

## ASX Announcement

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Manager  
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### **AMP Capital China Growth Fund (ASX: AGF) Appendix 4D and Half Year Financial Report**

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AMP Capital Funds Management Limited, the Responsible Entity for the AMP Capital China Growth Fund (the Fund), attaches the Fund's Appendix 4D and Financial Report for the half year ended 30 June 2016.

The attached documents comprise the information required by ASX Listing Rule 4.2A.

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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 2016 to 30 June 2016

Previous corresponding period: 1 January 2015 to 30 June 2015.

Balance date: 30 June 2016

**2. Results for announcement to the market**

<b>Financial results information for AMP Capital China Growth Fund ("Fund")</b>			
	<b>1 January 2016 to 30 June 2016  A\$'000</b>	<b>1 January 2015 to 30 June 2015  A\$'000</b>	<b>% change</b>
(Decrease)/increase in net assets attributable to unitholders	(123,059)	181,956	N/A
Total investment (loss)/income	(120,542)	185,977	N/A
Net (loss)/profit attributable to unitholders before distributions	(123,059)	185,552	N/A
<p>Due to the activities of the Fund, the most relevant measure of the Fund's financial performance is change in net assets attributable to unitholders; total investment income is the most relevant measure of revenue from ordinary activities; net profit attributable to unitholders before distributions is the most relevant measure of profit from ordinary activities after tax attributable to members.</p> <p>The decrease in net assets attributable to unitholders of \$123,059,000 (2015: \$181,956,000 increase) was a result of:</p> <ul style="list-style-type: none"> <li>• net loss from changes in the fair value of China A-shares of \$106,296,000 (2015: net gain of \$143,971,000);</li> <li>• foreign exchange loss on translation of China A-shares of \$13,549,000 (2015: gain of \$40,881,000);</li> <li>• responsible entity and investment manager fees of \$3,972,185 (2015: \$5,613,233);</li> <li>• net foreign exchange loss on translation of other assets and liabilities of \$644,958 (2015: gain of \$2,675,241);</li> <li>• distributions to unitholders of nil (2015: \$3,596,065); and</li> <li>• net expense comprising other investment income, expenses, taxes and realisation and wind up costs of \$1,930,857 (2015: net income of \$24,057);</li> </ul> <p>net of:</p> <ul style="list-style-type: none"> <li>• dividend income from China A-shares of \$3,334,000 (2015: \$3,614,000).</li> </ul> <p>On 28 July 2016, a resolution was passed by unitholders directing the responsible entity to wind up the Fund and a notice has been lodged with ASIC notifying them that the wind up has commenced. The responsible entity is now required to wind up the Fund in accordance with the Fund Constitution and the Corporations Act.</p> <p>This information should be read in conjunction with the Directors' Report and Financial Report for the half year ended 30 June 2016 and any public announcements made in the period by the Fund.</p>			

**3. Net tangible assets per security**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Net assets value at the end of the reporting period	\$0.98	\$1.31

Net assets value per unit is the same as net tangible assets per security. Net asset value per unit (cum distribution) at the end of the reporting period was \$0.98 (31 December 2015: \$1.65).

**4. Control gained or lost over entities during the period**

None.

**5. Details of distributions**

A distribution of \$129,696,518 (distribution per unit of \$0.33575) was paid to unitholders of AMP Capital China Growth Fund on 31 March 2016 for the financial year ended 31 December 2015.

For this distribution, a cash distribution of \$48,704,889 was paid, and the remaining \$80,991,629 (\$79,533,490 net of withholding tax) was reinvested in additional units in the Fund through the distribution reinvestment plan ("DRP").

The estimated Australian sourced income is \$5,094 (0.00001 per unit), and the remaining \$129,691,424 (\$0.33574 per unit) is foreign sourced income.

The distribution does not include a conduit foreign income component.

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

The Fund's current DRP will be cancelled because the Fund is now in wind up and, under the Corporations Act, units may not be issued once the wind up has commenced.

**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 2016**

**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 of the AMP Capital China Growth Fund (the Fund or the parent entity), present their report together with the financial report of the Fund for the half year ended 30 June 2016.

#### 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:

- Adam M. Tindall
  - P. Margaret Payn
  - Douglas P. Talbot
  - Sharon B. Davis
  - Edwina Maloney
- Resigned 28 April 2016  
Appointed 28 April 2016

#### Fund Information

AMP Capital China Growth 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.

On 28 July 2016, a resolution was passed by unitholders directing the responsible entity to wind up the Fund. The responsible entity is required to wind up the Fund in accordance with the Fund Constitution and the Corporations Act.

#### Likely Developments and Expected Results

In order to complete the wind up of the Fund, the responsible entity will be required to realise the assets of the Fund as soon as practicable, subject to any postponement (in accordance with the Fund Constitution), and remit the net proceeds to unitholders. A postponement is only expected to occur in unforeseeable circumstances.

The directors' report and financial report should also be read in conjunction with the Fund's ASX announcements.

#### Review of Results and Operations

The performance of the Fund, for the half year ended 30 June 2016, was as follows:

	1 January 2016 to 30 June 2016 \$'000	1 January 2015 to 30 June 2015 \$'000
(Decrease)/increase in net assets attributable to unitholders	(123,059)	181,956
Total investment (loss)/income	(120,542)	185,977
Net (loss)/profit attributable to unitholders before distributions	(123,059)	185,552

The movement in the fair value of China A-shares and investment income from China A-shares are set out in note 5 to the financial statements.

The decrease in net assets attributable to unitholders of \$123,059,000 (2015: \$181,956,000 increase) was a result of:

- net loss from changes in the fair value of China A-shares of \$106,296,000 (2015: net gain of \$143,971,000);
- foreign exchange loss on translation of China A-shares of \$13,549,000 (2015: gain of \$40,881,000);
- responsible entity and investment manager fees of \$3,972,185 (2015: \$5,613,233);
- net foreign exchange loss on translation of other assets and liabilities of \$644,958 (2015: gain of \$2,675,241);
- distributions to unitholders of nil (2015: \$3,596,065); and
- net expense comprising other investment income, expenses, taxes and realisation and wind up costs of \$1,930,857 (2015: net income of \$24,057);

net of:

- dividend income from China A-shares of \$3,334,000 (2015: \$3,614,000).

## AMP CAPITAL CHINA GROWTH FUND

### DIRECTORS' REPORT (Continued)

#### Distributions

Under the provisions of the Fund Constitution, the Fund has not determined to pay a distribution during the half year ended 30 June 2016 (30 June 2015: \$3,596,065). The Fund determined to pay a distribution of \$129,696,518 for the financial year ended 31 December 2015. For this distribution, a cash distribution of \$48,704,889 (\$48,700,651 net of withholding tax) was paid on 31 March 2016, and the remaining \$80,991,629 (\$79,533,490 net of withholding tax) was reinvested in additional units in the Fund through the distribution reinvestment plan (DRP).

#### 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 half year was as follows:

	30 June 2016 \$'000	31 December 2015 \$'000
Net assets attributable to unitholders	464,389	507,915
	30 June 2016	31 December 2015
Net asset value per unit*	\$0.98	\$1.31

\*Net asset value per unit before distribution payable was \$0.98 (31 December 2015: \$1.65).

#### Significant Changes in the State of Affairs

On 28 July 2016, a resolution was passed by unitholders directing the responsible entity to wind up the Fund and a notice has been lodged with ASIC notifying them that the wind up has commenced. There have been no other significant changes in the state of affairs of the Fund.

#### Significant Events After the Balance Date

On 4 July 2016, a stock position held in the underlying investment portfolio, China Vanke Co Ltd, resumed trading on the Shenzhen Stock Exchange after being suspended since 18 December 2015. On 4 July and 5 July 2016 trading of this stock was restricted by the daily price limit of 10%. As at 6 July 2016 the traded share price stabilised (the closing price was not restricted by the daily price limit) at RMB19.80, a 19.0% fall from the last traded price at the time of the suspension. This stabilised price is considered to be the best evidence of fair value as at 30 June 2016, accordingly the fair value of the investment in the controlled entity was adjusted downwards in the financial statements by \$2,707,000 to reflect this information.

On 28 July 2016, a resolution was passed by unitholders directing the responsible entity to wind up the Fund. The responsible entity is required to wind up the Fund in accordance with the Fund Constitution and the Corporations Act. As set out in note 1(a) to the financial statements, the financial statements have been prepared on a realisation basis, rather than a going concern basis. Accordingly, the financial statements include both a fair value adjustment to the investment in controlled entity to recognise those realisation costs which can be reliably estimated and a provision to recognise those wind up costs which can be reliably estimated. The responsible entity is not yet in a position to reliably estimate all the costs of realising the Fund's assets or the costs required to wind up the Fund.

Between 30 June 2016 and 12 August 2016, the benchmark index (S&P/CITIC 300 Total Return Index converted to Australian dollars) has increased by 3.0%. The directors' report and financial report should also be read in conjunction with the Fund's ASX announcements and daily estimated Net Asset Values available on the Fund's web page: [www.ampcapital.com.au/china](http://www.ampcapital.com.au/china).

As at the date of this report, the Directors are not aware of any other 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.

#### Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulations under 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 2016.

## AMP CAPITAL CHINA GROWTH FUND

### **Rounding**

The amounts contained in this report and in the financial report have been rounded under the option available to the Fund under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Fund is an entity to which the instrument applies and, in accordance with the instrument, 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:

A handwritten signature in black ink, appearing to read 'Adam Tindall', written in a cursive style.

**Adam Tindall**

Chairman

Sydney, 16 August 2016



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

As lead auditor for the review of AMP Capital China Growth Fund for the half year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Kieren Cummings  
Partner  
16 August 2016

**AMP CAPITAL CHINA GROWTH FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

	<b>Notes</b>	<b>1 January 2016 to 30 June 2016</b>	<b>1 January 2015 to 30 June 2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>INVESTMENT INCOME</b>			
Net changes in fair values of financial assets measured at fair value through profit or loss		(180,262)	178,274
Dividend income		50,875	-
Interest income – loan advances to controlled entity		8,802	7,734
Interest income - bank interest		53	4
Foreign exchange loss		(10)	(35)
<b>Total investment (loss)/income</b>		<b>(120,542)</b>	<b>185,977</b>
<b>EXPENSES</b>			
Professional fees		(1,894)	(44)
ASX fees		(135)	(106)
Share registry fees		(193)	(48)
Fund service fees		(102)	(100)
Responsible entity fees		(77)	(35)
Advisory Committee fees		(48)	-
Auditor's remuneration	4	(27)	(26)
Custodian fees		(20)	(22)
Other expenses		(21)	(14)
<b>Total operating expenses</b>		<b>(2,517)</b>	<b>(395)</b>
<b>NET (LOSS)/PROFIT ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS</b>			
		<b>(123,059)</b>	<b>185,582</b>
Finance costs on external borrowings facility		-	(30)
<b>Net (loss)/profit attributable to unitholders before distributions</b>		<b>(123,059)</b>	<b>185,552</b>
Finance costs – distributions to unitholders		-	(3,596)
<b>NET (LOSS)/PROFIT ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS</b>		<b>(123,059)</b>	<b>181,956</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income		-	-
<b>(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>(123,059)</b>	<b>181,956</b>
<b>Earnings per unit (EPU)</b>			
EPU based on the weighted average number of ordinary units			
Basic and diluted earnings per unit	2	(\$0.29)	\$0.49

**AMP CAPITAL CHINA GROWTH FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

		<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
Cash and cash equivalents		1,704	1,761
Receivables and other assets		4,315	4,312
Financial assets measured at fair value through profit or loss:			
Investment in controlled entity	5	264,934	431,717
Loan advances to controlled entity	6	196,125	200,787
<b>Total Assets</b>		<b>467,078</b>	<b>638,577</b>
<b>LIABILITIES</b>			
Payables		1,675	956
Provisions		980	-
Distribution payable		34	129,706
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>2,689</b>	<b>130,662</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>464,389</b>	<b>507,915</b>

**AMP CAPITAL CHINA GROWTH FUND**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

	<b>Units on issue</b>	<b>Retained profits/ (accumulated losses)</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 January 2016</b>	373,317	134,598	<b>507,915</b>
Net profit attributable to unitholders before distributions	-	(123,059)	<b>(123,059)</b>
Distribution to unitholders	-	-	-
Distributions reinvested	79,533	-	<b>79,533</b>
<b>Balance at 30 June 2016</b>	<b>452,850</b>	<b>11,539</b>	<b>464,389</b>

	<b>Units on issue</b>	<b>Retained profits/ (accumulated losses)</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 January 2015</b>	360,109	190,437	<b>550,546</b>
Net profit attributable to unitholders before distributions	-	185,552	<b>185,552</b>
Distribution to unitholders	-	(3,596)	<b>(3,596)</b>
Distributions reinvested	13,208	-	<b>13,208</b>
<b>Balance at 30 June 2015</b>	<b>373,317</b>	<b>372,393</b>	<b>745,710</b>

**AMP CAPITAL CHINA GROWTH FUND**

**STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

	1 January 2016 to 30 June 2016	1 January 2015 to 30 June 2015
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Dividends received	50,875	-
Responsible entity fee paid	(92)	(122)
Payments for other expenses (inclusive of GST)	(727)	(645)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>50,056</b>	<b>(767)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Repayment of loan advanced to controlled entity	-	2,884
<b>Net cash inflow from investing activities</b>	<b>-</b>	<b>2,884</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance costs on external borrowings facility	-	(30)
Cash distribution paid	(48,701)	(1,133)
Withholding tax on distributions	(1,461)	(205)
<b>Net cash outflow from financing activities</b>	<b>(50,162)</b>	<b>(1,368)</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>	<b>(106)</b>	<b>749</b>
Cash and cash equivalents at the beginning of the half year	1,761	1,174
Net foreign exchange differences	49	81
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR</b>	<b>1,704</b>	<b>2,004</b>

## AMP CAPITAL CHINA GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

#### 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 noted. The accounting policies of the Fund are 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 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 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.

##### *Realisation basis of accounting*

On 28 July 2016, a resolution was passed by unitholders directing the responsible entity to wind up the Fund. The responsible entity is now required to wind up the Fund in accordance with the Fund Constitution and the Corporations Act. The responsible entity is required to realise the assets of the Fund as soon as practicable, subject to any postponement (in accordance with the Fund Constitution), and remit the net proceeds to unitholders. A postponement is only expected to occur in unforeseeable circumstances.

Given the requirement to wind up the Fund, the responsible entity has determined that the Fund is no longer regarded as a going concern and the financial report has been prepared on a realisation basis. Except for the recognition of certain estimated realisation and wind up costs as set out below, adoption of the realisation basis of accounting does not impact the carrying value of the Fund's assets or liabilities. The carrying value of the Fund's assets approximates their realisable values and the carrying value of the Fund's liabilities approximates their expected settlement values, as at the balance date.

The responsible entity is not yet in a position to reliably estimate all the costs of realising the Fund's assets or the costs required to wind up the Fund. The responsible entity has provided for those costs which it can reliably estimate. Accordingly, the financial statements include both a fair value adjustment to the investment in controlled entity to recognise those realisation costs which can be reliably estimated (refer note 1(b)) and a provision to recognise those wind up costs which can be reliably estimated (refer note 1(h)).

The net assets recognised in the Statement of Financial Position may not reflect the total net proceeds to be remitted to unitholders during the wind up process. The total net proceeds to be remitted to unitholders will depend on market movements and currency fluctuations, as well as costs and expenses attributable to the wind up.

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, if any, that are unlikely to be settled within 12 months.

##### *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 Australian Accounting Standards Board (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.

##### *Changes in Australian Accounting Standards*

The Fund has adopted all mandatory standards and amendments for the half year beginning 1 January 2016. Adoption of these standards and amendments has not had any effect on the financial position or performance of the Fund.

##### *Australian Accounting Standards issued but not yet effective*

Other than AASB 9, Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the half year ended 30 June 2016. When applied in future periods, these recently issued or amended standards are not expected to have an impact on the Fund's financial position or performance or the presentation and disclosures in the financial report.

## AMP CAPITAL CHINA GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following financial assets have been designated as 'financial assets measured at fair value through profit or loss' and are recognised in the Fund's financial statements at fair value, which approximates realisable 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 changes in fair values of financial assets 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 7(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 the balance date, and the foreign currency exchange rate at the balance date. If any China A-shares in the underlying investment portfolio are suspended from the relevant exchange at the balance date, fair value is determined by reference to the last traded price, unless it is determined that another valuation basis is more appropriate. The aggregated nominal amount of underlying working capital approximates its realisable value.

The fair value of the investment in controlled entity includes an estimate of the costs of realising the underlying investment portfolio and the costs of repatriating cash from China, to the extent that these costs can be reliably estimated.

The fair values of these assets are based on their respective rights and rankings. Loan advances to a controlled entity 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 cash flows. 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 the residual value after deducting fair value of the loan advances to controlled entity. 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.

##### (c) Significant Accounting Judgements, Estimates 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 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*

The financial statements of the Fund for the half year ended 30 June 2016 are for the parent entity only. Under Australian Accounting Standards the Fund meets the definition of an investment entity and is precluded from presenting consolidated financial statements.

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.

**AMP CAPITAL CHINA GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

This Fund has been determined to be an investment entity even though 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 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.

*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).

**(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*

Dividends from investment in controlled entity are recognised when the dividend is 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 assets measured at fair value through profit or loss*

Net changes in the fair value of financial assets 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 recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their realisable 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 annum (reduced to 0.40% per annum effective 1 September 2016) 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% 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 2016 (30 June 2015: 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 recognised as payables. Given the short-term nature of most payables, their nominal amounts approximate their settlement value.



**AMP CAPITAL CHINA GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Provisions**

Provisions are liabilities of uncertain timing or amounts. A provision for the estimated costs of winding up the Fund, comprising external professional fees, is recognised in the Statement of Financial Position to the extent that the costs can be reliably estimated.

**(i) 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 the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(j) 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.

**(k) Net Assets Attributable to Unitholders**

Net assets attributable to unitholders comprise units on issue and undistributed reserves and 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 and loan advances to controlled entity.

**(l) 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.

**(m) Distributable Income**

In accordance with the Fund Constitution, the Fund fully distributes its distributable income to unitholders each tax 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 financial assets, 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's current distribution reinvestment plan (DRP) will be cancelled because the Fund is now in wind up and, under the Corporations Act, units may not be issued once the wind up has commenced.

**AMP CAPITAL CHINA GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(n) Foreign Currency Transactions and Translation**

*(i) Functional and presentation currency*

Items included in the financial report 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 exchange rate 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 to Australian dollars 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.

**(o) Terms and Conditions of Units on Issue**

Issued and paid up units are initially recognised at the fair value of the consideration received by the Fund.

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

Unitholders have various rights under the Fund Constitution and the Corporations Act, which, subject to certain conditions, include 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.

As wind up has now commenced, no further units in the Fund can be issued.

**(p) Goods and Services Tax (GST)**

All income, 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 disclosed 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.

**(q) 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 Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191.

# AMP CAPITAL CHINA GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

### 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 half year.

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.

	1 January 2016 to 30 June 2016	1 January 2015 to 30 June 2015
Weighted average number of units on issue for basic and diluted earnings per unit	429,043,374	379,773,004

	1 January 2016 to 30 June 2016 \$'000	1 January 2015 to 30 June 2015 \$'000
Earnings used in calculation of earnings per unit	(123,059)	185,552
Basic and diluted earnings per unit (\$ per unit)	(\$0.29)	\$0.49

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

	1 January 2016 to 30 June 2016 units '000	\$'000	1 January 2015 to 30 June 2015 units '000	\$'000
Balance at the beginning of the half year	386,294	373,317	374,593	360,109
Units issued	85,495	79,533	11,701	13,208
Balance at the end of the half year	<b>471,789</b>	<b>452,850</b>	<b>386,294</b>	<b>373,317</b>

There have been no withdrawals from the Fund during the half year ended 30 June 2016 (30 June 2015: nil).

### NOTE 4: AUDITOR'S REMUNERATION

	1 January 2016 to 30 June 2016 \$	1 January 2015 to 30 June 2015 \$
Amounts paid or payable to Ernst & Young, the auditor of the Fund, for:		
Review of the financial statements of the Fund	26,551	26,030
	<b>26,551</b>	<b>26,030</b>

# AMP CAPITAL CHINA GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

### NOTE 5: INVESTMENT IN CONTROLLED ENTITY

	1 January 2016 to 30 June 2016	1 January 2015 to 30 June 2015
	\$'000	\$'000
Balance at the beginning of the period	431,717	383,450
Net changes in fair values recognised through profit or loss	(166,783)	170,364
<b>Balance at the end of the period</b>	<b>264,934</b>	<b>553,814</b>

The Fund has been determined to be an investment entity and does not consolidate its controlled entity. However, the Fund has provided certain disclosures in respect of its controlled entity, as outlined below:

#### Ownership of controlled entity

The Fund has 100% 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 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 the controlled entity are the following:

	30 June 2016	30 June 2015
	\$'000	\$'000
Fair value of the underlying investments in China A-shares (i)	453,287	708,556
Fair value of liability for loan advances from the Fund (refer note 6)	(196,125)	(186,615)

The fair value of the investment in controlled entity is exposed to foreign exchange risk and price risk as described in note 7(c) - *Market Risk*.

#### Underlying investments in China A-shares

##### (i) Movement in the fair value of China A-shares during the half year:

	1 January 2016 to 30 June 2016	1 January 2015 to 30 June 2015
	\$'000	\$'000
Balance at the beginning of the period	607,993	535,941
Purchases	170,705	680,671
Sales	(205,566)	(692,908)
Net change in fair values of China A-shares	(106,296)	143,971
Foreign exchange gains on translation	(13,549)	40,881
<b>Balance at the end of the period</b>	<b>453,287</b>	<b>708,556</b>

##### (ii) Investment income from China A-shares:

	1 January 2016 to 30 June 2016	1 January 2015 to 30 June 2015
	\$'000	\$'000
Net change in fair values of China A-shares	(106,296)	143,971
Dividend income – China A-shares	3,334	3,614
	<b>(102,962)</b>	<b>147,585</b>

# AMP CAPITAL CHINA GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

### NOTE 6: 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 annum. As at 30 June 2016, the fair value of the loan was \$196,125,087 (31 December 2015: \$200,786,555). As at 30 June 2016, the face value of the loan outstanding is US\$142,494,042 (31 December 2015: US\$136,217,361).

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

- (a) The date 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 2016	31 December 2015
Discount rate	3.86%	4.17%

**(ii) Movement in loan advances to controlled entity during the half year:**

	1 January 2016 to 30 June 2016	1 January 2015 to 30 June 2015
	\$'000	\$'000
Balance at the beginning of the half year	200,787	174,265
Additional loan advances made during the period	-	-
Loan repayments	-	(2,884)
Net change in fair value recognised through profit or loss	(13,479)	7,910
Interest capitalised during the period	8,817	7,324
<b>Balance at the end of the half year</b>	<b>196,125</b>	<b>186,615</b>

**AMP CAPITAL CHINA GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2016**

**NOTE 7: 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 investments in controlled entity, receivables, payables and loan advances to controlled entity. 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. Where the Fund has material risk exposures, risk sensitivity analysis is presented for illustrative purposes. 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 mandate 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.

The risk management strategy of the Fund does not include the use of derivative instruments.

The responsible entity's objectives when managing capital are to safeguard the Fund's ability to pay its debts when they become due and payable, and, now that the Fund is in wind up, to maintain an optimal capital structure to be in a position to wind up the Fund in accordance with the Fund Constitution and the Corporations Act.

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.

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 as and when they fall due.

The Fund manages its liquidity risk through cash flow 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 surpluses and the controlled entity's investment in financial instruments, which under normal market conditions are readily convertible to cash which can be repatriated subject to regulatory approval.

During the wind up, the responsible entity is required to realise the assets of the Fund as soon as practicable, subject to any postponement (in accordance with the Fund Constitution), and remit the net proceeds to unitholders. When the Fund's underlying investment portfolio of China A-shares is realised, the net proceeds of realisation will be held in cash in Chinese bank accounts until the cash can be repatriated from China.

***Maturity analysis for financial liabilities***

Financial liabilities of the Fund comprise management 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 as soon as reasonably practicable after the end of the financial year.

Net assets attributable to unitholders are subject to the exit provisions as defined by the Fund Constitution. The Fund did not have any derivative financial instruments (liabilities) as at 30 June 2016 (31 December 2015: nil).

**AMP CAPITAL CHINA GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2016**

**NOTE 7: 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 cash flows or the fair values of financial instruments. The Fund's exposure to interest rate 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 9% and is therefore not exposed to cash flow 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 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 comprises monetary and non-monetary financial assets denominated in currencies other than Australian dollar.

***Loan advances to controlled entity***

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 denominated in US dollars and cash held in foreign currencies.

***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 denominated in US dollars.

The foreign exchange risks relating to loan advances to controlled entity and the investment in controlled entity are a component of price risk. The impact of changes in exchange rates on other foreign currency denominated assets is not significant. The Fund has not used derivative instruments to manage its foreign currency exposures.

***Price risk***

Price risk is the risk that the fair value of the Fund's financial instruments measured at fair value, comprising loan advances to controlled entity and the investment in controlled entity, decreases as a result of investment market risk, foreign exchange risk and tax risk.

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

***Investment market risk***

The underlying investment portfolio is currently exposed to changes in share market prices for equities including volatility in China A-shares (held by the controlled entity). These changes in share market prices are caused by either factors specific to the individual stocks or factors affecting all instruments in the market. Stocks in the underlying investment portfolio are also subject to ongoing reforms in China including changes in government regulations and policy. Disclosure and regulatory standards in China are evolving, and this means material information may not always be disclosed so less information may be available to the Fund than would be the case if the Fund invested in Australia.

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.

During the wind up, the responsible entity is required to realise the assets of the Fund as soon as practicable, subject to any postponement (in accordance with the Fund Constitution), and remit the net proceeds to unitholders. When the Fund's underlying investment portfolio of China A-shares is realised, the net proceeds of realisation will be held in cash in Chinese bank accounts until the cash can be repatriated from China.

# AMP CAPITAL CHINA GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

### NOTE 7: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (c) Market risk (continued)

##### *Foreign exchange risk*

Currently, the Fund's investment in controlled entity mainly comprises investments in China A-shares denominated in Renminbi. Consequently, the fair value of the investment in controlled entity is subject to fluctuations in foreign exchange rates. When the Fund's underlying investment portfolio of China A-shares is realised, the net proceeds of realisation will be held in cash in Chinese bank accounts until the cash can be repatriated from China.

##### *Tax risk*

The fair value of investment in the controlled entity is subject to certain tax assumptions in relation to the underlying investment portfolio. The portfolio is subject to tax in China at 10 per cent on interest, 10 per cent on dividends and from 17 November 2014 nil per cent on capital gains on both "land rich" and "non-land rich" China A-shares.

On 17 November 2014, the Chinese Ministry of Finance released a QFII tax circular which stated that all capital gains realised after that date would not attract tax in China. Following the release of the QFII tax circular, all QFII holders, including the Fund, were required to pay all tax liabilities for interest income, dividend income and capital gains realised for the five years to November 2014. Previously, tax liabilities were required to be paid when monies were repatriated from China.

The Fund has now agreed and paid all taxes on interest income, dividend income and capital gains on "land rich" China A-shares, as assessed by the Chinese tax authorities for the five years to November 2014. In addition, the Chinese tax authorities have also advised that the China/Mauritius Double Tax Treaty is applicable to capital gains realised by the Fund. Consequently, no tax was required to be paid in respect of capital gains on "non-land rich" China A-shares.

Chinese tax laws and regulations are subject to regular review and change. AMP Capital and its tax advisers continue to monitor and assess the impact of changes in Chinese tax laws and regulations together with application and interpretation of these laws and regulations in China.

#### (d) Fair value measurement

Financial assets and liabilities 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 asset or liability'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 2016 (31 December 2015: nil).

	Level 1	Level 2	Level 3	Total
30 June 2016	\$'000	\$'000	\$'000	\$'000
Investment in controlled entity	-	-	264,934	264,934
Loan advances to controlled entity	-	196,125	-	196,125
<b>Total</b>	<b>-</b>	<b>196,125</b>	<b>264,934</b>	<b>461,059</b>



**AMP CAPITAL CHINA GROWTH FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2016**

**NOTE 7: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(d) Fair value measurement (continued)**

	Level 1	Level 2	Level 3	Total
31 December 2015	\$'000	\$'000	\$'000	\$'000
Investment in controlled entity	-	-	431,717	431,717
Loan advances to controlled entity	-	200,787	-	200,787
<b>Total</b>	<b>-</b>	<b>200,787</b>	<b>431,717</b>	<b>632,504</b>

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

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the half year ended 30 June 2016 (31 December 2015: nil).

For movement in Fund's investment in controlled entity (a Level 3 financial asset), refer to note 5.

Investment in controlled entity has been assessed as a Level 3 financial asset 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 China A-share is determined by reference to the 'bid' price of the security, as quoted on the primary exchange at the balance date, and the foreign currency exchange rate at the balance date. If any China A-shares in the underlying investment portfolio are suspended from the relevant exchange at the balance date, fair value is determined by reference to the last traded price, unless it is determined that another valuation basis is more appropriate.
- ii. *Unobservable*: unobservable inputs and judgements include assessment of the tax position in relation to the underlying investment portfolio (refer note 7(c)), assessment of the valuation basis for China A-shares that are suspended from the relevant exchange (refer note 1(b)) as well as valuation adjustments relating to the costs of realising the underlying investment portfolio and the costs of repatriating cash from China (refer note 1(b)).

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 7(c).

The fair value of loan advances to controlled entity is determined using discounted cash flow techniques based on their respective contractual cash flows. 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.

**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 5 and note 6.

## **AMP CAPITAL CHINA GROWTH FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016**

#### **NOTE 8: 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 9: EVENTS OCCURRING AFTER THE BALANCE DATE**

On 4 July 2016, a stock position held in the underlying investment portfolio, China Vanke Co Ltd, resumed trading on the Shenzhen Stock Exchange after being suspended since 18 December 2015. On 4 July and 5 July 2016 trading of this stock was restricted by the daily price limit of 10%. As at 6 July 2016 the traded share price stabilised (the closing price was not restricted by the daily price limit) at RMB19.80, a 19.0% fall from the last traded price at the time of the suspension. This stabilised price is considered to be the best evidence of fair value as at 30 June 2016, accordingly the fair value of the investment in the controlled entity was adjusted downwards in the financial statements by \$2,707,000 to reflect this information.

On 28 July 2016, a resolution was passed by unitholders directing the responsible entity to wind up the Fund. The responsible entity is required to wind up the Fund in accordance with the Fund Constitution and the Corporations Act. As set out in note 1(a), the financial statements have been prepared on a realisation basis, rather than a going concern basis. Accordingly, the financial statements include both a fair value adjustment to the investment in controlled entity to recognise those realisation costs which can be reliably estimated and a provision to recognise those wind up costs which can be reliably estimated. The responsible entity is not yet in a position to reliably estimate all the costs of realising the Fund's assets or the costs required to wind up the Fund.

Between 30 June 2016 and 12 August 2016, the benchmark index (S&P/CITIC 300 Total Return Index converted to Australian dollars) has increased by 3.0%. The directors' report and financial report should also be read in conjunction with the Fund's ASX announcements and daily estimated Net Asset Values available on the fund's web page: [www.ampcapital.com.au/china](http://www.ampcapital.com.au/china).

Since 30 June 2016 there have been no other matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the Fund.

#### **NOTE 10: COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies at 30 June 2016 (31 December 2015: nil) other than those specified in the financial report.

#### **NOTE 11: AUTHORISATION OF THE FINANCIAL REPORT**

The financial report of the AMP Capital China Growth Fund for the half year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors of AMP Capital Funds Management Limited on 16 August 2016.

## **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, in the opinion of the directors of the responsible entity:

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



Adam Tindall  
Chairman  
Sydney, 16 August 2016

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 "Scheme"), which comprises the statement of financial position as at 30 June 2016, 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 AMP Capital Funds Management Limited as the Responsible Entity of the Scheme (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. The directors of the Responsible Entity have determined that the basis of preparation described in Note 1 to the half-year financial report is appropriate to meet the needs of the unitholders.

### 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 Scheme's financial position as at 30 June 2016 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 the Scheme, 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 attached to 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 Scheme's financial position as at 30 June 2016 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*.

## Emphasis of Matter

We draw attention to Note 1(a) of the financial statements which describes the realisation basis of accounting. As described in Note 1(a), a resolution was passed by unitholders which directs the Responsible Entity to wind-up the Fund. The Responsible Entity is required to realise the assets of the Fund as soon as practicable and remit the net proceeds to unitholders. Given the requirement to wind-up the Fund, the Fund is no longer regarded as a going concern and the financial report has been prepared on a realisation basis. Our opinion is not modified in respect of this matter.



Ernst & Young

Kieren Cummings



Partner  
Sydney  
16 August 2016