,000,000	1,001,770	0.97
Total SOUTH KOREA		<u>1,001,770</u>	<u>0.97</u>
UNITED STATES OF AMERICA			
BOC Aviation USA Corporation 4.875% due 03/05/2033	200,000	1,413,354	1.37
TOTAL UNITED STATES OF AMERICA		<u>1,413,354</u>	<u>1.37</u>
Accrued interest receivable on quoted fixed income securities		<u>960,252</u>	<u>0.93</u>
Total Quoted Fixed Income Securities		<u>105,292,402</u>	<u>101.97</u>
Portfolio of investments		105,292,402	101.97
Other net liabilities		(2,035,276)	(1.97)
Net assets attributable to unitholders		<u>103,257,126</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 2023 (unaudited)*

By Geography (Summary)	Nikko AM China Onshore Bond Fund	
	Percentage of total net assets attributable to unitholders at 30 June 2023	Percentage of total net assets attributable to unitholders at 31 December 2022
	%	%
Quoted Fixed Income Securities		
British Virgin Islands	6.33	8.83
Cayman Islands	7.63	7.55
China	75.27	73.71
Hong Kong SAR	5.69	5.94
Singapore	3.78	2.26
South Korea	0.97	-
United States of America	1.37	-
Accrued interest receivables on quoted fixed income securities	0.93	1.59
Total Quoted Fixed Income Securities	101.97	99.88
Portfolio of investments	101.97	99.88
Other net (liabilities)/assets	(1.97)	0.12
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 2023 (unaudited)***Nikko AM China Onshore Bond Fund****By Industry (Secondary)**

	Fair value at 30 June 2023 RMB	Percentage of total net assets attributable to unitholders at 30 June 2023 %	Percentage of total net assets attributable to unitholders at 31 December 2022 %
Auto Manufactures	1,001,770	0.97	-
Banks	38,185,032	36.97	28.76
Chemicals	1,445,370	1.40	1.32
Diversified Financial Services	8,050,257	7.80	5.12
Electric	-	-	4.82
Electronics	-	-	1.65
Energy-Alternate Sources	1,341,522	1.30	1.22
Engineering and Construction	2,042,194	1.98	1.87
Holding Companies-Diversified	1,288,576	1.25	1.16
Insurance	3,394,111	3.29	1.69
Internet	6,558,701	6.34	2.56
Investment Companies	1,400,157	1.36	1.03
Metal Fabricate/Hardware	1,629,515	1.58	1.50
Mining	-	-	5.83
Oil and Gas Services	2,500,156	2.42	7.17
Real Estate	542,594	0.53	-
Retail	1,316,737	1.28	-
Sovereign	32,326,767	31.30	30.36
Transportation	1,308,691	1.27	2.23
Accrued interest receivables on quoted fixed income securities	960,252	0.93	1.59
Portfolio of investments	105,292,402	101.97	99.88
Other net (liabilities)/assets	(2,035,276)	(1.97)	0.12
Net assets attributable to unitholders	103,257,126	100.00	100.00

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 2023 to 30 June 2023 (unaudited)

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

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 8 to 11.

2. Credit rating of debt securities

	Fair value at 30 June 2023 RMB	Percentage of total net assets attributable to unitholders at 30 June 2023 %
A1	50,343,732	48.75
A3	3,788,732	3.67
Baa1	9,206,057	8.92
Baa2	4,604,433	4.46
Baa3	3,756,629	3.64
Ba1	1,400,157	1.36
B1	442,938	0.43
Not rated	30,789,472	29.81
Accrued interest receivables on quoted fixed income securities	960,252	0.93
Total	105,292,402	101.97

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 2023 to 30 June 2023 (unaudited)

3. Top 10 holdings

Nikko AM China Onshore Bond Fund

10 largest holdings at 30 June 2023

	Fair value RMB	Percentage of total net assets attributable to unitholders %
Agricultural Bank of China Limited 3.1% due 06/05/2030	10,069,820	9.75
Bank of China Limited 3.25% due 24/01/2032	10,062,300	9.74
China Government Bond 2.44% due 15/10/2027	10,015,510	9.70
Export-Import Bank of China 2.93% due 02/03/2025	6,061,848	5.87
CITIC Securities Company Limited 5.1% due 25/06/2025	5,233,250	5.07
China Development Bank 2.59% due 11/01/2026	5,029,430	4.87
China Development Bank 2.39% due 02/03/2024	5,009,150	4.85
China Government Bond 3.01% due 13/05/2028	4,110,708	3.98
Agricultural Development Bank of China 2.61% due 09/03/2025	4,020,092	3.89
Agricultural Development Bank of China 2.25% due 22/04/2025	3,994,240	3.87

10 largest holdings at 30 June 2022

	Fair value RMB	Percentage of total net assets attributable to unitholders %
China Government Bond 2.48% due 15/04/2027	12,912,588	9.99
Industrial & Commercial Bank of China Limited 4.15% due 21/01/2031	10,314,630	7.98
Bank of China Limited 4.5% due 31/12/2059	10,266,550	7.94
China Development Bank 3.3% due 03/03/2026	10,190,490	7.88
China Construction Bank Corporation 0% due 08/11/2022	9,934,030	7.69
CITIC Securities Company Limited 5.1% due 25/06/2025	5,316,850	4.11
Export-Import Bank of China 3.74% due 16/11/2030	5,224,885	4.04
China Government Bond 3.03% due 11/03/2026	5,087,645	3.94
China Petroleum & Chemical Corporation 3.2% due 27/07/2026	5,031,925	3.89
Agricultural Development Bank of China 2.25% due 22/04/2025	4,951,600	3.83

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 2023 to 30 June 2023 (unaudited)

4. Exposure to financial derivatives

Nikko AM China Onshore Bond Fund

	Fair value at 30 June 2023 RMB	Percentage of total net assets attributable to unitholders 30 June 2023 %	Unrealised gains/(losses) RMB	Realised gains/(losses) RMB
Forward foreign exchange contracts	(802,391)	(0.78)	(802,391)	(902,441)
Futures contracts	-	-	-	36,560
Interest rate swaps	153,812	0.15	153,812	(517,016)

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 arrangements;
- 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

Nikko AM China Onshore Bond Fund

	30 June 2023 RMB	31 December 2022 RMB
Margin accounts	<u>976,353</u>	803,957

Margin account represents margin deposits held in respect of open exchange-traded futures contracts held with BNP Paribas, acting through its Singapore Branch. As of 30 June 2023, there was no open exchange-traded futures.

7. Securities lending or repurchase transactions

Nil.

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

Nil.

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 2023 to 30 June 2023 (unaudited)

9. Borrowings

Nil.

10. Amount of units created and cancelled for the financial period ended 30 June 2023

Nikko AM China Onshore Bond Fund

RMB

Units created	1,992,373
Units cancelled	(42,773)

11. Turnover ratio

Nikko AM China Onshore Bond Fund

		30 June 2023	30 June 2022
Lower of total value of purchases or sales	RMB	61,578,493	70,181,917
Average daily net asset value	RMB	102,958,230	130,557,056
Total turnover ratio¹	%	59.81	53.76

¹ 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.

12. Expense ratio

Nikko AM China Onshore Bond Fund

		30 June 2023	30 June 2022
<u>RMB Class</u>			
Total operating expenses	RMB	1,486,399	1,725,971
Average daily net asset value	RMB	106,955,721	133,334,197
Total expense ratio²	%	1.39	1.29

² 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 period end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Sub-Fund does 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 2023 to 30 June 2023 (unaudited)

13. Related party transactions

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

Management fee is payable to the Manager. Trustee fee is payable to the Trustee. Custody fee and valuation fee are payable to a related company of the Trustee, BNP Paribas acting through its Singapore Branch. Transfer agent fee is payable to BNP Paribas, acting through its Singapore Branch with effect from 1 April 2023.

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 Sub-Fund and a related party at terms agreed between the parties and within the provisions of the Deeds:

Nikko AM China Onshore Bond Fund

	30 June 2023 RMB	31 December 2022 RMB
Bank balances held with related party of the Trustee	928,896	580,859
Margin balances held with related party of the Trustee	976,353	803,957

14. Any other material information that will adversely impact the valuation of the Sub-Fund

Nil.

15. Soft dollar commissions/arrangements

In their management of the Sub-Fund, the Managers currently do not receive or enter into any soft dollar commissions or arrangements.

ANNUAL REPORT

For the financial year ended 31 December 2022

Nikko AM **China Onshore Fund Series**

Nikko AM China Onshore Bond Fund

MANAGERS

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

DIRECTORS OF THE MANAGERS

Kiyotaka Ryu
Seet Oon Hui Eleanor
Hiroki Tsujimura

TRUSTEE & REGISTRAR

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

AUDITORS

PricewaterhouseCoopers LLP
7 Straits View, Marina One,
East Tower, Level 12,
Singapore 018936

CUSTODIANS

Singapore Custodian
BNP Paribas, 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

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	10 Yr	Since Inception
Nikko AM China Onshore Bond Fund - RMB Class	0.29	0.12	-2.67	-0.26	1.92	N/A	2.31

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2022. 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	10 Yr	Since Inception
Nikko AM China Onshore Bond Fund - RMB Class	-4.72	-4.89	-7.53	-1.96	0.88	N/A	1.68

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2022. 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, currently nil, as and 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

Note:

Nikko AM China Equity Fund was terminated on 18 May 2021.

Nikko AM China Onshore Bond Fund

Portfolio Review

Fund returned -2.67% in 2022

The Nikko AM China Onshore Bond Fund (the "Fund") posted a return of -2.67% (in RMB terms, on a NAV-NAV basis) in the 12 months period ending December 2022. The Fund's holdings in credits were the main drag to performance, offset by positive returns from holdings of Chinese government bonds (CGBs).

Market Review

China set a fairly aggressive 2022 gross domestic product (GDP) growth target of 'around 5.5%' at the start of the year. However, against a backdrop of rising commodity prices, supply bottlenecks, and policymakers' resolve to stand their ground on the zero-COVID strategy for the most part of the year, full-year GDP growth fell significantly short of the official target. In response to slowing growth, authorities announced a raft of stimulus measures over the period. This included lowering mortgage rates for certain classifications of home buyers, reducing key policy rates such as loan prime rates (LPR) and banks' reserve requirement ratios (RRR), increasing the lending quota for banks to support small and medium enterprises (SMEs), front-loading special bond issuance quota from 2023, and easing purchase restrictions for properties. Towards the end of 2022, policymakers meaningfully stepped up their support for the property sector. Regulators unveiled a 16-point rescue package to ensure the 'stable and healthy development' of the embattled property sector, several of the country's largest banks pledged to provide at least Chinese yuan (CNY) 1.28 trillion in funding for property developers, and policymakers also reopened the equity financing channel for property companies, among others.

The government's commitment to its strict zero-COVID rules for most part of the year meant that growth was significantly disrupted and dragged down by the numerous times when the government had to reimpose prolonged COVID lockdowns in response to outbreaks. Then, in December 2022, there was a

sudden policy reversal by the authorities, with China removing almost all COVID-19 related restrictions, taking the market by surprise.

Over the year, inflation had stayed relatively muted in China. The most recent readings showed headline consumer price index (CPI) and core CPI printed 1.6% and 0.6% year-on-year (YoY) respectively in November 2022. Meanwhile, factory-gate inflation—as measured by the producer price index—continued to be in deflationary territory, coming in at -1.3% YoY.

On politics, China's Communist Party held its 20th National Congress in October 2022, where the Party Congress report essentially focused on policy continuity. The congress wrapped up with its announcement of the next set of top leaders. Headed by President Xi Jinping, the new Politburo Standing Committee also included Mr. Li Qiang, the incumbent Party Secretary of Shanghai, who would hold the number 2 rank in the committee.

In 2022, the CNY depreciated about 7.86% against the US dollar (USD), with the latter rising together with US Treasury yields as the US Federal Reserve aggressively tightened monetary policy. Meanwhile, demand for onshore government bonds were largely supported by weak economic activity and the central bank's dovish stance for the better part of the year. Notably, policymakers' sudden turn in policy at the end of the year, with regard to the property sector and COVID-19 controls, sparked risk-on sentiment where bearish positions were unwound. At the end of the twelve-month period, the benchmark onshore 3-year yield was down 2.3 basis points (bps) to 2.417%, while the benchmark 10-year yield increased 6.5 bps to 2.835%. For most of the year, credit spreads tightened gradually but in mid-November, post the loosening of COVID policy and significant removal of property market curbs, spreads widened to finish the year wider than the start of the year 2022. High yield spreads widened more than investment grade.

Market Outlook & Strategy

For 2023, we believe actual GDP growth delivery rests heavily on China's success in transiting out of its zero-COVID policy. So far, it seems that most areas, especially large cities, are past the worst stage of infections and activities are normalising. Although the recent relaxation in financing conditions for real estate developers is a positive sign, China may also have to contend with a slowdown in exports as global growth moderates.

Inflation remains relatively muted in China. Moving forward, relaxation of COVID-19 controls may likely push inflation higher. That said, we believe the impact on inflation from further reopening may be tempered in China relative to other countries as employment remains weak and may take time to recover as global demand softens. While the central bank is keeping an eye on inflationary pressures, we believe there is low risk of a meaningful acceleration in the near term that will force it to hike interest rates aggressively.

With yields having recently corrected higher and inflation under control near term, China onshore bond yields may see some stability in the near term. A less restrictive COVID-19 policy and the country's reopening may provide a boost to the Chinese currency as sentiment improves. Already, foreign investors have begun reallocating back to China and the renminbi may be seen to benefit from the pickup in the Chinese economy amid an expected global slowdown. Thereon, we believe that the other fundamental factors would weigh on the equation. Export growth may have peaked, and foreign investors would be evaluating the political climate relative to their investments. Outbound tourism spending may also likely increase.

Foreign relations with most developed nations—particularly the US—may remain challenging despite some recent efforts by both sides to de-escalate. US attempts to isolate China in strategic sectors such as semiconductors may continue to be an overhang. Despite these risks, China remains one of the most important trade partners to many nations. In addition, it has a large domestic economy which remains an attractive investment destination for many foreign firms.

This document is purely for informational purposes only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. It should not be relied upon as financial advice. 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 funds 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 Fund or any underlying fund may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before deciding whether to invest in the Fund.

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(Where relevant – for funds included under CPFIS) The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

For Hong Kong Investors

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

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 2022

The Trustee is under a duty to take into custody and hold the assets of the sub-fund of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund (the “Sub-Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act 2001, 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-Fund during the financial year covered by these financial statements, set out on pages 10 to 35, 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
29 March 2023

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 2022

In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 10 to 35, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of the sub-fund of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund (the "Sub-Fund") as at 31 December 2022, 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 Investment Funds" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Sub-Fund 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
29 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE SUB-FUND 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-fund of Nikko AM China Onshore Fund Series, namely Nikko AM China Onshore Bond Fund (the "Sub-Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Sub-Fund as at 31 December 2022, and 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-Fund comprise:

- the Statement of Total Return for the financial year ended 31 December 2022;
- the Statement of Financial Position as at 31 December 2022;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 December 2022;
- the Statement of Portfolio as at 31 December 2022; 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-Fund 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-Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report but does not include 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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 THE SUB-FUND 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 Investment Funds" 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-Fund's 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-Fund or to cease the Sub-Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Sub-Fund's financial reporting process.

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-Fund's 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-Fund's 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-Fund to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF THE SUB-FUND OF NIKKO AM CHINA ONSHORE FUND
SERIES**

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

- 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.

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, 29 March 2023

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2022*

Nikko AM China Onshore Bond Fund			
	Note	2022	2021
		RMB	RMB
Income			
Interest on cash and cash equivalents		25,864	19,000
Other income		385	-
		26,249	19,000
Less: Expenses			
Management fee		1,104,293	1,214,725
Registrar fee		15,016	14,721
Trustee fee		33,585	36,155
Custody fee		60,458	127,049
Audit fee		146,771	142,249
Valuation fee		44,779	48,206
Transaction costs		71,184	66,490
Other expenses		137,136	199,126
		1,613,222	1,848,721
Net losses		(1,586,973)	(1,829,721)
Net gains or losses on value of investments and financial derivatives			
Net losses on investments		(885,849)	(1,774,828)
Net foreign exchange gains		108,214	68,749
Net (losses)/gains on financial derivatives		(1,318,736)	2,436,968
		(2,096,371)	730,889
Total deficit for the financial year before income tax		(3,683,344)	(1,098,832)
Less: Income tax	4	(847)	(1,265)
Total deficit for the financial year after income tax		(3,684,191)	(1,100,097)

The accompanying notes form an integral part of these financial statements

NIKKO AM CHINA ONSHORE FUND SERIES

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Nikko AM China Onshore Bond Fund			
	Note	2022 RMB	2021 RMB
ASSETS			
Portfolio of investments		102,114,030	126,004,036
Cash and cash equivalents		2,466,104	10,716,204
Margin and collateral accounts	8	803,957	-
Reserve accounts	10	23,036	43,184
Financial derivatives at fair value	6	930,054	1,030,249
Total assets		106,337,181	137,793,673
LIABILITIES			
Payables	5	3,757,493	3,845,271
Distributions payable	9	341,490	444,866
Financial derivatives at fair value	6	-	260,258
Total liabilities		4,098,983	4,550,395
EQUITY			
Net assets attributable to unitholders	7	102,238,198	133,243,278

The accompanying notes form an integral part of these financial statements

NIKKO AM CHINA ONSHORE FUND SERIES*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 31 December 2022*

		Nikko AM China Onshore Bond Fund	
	Note	2022 RMB	2021 RMB
Net assets attributable to unitholders at the beginning of the financial year		133,243,278	133,829,840
Operations			
Change in net assets attributable to unitholders resulting from operations		(3,684,191)	(1,100,097)
Unitholders' contributions/(withdrawals)			
Creation of units		4,800,992	7,992,261
Cancellation of units		(27,325,400)	(2,057,629)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(22,524,408)	5,934,632
Distributions	9	(4,796,481)	(5,421,097)
Total decreases in net assets attributable to unitholders		(31,005,080)	(586,562)
Net assets attributable to unitholders at the end of the financial year	7	102,238,198	133,243,278

The accompanying notes form an integral part of these 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 2022***Nikko AM China Onshore Bond Fund****By Geography (Primary)**

	Holdings at 31 December 2022	Fair value at 31 December 2022 RMB	Percentage of total net assets attributable to unitholders at 31 December 2022 %
Quoted Fixed Income Securities			
BRITISH VIRGIN ISLANDS			
Chinalco Capital Holdings Limited 2.95% due 24/02/2027	400,000	2,543,613	2.49
Contemporary Ruiding Development Limited 1.875% due 17/09/2025	200,000	1,242,547	1.21
Guangzhou Metro Investment Finance BVI Limited 2.31% due 17/09/2030	200,000	1,051,753	1.03
Huarong Finance 2019 Company Limited 3.375% due 24/02/2030	200,000	1,056,921	1.03
Powerchina Roadbridge Group (British Virgin Islands) Limited 3.08% due 31/12/2061	300,000	1,914,424	1.87
Yunda Holding Investment Limited 2.25% due 19/08/2025	200,000	1,223,368	1.20
Total BRITISH VIRGIN ISLANDS		9,032,626	8.83
CAYMAN ISLANDS			
AAC Technologies Holdings Incorporation 2.625% due 02/06/2026	300,000	1,686,466	1.65
China Hongqiao Group Limited 7.375% due 02/05/2023	500,000	3,419,712	3.34
Tencent Holdings Limited 3.975% due 11/04/2029	200,000	1,274,986	1.25
Weibo Corporation 3.5% due 05/07/2024	200,000	1,338,864	1.31
Total CAYMAN ISLANDS		7,720,028	7.55
CHINA			
Agricultural Development Bank of China 2.25% due 22/04/2025	4,000,000	3,975,816	3.89
Agricultural Development Bank of China 2.61% due 09/03/2025	4,000,000	4,004,000	3.92
Agricultural Development Bank of China 3.52% due 24/05/2031	2,000,000	2,068,468	2.02
Bank of China Limited 4.5% due 31/12/2059	5,000,000	5,068,870	4.96
China Construction Bank Corporation 4.2% due 14/09/2030	4,000,000	4,086,536	4.00
China Development Bank 3.3% due 03/03/2026	5,000,000	5,101,925	4.99
China Government Bond 2.18% due 25/08/2025	2,000,000	1,988,708	1.94
China Government Bond 2.24% due 25/05/2025	2,000,000	1,990,884	1.95
China Government Bond 2.44% due 15/10/2027	10,000,000	9,919,400	9.70
China Government Bond 2.5% due 25/07/2027	1,000,000	993,971	0.97
China Government Bond 2.8% due 15/11/2032	3,000,000	2,990,913	2.92
China Government Bond 3.01% due 13/05/2028	4,000,000	4,064,816	3.98
China Government Bond 3.03% due 11/03/2026	3,000,000	3,051,753	2.98

The accompanying notes form an integral part of these 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 2022***Nikko AM China Onshore Bond Fund****By Geography (Primary) (continued)**

	Holdings at 31 December 2022	Fair value at 31 December 2022 RMB	Percentage of total net assets attributable to unitholders at 31 December 2022 %
Quoted Fixed Income Securities (continued)			
CHINA (continued)			
China Petroleum & Chemical Corporation 3.2% due 27/07/2026	5,000,000	5,016,875	4.91
CITIC Securities Company Limited 5.1% due 25/06/2025	5,000,000	5,231,205	5.12
Export-Import Bank of China 2.61% due 27/01/2027	1,000,000	992,458	0.97
Export-Import Bank of China 3.22% due 14/05/2026	3,000,000	3,048,522	2.98
Industrial & Commercial Bank of China Limited 4.15% due 21/01/2031	5,000,000	5,102,685	4.99
State Grid Corporation of China 2.88% due 30/08/2027	5,000,000	4,925,405	4.82
Zhongan Online P&C Insurance Company Limited 3.5% due 08/03/2026	300,000	1,733,168	1.70
Total CHINA		75,356,378	73.71
HONG KONG SAR			
CITIC Limited 3.5% due 17/02/2032	200,000	1,182,339	1.16
CNAC HK Finbridge Company Limited 3.35% due 31/12/2060	200,000	1,354,362	1.32
Hong Kong Government International Bond 3% due 30/11/2026	2,000,000	1,999,730	1.96
MCC Holding Hong Kong Corporation Limited 2.95% due 31/12/2061	230,000	1,535,954	1.50
Total HONG KONG SAR		6,072,385	5.94
SINGAPORE			
COSL Singapore Capital Limited 2.5% due 24/06/2030	400,000	2,305,923	2.26
Total SINGAPORE		2,305,923	2.26
Accrued interest receivable on quoted fixed income securities		1,626,690	1.59
Total Quoted Fixed Income Securities		102,114,030	99.88
Portfolio of investments		102,114,030	99.88
Other net assets		124,168	0.12
Net assets attributable to unitholders		102,238,198	100.00

The accompanying notes form an integral part of these 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 2022

Nikko AM China Onshore Bond Fund

By Geography (Summary)

	Percentage of total net assets attributable to unitholders at 31 December 2022 %	Percentage of total net assets attributable to unitholders at 31 December 2021 %
Quoted Fixed Income Securities		
British Virgin Islands	8.83	5.62
Cayman Islands	7.55	11.65
China	73.71	67.69
Hong Kong SAR	5.94	6.11
Singapore	2.26	1.84
Accrued interest receivables on quoted fixed income securities	1.59	1.66
Total Quoted Fixed Income Securities	99.88	94.57
Portfolio of investments	99.88	94.57
Other net assets	0.12	5.43
Net assets attributable to unitholders	100.00	100.00

The accompanying notes form an integral part of these 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 2022***Nikko AM China Onshore Bond Fund****By Industry (Secondary)**

	Fair value at 31 December 2022 RMB	Percentage of total net assets attributable to unitholders at 31 December 2022 %	Percentage of total net assets attributable to unitholders at 31 December 2021 %
Banks	29,408,300	28.76	28.40
Chemicals	1,354,362	1.32	-
Diversified Financial Services	5,231,205	5.12	4.02
Electric	4,925,405	4.82	-
Electronics	1,686,466	1.65	1.41
Energy-Alternate Sources	1,242,547	1.22	-
Engineering and Construction	1,914,424	1.87	1.44
Holding Companies-Diversified	1,182,339	1.16	-
Insurance	1,733,168	1.69	1.39
Internet	2,613,850	2.56	3.63
Investment Companies	1,056,921	1.03	-
Lodging	-	-	1.52
Metal Fabricate/Hardware	1,535,954	1.50	1.12
Mining	5,963,325	5.83	2.41
Oil and Gas Services	7,322,798	7.17	1.84
Real Estate	-	-	15.76
Sovereign	31,041,155	30.36	21.96
Transportation	2,275,121	2.23	8.01
Accrued interest receivables on quoted fixed income securities	1,626,690	1.59	1.66
Portfolio of investments	102,114,030	99.88	94.57
Other net assets	124,168	0.12	5.43
Net assets attributable to unitholders	102,238,198	100.00	100.00

The accompanying notes form an integral part of these 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 2022

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

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

The classes in the Sub-Fund differ in terms of the currency of denomination and minimum initial and subsequent investment amounts.

As of 31 December 2022 and 2021, only units in the RMB Class have been issued.

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 Investment Funds" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

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. The amount shall not be treated as part of the property of the Sub-Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

NIKKO AM CHINA ONSHORE FUND SERIES

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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 is included in the Statement 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 Statement 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 prices used for fixed income securities held by the Sub-Fund is the mid-market price for both financial asset and financial liabilities. Accrued interest or discount or premium on fixed income securities at financial year end date is included in the fair value of fixed income securities. Interest income on fixed income securities is presented within "Net losses on investments" in the Statement of Total Return.

(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) Sales and purchases awaiting settlement

Sales and purchases awaiting settlement represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

(h) Payables

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

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 2022

2. Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks which are subject to an insignificant risk of changes in value.

(j) Foreign currency translation

(i) *Functional and presentation currency*

The Sub-Fund qualifies as an authorised scheme under the Securities and Futures Act 2001 ("SFA") of Singapore and is offered to retail investors in Singapore. The Sub-Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Sub-Fund denominated in Renminbi ("RMB").

The performance of the Sub-Fund is 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-Fund's 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 date of the Statement of Financial Position. The net unrealised gain or loss is taken to the Statement 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 Statement of Total Return.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

(l) Margin and collateral accounts

Cash margin provided by the Sub-Fund is identified in the Statement of Financial Position as margin and collateral accounts and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Sub-Fund classifies that asset in its Statement of Financial Position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the Notes to 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 2022

2. Significant accounting policies (continued)

(m) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets 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 Statement of Total Return.

3. Critical accounting estimates and assumptions

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertain tax positions

The Sub-Fund invests in securities issued by entities which are domiciled in countries other than Singapore. Many of these foreign countries have tax laws that indicate that capital gains taxes and interest income taxes may be applicable to non-residents, such as the Sub-Fund. Typically, these taxes are required to be determined on a self-assessment basis; therefore, such taxes may not be deducted by the bond issuer on a ‘withholding’ basis.

At 31 December 2022 and 2021, the Sub-Fund has provided for uncertain tax liabilities with respect to foreign capital gains taxes and foreign interest income taxes. The exposure to the Sub-Fund is disclosed under Note 5 Payables in “Provision for tax liabilities”.

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 2022

4. Income tax

The Manager and Trustee of the Sub-Fund have assessed and are satisfied that the Sub-Fund has met the requisite conditions under the Designated Unit Trust (DUT) scheme for the current financial year. The Manager and Trustee of the Sub-Fund will ensure that the Sub-Fund fulfils its reporting obligations under the DUT Scheme.

Under the DUT Scheme, certain income of the DUT fund is not taxable in accordance to Sections 35(12) and 35(12A) of the Income Tax Act 1947. 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 1947);
- (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 or financial index;
- (e) discount prepayment fees, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

Income tax for the financial year ended 31 December 2022 and 2021 comprises:

	Nikko AM China Onshore Bond Fund	
	2022	2021
	RMB	RMB
Withholding tax	847	1,265

The withholding tax represents tax deducted at source on interest income.

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 2022

5. Payables

	Nikko AM China Onshore Bond Fund	
	2022 RMB	2021 RMB
Amount due to the Manager	251,502	323,012
Amount due to the Trustee	7,544	9,668
Valuation fee payable	10,058	12,890
Registrar fee payable	3,116	2,859
Provision for audit fee	149,008	147,703
Custody fee payable	15,243	27,545
Provision for tax liabilities	3,302,791	3,302,791
Other payables	18,231	18,803
	3,757,493	3,845,271

Amount due to the Manager comprises 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, operating through its Singapore Branch. Custody fee is payable to Bank of China Limited and BNP Paribas, operating through its Singapore Branch for China Securities and securities other than China Securities respectively.

6. Financial derivatives

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

Nikko AM China Onshore Bond Fund

	Contract or underlying principal amount		Year-end positive fair value		Year-end negative fair value	
	2022 RMB	2021 RMB	2022 RMB	2021 RMB	2022 RMB	2021 RMB
Forward foreign exchange contracts	25,398,350	55,857,411	466,136	1,030,249	-	260,258
Futures contracts	12,113,691	-	75,080	-	-	-
Interest rate swap contracts	30,000,000	-	388,838	-	-	-
			930,054	1,030,249	-	260,258

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6. Financial derivatives (continued)

The Sub-Fund also restricts its exposure to credit losses on the trading derivative instruments it holds by entering into master netting arrangements with approved brokers with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of Statement of Financial Position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Sub-Fund's overall exposure to credit risk on derivative instruments, subject to a master netting arrangement, can change substantially within a short period as it is affected by each transaction subject to the arrangement.

Financial assets and financial liabilities which are subject to enforceable master netting agreements or similar agreements for the year ended 31 December 2022 and 2021 are detailed in the following table.

(i) Offsetting financial assets

2022	Gross amounts of recognised financial assets RMB	Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position RMB	Net amounts of financial assets presented in the Statement of Financial Position RMB	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments RMB	Cash collateral RMB	Net exposure RMB
Forward foreign exchange contracts	335,295	-	335,295	-	-	335,295
Futures contracts	75,080	-	75,080	-	-	75,080
Interest rate swap	388,838	-	388,838	-	-	388,838
Total	<u>799,213</u>	-	<u>799,213</u>	-	-	<u>799,213</u>

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	Gross amounts of recognised financial assets RMB	Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position RMB	Net amounts of financial assets presented in the Statement of Financial Position RMB	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments RMB	Cash collateral RMB	Net exposure RMB
2021						
Forward foreign exchange contracts	79,528	-	79,528	-	-	79,528

(ii) Offsetting financial liabilities

As at 31 December 2022, there are no financial liabilities which are subject to enforceable master netting agreements or similar agreements.

	Gross amounts of recognised financial liabilities RMB	Gross amounts of recognised financial assets set-off in the Statement of Financial Position RMB	Net amounts of financial liabilities presented in the Statement of Financial Position RMB	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments RMB	Cash collateral RMB	Net exposure RMB
2021						
Forward foreign exchange contracts	260,258	-	260,258	-	-	260,258

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7. Units in issue

During the year ended 31 December 2022 and 2021, the number of units issued, redeemed and outstanding were as follows:

Nikko AM China Onshore Bond Fund

<u>RMB Class</u>	2022	2021
Units at beginning of the financial year	28,701,045	27,477,927
Units created	1,081,437	1,646,423
Units cancelled	(6,231,419)	(423,305)
Units at end of the financial year	23,551,063	28,701,045
Net assets attributable to unitholders - RMB	102,238,198	133,243,278
Net asset value per unit - RMB	4.3411	4.6425

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:

<u>RMB Class</u>	2022	2021
	RMB	RMB
Net assets attributable to unitholders per financial statements per unit	4.3411	4.6425
Effects of distribution per unit	0.0145	0.0155
Effect for movement in the net assets value between the last dealing date and the end of the reporting period [^]	-*	-
Net assets attributable to unitholders for issuing/redeeming per unit	4.3556	4.6580

[^] 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 reporting period due to accrual of operating expenses.

* Effect is less than 0.0001.

8. Margin and collateral accounts

Nikko AM China Onshore Bond Fund

	2022	2021
	RMB	RMB
Margin account	803,957	-

Margin accounts represents margin deposits held in respect of open exchange-traded futures contracts held with BNP Paribas, operating through its Singapore Branch. As of 31 December 2021, there was no open exchange-traded futures.

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9. Distributions

	Nikko AM China Onshore Bond Fund	
	2022 RMB	2021 RMB
January interim distribution of RMB1.52 per 100 units in respect of the financial year ended 31 December 2022	437,685	-
February interim distribution of RMB1.52 per 100 units in respect of the financial year ended 31 December 2022	438,525	-
March interim distribution of RMB1.48 per 100 units in respect of the financial year ended 31 December 2022	428,402	-
April interim distribution of RMB1.50 per 100 units in respect of the financial year ended 31 December 2022	435,416	-
May interim distribution of RMB1.49 per 100 units in respect of the financial year ended 31 December 2022	433,918	-
June interim distribution of RMB1.48 per 100 units in respect of the financial year ended 31 December 2022	432,402	-
July interim distribution of RMB1.47 per 100 units in respect of the financial year ended 31 December 2022	389,369	-
August interim distribution of RMB1.46 per 100 units in respect of the financial year ended 31 December 2022	387,837	-
September interim distribution of RMB1.47 per 100 units in respect of the financial year ended 31 December 2022	391,745	-
October interim distribution of RMB1.46 per 100 units in respect of the financial year ended 31 December 2022	341,638	-
November interim distribution of RMB1.44 per 100 units in respect of the financial year ended 31 December 2022	338,054	-
December final distribution of RMB1.45 per 100 units in respect of the financial year ended 31 December 2022	341,490	-
January interim distribution of RMB1.62 per 100 units in respect of the financial year ended 31 December 2021	-	442,570
February interim distribution of RMB1.61 per 100 units in respect of the financial year ended 31 December 2021	-	442,272
March interim distribution of RMB1.62 per 100 units in respect of the financial year ended 31 December 2021	-	445,045
April interim distribution of RMB1.62 per 100 units in respect of the financial year ended 31 December 2021	-	446,499
May interim distribution of RMB1.64 per 100 units in respect of the financial year ended 31 December 2021	-	453,493
June interim distribution of RMB1.64 per 100 units in respect of the financial year ended 31 December 2021	-	462,790
July interim distribution of RMB1.65 per 100 units in respect of the financial year ended 31 December 2021	-	466,917
August interim distribution of RMB1.64 per 100 units in respect of the financial year ended 31 December 2021	-	465,592
September interim distribution of RMB1.63 per 100 units in respect of the financial year ended 31 December 2021	-	463,033
October interim distribution of RMB1.56 per 100 units in respect of the financial year ended 31 December 2021	-	444,623
November interim distribution of RMB1.55 per 100 units in respect of the financial year ended 31 December 2021	-	443,397
December final distribution of RMB1.55 per 100 units in respect of the financial year ended 31 December 2021	-	444,866
	4,796,481	5,421,097

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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-Fund therefore maintains reserve funds with its respective custodian for China Securities.

11. Financial risk management

The Sub-Fund's activities expose it to a variety of risk, including but not limited to market risk (including price risk, interest rate risk and currency 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-Fund's 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-Fund's exposures to these risks.

The Sub-Fund's primary objective is to provide a total return of capital growth and income over the medium to long-term and invests primarily in fixed income instrument issued onshore in the People's Republic of China ("PRC") and offshore outside 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.

These financial instruments are held in accordance with the published investment policies of the Sub-Fund 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-Fund's investment is substantially dependent on the changes of market prices. The Sub-Fund's overall market positions are monitored regularly so as to assess any deviation from the Sub-Fund's investment objective. 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-Fund.

The Sub-Fund will invest primarily in a portfolio of fixed income instruments issued onshore in the PRC which may include, but will not be limited to, certificate 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 governments, governments entities, quasi government entities, corporations and/or financial institutions.

The market prices of financial assets held by the Sub-Fund are 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.

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10. Financial risk management (continued)

(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 will 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-Fund's overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the Manager.

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

Nikko AM China Onshore Bond Fund

As at 31 December 2022

	Floating rate	Fixed rate			Non-interest bearing	Total RMB
	RMB	Up to 1 year RMB	1-5 years RMB	Over 5 years RMB	RMB	
Assets						
Portfolio of investments	9,873,610	3,419,712	62,008,678	25,185,340	1,626,690	102,114,030
Cash and cash equivalents	2,466,104	-	-	-	-	2,466,104
Margin and collateral accounts	803,957	-	-	-	-	803,957
Reserve accounts	23,036	-	-	-	-	23,036
Financial derivatives at fair value	-	-	-	-	930,054	930,054
Total assets	13,166,707	3,419,712	62,008,678	25,185,340	2,556,744	106,337,181
Liabilities						
Payables	-	-	-	-	3,757,493	3,757,493
Distribution payable	-	-	-	-	341,490	341,490
Total liabilities	-	-	-	-	4,098,983	4,098,983

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For the financial year ended 31 December 2022

10. Financial risk management (continued)

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

As at 31 December 2021

	<u>Floating rate</u>	<u>Fixed rate</u>			<u>Non-interest bearing</u>	<u>Total</u> <u>RMB</u>
	<u>RMB</u>	<u>Up to 1 year</u> <u>RMB</u>	<u>1-5 years</u> <u>RMB</u>	<u>Over 5 years</u> <u>RMB</u>	<u>RMB</u>	
Assets						
Portfolio of investments	13,709,454	1,261,764	51,986,718	56,836,626	2,209,474	126,004,036
Cash and cash equivalents	10,716,204	-	-	-	-	10,716,204
Reserve accounts	43,184	-	-	-	-	43,184
Financial derivatives at fair value	-	-	-	-	1,030,249	1,030,249
Total assets	24,468,842	1,261,764	51,986,718	56,836,626	3,239,723	137,793,673
Liabilities						
Payables	-	-	-	-	3,845,271	3,845,271
Distribution payable	-	-	-	-	444,866	444,866
Financial derivatives at fair value	-	-	-	-	260,258	260,258
Total liabilities	-	-	-	-	4,550,395	4,550,395

As at 31 December 2022 and 2021, an increase/decrease of interest rates 1% (2021: 1%), with all other variables remaining constant, would result in a decrease/increase of the net assets attributable to unitholders by approximately 3% (2021: 5%). Reasonable possible changes in interest rate are revised annually depending on the Manager's current view of market volatility and other factors.

(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-Fund mainly holds its excess cash in its functional currency. For hedging purposes, the Sub-Fund may also enter into forward foreign exchange contracts.

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10. Financial risk management (continued)

(c) Market risk - Currency risk (continued)

The tables below summarise the Sub-Fund's exposure to currency risks.

Nikko AM China Onshore Bond Fund

As at 31 December 2022

	USD RMB	SGD RMB	EUR RMB	CNY RMB	Total RMB
Assets					
Portfolio of investments	25,100,092	-	-	77,013,938	102,114,030
Cash and cash equivalents	58,632	14,813	399	2,392,260	2,466,104
Margin and collateral accounts	803,957	-	-	-	803,957
Reserve accounts	-	-	-	23,036	23,036
Financial derivatives at fair value	75,080	-	-	388,838	463,918
Total assets	26,037,761	14,813	399	79,818,072	105,871,045
Liabilities					
Payables	-	113,345	-	3,644,148	3,757,493
Distributions payable	-	-	-	341,490	341,490
Total liabilities	-	113,345	-	3,985,638	4,098,983
Net off-balance sheet derivative financial instruments					
	(25,080,855)	-	-	25,546,991	
Net currency exposure	956,906	(98,532)	399	101,379,425	

As at 31 December 2021

	USD RMB	SGD RMB	CNY RMB	Total RMB
Assets				
Portfolio of investments	30,855,872	-	95,148,164	126,004,036
Cash and cash equivalents	655,358	28,757	10,032,089	10,716,204
Reserve accounts	-	-	43,184	43,184
Total assets	31,511,230	28,757	105,223,437	136,763,424
Liabilities				
Payables	-	118,133	3,727,138	3,845,271
Distributions payable	-	-	444,866	444,866
Total liabilities	-	118,133	4,172,004	4,290,137
Net off-balance sheet derivative financial instruments				
	(31,735,134)	-	32,505,125	
Net currency exposure	(223,904)	(89,376)	133,556,558	

As of 31 December 2022 and 2021, the Sub-Fund does not hold substantial monetary assets/liabilities denominated in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Sub-Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

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10. Financial risk management (continued)

(d) Liquidity risk

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

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

To manage the liquidity risk, a cash buffer is maintained in the Sub-Fund 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-Fund's financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 31 December 2022 and 2021, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

	Nikko AM China Onshore Bond Fund	
	<u>Less than 3 months</u>	
	As at	As at
	31 December	31 December
	2022	2021
	RMB	RMB
Payables	3,757,493	3,845,271
Distribution payable	341,490	444,866
Contractual cash outflows		
(excluding gross settled derivatives)	4,098,983	4,290,137

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

	<u>Less than 3 months</u>	
	As at	As at
	31 December	31 December
	2022	2021
	RMB	RMB
Currency forwards		
- Outflow	-	(11,747,518)
- Inflow	-	11,487,260
Net outflow	-	(260,258)

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10. Financial risk management (continued)

(e) Credit risk

Credit risk is the risk that a counterparty will be unable to fulfil its obligations to the Sub-Fund 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 Sub-Fund is also exposed to counterparty credit risk on its financial assets held at amortised cost. As at 31 December 2022 and 2021, the Fund's financial assets held at amortised cost as disclosed in the Statement of Financial Position are realised within three months. The Manager considers the probability of default to be insignificant as the counterparties generally have a strong capacity to meet their contractual obligations in the near term. Hence, no loss allowance has been recognised based on the 12 month expected credit losses as any such impairment would be insignificant to the Sub-Fund.

The table below analyses the Sub-Fund's investments by credit ratings. The credit ratings are reviewed regularly.

Nikko AM China Onshore Bond Fund

	Fair value at 31 December 2022		Fair value at 31 December 2021	
	Floating rate securities RMB	Fixed rate securities RMB	Floating rate securities RMB	Fixed rate securities RMB
A+	-	-	-	24,809,282
BB	-	-	-	2,024,203
B+	-	-	-	1,613,114
Aa3	-	1,999,730	-	-
A1	5,068,870	51,368,680	10,297,750	29,345,053
A2	-	1,051,753	-	-
A3	-	3,488,262	-	4,910,668
Baa1	1,535,954	6,473,752	1,496,833	5,350,865
Baa2	-	5,981,866	-	3,738,382
Baa3	1,354,362	1,056,921	-	2,174,003
Ba1	-	-	-	1,096,937
Ba3	-	3,419,712	-	2,698,824
B1	-	-	-	3,218,836
Not rated *	1,914,424	15,773,054	1,914,871	29,104,941
Accrued interest receivables on quoted fixed income securities	245,729	1,380,961	438,678	1,770,796
	10,119,339	91,994,691	14,148,132	111,855,904

* Not rated securities are supported by internal and other rating agencies credit ratings but are not disclosed due to licencing restrictions. Following a change in the use of credit rating agencies during the financial year ended 31 December 2022 whereby historical credit ratings cannot be retrieved, the comparative amounts for the credit ratings table above are not entirely comparable.

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10. Financial risk management (continued)

(e) Credit risk (continued)

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 cash equivalents and outstanding and committed transactions from brokers. The table below summarises the credit rating of bank and custodians in which the Sub-Fund's assets are held as at 31 December 2022 and 2021.

Nikko AM China Onshore Bond Fund

	Credit rating as at 31 December 2022	Credit rating as at 31 December 2021
Bank and custodian		
- BNP Paribas, operating through its Singapore Branch	Aa3	A+
- Bank of China Limited	A1	A
Counterparties of forward foreign exchange contracts		
- Australia and New Zealand Bank	Aa3	AA-
- Goldman Sachs	A2	BBB+
- HSBC Bank	N.A	A-
- JP Morgan Chase & Company	A1	A-
- Standard Chartered Bank	A3	BBB+
Counterparty of futures contracts and interest rate swap contracts		
- BNP Paribas, operating through its Singapore Branch	Aa3	N.A

As at 31 December 2022, the credit ratings are based on Local Long-Term Bank Deposits from Moody's (2021: Long-Term Local Issuer Ratings from a well-known 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-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Sub-Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

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10. Financial risk management (continued)

(g) Fair value estimation

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

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

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2022 and 2021:

Nikko AM China Onshore Bond Fund

As at 31 December 2022	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	-	102,114,030	-	102,114,030
- Financial derivatives at fair value	-	930,054	-	930,054
	-	103,044,084	-	103,044,084
As at 31 December 2021				
	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	-	126,004,036	-	126,004,036
- Financial derivatives at fair value	-	1,030,249	-	1,030,249
	-	127,034,285	-	127,034,285
Liabilities				
Financial liabilities designated at fair value through profit or loss at inception:				
- Financial derivatives at fair value	-	260,258	-	260,258

Financial instruments that trade in markets that are not considered to be 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 investment-grade corporate bonds, government bonds issued in the PRC and over-the-counter derivatives.

Except for cash and cash equivalents and margin and collateral accounts which are classified as Level 1, the Sub-Fund's assets and liabilities not measured at fair value at 31 December 2022 and 2021 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

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11. Related party transactions

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

	Nikko AM China Onshore Bond Fund	
	2022 RMB	2021 RMB
Bank balances held with related party of the Trustee	580,859	9,747,610
Margin balances held with related party of the Trustee	803,957	-

12. Financial ratios

Nikko AM China Onshore Bond Fund

Expense ratio

		2022	2021
<u>RMB Class</u>			
Total operating expenses	RMB	1,542,204	1,782,216
Average daily net asset value	RMB	120,398,253	135,416,612
Total expense ratio¹	%	1.28	1.32

Turnover ratio

		2022	2021
Lower of total value of purchases or sales	RMB	141,940,199	248,154,773
Average daily net asset value	RMB	120,398,253	135,416,612
Total turnover ratio²	%	117.89	183.25

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 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-Fund does 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.

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REPORT TO UNITHOLDERS

For the financial year ended 31 December 2022

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

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 13 to 16.

2. Credit rating of debt securities

Nikko AM China Onshore Bond Fund

	Fair value at 31 December 2022 RMB	Percentage of total net assets attributable to unitholders at 31 December 2022 %
Aa3	1,999,730	1.96
A1	56,437,550	55.20
A2	1,051,753	1.03
A3	3,488,262	3.41
Baa1	8,009,706	7.83
Baa2	5,981,866	5.85
Baa3	2,411,283	2.36
Ba3	3,419,712	3.34
Not rated	17,687,478	17.31
Accrued interest receivables on quoted fixed income securities	1,626,690	1.59
Total	102,114,030	99.88

3. Top 10 holdings

Nikko AM China Onshore Bond Fund

10 largest holdings at 31 December 2022

	Fair value RMB	Percentage of total net assets attributable to unitholders %
China Government Bond 2.44% due 15/10/2027	9,919,400	9.70
CITIC Securities Company Limited 5.1% due 25/06/2025	5,231,205	5.12
Industrial & Commercial Bank of China Limited 4.15% due 21/01/2031	5,102,685	4.99
China Development Bank 3.3% due 03/03/2026	5,101,925	4.99
Bank of China Limited 4.5% due 31/12/2059	5,068,870	4.96
China Petroleum & Chemical Corporation 3.2% due 27/07/2026	5,016,875	4.91
State Grid Corporation of China 2.88% due 30/08/2027	4,925,405	4.82
China Construction Bank Corporation 4.2% due 14/09/2030	4,086,536	4.00
China Government Bond 3.01% due 13/05/2028	4,064,816	3.98
Agricultural Development Bank of China 2.61% due 09/03/2025	4,004,000	3.92

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 2022

3. Top 10 holdings (continued)

10 largest holdings at 31 December 2021	Fair value RMB	Percentage of total net assets attributable to unitholders %
China State Railway Group Company Limited 4.07% due 07/12/2035	10,666,150	8.01
Industrial & Commercial Bank of China Limited 4.15% due 21/01/2031	10,342,140	7.76
Bank of China Limited 4.5% due 31/12/2059	10,297,750	7.73
Chongqing Longhu Development Company Limited 4.5% due 15/07/2025	10,243,920	7.69
China Development Bank 3.41% due 07/06/2031	10,216,220	7.67
China Government Bond 2.68% due 21/05/2030	8,865,333	6.65
CITIC Securities Company Limited 5.1% due 25/06/2025	5,350,865	4.02
The Export-Import Bank of China 3.74% due 16/11/2030	5,227,030	3.92
China Government Bond 3.03% due 11/03/2026	5,090,995	3.82
China Government Bond 2.84% due 08/04/2024	5,046,585	3.79

4. Exposure to financial derivatives

	Fair value at 31 December 2022 RMB	Percentage of total net assets attributable to unitholders 31 December 2022 %	Unrealised gains RMB	Realised (losses)/gains RMB
Forward foreign exchange contracts	466,136	0.46	466,136	(3,042,660)
Futures contracts	75,080	0.07	75,080	706,797
Interest rate Swaps	388,838	0.38	388,838	87,073

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 arrangements;
- 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 year ended 31 December 2022

6. Collateral

Please refer to Note 8 of the Notes to the Financial Statements on page 25.

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 year ended 31 December 2022

Nikko AM China Onshore Bond Fund

RMB

Units created	4,800,992
Units cancelled	(27,325,400)

11. Turnover ratio

Please refer to Note 12 of the Notes to the Financial Statements on page 35.

12. Expense ratio

Please refer to Note 12 of the Notes to the Financial Statements on page 35.

13. Related party transactions

Please refer to Note 11 of the Notes to the Financial Statements on page 35.

14. Any other material information that will adversely impact the valuation of the Sub-Fund

Nil.

15. Soft dollar commissions/arrangements

In their management of the Sub-Fund, the Managers currently do not receive or enter into any soft dollar commissions or arrangements.

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