



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 2019 to 30 June 2019

(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
Poon Mo Yiu

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 2019, 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 1H2019 was 1.17%.

(I Class) The fund's total return in 1H2019 was 1.38%.

Market Review

In the first half of 2019, the return of CSI Credit Bond Index (total price) rose by 2.25% while the CSI Aggregate Bond Index (total price) made -0.32%. Overall, the yield curve of government bond fluctuated sideways while that of credit bond moved downward and steepened as short-end dropped more significantly.

Better than expected economic data in March and April led investor lower monetary easing expectation, resulted in significant increase in the yield. In June, due to Baoshang Bank incident, the transfer of funds from large banks to small and medium-size banks was obstructed. The liquidity of those banks was in crisis, forced the Central Bank to release sufficient liquidity, which further made short-term bonds and high-rated credit bonds perform better. Meanwhile, the default incidents of low and medium-rated private enterprises still occurred in the first half of 2019, which lowered the investors' risk appetite and led to a concentration of trading in mid to high-grade bonds.

The GDP Annual Growth Rate recorded 6.4% and 6.2% in the first and second quarter respectively, slowed down from the whole year growth in 2018 but still in the range of government target 6.0% to 6.5%. For China Official Manufacturing Purchasing Manager index (PMI), there were 4 months below expansion-contraction line in the first half of 2019, which showed that overall economic activities were weak. On inflation side, influenced by the extreme precipitation weather and pig plague, YoY growth of CPI kept increasing and recorded 2.7% in June, reached the peak in the past 16 months.

Market Outlook

Looking forward to the second half of the year, we think both exogenous factors and the domestic economy growth will support the onshore bond market.

On domestic side, although the social and fixed asset investment has improved recently, the PMI data is still located below the expansion-contraction line. Considering that the policy for real estate industry keeps strictly regulated, the overall downward pressure on the economy is still relatively severe. At the same time, most investors expects the inflation will drop to normal level in the second half of the year, which formed favorable conditions for the potential easing monetary policy.

For the oversea markets, the United States has a high probability of launching preventive interest rate cuts and most regions around the world have cut interest rates before U.S taking actions. At present, the 10-year bond yield is hovering at 2.06%, and the spread of 10-year government bond between China and the US largely increased from the beginning of the year of 55bps to 121bps at the end of June, which will also support the domestic bond market.

Overall, we believe the performances of bonds in different categories are likely to diverge in the second half of 2019. 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 2019

	For the period from 1 January 2019 to 30 June 2019 RMB	Year ended 31 December 2018 RMB
INCOME		
Dividend income	68,017	248,441
Interest income on financial assets at fair value through profit or loss	3,902,589	8,010,570
Interest income on bank deposits	42,290	91,010
Net gain on financial assets at fair value through profit or loss	237,709	4,140,186
Foreign exchange differences, net	(865)	(12,926)
	<u>4,249,740</u>	<u>12,477,281</u>
EXPENSES		
Management fee	(862,742)	(1,783,219)
Trustee fee	(241,204)	(478,710)
Legal and other professional fee	(125,770)	(353,942)
Custodian fee	(64,024)	(130,956)
Auditor's remuneration	(125,829)	(222,184)
Brokerage fee and other transaction costs	(5,810)	(27,575)
Other expenses	(87,701)	(138,361)
	<u>(1,513,080)</u>	<u>(3,134,947)</u>
Operating Profit	2,736,660	9,342,334
FINANCE COSTS		
Distributions to unitholders	(256,629)	(7,258,866)
Gain Before Tax	2,480,031	2,083,468
Withholding Tax	(10,712)	431,718
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS DURING THE PERIOD	<u>2,469,319</u>	<u>2,515,186</u>

HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND
STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2019

	30 June 2019	31 December 2018
	RMB	RMB
ASSETS		
Financial assets at fair value through profit or loss	184,097,635	193,389,106
Cash and cash equivalents	27,904,846	26,012,667
Interest receivable on debt securities	4,863,797	4,192,367
Interest receivable on bank deposits	1,651	1,079
Prepayments	20,724	13,326
TOTAL ASSETS	<u>216,888,653</u>	<u>223,608,545</u>
LIABILITIES		
Redemption proceeds payable	9,371	-
Management fee payable	132,123	136,970
Trustee fee payable	37,333	36,129
Distributions payable to unitholders (Note 4)	256,629	6,945,904
Other payables and accruals	311,372	300,121
Tax payable	13,304,053	13,297,195
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)	<u>14,050,881</u>	<u>20,716,319</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>202,837,772</u>	<u>202,892,226</u>
TOTAL LIABILITIES	<u>216,888,653</u>	<u>223,608,545</u>
NUMBER OF UNITS IN ISSUE		
- Class A units	256,629.27	282,996.33
- Class I units	1,665,727.02	1,665,727.02
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT		
- Class A	95.15	95.04
- Class I	107.11	105.65

HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)
Period ended 30 June 2019

	Class A RMB	Class I RMB	Total RMB
As at 1 January 2018	35,323,576	174,189,500	209,513,076
Subscription of redeemable units	30,912	-	30,912
Redemption of redeemable units	(9,166,948)	-	(9,166,948)
Increase in net assets attributable to unitholders during the year	708,712	1,806,474	2,515,186
As at 31 December 2018 and 1 January 2019	26,896,252	175,995,974	202,892,226
Subscription of redeemable units	13,873	-	13,873
Redemption of redeemable units	(2,537,646)	-	(2,537,646)
Increase in net assets attributable to unitholders during the period	46,812	2,422,507	2,469,319
As at 30 June 2019	<u>24,419,291</u>	<u>178,418,481</u>	<u>202,837,772</u>

HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2019

Notes to the Financial Statements

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 2019.

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 2018.

HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2019

3 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	30 June 2019	31 December 2018
	RMB	RMB
Net assets attributable to unitholders (per financial statements)	<u>202,837,772</u>	<u>202,892,226</u>

4 DISTRIBUTION

The interim dividend distribution was RMB 1.00 per Class A unit on 256,629.27 Class A units. The Sub-Fund declared dividend on 20 June 2019 and dividend was paid on 10 July 2019.

HAITONG RMB INVESTMENT FUND SERIES - HAITONG CHINA RMB INCOME FUND
 STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
 For the period ended 30 June 2019

	As at 30 June 2019 % of net asset value	As at 31 December 2018 % of net asset value
<u>LISTED DEBT SECURITIES</u>		
<i>China</i>		
Denominated in RMB	7.67%	7.95%
<u>COLLECTIVE INVESTMENT SCHEMES</u>		
<i>China</i>		
Denominated in RMB	2.67%	2.63%
<u>UNLISTED DEBT SECURITIES</u>		
<i>China</i>		
Denominated in RMB	82.82%	86.80%
Total listed / quoted investments	93.16%	97.38%
Other net assets / liabilities	6.84%	2.62%
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)

	Net assets attributable to holders of redeemable units per unit RMB	Net assets attributable to holders of redeemable units RMB
As at 30 June 2019		
- Class A	95.15	24,419,291
- Class I	107.11	178,418,481
As at 31 December 2018		
- Class A	96.04	27,179,248
- Class I	109.65	182,658,882

Highest issue price and lowest redemption price per unit

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
Year ended 30 June 2019		
- Class A	96.15	95.14
- Class I	107.11	105.77
Year ended 31 December 2018		
- Class A	96.04	93.03
- Class I	109.65	104.68

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

As at 30 June 2019

	Holding/ Nominal Value	Market Value RMB	Accrued Interest RMB	% of net asset
LISTED DEBT SECURITIES				
<i>China</i>				
Denominated in RMB				
YUNNAN HIGHWAY DEVELOPMENT AND INVESTMENT CO LTD 7% A 24APR2020	150,000	15,360,000	189,863	7.67%
Total listed debt securities		<u>15,360,000</u>	<u>189,863</u>	<u>7.67%</u>
COLLECTIVE INVESTMENT SCHEMES				
<i>China</i>				
Denominated in RMB				
FORTUNE SGAM XIANJIN TIANYI MONEY MARKET FUND	54,117	5,412,025	-	2.67%
Total collective investment schemes		<u>5,412,025</u>	<u>-</u>	<u>2.67%</u>
UNLISTED DEBT SECURITIES				
<i>China</i>				
Denominated in RMB				
ALUMINUM CORP OF CHINA 5.38% A 16JUN2020	100,000	10,184,990	19,109	5.03%
ANSHAN IRON & STEEL GROUP CO LTD 4.08% A 10SEP2019	100,000	10,022,140	326,400	5.10%
BAOSHAN IRON & STEEL CO LTD 3.69% A 24JAN2022	100,000	9,997,380	157,710	5.01%
CHINA DEVELOPMENT BANK CORP 2.96% A 18FEB2021	200,000	19,963,220	212,471	9.95%
CHINA DEVELOPMENT BANK CORP 3.74% A 10SEP2025	100,000	10,014,020	299,200	5.08%
CHINA MINMETALS CO LTD 5.3% A 24SEP2019	100,000	10,053,730	403,671	5.16%
CHINA NATIONAL BUILDING MATERIAL CO LTD 4.05% A 19NOV2021	100,000	10,084,030	246,329	5.09%
CHINA VANKE CO LTD 4.03% A 15NOV2021	100,000	10,078,510	249,529	5.09%
LONGFOR GROUP HLDGS LTD 4.8% A 21JUL2020	100,000	10,111,500	451,069	5.21%
MA'ANSHAN CIHU HIGH TECHNOLOGY DEVELOPMENT ZONE INVESTMENT CO LTD	200,000	12,345,020	659,852	6.41%
OVERSEAS CHINESE TOWN ENTERPRISES CO LTD 4.07% A 03AUG2021	100,000	10,090,620	367,973	5.16%
POLY REAL ESTATE GROUP CO LTD 4.7% A 13FEB2020	100,000	10,092,550	175,123	5.06%
SHOUGANG GROUP CO LTD 4.49% A 10AUG2021	100,000	10,152,540	397,334	5.20%
WHARF HLDGS LTD 3.1% A 14OCT2019	100,000	9,993,590	219,123	5.03%
YANKUANG GROUP CO LTD 5% A 07JUL2020	100,000	10,141,770	489,041	5.24%
Total unlisted debt securities		<u>163,325,610</u>	<u>4,673,934</u>	<u>82.82%</u>
TOTAL NET ASSETS				
Denominated in RMB				
Collective Investment Scheme (Cost: RMB 5,411,883)		5,412,025		2.67%
Total debt securities (Cost: RMB 178,077,574)		183,549,407		90.49%
Total Investment Portfolio (Cost: RMB 183,489,457)		<u>188,961,432</u>		<u>93.16%</u>
Cash and cash equivalents		27,904,846		13.76%
Other net liabilities		(14,028,506)		-6.92%
Total net assets		<u>202,837,772</u>		<u>100.00%</u>

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