

ASX Announcement

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Manager
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Announcement No: 23/2014

AMP Capital China Growth Fund (ASX: AGF)

Appendix 4D and Half Year Financial Report

AMP Capital Funds Management Limited, the Responsible Entity for the AMP Capital China Growth Fund (the Fund), is pleased to release the Fund's financial report and Appendix 4D for the half year ended 30 June 2014.

The attached documents comprise the information required by ASX Listing Rule 4.2A, and should be read in conjunction with the most recent annual financial report for the Fund, being the annual financial report for the year ended 31 December 2013. Performance figures are annualised for periods of one year or more.

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AMP Capital China Growth Fund
APPENDIX 4D
HALF YEAR FINANCIAL RESULTS

1. Details of the reporting period

Current period: 1 January 2014 to 30 June 2014

Previous corresponding period: 1 January 2013 to 30 June 2013

Balance date: 30 June 2014

2. Results for announcement to the market

Financial results information for AMP Capital China Growth Fund ("Fund")			
	June 2014	June 2013 (restated)	% change
	A\$'000	A\$'000	
(Decrease) / Increase in net assets attributable to unitholders	(55,720)	26,156	N/A
Total investment (loss) / income	(55,379)	26,654	N/A
Net (loss) / profit attributable to unitholders before distributions	(55,720)	26,156	N/A
<p>Due to the activities of the Fund, the most relevant measure of financial performance of the Fund is change in net assets attributable to unitholders; total investment income is the most relevant measure of revenue from ordinary activities; net profit / (loss) attributable to unitholders before distributions is the most relevant measure of profit / (loss) from ordinary activities after tax attributable to members.</p> <p>The decrease in net assets attributable to unitholders of \$55,720,000 (2013: \$26,156,000 increase) was a result of:</p> <ul style="list-style-type: none"> • net loss from changes in the fair value of China A shares of \$36,582,000 (2013: net loss of \$13,950,000); • foreign exchange loss on translation of China A shares \$18,183,000 (2013: gain of \$41,002,000); • dividend income from China A shares of \$4,565,000 (2013: \$3,316,000); and • net loss on Hong Kong shares and other Fund investment income and expenses of \$5,520,000 (2013: net loss of \$4,212,000). 			
Distributions payable to unitholders of AMP Capital China Growth Fund			
A distribution has not been declared and it is not proposed to pay a distribution in respect of the half year period.			

3. Net tangible assets per security

	30 June 2014	31 December 2013
Net assets value at the end of the reporting period	\$0.84	\$0.99

Net assets value per unit is the same as net tangible assets per security.

4. Control gained or lost over entities during the period

None.

5. Details of distributions

A distribution of \$7,037,720 (\$0.01922 per unit) was paid to unitholders of AMP Capital China Growth Fund unitholders on 26 March 2014 for the year from 1 January 2013 to 31 December 2013.

A cash distribution of \$474,427 was paid, and the remaining \$6,563,293 (\$6,491,098 net of withholding tax) was reinvested into additional units in the Fund under the distribution reinvestment plan ("DRP").

The estimated Australian sourced income is \$9,725 (\$0.00003 per unit), and the remaining \$7,027,995 (\$0.01919 per unit) is foreign sourced income.

6. Details of distribution reinvestment plan ("DRP")

The terms of the Fund's DRP are set out in Section 12 of the Product Disclosure Statement for the Fund dated 20 November 2006. Under the DRP, for eligible investors, 100 per cent of distributions will be reinvested in additional units unless the investor elected to receive a partial cash distribution before the Record Date. All units issued under the DRP will rank equally with units previously issued.

Investors from any jurisdiction outside of Australia, New Zealand, Hong Kong or Singapore may not participate in the DRP and will receive a full cash distribution.

7. Details of associates and joint venture entities

The Fund did not have any interest in associates or joint venture entities during the current reporting period.

8. Accounting standards used by foreign entities

The Controlled Entity of the Fund, a company incorporated in Mauritius complies with the International Financial Reporting Standards.

9. Qualification of audit / review

The financial report is not subject to review qualification.

AMP CAPITAL CHINA GROWTH FUND

ARSN 122 303 744

**DIRECTORS' REPORT AND FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2014**

**AMP Capital Funds Management Limited
33 Alfred Street
Sydney NSW 2000
ACN 159 557 721**

AMP CAPITAL CHINA GROWTH FUND

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AMP CAPITAL CHINA GROWTH FUND

DIRECTORS' REPORT

The Directors of AMP Capital Funds Management Limited (ABN 15 159 557 721) (the "Responsible Entity") present their report together with the Financial Report of AMP Capital China Growth Fund (the "Fund" or the "parent entity") for the half year ended 30 June 2014.

The financial statements of the Fund are for the parent entity only. Following changes in Australian Accounting Standards, the Fund is precluded from presenting consolidated financial statements effective from 1 January 2014. This change has resulted in restatement of certain prior period comparative information (refer Note 1(a) to the financial statements) which were previously presented in the parent entity financial statements. Parent entity information was included in the notes of the most recent annual Financial Report. Supplementary information about the Fund's investments in China A shares including sector allocations and twenty largest stock positions is also provided in the June 2014 Quarterly Report.

Directors

The Directors of the Responsible Entity during the half year and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

- Stephen Dunne
- Sharon Davis
- Margaret Payn
- Peter Sipek resigned 17 June 2014

Fund Information

The Fund is an Australian Registered Scheme. AMP Capital Funds Management Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at 33 Alfred St, Sydney NSW 2000.

Principal Activity

The principal activity of the Fund during the half year was the investment in China A shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges via the Fund's wholly-owned controlled entity, a company incorporated in Mauritius. There has been no significant change in the nature of this activity during the half year.

The Investment Manager holds a Qualified Foreign Institutional Investor (QFII) Licence which permits the Fund to invest in China A shares.

Review of Results and Operations

The performance of the Fund, for the half year ended 30 June 2014, was as follows:

	For the half year ended 30 June 2014	For the half year ended 30 June 2013 (restated)
	\$'000	\$'000
(Decrease) / increase in net assets attributable to unitholders	(55,720)	26,156
Total investment (loss) / income	(55,379)	26,654
Net (loss) / profit attributable to unitholders before distributions	(55,720)	26,156

The comparative information has been restated from previous parent entity financial statements.

The movement in the fair value of China A shares and investment income from China A shares are set out in Note 6 to the financial statements.

Distributions

Under the provisions of the Fund Constitution, the Fund has not declared a distribution during the half year ended 30 June 2014 (30 June 2013: nil). The Fund declared a distribution of \$7,037,720 for the financial year ended 31 December 2013. For this distribution, a cash distribution of \$474,427 was paid on 26 March 2014, and the remaining \$6,563,293 (\$6,491,098 net of withholding tax) was reinvested in additional units in the Fund through the distribution reinvestment plan (DRP).

AMP CAPITAL CHINA GROWTH FUND

DIRECTORS' REPORT (continued)

Financial Position and Net Asset Value Per Unit

The financial position and net asset value per unit of the Fund as at the end of the period was as follows:

	30 June 2014	31 December 2013 (restated)
	\$'000	\$'000
Net assets attributable to unitholders	312,884	362,113
Net asset value per unit	0.84	0.99

The comparative information has been restated from previous parent entity financial statements. The restated balance of net assets attributable to unitholders is the same as the corresponding balance presented in the 31 December 2013 consolidated annual Financial Report.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Fund during the half year.

Significant Events After the Balance Date

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the half year that has significantly affected or may significantly affect the operations of the Fund, the results of its operations or its state of affairs, which is not already reflected in the Financial Report.

The benchmark index, S&P/CITIC 300 Total Return Index, has increased by 8.9% between 30 June 2014 and 22 August 2014 (the latest index close).

Likely Developments and Expected Results

The Fund will continue to maintain its investment strategy as outlined in section 4 of the Product Disclosure Statement for the Fund dated 20 November 2006. There are no significant developments expected in respect of the Fund, except as stated below. The performance of the Fund in the future will be subject to movements in the underlying investment markets.

On 10 April 2014, the China Securities Regulatory Commission and the Securities and Futures Commission announced in-principle approval of Shanghai-Hong Kong Stock Connect, a pilot program to provide greater access to stock trading between Shanghai and Hong Kong. The program will allow eligible investors, for the first time, to trade eligible stocks directly between the Shanghai Stock Exchange and the Stock Exchange of Hong Kong. A formal launch of the program is expected in October 2014.

Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the half year ended 30 June 2014.

Rounding

The amounts contained in this report and in the Financial Report have been rounded under the option available to the Fund under ASIC Class Order 98/100. The Fund is an entity to which the class order applies and, in accordance with the class order, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars (where rounding is appropriate).

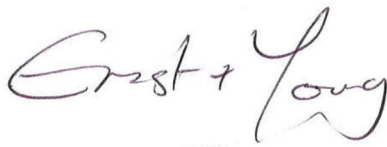
Signed in accordance with a resolution of the Directors:



Stephen Dunne
Chairman
Sydney, 25 August 2014

Auditor's Independence Declaration to the Directors of AMP Capital Funds Management Limited

In relation to our review of the financial report of AMP Capital China Growth Fund for the half-year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Darren Handley-Greaves
Partner
25 August 2014

AMP CAPITAL CHINA GROWTH FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2014

		30 June 2014	30 June 2013
	Notes	\$'000	(restated) \$'000
INVESTMENT INCOME			
Net changes in the fair value of financial instruments measured at fair value through profit or loss		(61,039)	21,447
Dividend income – Hong Kong Equities		11	40
Interest income – Loan advances to controlled entity		5,782	5,052
Interest income – bank interest		2	10
Foreign exchange (loss) / gain		(135)	105
Total investment (loss) / income		(55,379)	26,654
EXPENSES			
Responsible Entity fee		(38)	(75)
Custodian fee		(17)	(10)
Share registry fee		(37)	(40)
ASX fee		(70)	(29)
Accounting service fee		(75)	-
Auditor's remuneration	4	(26)	(26)
Other expenses		(42)	(5)
Total operating expenses		(305)	(185)
NET (LOSS) / PROFIT ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS		(55,684)	26,469
Finance costs on external borrowings facility		(36)	(313)
Net (loss) / profit attributable to unitholders before distributions		(55,720)	26,156
Finance costs – distributions to unitholders		-	-
NET (LOSS) / PROFIT ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS		(55,720)	26,156
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
(DECREASE) / INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		(55,720)	26,156
Earnings per unit (EPU)			
EPU based on the weighted average number of ordinary units			
Basic earnings per unit	2	(\$0.150)	\$0.072
Diluted earnings per unit	2	(\$0.150)	\$0.072

AMP CAPITAL CHINA GROWTH FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		30 June 2014	31 December 2013 (restated)	1 January 2013 (restated)
	Notes	\$'000	\$'000	\$'000
ASSETS				
Cash and cash equivalents		362	1,718	299
Receivables and other assets		2,891	2,954	2,403
Financial instruments measured at fair value through profit or loss:				
Hong Kong equities		1,020	733	2,879
Investment in controlled entity	6	160,826	211,104	174,264
Loan advances to controlled entity	7	148,467	153,147	131,755
TOTAL ASSETS		313,566	369,656	311,600
LIABILITIES				
Payables		674	497	410
Distribution payable		8	7,046	8,348
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		682	7,543	8,758
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		312,884	362,113	302,842

AMP CAPITAL CHINA GROWTH FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Notes	Units on issue \$'000	Retained profits / (accumulated losses) \$'000	Total \$'000
Balance at 31 December 2013 (as previously reported)		353,613	(22,965)	330,648
Transition adjustment due to adoption of AASB 2013-5	5	-	31,465	31,465
Balance at 1 January 2014 (restated)		353,613	8,500	362,113
Net loss attributable to unitholders before distributions		-	(55,720)	(55,720)
Distribution to unitholders		-	-	-
Distributions reinvested		6,491	-	6,491
Balance at 30 June 2014		360,104	(47,220)	312,884

	Notes	Units on issue \$'000	Retained profits / (accumulated losses) \$'000	Total \$'000
Balance at 31 December 2012 (as previously reported)		346,866	(44,024)	302,842
Transition adjustment due to adoption of AASB 2013-5	5	-	-	-
Balance at 1 January 2013		346,866	(44,024)	302,842
Net profit attributable to unitholders before distributions (restated)		-	26,156	26,156
Distribution to unitholders		-	-	-
Distributions reinvested		6,747	-	6,747
Balance at 30 June 2013 (restated)		353,613	(17,868)	335,745

AMP CAPITAL CHINA GROWTH FUND
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends received	11	40
Responsible Entity fee paid	-	(75)
Payments for other expenses (inclusive of GST)	(127)	(126)
Payments for purchases of Hong Kong equities	(1,199)	(11,773)
Proceeds from sales of Hong Kong equities	572	8,457
Net cash outflow from operating activities	(743)	(3,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional loan advanced to controlled entity	-	(131)
Repayment of loan advanced to controlled entity	-	6,151
Net cash inflow from investing activities	-	6,020
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs on external borrowings facility	(36)	(313)
Proceeds from interest bearing liabilities	-	5,000
Repayment of interest bearing liabilities	-	(5,000)
Cash distribution paid	(475)	(1,499)
Withholding tax on distributions reinvested	(72)	(93)
Net cash outflow from financing activities	(583)	(1,905)
Net (decrease) / increase in cash and cash equivalents held	(1,326)	638
Cash and cash equivalents at the beginning of the period	1,718	299
Net foreign exchange differences	(30)	(38)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	362	899

AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current half year and the comparative period, unless otherwise stated. The accounting policies of the Fund are consistent with those of the most recent annual Financial Report, with the exception of the application of new Australian Accounting Standards as set out below. Where necessary, comparative information has been restated or reclassified to be consistent with current period disclosures.

(a) Basis of Preparation

This general purpose Financial Report has been prepared in accordance with the Fund Constitution and with the requirements of the Corporations Act 2001 (Cth) and AASB 134 "Interim Financial Reporting". The Fund is a for-profit entity for the purposes of preparing Financial Statements. The Financial Report also complies with International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board (IASB).

The half year Financial Report does not include all notes of the type normally included within the annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Fund as that given by the annual Financial Report. As a result, this Financial Report should be read in conjunction with the most recent annual Financial Report of the Fund and any public announcement in respect of the Fund during the half year.

The Financial Report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. Certain assets and liabilities may not be settled within 12 months, in particular investment in controlled entity, loan advances to controlled entity and net assets attributable to unitholders. Given the nature of the Fund, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

The financial statements of the Fund for the half year ended 30 June 2014 are for the parent entity only. Effective from 1 January 2014 the Fund is precluded from presenting consolidated financial statements under Australian Accounting Standards.

Changes in Australian Accounting Standards

The Fund has adopted all mandatory standards and amendments for the financial year beginning on or after 1 January 2014. Adoption of these standards and amendments has impacted the Fund's financial position or performance and also the Financial Report disclosures as described below:

AASB 2013-5 "Amendments to Australian Accounting Standards – Investment Entities"

This standard provides an exception to the consolidation requirement and is mandatory for entities that meet the definition of an "investment entity". The exception to consolidation requires investment entities to account for their investments in controlled entities at fair value through profit or loss. In accordance with the transitional provisions of this standard, the Fund has applied this standard retrospectively.

Adoption of this standard has impacted the Fund's financial position and performance, as investment in controlled entity and loan advances to controlled entity which were previously recognised at cost are now recognised at fair value and consolidated financial statements are no longer prepared. The consequential changes to the accounting policies of the Fund are disclosed at Note 1(b) and (c). Refer to Note 5 for details of the impact of adopting this standard.

Australian Accounting Standards early adopted

AASB 9 "Financial Instruments"

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Fund elected to early adopt this standard from 1 January 2011. This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.

On 20 December 2013, the AASB issued AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments ("AASB 2013-9") to include the new hedge accounting requirements. This has not been adopted by the Fund. It is not expected to have any impact on the Fund's financial position or performance.

AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial Instruments Measured at Fair Value through Profit or Loss

The following financial instruments have been designated as 'financial instruments measured at fair value through profit or loss' and are accounted for in the Fund's financial statements at fair value. Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net change in fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Investment in controlled entity and loan advances to controlled entity

A controlled entity is an entity over which the Fund exercises control. Control is achieved when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The fair value of loan advances to controlled entity and investment in controlled entity, in combination is determined by the Investment Manager using the fair value of the underlying investments in China A shares together with certain tax inputs and assumptions (refer Note 8(c)) and the underlying working capital held by the controlled entity. The fair value of China A shares is determined by reference to the bid price of the security, as quoted on its primary exchange at balance date. The aggregated nominal amount of underlying working capital approximates its fair value.

The fair values of these instruments are based on their respective rights and rankings. Loan advances to a controlled entity typically rank ahead of investment in a controlled entity and the fair value of these loan advances is determined by the Investment Manager using discounted cash flow techniques based on their respective contractual cashflows. The discount rate used is a market rate applicable for an instrument with similar terms, credit ratings and conditions as at the balance date.

Investment in controlled entity is valued at the residual value after deducting the loan advances to controlled entity value. If the combined fair value is lower than the loan advances to controlled entity value, the combined fair value is deemed to be the fair value of the loan advances to controlled entity and the value of the investment in controlled entity is deemed to be nil.

Investment in Hong Kong Equities

These investments are equities listed on the Hong Kong stock exchange. Equities listed on the Hong Kong stock exchange are held for working capital. These investments are financial assets and are recognised using the trade date accounting method. The fair value of a listed equity security is determined by reference to the bid price of the security, as quoted on its primary exchange at balance date.

(c) Significant Accounting Estimates, Judgements and Assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in the light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

Investment entity exception

An investment entity is an entity that:

- (a) obtains funds from one or more unitholders for the purpose of providing the unitholder(s) with investment management services;
- (b) commits to its unitholder(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

Typical characteristics of an investment entity include:

- (i) it has more than one investment;
- (ii) it has more than one unitholder;
- (iii) it has unitholders that are not related parties of the entity; and
- (iv) it has ownership interests in the form of equity or similar interests.

This Fund has been determined to be an investment entity notwithstanding that some of the unitholders are related parties. All transactions between the Fund and its related parties are at market value and on normal commercial terms and conditions. This includes purchases and sales of financial instruments as well as applications of units. As such, the related parties do not transact with the Fund on terms that are unavailable to other unitholders therefore this does not preclude the Fund from meeting the definition of an investment entity.

AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Significant Accounting Estimates, Judgements and Assumptions (continued)

Fair value measurement of investment in controlled entity

The estimation process for determining the fair value of the investment in controlled entity is as described in Note 1(b).

Fair value measurement of loan advances to controlled entity

The estimation process for determining the fair value of loan advances to controlled entity is as described in Note 1(b).

Fair value measurement of investments in Hong Kong Equities

The estimation process for determining the fair value of listed equity securities is as described in Note 1(b).

(d) Investment Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Dividend income

Dividend income is derived from investments in Hong Kong equities. They are recognised as income on the date the share is quoted ex-dividend with any related foreign withholding tax recorded as a tax expense.

Distribution income

Distribution income from investment in controlled entity is recognised as income when declared.

Interest income

Interest income earned on loan advances to controlled entity and cash and cash equivalents is recognised on an accruals basis.

Net changes in the fair value of financial instruments measured at fair value through profit or loss

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

(e) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Fund will not be able to collect the debts. Bad debts are written off when identified, less any allowance for doubtful debts. Amounts are generally received within 30 days of being recorded as receivables. Given the short-term nature of most receivables, their nominal values approximate their fair value.

(f) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

Responsible Entity fee

A fee of 1.65 per cent per annum is based on the gross asset value of the Fund less the value of its investment in controlled entity and the value of loan advanced to controlled entity. It is payable to the Responsible Entity under the Fund Constitution. The Responsible Entity may postpone the collection of the fee.

Performance fee

A performance fee of 20 per cent of outperformance above the benchmark is payable quarterly in arrears on the final day of each quarter as a cash payment or by way of an issue of units in the Fund to the Responsible entity if certain requirements are met. These, if any, are accounted for on an accruals basis. The benchmark is the S&P/CITIC 300 Total Return index (converted to Australian Dollars).

No performance fees were paid or payable in respect of the half year ended 30 June 2014 (30 June 2013: nil).

(g) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund. Payables are measured at their nominal amounts. Amounts are generally paid within 30 days of being recorded as payables. Given the short-term nature of most payables, their nominal amounts approximate their fair value.

AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Recognition and Derecognition of Financial Assets and Liabilities

Financial assets and liabilities are recognised at the date the Fund becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all of the risks and rewards of ownership of the financial assets are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(i) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Responsible Entity's option and which the Responsible Entity uses in its day to day management of the Fund's cash requirements, and are subject to an insignificant risk of changes in value.

(j) Net Assets Attributable to Unitholders

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Net assets attributable to unitholders are classified as financial liabilities and not as equity because the Responsible Entity has a contractual obligation to pay distributable income of the Fund to unitholders. As there are no equity holders, total comprehensive income attributable to unitholders of the Fund is nil. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair values of investment in controlled entity, loan advances to controlled entity and investment in listed equity securities.

(k) Taxation

Under current legislation, the Fund is not subject to income tax in Australia since, under the terms of the Fund Constitution, the unitholders are presently entitled to the taxable income of the Fund.

(l) Distributable Income

In accordance with the Fund's constitution, the Fund fully distributes its distributable income to unitholders at each tax year. Distributions are payable at the end of each year. Such distributions are determined by reference to the taxable income of the Fund. Distributions are recognised in the Statement of Comprehensive Income as finance costs.

Distributable income includes capital gains arising from the disposal of assets. It does not include unrealised gains or losses arising from changes in the fair value of investments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains. Distributions are payable at the end of each year.

The Fund has a distribution reinvestment plan (DRP). Under the DRP, 100 per cent of distributions will be reinvested in additional units unless the unitholders elect to receive a partial cash distribution. Unitholders may be compulsorily required to participate in the DRP in respect of 100 per cent of distributions if determined by the Responsible Entity. Investors from jurisdictions outside of Australia, New Zealand, Hong Kong or Singapore may not participate in the DRP.

(m) Foreign Currency Transactions and Translation

(i) Functional and presentation currency

Items included in the Financial Report of the Fund are measured using the currency of the primary economic environment in which it operates (the functional currency). The presentation currency of this Financial Report and the functional currency of the Fund is the Australian Dollar.

(ii) Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian Dollars using the rates of exchange at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rate at the date when the fair value was determined. Non-monetary items denominated in foreign currencies are retranslated at the rate of exchange as at the balance date and differences are taken to investment income in the Statement of Comprehensive Income.

**AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Terms and Conditions On Units

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund.

Unitholders have various rights under the Fund Constitution and the Corporations Act 2001, including the right to:

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects.

(o) Goods and Services Tax (GST)

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

(p) Rounding

Where indicated, the amounts in the Financial Report have been rounded to the nearest thousand dollars, under the option available to the Fund under ASIC Class Order 98/100.

AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014

NOTE 2: EARNINGS PER UNIT

Basic earnings per unit amounts are calculated by dividing net profit / (loss) attributable to unitholders before distributions by the weighted average number of units outstanding during the period.

Diluted earnings per unit are the same as basic earnings per unit.

The following reflects the income and unit data used in the basic and diluted earnings per unit computations.

	For the half year ended 30 June 2014	For the half year ended 30 June 2013
Weighted average number of units on issue for basic and diluted earnings per unit	370,610,753	361,222,295
	For the half year ended 30 June 2014	For the half year ended 30 June 2013
Earnings used in calculation of earnings per unit	(\$55,719,808)	\$26,155,515 (restated)
Basic earnings per unit (\$ per unit)	(\$0.150)	\$0.072
Diluted earnings per unit (\$ per unit)	(\$0.150)	\$0.072

There have been no other transactions involving unitholders since the balance date and before the completion of these financial statements.

NOTE 3: UNITS ON ISSUE

Reconciliation of units

	30 June 2014		30 June 2013	
	units '000	\$'000	units '000	\$'000
Balance at the beginning of the period	366,112	353,613	355,699	346,866
Units issued	8,481	6,491	10,413	6,747
Balance at the end of the period	374,593	360,104	366,112	353,613

There have been no withdrawals from the Fund during the half year ended 30 June 2014 (30 June 2013: nil).

NOTE 4: AUDITOR'S REMUNERATION

	30 June 2014	30 June 2013
	\$	\$
Amounts paid or payable to Ernst & Young, the auditor of the Fund, for:		
Review of the financial statements of the Fund	26,030	26,030
	26,030	26,030

**AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014**

NOTE 5: FINANCIAL IMPACT ON ADOPTION OF AASB 2013-5

The Fund has adopted AASB 2013-5 "Amendments to Australian Accounting Standards – Investment Entities" (AASB 2013-5) from 1 January 2014. In accordance with the transitional provisions of this standard, the Fund has applied this Standard retrospectively. Adoption of this standard requires the financial statements to be prepared for the parent entity only and from 1 January 2014, the Fund is not required to present consolidated financial statements.

Adoption of this standard has impacted the parent entity's net assets attributable to unitholders which was previously presented in the Parent Entity Information note. In particular, investment in controlled entity and loan advances to controlled entity which were previously recognised at cost are now recognised at fair value and consolidated financial statements are no longer prepared. The impacts of restating prior period comparatives under AASB 2013-5 are as follows:

(a) Statement of Comprehensive Income

For the half year ended 30 June 2013	As previously reported	Restatement adjustment	Restated
	\$'000	\$'000	\$'000
Net changes in fair value of financial instruments measured at fair value through profit or loss:			
Investment in controlled entity	-	9,901	9,901
Loan advances to controlled entity	-	11,722	11,722
Hong Kong Equities	(176)	-	(176)
	(176)	21,623	21,447
Reversal of Impairment of investment in controlled entities	2,518	(2,518)	-
Foreign exchange gain	13,972	(13,867)	105
	16,314	5,238	21,552
Increase in net assets attributable to unitholders	20,918	5,238	26,156

(b) Statement of Financial Position

As at 31 December 2013	As previously reported	Restatement adjustment	Restated
	\$'000	\$'000	\$'000
Investment in controlled entity	203,347	7,757	211,104
Loan advances to controlled entity	129,439	23,708	153,147
	332,786	31,465	364,251
Net assets attributable to unitholders	330,648	31,465	362,113
As at 1 January 2013			
	As previously reported	Restatement adjustment	Restated
	\$'000	\$'000	\$'000
Investment in controlled entity	200,827	(26,563)	174,264
Loan advances to controlled entity	105,192	26,563	131,755
	306,019	-	306,019
Net assets attributable to unitholders	302,842	-	302,842

AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014

NOTE 6: INVESTMENT IN CONTROLLED ENTITY

	1 January 2014 to 30 June 2014	1 July 2013 to 31 December 2013 (restated)
	\$'000	\$'000
Balance at the beginning of the half year	211,104	184,165
Net changes in fair values recognised through profit or loss	(50,278)	26,939
Balance at the end of the period	160,826	211,104

As a result of adopting AAASB 2013-5, the Fund no longer consolidates its controlled entity. However, the Fund has provided certain disclosures, as outlined below:

Ownership of controlled entity

The Fund has 100 per cent ownership of AMP Capital China Growth Fund, a controlled entity domiciled and incorporated in Mauritius. The controlled entity does not control any other entity.

The principal activity of the controlled entity is to make investments in China A shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges. The underlying investment portfolio of the controlled entity mainly comprises of investments in China A shares.

The Fund had no commitments, restrictions or contingent liabilities in relation to its investment in controlled entity other than those specified in the Financial Report.

Key inputs used in determining the fair value of the investment in controlled entity are the following:

	30 June 2014	31 December 2013
	\$'000	\$'000
Fair value of the underlying investments in China A shares (i)	317,637	361,769
Fair value of liability for loan advances from the Fund (Refer Note 7)	(148,467)	(153,147)

The fair value of the investment in controlled entity is exposed to foreign exchange risk and price risk as described in Note 8(c) - *Market Risk*.

Underlying investments in China A shares

(i) Movement in the fair value of China A shares during the period:

	1 January 2014 to 30 June 2014	1 July 2013 to 31 December 2013
	\$'000	\$'000
Balance at the beginning of the half year	361,769	327,252
Purchases	180,225	236,708
Sales	(169,591)	(241,345)
Net change in fair values of China A shares	(36,582)	27,782
Foreign exchange gains on translation	(18,183)	11,372
Balance at the end of the period	317,637	361,769

(ii) Investment income from China A shares

	1 January 2014 to 30 June 2014	1 January 2013 to 30 June 2013
	\$'000	\$'000
Net change in fair values of China A shares	(36,582)	(13,950)
Dividend income – China A shares	4,565	3,316
	(32,017)	(10,634)

**AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014**

NOTE 7: LOAN ADVANCES TO CONTROLLED ENTITY

The Fund has provided an at call loan (denominated in US dollars) to its controlled entity at a fixed rate of 9 per cent per annum. As at 30 June 2014, the fair value of the loan was \$148,467,000 (31 December 2013: \$153,147,000 (restated)). As at 30 June 2014, the face value of the loan outstanding is US\$121,073,346 (31 December 2013: US\$115,796,048)

The term of the loan will continue until the earlier of:

- a) the Fund demands repayment of the loan, or
- b) the tenth anniversary of the advance date (15 December 2006) unless both parties agree in writing no less than one month prior to this date to extend the term of the loan.

(i) **Key inputs and assumptions used in determining the fair value of Loan advances to controlled entity are:**

	30 June 2014	31 December 2013
Discount rate	4.10%	4.18%

(ii) **Movement in loan advances to controlled entity during the period**

	30 June 2014	31 December 2013
		(restated)
	\$'000	\$'000
Balance at the beginning of the half year	153,147	142,411
Additional loan advances made during the period	-	3,095
Net changes in fair values recognised through profit or loss	(10,421)	2,470
Interest capitalised during the period	5,741	5,171
Balance at the end of the period	148,467	153,147

AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014

NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of the Fund comprise cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as investment in controlled entity, receivables, payables, loan advances to controlled entity and investment in Hong Kong equities.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments. The Fund is exposed to credit risk, liquidity risk and market risk.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures for the half year is provided below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These policy limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including the AMP Capital Investors Limited Risk and Investment Committees and other key management.

As part of its risk management strategy, the Fund may use derivative instruments to manage certain risk exposures.

The Responsible Entity's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern, so it can continue to provide returns to unitholders, and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Responsible Entity may reinvest distributions. The Fund does not have any externally imposed capital requirements.

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations under a contract.

The Fund's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the balance date.

In relation to equity financial instruments, the risk associated with these financial instruments is minimised by undertaking transactions with recognised, creditworthy third parties, and ensuring that where possible, transactions are diversified amongst a number of counterparties to avoid a concentration of credit risk.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk is not considered to be significant to the Fund. Receivables balances are monitored on an ongoing basis. The Fund's exposure to bad debts is not significant.

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund manages its liquidity risk through cashflow forecasts and liquidity planning based on the maturities of financial assets (for example, cash, receivables and other financial assets) and financial liabilities (for example, distribution payable) and projected cash flows from operating and investing activities. The risk is managed through the Fund's cash surplus, use of working capital debt facilities and investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet operating requirements.

Maturity analysis for financial liabilities

Financial liabilities of the Fund comprise responsible entity fees payable and other payables, distribution payable and net assets attributable to unitholders. Responsible entity fees are payable on terms set out in note 1(f). Other payables have no contractual maturities but are typically settled within 30 days. Distributions are expected to be paid or reinvested yearly by 31 March, although there may be times when no distribution is payable on the scheduled distribution date.

Net assets attributable to unitholders are subject to the exit provisions as defined by the Fund's Constitution.

The Fund did not have any derivative financial instruments (liabilities) as at 30 June 2014 (31 December 2013: Nil).

The Fund has a secured revolving borrowing facility of \$5 million on commercial terms with Australia and New Zealand Banking Group Limited to assist in meeting its short term liquidity requirements. As at 30 June 2014 the facility remained fully undrawn. The facility will expire on 25 July 2015.

AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014

NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Market risk is managed and monitored using sensitivity analysis, and minimised by ensuring all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cashflows or the fair values of financial instruments. The Fund's exposure to interest rates risk is on its loan advances to controlled entity and cash and cash equivalents.

Loan advances to controlled entity is at a fixed rate of nine per cent and is therefore not exposed to cashflow interest rate risk.

In addition, changes in the fair value of loan advances to controlled entity, as a result of changes in market interest rates, is fully offset by an equal and opposite change in the fair value of the Fund's investment in controlled entity, resulting in no impact on the net profits and net assets attributable to unitholders. Consequently, the Fund is not exposed to interest rate risk on loan advances to controlled entity.

The interest rate sensitivity for cash and cash equivalents are also not significant to the Fund.

Foreign exchange risk

Foreign exchange risk is the risk that fair value of the future cash flows or the fair values of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund's underlying portfolio comprise of monetary and non-monetary financial assets denominated in currencies other than Australian dollar.

Loan advances to controlled entity and investment in listed equities

The Fund's exposure to monetary assets denominated in currencies other than the Australian dollar arises in respect of its loan advances to controlled entity and investments in listed Hong Kong equities.

Investment in controlled entity

The Fund's exposure to non-monetary assets denominated in currencies other than the Australian dollar arises in respect of its 100% equity ownership in a controlled entity.

Price risk

Price risk exposure arises from the Fund's underlying investment portfolio. Price risk is the risk that the fair value of the Fund's investment in the controlled entity and Hong Kong equities decreases as a result of investment market risk and tax risk.

Investment market risk

The underlying investment portfolio is exposed to changes in share market prices for equities including volatility in China A shares and Hong Kong equities. These changes in share market prices are caused by either factors specific to the individual stocks or factors affecting all instruments in the market.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Fund monitors its underlying investment portfolio's exposure to ensure concentrations of risk remain within acceptable levels and reduces exposure to manage the excessive risk concentrations when they arise.

Tax risk

The fair value of investment in the controlled entity is exposed to certain tax assumptions in relation to the underlying investment portfolio. In particular, the portfolio is subject to withholding tax in China at 10 per cent on interest, 10 per cent on dividends, 10 per cent on capital gains on land rich China A shares and nil per cent on capital gains on non-land rich China A shares.

**AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014**

NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

AMP Capital Investors Limited (the "Investment Manager") manages the tax position of the controlled entity. This includes working to achieve more tax certainty on the application for relief under the China/Mauritius Double Tax Treaty (the "Treaty"). If the outcome of the controlled entity's application for Treaty relief is unfavourable to the Fund and the Chinese tax authorities ultimately determine that the applicable withholding tax rate for capital gains on non-land rich China A shares is 10 per cent instead of the Treaty withholding tax rate of nil per cent, the impact could be to increase the controlled entity's projected withholding tax cash outflows (undiscounted) over an extended period by up to \$26.3 million as at 30 June 2014 (31 December 2013: \$28.5 million).

The Investment Manager continues to be of the view that the Treaty withholding tax rate of nil per cent is appropriate for capital gains on non-land rich China A shares and accordingly, no adjustment to the fair value of the Fund's investment in the controlled entity is required except as described below.

From time to time, the Investment Manager may decide to repatriate a portion of the Fund's capital gains on non-land rich China A shares to meet the working capital requirements of the Fund. If approval of the application for Treaty relief by the Chinese tax authorities is still pending at the time of the repatriation, the controlled entity may be required to pay withholding tax in China at 10 per cent on that portion of non-land rich capital gains to be repatriated. In these circumstances, the best estimate of any applicable withholding tax on the amount to be repatriated would be included in the net cashflows to be used in the calculation of the fair value of the investment in the controlled entity (refer Note 8(d)).

All investments present a risk of loss of capital. The Fund's maximum price risk exposure at balance date in relation to its investment in subsidiary is its carrying amount as indicated in the Statement of Financial Position.

(d) Fair value measurement

Financial instruments measured at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Fund's own data, reflecting the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

The table below shows an analysis of financial assets measured at fair value on a recurring basis by each level of the fair value hierarchy. The Fund did not measure any financial asset at fair value on a non-recurring basis as at 30 June 2014 (31 December 2013: nil).

	Level 1	Level 2	Level 3	Total
30 June 2014	\$'000	\$'000	\$'000	\$'000
Hong Kong equities	1,020	-	-	1,020
Investment in controlled entity	-	-	160,826	160,826
Loan advances to controlled entity	-	148,467	-	148,467
	1,020	148,467	160,826	310,313

**AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014**

NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurement (continued)

	Level 1	Level 2	Level 3	Total
31 December 2013	\$'000	\$'000	\$'000	\$'000
Hong Kong equities	733	-	-	733
Investment in controlled entity	-	-	211,104	211,104
Loan advances to controlled entity	-	153,147	-	153,147
	733	153,147	211,104	364,984

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

There have been no transfers between level 1 and level 2 of the fair value hierarchy during the half year ended 30 June 2014. For movement in Fund's investment in controlled entity (a level 3 financial asset), refer to Note 6.

Investment in controlled entity has been assessed as a level 3 financial instrument under the three level hierarchy because the key inputs and assumptions used to determine its fair value are both observable and unobservable:

- i. Observable:* The underlying investment portfolio of the investment in controlled entity mainly comprises of investments in China A shares listed on the Shanghai or Shenzhen stock exchanges. The fair value of a listed security is determined by reference to the 'bid' price of the security, as quoted on the primary exchange at balance date; and
- ii. Unobservable:* Tax position in relation to the underlying investment portfolio (refer Note 8(c)).

The fair value of the investment in controlled entity is determined by the Investment Manager in accordance with the Fund's valuation policy as set out in Note 1(b) and is reviewed by the Management Accounts Committee (MAC).

The sensitivity attached to the assessment of the fair value of the investment in controlled entity as a result of change in the unobservable inputs is explained in Note 8(c).

The fair value of loan advances to controlled entity is determined using discounted cash flow techniques based on their respective contractual cashflows. The discount rate used is a market rate applicable for an instrument with similar terms, credit ratings and conditions as at the balance date and is therefore assessed as a level 2 financial instrument under the three level hierarchy.

Hong Kong equities are listed on the Hong Kong Stock Exchange and have therefore been assessed as a level 1 financial instrument under the three level hierarchy.

Valuation techniques

The valuation techniques and inputs used in measuring the fair value of financial assets and liabilities are outlined in Note 1(b), Note 6 and Note 7.

**AMP CAPITAL CHINA GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2014**

NOTE 9: SEGMENT INFORMATION

The Fund operates solely in the business of investing in China via its controlled entity. Consequently, revenue, profit and net assets for the operating segment are the amounts reflected in the Financial Statements.

The Responsible Entity operates and is domiciled in Australia. Investments in China A shares are facilitated through the Fund's wholly owned controlled entity domiciled in Mauritius.

NOTE 10: EVENTS OCCURRING AFTER BALANCE DATE

There have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Fund.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 30 June 2014 (31 December 2013: nil), other than those specified in the Financial Report.

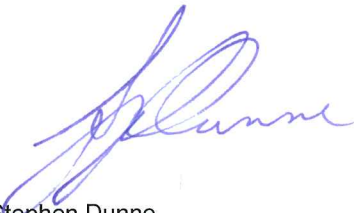
NOTE 12: AUTHORISATION OF FINANCIAL REPORT

The Financial Report of the Fund for the half year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Funds Management Limited on 25 August 2014.

AMP CAPITAL CHINA GROWTH FUND DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of AMP Capital Funds Management Limited, the Responsible Entity, I state that for the purpose of Section 303(4) of the Corporations Act 2001, in the opinion of the Directors of the Responsible Entity:

- (a) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (b) The financial statements and notes of the Fund are in accordance with the Corporations Act 2001, including Section 304 (compliance with accounting standards) and Section 305 (true and fair view).



Stephen Dunne
Chairman
Sydney, 25 August 2014

To the unitholders of AMP Capital China Growth Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AMP Capital China Growth Fund (the 'Fund'), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AMP Capital China Growth Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

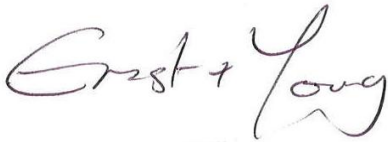
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AMP Capital China Growth Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Darren Handley-Greaves
Partner
Sydney
25 August 2014