



**HAITONG RMB INVESTMENT FUND SERIES**

**- Haitong China RMB Income Fund**

**(A sub-fund of an open ended unit trust established  
as an umbrella fund under the laws of Hong Kong)**

**Interim Report**

**For the period from 1 January 2018 to 30 June 2018**

**(Unaudited accounts)**

HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND

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## HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND

### ADMINISTRATION AND MANAGEMENT

#### **Manager**

Haitong International Asset Management (HK) Limited  
22/F Li Po Chun Chambers  
189 Des Voeux Road  
Central  
Hong Kong

#### **Trustee and Registrar**

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

#### **Directors of the Manager**

Lo Wai Ho  
Sun Tong  
Yang Jianxin  
Chen Xuan (appointed on 1 February 2018)  
Poon Mo Yiu (appointed on 28 March 2018)  
Zhang Xinjun (resigned on 28 March 2018)

#### **Auditors**

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

#### **Solicitors to the Manager**

King & Wood Mallesons  
13/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

#### **Custodian**

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

#### **RQFII Local Custodian**

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

## HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND

### REPORT OF MANAGER

#### Fund Performance

In the first half of 2018, our fund's portfolio mainly focused on the bonds with high rated and short duration to reduce credit risk and interest rate risk exposure.

(A Class) The fund's total return in 1H2018 was 2.04%.

(I Class) The fund's total return in 1H2018 was 2.25%.

#### Market Review

In the first half of 2018, the return of CSI Credit Bond Index was 3.00% and the CSI Aggregate Bond Index rose by 3.02%. Overall, the yield curve of bond moved downward and steepened as short-end dropped more significantly.

Although the Purchasing Managers' Index (PMI) data corrected in January and February, it still stood above the expansion-contraction line, which indicated that China's economic activity remained stable at the beginning of the year. Meanwhile, during the National People's Congress in early March, the government's report once again mentioned that it will strengthen coordination in financial regulation and improve regulation over shadow banking, internet finance and financial holding companies, which signaled the central government's tolerance of slowing economic growth and de-leveraging was still a mid-to-long-term focus. The bond market kept consolidated from the beginning of the year to mid-March.

Trade tensions between China and the United States had heightened risk aversion, which made the yields for both China and the U.S. government bonds dropped significantly in April. More importantly, the tightening of bank credits had made it more difficult for enterprises to refinance and led several companies with poor cash flow to outbreak debt repayment crisis. The default events of credit bonds compelled investors to reduce their risk appetite, therefore the yield of government bonds and high-rated bonds move down significantly both in April and May.

#### Market Outlook

The GDP Annual Growth Rate recorded 6.8% and 6.7% in the first and second quarter respectively, which was at low level since the recent rebounded cycle. Looking forward, both tight regulation and on-going de-leveraging process may slow down the economic growth and bring more credit default pressure, which further may force policy-makers to readjust the current stance in the second half 2018.

Required Reserve Ratio (RRR) cut by Central Bank continued to support the bullish view for the government bonds at the end of June. If the economic data is unexpectedly worse than market expectation, we think the Central Bank would take more actions to stimulate and thus will support the bond market. In terms of credit bonds, the regulators (include the Central Bank, China Securities Regulatory Commission (CSRC) and China Banking Regulatory Commission (CBRC)) issued a series of supporting rules for the new regulations on asset management in mid-July, which were considered as good news for credit bonds. Among them, the tone has been changed now that non-standard bond assets can be invested in asset-management products and banks can determine the contraction and clean-up speed of old products independently. The market sentiment improved and yield of credit bond moved down significantly. However, although there will be more adjustment in the second half of 2018, we still believe the de-leveraging campaign will not be abandoned, thus some companies with fragile cash flow and high leverage may still face higher default risk, that's the reason we still hold cautious view for low rated credit bonds.

Overall, we believe the performances of bonds in different categories are likely to diverge in the second half of 2018. To overcome, our strategy is to overweight government/quasi government bonds and high rated bonds, and underweight low rated bonds.

Strategy: High grade, Government bond.

**HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**  
**Period ended 30 June 2018**

	<b>For the period from 1 January 2018 to 30 June 2018 RMB</b>	<b>Year ended 31 December 2017 RMB</b>
<b>INCOME</b>		
Dividend income	172,919	187,171
Interest income on financial assets at fair value through profit or loss	4,034,512	10,496,163
Interest income on bank deposits	43,435	141,764
Net gain/(loss) on financial assets at fair value through profit or loss	1,641,191	(6,162,690)
Foreign exchange differences, net	(410)	2,631
	<u>5,891,647</u>	<u>4,665,039</u>
<b>EXPENSES</b>		
Management fee	(893,733)	(2,145,860)
Trustee fee	(241,247)	(478,710)
Legal and other professional fee	(138,823)	(37,288)
Custodian fee	(65,897)	(155,395)
Auditors' remuneration	(99,144)	(251,036)
Brokerage fee and other transaction costs	(10,225)	(24,749)
Other expenses	(66,963)	(123,851)
	<u>(1,516,032)</u>	<u>(3,216,889)</u>
<b>Operating Profit</b>	4,375,615	1,448,150
<b>FINANCE COSTS</b>		
Distributions to holders of redeemable units	(312,961)	(7,317,609)
<b>Profit/(Loss) Before Tax</b>	4,062,654	(5,869,459)
Withholding Tax	190,148	(351,763)
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS DURING THE PERIOD</b>	<u>4,252,802</u>	<u>(6,221,222)</u>

**HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**As at 30 June 2018**

	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>RMB</b>	<b>RMB</b>
<b>ASSETS</b>		
Financial assets at fair value through profit or loss	184,473,561	193,011,644
Cash and cash equivalents	33,204,134	34,667,637
Interest receivable on debt securities	4,279,970	3,923,006
Interest receivable on bank deposits	1,922	2,505
Prepayments	18,038	15,066
<b>TOTAL ASSETS</b>	<u>221,977,625</u>	<u>231,619,858</u>
<b>LIABILITIES</b>		
Redemption proceeds payable	185,627	-
Management fee payable	141,725	148,928
Trustee fee payable	38,667	37,419
Distributions payable to unitholders (Note 4)	312,961	6,885,819
Other payables and accruals	209,609	294,582
Tax payable	13,609,613	14,740,034
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<u>14,498,202</u>	<u>22,106,782</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>207,479,423</u>	<u>209,513,076</u>
<b>TOTAL LIABILITIES</b>	<u>221,977,625</u>	<u>231,619,858</u>
<b>NUMBER OF UNITS IN ISSUE</b>		
- Class A units	312,961.48	380,093.81
- Class I units	1,665,727.02	1,665,727.02
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT</b>		
- Class A	93.83	92.93
- Class I	106.92	104.57

**HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)**  
**Period ended 30 June 2018**

	<b>Class A RMB</b>	<b>Class I RMB</b>	<b>Total RMB</b>
<b>As at 1 January 2017</b>	51,651,399	246,254,292	297,905,691
Subscription of redeemable units	62,830	120,999,856	121,062,686
Redemption of redeemable units	(15,563,855)	(187,670,224)	(203,234,079)
Decrease in net assets attributable to unitholders during the year	<u>(826,798)</u>	<u>(5,394,424)</u>	<u>(6,221,222)</u>
<b>As at 31 December 2017 and 1 January 2018</b>	35,323,576	174,189,500	209,513,076
Subscription of redeemable units	17,115	-	17,115
Redemption of redeemable units	(6,303,570)	-	(6,303,570)
Increase in net assets attributable to unitholders during the period	<u>330,322</u>	<u>3,922,480</u>	<u>4,252,802</u>
<b>As at 30 June 2018</b>	<u><u>29,367,443</u></u>	<u><u>178,111,980</u></u>	<u><u>207,479,423</u></u>

**HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2018**

**1 GENERAL**

Haitong RMB Investment Fund Series (the "Trust") was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to a trust deed dated 6 August 2010 (the "Trust Deed") between Haitong International Asset Management (HK) Limited (the "Manager") and BOCI-Prudential Trustee Limited (the "Trustee").

The Trust consists of two sub-funds, namely Haitong Global RMB Fixed Income Fund and Haitong China RMB Income Fund, as at 30 June 2018.

Haitong China RMB Income Fund (the "Sub-fund") was constituted as a separate sub-fund of the Trust on 17 February 2012. The Sub-Fund is an open-ended unit trust and is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code"). SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Haitong China RMB Income Fund seeks capital growth and income in RMB terms through investment in a diversified portfolio consisting primarily of RMB denominated and settled debt instruments.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest RMB except where otherwise indicated.

The accounting policies and methods of computation used in the preparation of these Interim Financial Statements are consistent with those used in the Annual Financial Statements for the year ended 31 December 2017.



**HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2018**

**3 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>RMB</b>	<b>RMB</b>
Net assets attributable to unitholders (per financial statements)	<u>207,479,423</u>	<u>209,513,076</u>

**4 DISTRIBUTION**

The interim dividend distribution was RMB 1.00 per Class A unit on 312,961.48 Class A units. The Sub-Fund declared dividend on 14 June 2018 and dividend was paid on 11 July 2018.

**HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND**  
**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**  
**For the period ended 30 June 2018**

	<b>As at 30 June 2018 % of net asset value</b>	<b>As at 31 December 2017 % of net asset value</b>
<b><u>LISTED DEBT SECURITIES</u></b>		
<i>China</i>		
<b>Denominated in RMB</b>	7.25%	7.65%
<b><u>COLLECTIVE INVESTMENT SCHEMES</u></b>		
<i>China</i>		
<b>Denominated in RMB</b>	2.54%	2.43%
<b><u>UNLISTED DEBT SECURITIES</u></b>		
<i>China</i>		
<b>Denominated in RMB</b>	81.19%	83.91%
Total listed / quoted investments	90.98%	93.99%
Other net assets / liabilities	9.02%	6.01%
Total net assets	100.00%	100.00%

**HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND  
PERFORMANCE TABLE (UNAUDITED)**

Published net assets attributable to unitholders  
(Calculated in accordance with the Sub-Fund's Trust Deed)

	<b>Net assets attributable to unitholders per unit RMB</b>	<b>Net assets attributable to unitholders RMB</b>
As at 30 June 2018		
- Class A	93.83	29,367,443
- Class I	106.92	178,111,980
As at 31 December 2017		
- Class A	92.93	35,323,576
- Class I	104.57	174,189,500

Highest issue price and lowest redemption price per unit

	<b>Highest issue price per unit RMB</b>	<b>Lowest redemption price per unit RMB</b>
Period ended 30 June 2018		
- Class A	95.07	93.03
- Class I	107.11	104.68
Period ended 31 December 2017		
- Class A	94.89	92.93
- Class I	108.77	104.57

**HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND  
INVESTMENT PORTFOLIO (UNAUDITED)**

As at 30 June 2018

	<u>Holding/ Nominal Value</u>	<u>Market Value RMB</u>	<u>Accrued Interest RMB</u>	<u>% of net asset</u>
<b><u>LISTED DEBT SECURITIES</u></b>				
<i>China</i>				
<b>Denominated in RMB</b>				
YUNNAN HIGHWAY DEVELOPMENT AND INVESTMENT CO LTD 7% A 24APR2020	150,000	14,850,000	192,740	7.25%
<b>Total listed debt securities</b>		<u>14,850,000</u>	<u>192,740</u>	<u>7.25%</u>
<b><u>COLLECTIVE INVESTMENT SCHEMES</u></b>				
<i>China</i>				
<b>Denominated in RMB</b>				
FORTUNE SGAM XIANJIN TIANYI MONEY MARKET FUND	52,680	5,268,211	-	2.54%
<b>Total collective investment schemes</b>		<u>5,268,211</u>	<u>-</u>	<u>2.54%</u>
<b><u>UNLISTED DEBT SECURITIES</u></b>				
<i>China</i>				
<b>Denominated in RMB</b>				
BBMG CORP 5.8% A 15OCT2018	100,000	10,033,890	409,973	5.03%
BRIGHT FOOD GROUP CO LTD 3.45% A 03MAY2019	100,000	9,920,780	54,822	4.81%
CHINA DEVELOPMENT BANK CORP 2.96% A 18FEB2021	200,000	19,447,560	214,093	9.49%
CHINA DEVELOPMENT BANK CORP 3.74% A 10SEP2025	100,000	9,632,620	300,225	4.79%
CHINA MINMETALS CO LTD 4.03% A 14SEP2018	100,000	9,986,290	319,088	4.97%
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD 3.25% A 24JUN2019	200,000	19,756,000	10,685	9.53%
CHINA THREE GORGES CORP 4.3% A 24JUL2018	100,000	10,000,180	401,726	5.01%
HENGAN INTL GROUP CO LTD 3.24% A 06SEP2019	100,000	9,777,630	263,638	4.84%
MA'ANSHAN CIHU HIGH TECHNOLOGY DEVELOPMENT ZONE INVESTMENT CO LTD	200,000	16,115,740	882,805	8.19%
POLY REAL ESTATE GROUP CO LTD 4.7% A 13FEB2020	100,000	9,994,560	176,411	4.90%
SHENZHEN EXPRESSWAY CO LTD 3.95% A 18AUG2018	100,000	9,993,920	341,973	4.98%
WHARF HLDGS LTD 3.1% A 14OCT2019	100,000	9,747,280	219,972	4.80%
ZHEJIANG GEELY HLDG GROUP CO LTD 3.48% A 14MAR2019	100,000	9,915,500	102,970	4.83%
ZIJIN MINING GROUP CO LTD 5.7% A 24OCT2018	100,000	10,033,400	388,849	5.02%
<b>Total unlisted debt securities</b>		<u>164,355,350</u>	<u>4,087,230</u>	<u>81.19%</u>
<b><u>TOTAL NET ASSETS</u></b>				
<b>Denominated in RMB</b>				
Collective investment schemes (Cost: RMB 5,268,183)		5,268,211		2.54%
Total debt securities (Cost: RMB 180,590,994)		183,485,320		88.44%
Total investment portfolio (Cost: RMB 185,859,177)		<u>188,753,531</u>		<u>90.98%</u>
Cash and cash equivalents		33,204,134		16.00%
Other net liabilities		(14,478,242)		-6.98%
<b>Total net assets</b>		<u>207,479,423</u>		<u>100.00%</u>

Note: Investments are accounted for on a trade-date basis.