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**DA CHENG CHINA RMB FIXED INCOME FUND**

*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF  
OPERATIONS) TO 31 DECEMBER 2012**



**大成國際**

DA CHENG INTERNATIONAL

**DA CHENG CHINA RMB FIXED INCOME FUND**  
*(A sub-fund of DCI Investment Trust established in Hong Kong)*

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**DA CHENG CHINA RMB FIXED INCOME FUND**

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**MANAGEMENT AND ADMINISTRATION****Directors of the Manager**

CAO XiongFei  
CHEN ShangQian  
DENG ShaoYong (appointed 20 February 2012)  
DU Peng  
LIAN ShaoDong (resigned 20 February 2012)  
LIU CaiHui  
XIAO Bing  
YANG ChunMing

**Trustee and Registrar**

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

**Manager**

Da Cheng International Asset Management Company Limited  
Room 5811,  
Two International Finance Centre,  
8 Finance Street,  
Central,  
Hong Kong

**Legal Counsel to the Manager**

Simmons & Simmons  
13/F, One Pacific Place  
88 Queensway  
Hong Kong

**Global Custodian**

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

**PRC Investment Advisor**

Da Cheng Fund Management Company Limited  
32/F, Tower of China Merchants Bank,  
No. 7088 Shennan Road,  
Futian, Shenzhen 518040,  
People's Republic of China

**PRC Sub-Custodian**

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

**Auditor**

PricewaterhouseCoopers  
21/F, Edinburgh Tower  
15 Queen's Road Central  
Hong Kong



## **DA CHENG CHINA RMB FIXED INCOME FUND**

*(A sub-fund of DCI Investment Trust established in Hong Kong)*

### **REPORT OF THE MANAGER**

#### **General Information**

Da Cheng China RMB Fixed Income Fund (the “Sub-Fund”) seeks to provide investment return on interest income and capital appreciation. As of 31 Dec 2012, the Net Asset Value (“NAV”) per unit of the Sub-Fund was RMB 10.15 with a total of 24,221,419 units outstanding, aggregating a total asset size of approximately RMB 245.74 million.

For the period from 20 February 2012 (date of commencement of operations) to 31 Dec 2012, the Sub-Fund distributed a semi-annual dividend amounted RMB 0.10 per Class A unit on 26 June 2012 and a final dividend amounted RMB 0.08 on 21 Dec 2012. As at 31 Dec 2012, the Sub-Fund’s investment holdings compose of policy bank bonds with national credit support, credit bonds and also convertible bonds (87.26% of total net asset).

#### **Fund Activities**

The Dividend Policy was amended to as follows on 6 February 2012:

“Semi-annually (subject to Manager’s discretion) subject to PRC withholding tax provisioning (in June and December each year).”

A new Class I was established on 28 May 2012. The minimum initial investment and subsequent investment of Class A Units is RMB10,000, the minimum initial investment of Class I Units is RMB 6,500,000 and the minimum subsequent investment of Class I Units is RMB100,000. The management fee of Class A Unit is 1.25% and Class I Unit is 0.75%. Currently, the Sub-Fund has two share classes, Class A and Class I.

The manager declared the following dividends for the Sub-Fund during the period under review:

Record Date	Ex-Dividend Date	Payment Date	Share Class	Currency	Gross Dividend	Dividend per Share
20-Dec-12	21-Dec-12	16-Jan-13	Class A	RMB	1,967,442.19	0.08
25-Jun-12	26-Jun-12	11-Jul-12	Class A	RMB	2,044,927.00	0.1
N/A	N/A	N/A	Class I	RMB	N/A	N/A

**Da Cheng International Asset Management Company Limited**

**25 April 2013**



**DA CHENG CHINA RMB FIXED INCOME FUND**

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**REPORT OF THE TRUSTEE**

We hereby confirm that, in our opinion, the Manager of Da Cheng China RMB Fixed Income Fund (a sub-fund of DCI Investment Trust, the "Sub-Fund") has, in all material respect, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 30 December 2011, as amended, for the period then ended.

BOCI-Prudential Trustee Limited

25 April 2013

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE UNITHOLDERS OF DA CHENG CHINA RMB FIXED INCOME FUND**  
*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**Report on the Financial Statements**

We have audited the financial statements of Da Cheng China RMB Fixed Income Fund (the "Sub-Fund"), a sub-fund of DCI Investment Trust set out on pages 7 to 31, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the period from 20 February 2012 (date of commencement of operations) to 31 December 2012, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 30 December 2011 (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Sub-Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE UNITHOLDERS OF DA CHENG CHINA RMB FIXED INCOME FUND (CONTINUED)**  
*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2012, and of its financial performance and its cash flows for the period from 20 February 2012 (date of commencement of operations) to 31 December 2012 in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

We draw attention to Note 3 to the financial statements which indicates that the Management considers that the enforcement of PRC tax on gains on collective investment schemes and debt securities, and interest income arising from debt securities are uncertain as at the date of approval of these financial statements and that the Management has exercised significant judgment in their assessment of the tax charge and the relevant provision included in the financial statements of the Sub-Fund as at 31 December 2012. Our opinion is not qualified in respect of this matter.

**Other Matters**

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Report on Other Legal and Regulatory Disclosure Requirements**

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 25 April 2013

**DA CHENG CHINA RMB FIXED INCOME FUND**  
(A sub-fund of DCI Investment Trust established in Hong Kong)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012**

	Note	2012 RMB
<b>ASSETS</b>		
Investments	4(a)	227,074,833
Interest receivable		4,752,174
Amount receivable on subscription of units		19,512
Amount receivable on sale of investments		5,183,751
Prepayments and other assets		318,889
Cash and cash equivalents	4(d), 8(d)	15,404,255
<b>TOTAL ASSETS</b>		<b>252,753,414</b>
		-----
<b>LIABILITIES</b>		
Management fee payable	8(a)	798,345
Amount payable on redemption of units		3,778,809
Accrued expenses and other payables		250,897
Distribution payable to unitholders		1,967,442
Provision for taxation	9	977,638
<b>TOTAL LIABILITIES</b>		<b>7,773,131</b>
		=====
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	7	<b>244,980,283</b>
		=====

Approved by the Trustee and the Manager on 25 April 2013

BOCI-Prudential Trustee Limited as the Trustee of the Trust.

Da Cheng International Asset Management Limited as the Manager of the Trust.

The notes on pages 12 to 31 form an integral part of these financial statements.



**DA CHENG CHINA RMB FIXED INCOME FUND**

*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

	Note	Period from 20 February 2012 (date of commencement of operations) to 31 December 2012 RMB
<b>INCOME</b>		
Dividend income		683,297
Interest income		7,462,030
Net changes in fair value on financial assets at fair value through profit or loss	6	2,681,262
Total investment income		10,826,589
<b>EXPENSES</b>		
Management fee	8(a)	2,279,712
Trustee fee	8(b)	332,295
Custodian fee	8(c)	206,078
Preliminary expenses		1,040,399
Transaction costs		56,934
Auditor's remuneration		150,000
Other expenses		93,928
Total operating expenses		4,159,346
<b>PROFIT BEFORE TAX</b>		6,667,243
Taxation	9	(987,862)
<b>TOTAL COMPREHENSIVE INCOME</b>		5,679,381

The notes on pages 12 to 31 form an integral part of these financial statements.

**DA CHENG CHINA RMB FIXED INCOME FUND**

*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2012**

	Note	Period from 20 February 2012 (date of commencement of operations) to 31 December 2012 RMB
<b>Net assets attributable to unitholders at the beginning of the period</b>		- -----
Proceeds on issue of units	7	264,543,982
Payments on redemption of units		(21,230,711) -----
<b>Net increase from unit transactions</b>		243,313,271 -----
<b>Total comprehensive income for the period</b>		5,679,381 -----
<b>Distribution to unitholders</b>	12	(4,012,369) ----- -----
<b>Net assets attributable to unitholders at the end of the period</b>	7	244,980,283 =====

The notes on pages 12 to 31 form an integral part of these financial statements.

**DA CHENG CHINA RMB FIXED INCOME FUND**

*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**STATEMENT OF CASH FLOWS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

	Period from 20 February 2012 (date of commencement of operations) to 31 December 2012 RMB
<b>Cash flows from operating activities</b>	
Total comprehensive income	5,679,381
Adjustment for:	
Interest income	(7,462,030)
Dividend income	(683,297)
Taxation	987,862
Operating gains before working capital changes	(1,478,084)
Increase in financial assets at fair value through profit or loss	(227,074,833)
Increase in amount receivable on sales of investments	(5,183,751)
Increase in interest receivable purchased	(9,907,594)
Increase in prepayments and other assets	(318,889)
Net increase in management fees payable	798,345
Net increase in accrued expenses and other payables	250,897
Cash used in operations	(242,913,909)
Dividend income received	683,297
Interest income received	12,617,450
Tax paid	(10,224)
Net cash outflow from operating activities	(229,623,386)

The notes on pages 12 to 31 form an integral part of these financial statements.

**DA CHENG CHINA RMB FIXED INCOME FUND**

*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**STATEMENT OF CASH FLOWS (CONTINUED)**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

	Period from 20 February 2012 (date of commencement of operations) to 31 December 2012 RMB
<b>Cash flows from financing activities</b>	
Proceeds from issue of units	264,524,470
Payments on redemption	(17,451,902)
Distributions paid to unitholders	(2,044,927)
	<hr/>
Net cash inflow from financing activities	245,027,641
	<hr style="border-top: 1px dashed black;"/>
<b>Net increase in cash and cash equivalents</b>	15,404,255
Cash and cash equivalents at the beginning of the period	<hr/> -
<b>Cash and cash equivalents at the end of the period</b>	<hr/> 15,404,255 <hr/>
<b>Analysis of balance of cash and cash equivalents</b>	
Cash and bank deposits	<hr/> 15,404,255 <hr/>

The notes on pages 12 to 31 form an integral part of these financial statements.

**DA CHENG CHINA RMB FIXED INCOME FUND**

*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**1 General**

DCI Investment Trust (the “Trust”) is an open-ended unit trust established as an umbrella fund under the laws of Hong Kong by a Trust Deed dated 30 December 2011 (the “Trust Deed”) made between Da Cheng International Asset Management Company Limited as the Manager (the “Manager”) and BOCI-Prudential Trustee Limited as the Trustee (the “Trustee”). As at 31 December 2012, the Trust has only one sub-fund, Da Cheng China RMB Fixed Income Fund (the “Fund”). The date of commencement of operations of the Sub-Fund was 20 February 2012.

The Sub-Fund is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC.

The investment objective of the Sub-Fund is to seek investment return on interest income and capital appreciation through investment in a portfolio of domestic securities traded in mainland China and denominated and settled in RMB consisting primarily a fixed income portfolio of bonds and money market instruments issued by the government, government related entities or corporate entities, and public bond funds authorised by the CSRC for retail investment. The Sub-Fund may also invest in RMB denominated and settled equities or equity related securities (mainly China A-shares) in the People’s Republic of China (“PRC”) and RMB denominated deposits such as bank certificates of deposit, bank deposits and negotiated term deposits with authorized financial institutions.

Under current regulations in the People’s Republic of China (“PRC”), generally foreign investors can invest only in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a Qualified Foreign Institutional Investor (“QFII”) or a Renminbi Qualified Foreign Institutional Investor (“RQFII”) from the China Securities Regulatory Commission (“CSRC”) and have been granted quota by the State Administration of Foreign Exchange (“SAFE”) of the PRC to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC’s domestic securities markets.

The Manager has obtained RQFII status in the PRC and the RQFII quotas have been granted to the Manager. The Sub-Fund invests in securities issued within the PRC through the RQFII program. The asset allocation of each approved quota will be no less than 80% of debt securities issued in the PRC, and no more than 20% of equity securities listed in the PRC. To the extent that the Manager has, on behalf of the Sub-Fund, utilised its entire RQFII quota, the Manager may, subject to any applicable regulations, apply for an increase of the RQFII quota.

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

**DA CHENG CHINA RMB FIXED INCOME FUND**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**2 Summary of significant accounting policies****(a) Basis of preparation (Continued)**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (the “Management”) to exercise their judgment in the process of applying the Sub-Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Standard effective after 20 February 2012 (date of commencement of operations) that have been early adopted by the Sub-Fund

IFRS 13, “Fair value measurement”, effective for annual periods beginning on or after 1st January 2013, has been early adopted. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Sub-Fund uses last traded prices as its valuation inputs for listed financial assets and liabilities to be consistent with the inputs prescribed in the Sub-Fund’s offering document for the calculation of its per unit trading value for subscriptions and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry.

New standards and amendments to standards that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund

IFRS 9, “Financial Instruments”, effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Sub-Fund’s financial position or performance, as it is expected that the Sub-Fund will continue to classify its financial assets as being at fair value through profit or loss.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Sub-Fund.

**DA CHENG CHINA RMB FIXED INCOME FUND**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**2 Summary of significant accounting policies (Continued)**

**(b) Financial assets and liabilities at fair value through profit or loss**

**(i) Classification**

The Sub-Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Management at fair value through profit or loss at inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Sub-Fund's documented investment strategies. The Sub-Fund's policies require the Management to evaluate the information about these financial assets on a fair value basis together with other related financial information.

**(ii) Recognition/derecognition**

Purchases and sales of investments are accounted for on a trade date basis. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

**(iii) Measurement**

Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all investments are measured at fair value. Realised and unrealised gains and losses on investments are recognised in the statement of comprehensive income in the period in which they arise.

**(iv) Fair value estimation**

The Sub-Fund early adopted IFRS 13 "Fair value measurement" since inception. The fair value of investments that are listed or traded on an exchange is based on quoted market prices at close of trading on reporting date.

The fair value of financial assets that are traded in interbank markets (for example, unlisted debt securities) is determined by using the valuation provided by China Central Depository & Clearing Co., Ltd., a company jointly established by People's Bank of China and Ministry of Finance to undertake the function of centralised depository and settlement for the inter-bank bond market.

**(c) Income and expenses**

Interest income on cash and cash equivalents is accounted for in the statement of comprehensive income on a time-proportion basis using the effective interest method.

Dividend income is recorded on the ex-dividend date with the corresponding foreign withholding taxes recorded as an expense.

Expenses are accounted for on an accrual basis.

**DA CHENG CHINA RMB FIXED INCOME FUND**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**2 Summary of significant accounting policies (Continued)**

**(d) Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The Sub-Fund invests in debt securities in the PRC and the performance of the Sub-Fund is measured and reported to the unitholders in RMB. The Manager considers RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Sub-Fund’s functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the period end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to the investments are presented in the statement of comprehensive income within net realised gains on investments or net change in unrealised gains/losses in fair value of investments.

**(e) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**(f) Redeemable units**

The Sub-Fund’s units, which are redeemable at the holder’s option are the most subordinated units in issue and are classified as equity. Units are issued and redeemed at the holder’s option at prices based on the Sub-Fund’s net asset value per unit at the time of issue or redemption. The Sub-Fund’s net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

**(g) Distribution to unitholders**

It is the intention of the Manager that only the net income available for distribution may be distributed. No distribution will be paid out of the Sub-Fund’s capital. Distribution to unitholders is recognised in the statement of comprehensive income when they are approved by the Manager.



**DA CHENG CHINA RMB FIXED INCOME FUND**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**2 Summary of significant accounting policies (Continued)**

**(h) Transaction costs**

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include the fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs are expensed as incurred in the statement of comprehensive income.

**(i) Preliminary expense**

Preliminary expenses are recognised as an expense in the period in which they are incurred.

**(j) Taxation**

The Sub-Fund currently incurs withholding taxes on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included as taxation in the statement of comprehensive income.

**3 Critical accounting estimate and assumptions**

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

**People's Republic of China ("PRC") taxation**

Under the PRC Corporate Income Tax Law ("PRC CIT Law"), the non-PRC residents with the gains derived from the sale of PRC securities will be subject to 10% PRC capital gain tax. In addition, the non-PRC residents with interest income derived from the debt securities will be subject to 10% withholding interest income tax. Pursuant to the PRC CIT Law, debt securities issuers in PRC are obligated to withhold the 10% interest income tax for those debt securities holders who are subject to the interest income tax in the PRC. However, interest income derived from government bonds is exempt from PRC WIT under the PRC CIT Law.

**(a) Capital gains on PRC Investments**

During the period ended 31 December 2012, the Fund invests in debt securities and collective investment schemes ("PRC Investments") in PRC through the RQFII program. The Manager considers that the enforcement of PRC tax on gains derived from the PRC Investments is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing whether the Sub-Fund may be liable for PRC taxation on its gains, the amount of potential tax liability and the probability of such tax charges being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events. The Manager considers that its estimation may be impacted by any future clarification by the PRC State Administration of Taxation ("SAT"), such as a decision by the SAT to levy capital gains tax on PRC investments, such as a decision by the SAT to levy capital gains tax on the PRC Investments, which may be materially different from what the Manager envisioned.

**DA CHENG CHINA RMB FIXED INCOME FUND**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**3 Critical accounting estimate and assumptions (Continued)**

**(a) Capital gains on PRC Investments (Continued)**

The Management estimates the gross realised gains and unrealised gains of the Sub-Fund which could be exposed to PRC capital gain tax at the rate of 10% for the period ended 31 December 2012 to be approximately RMB 2,290,578 and RMB 2,245,387 respectively, and the Manager has made tax provision accordingly. The capital gain tax provision in relation to PRC Investments of the Sub-Fund included in the financial statements of RMB 453,597 represents 0.19% of the net assets attributable to unitholders of the Sub-Fund in the statement of financial position as at 31 December 2012.

**(b) PRC taxation on interest income**

Interest income on debt securities in PRC

The Management considers that the enforcement of PRC withholding tax on interest income arising from debt securities is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

For the debt securities disposed of during the period, the Management has not made provision on the accrued interest income as at the time of the disposal as they consider that:

- (i) the issuers of debt securities are required to withhold 10% interest income tax at the coupon payment date before distributing the interest income to the bond holders; and
- (ii) the Management has sold the debt securities before the coupon payment dates or the maturity dates of the debt securities.

The Management estimates that for the period ended 31 December 2012, the Sub-Fund's interest income derived from RMB denominated corporate bonds disposed of during the period of RMB 4,241,370 could be exposed to 10% PRC withholding tax of approximately RMB 424,137.

The Manager reviews the relevant PRC tax rules on the PRC Investments from time to time, including the likelihood of the Sub-Fund benefiting from double tax treaty agreements between Hong Kong and PRC for Hong Kong tax residents. Any change in taxation imposed on RQFIs is likely to have a subsequent impact on the required provision and accordingly the net assets attributable to unitholders of the Sub-Fund.

**DA CHENG CHINA RMB FIXED INCOME FUND**
*(A sub-fund of DCI Investment Trust established in Hong Kong)*
**NOTES TO THE FINANCIAL STATEMENTS**
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**4 Financial risk management**

The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The following is a summary of the main risks and risk management policies.

**(a) Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The following table discloses the financial asset investments at fair value through profit or loss of the Sub-Fund by product type:

	<b>2012</b>	
	<b>RMB</b>	<b>% of net assets value</b>
<b>People's Republic of China</b>		
RMB denominated bonds	213,771,634	87.26%
Collective investment schemes	13,303,199	5.43%
<b>Total financial assets at fair value through profit or loss</b>	<b>227,074,833</b>	<b>92.69%</b>

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**4 Financial risk management (Continued)**
**(a) Market price risk (Continued)**

The following table discloses the non-derivative financial assets at fair value through profit or loss of the Sub-Fund by industrial sectors:

	<b>2012</b>	
	<b>RMB</b>	<b>% of net assets value</b>
<b>RMB denominated bonds</b>		
Apparel & Textile Products	12,396,000	5.06%
Automotive	7,125,300	2.91%
Banking	15,332,800	6.26%
Financial Services	40,036,762	16.33%
Forest & Paper Products	10,020,920	4.09%
Hardware	19,524,590	7.96%
Home Improvement	10,020,000	4.08%
Integrated Oils	14,390,600	5.90%
Machinery	10,017,220	4.09%
Metals & Mining	17,217,000	7.04%
Real Estate	29,909,200	12.18%
Renewable Energy	9,987,710	4.08%
Transportation & Logistics	1,827,520	0.75%
Utilities	15,966,012	6.53%
	<hr/>	<hr/>
	213,771,634	87.26%
	<hr/>	<hr/>
<b>Collective investment schemes</b>	13,303,199	5.43%
	<hr/>	<hr/>
	13,303,199	5.43%
	<hr/>	<hr/>
<b>Total financial assets at fair value through profit or loss</b>	<u>227,074,833</u>	<u>92.69%</u>

The Sub-Fund's market price risk is managed through diversification of the investment portfolio ratios by exposures to different industries.

There is no exposure to individual investments/issuers representing over 10% of the Sub-Fund's net asset value at the reporting date.

As the Sub-Fund mainly invests in debt securities, the sensitivity analysis of market price risk is disclosed in the interest rate sensitivity analysis in note 4(b) below.

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**4 Financial risk management (Continued)**
**(b) Interest rate risk**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The tables below summarise the Sub-Fund's exposure to interest rate risks at the reporting date. Included in the table are the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

**As at 31 December 2012**

	Maturity up to 1 year RMB	Maturity 1-5 years RMB	Maturity over 5 years RMB	Non-interest bearing RMB	Total RMB
<b>Assets</b>					
Financial assets at fair value through profit or loss					
- RMB denominated bonds	29,147,130	127,346,302	57,278,202	-	213,771,634
- Collective investment schemes	-	-	-	13,303,199	13,303,199
Other receivables	-	-	-	10,274,326	10,274,326
Cash and cash equivalents	15,404,255	-	-	-	15,404,255
<b>Total assets</b>	<b>44,551,385</b>	<b>127,346,302</b>	<b>57,278,202</b>	<b>23,577,525</b>	<b>252,753,414</b>
<b>Liabilities</b>					
Management fees payable	-	-	-	798,345	798,345
Amounts payable on redemption of units	-	-	-	3,778,809	3,778,809
Amounts payable and accrued expenses	-	-	-	250,897	250,897
Distribution payable to unitholders	-	-	-	1,967,442	1,967,442
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,795,493</b>	<b>6,795,493</b>
<b>Total interest sensitivity gap</b>	<b>44,551,385</b>	<b>127,346,302</b>	<b>57,278,202</b>		

At 31 December 2012, the Sub-Fund has bank balances of RMB 15,404,255. If the interest rates had been 10 basis points higher or lower with all variables held constant, net assets attributable to unitholders would have been RMB 15,404 higher or lower as a result of higher or lower interest income.

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**4 Financial risk management (Continued)**

**(b) Interest rate risk (Continued)**

The Manager and Trustee monitor the interest rate risks by quantifying market exposure in duration terms. As at 31 December 2012, the Sub-Fund has invested in interest-bearing securities of RMB 213,771,634 and the portfolio weighted average modified duration of the Sub-Fund is 3.37.

As at 31 December 2012, should the relevant interest rates have lowered/risen by 100 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the period would amount to approximately RMB 7,204,104, arising substantially from the increase/decrease in market values of debt securities.

**(c) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are mainly denominated in RMB, the Sub-Fund's functional and presentation currency. Accordingly, the Management considers that it is not necessary to present a sensitivity analysis of currency risk.

**(d) Credit and counterparty risk**

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

All transactions in listed securities are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is made only when the custodian has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in debt securities. The Sub-Fund is also exposed to counterparty credit risk on cash and cash equivalents.

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**4 Financial risk management (Continued)**
**(d) Credit and counterparty risk (Continued)**

The table below summarises the credit quality of the Sub-Fund's debt portfolio (excluding collective investment schemes) which represent 87.26% of net asset value as at 31 December 2012.

	<b>2012</b>
	<b>% of net asset value</b>
<b>Debt securities by rating category</b>	
<b>Lianhe</b>	
<b>AA+</b>	
HANZHONG CITY CONSTRUCTION INVESTMENT & DEVELOPMENT CO LTD	4.12%
JIANGXI COPPER CO LTD	5.30%
<b>AA</b>	
ZHEJIANG BAOXINIAO GARMENT CO LTD	5.06%
WANXIANG QIANCHAO CO LTD	2.91%
<b>A-1</b>	
JIANGGYIN SULONG HEAT AND POWER GENERATING CO LTD	4.08%
FUJIAN ZHANGLONG ENTERPRISE CO LTD	4.09%
<b>Chengxin</b>	
<b>AAA</b>	
BEIJING NORTH STAR CO LTD	1.66%
SHENZHEN AIRPORT CO CB	0.75%
<b>AA+</b>	
KUNSHAN ENTREPRENEUR HLDS CO LTD	4.07%
ZHONGSHAN PUBLIC UTILITIES GROUP LTD	1.22%
<b>AA-</b>	
DARE TECHNOLOGY CO LTD	4.09%
<b>Dagong Global Credit Ratings</b>	
<b>AA+</b>	
LINFEN CITY INVESTMENT CONSTRUCTION DEVELOPMENT CO LTD CB	4.08%
<b>AA</b>	
FOSHAN NATIONSTAR OPTOELECTRONICS CO LTD	4.16%
HENGDIAN GROUP DMEGC MAGNETICS CO LTD	3.81%
<b>Shanghai Brilliance Credit Ratings</b>	
<b>AA</b>	
SHANGHAI FORTE LAND CO	4.23%
SHANDONG NANSHAN ALUMINUM CO LTD CB	1.73%
WUJIANG TRANSPORTATION INVESTMENT CO LTD	4.07%

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**4 Financial risk management (Continued)**
**(d) Credit and counterparty risk (Continued)**

	<b>2012</b>
	<b>% of net asset value</b>
<b>Debt securities by rating category (continued)</b>	
<b>Standard &amp; Poor's</b>	
<b>A+</b>	
CHINA PETROLEUM & CHEM CB	5.87%
<b>A</b>	
INDUSTRIAL & COMMERCIAL BANK OF CHINA CB	6.26%
<b>BBB+</b>	
CHINA VANKE CO LTD	2.07%
<b>Not rated</b>	
BEIJING VANTONE REAL ESTATE CO LTD	4.25%
SICHUAN CHUANTOU ENERGY CO LTD CB	3.20%
DAXING ANLING FORESTRY GROUP CO	4.09%
ZHEJIANG FUCHUNJIANG ENVIRONMENTAL THERMOLECTIC CO LTD	2.09%
Total	<u>87.26%</u>

The table below summarises the net exposure to the Sub-Fund's counterparty as at 31 December 2012 together with its credit rating.

	<i>RMB</i>	Credit rating	Source of credit rating
<b>Custodian</b>			
Bank of China Limited	227,074,833	Aa3	Moody
<b>Bank balances</b>			
Bank of China (Hong Kong) Limited	6,612,109	Aa3	Moody
Bank of China (China) Limited	8,792,146	A-1	Moody
<b>Prepayments and other assets</b>			
China Securities Depository and Clearing Corporation Limited	308,000	N/A	N/A



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**4 Financial risk management (Continued)**

**(d) Credit and counterparty risk (Continued)**

The maximum exposure to credit risk as at 31 December 2012 is the carrying amount of the financial assets as shown on the statement of financial position.

The Manager considers that none of these assets are impaired nor past due.

**(e) Liquidity risk**

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in settling a liability, including a redemption request.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

The table below analyses the Sub-Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 3 month RMB	Over 3 months RMB
<b>As at 31 December 2012</b>		
Management fee payable	798,345	-
Amount payable on redemption of units	3,778,809	-
Accrued expenses and other payables	250,897	-
Distribution payable to unitholders	1,967,442	-
	<u>6,795,493</u>	<u>-</u>

Units are redeemed on demand at the unitholder's option.

The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held:

	Less than 3 months RMB	Over 3 months RMB
<b>As at 31 December 2012</b>		
Total assets	<u>248,278,025</u>	<u>4,475,389</u>

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**(f) Fair value estimation**

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets at fair value at 31 December 2012:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>As at 31 December 2012</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- RMB denominated bonds	163,795,294	49,976,340	-	213,771,634
- Collective investment schemes	13,303,199	-	-	13,303,199
<b>Total assets</b>	<b>177,098,493</b>	<b>49,976,340</b>	<b>-</b>	<b>227,074,833</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include exchange traded debt securities and exchange traded funds. The Sub-Fund does not adjust the quoted price for these instruments.

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**4 Financial risk management (Continued)**
**(f) Fair value estimation (Continued)**

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The investments in unlisted RMB denominated bonds are valued with reference to valuation provided by China Central Depository & Clearing Co., Ltd.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2012, there is no level 3 investment held by the Sub-Fund.

During the period from 20 February 2012 (date of commencement of operations) to 31 December 2012, there were no transfers between levels.

The following table analyses within the fair value hierarchy the Sub-Fund's assets and liabilities (by class) not measured at fair value at 31 December 2012 but for which fair value is disclosed.

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>As at 31 December 2012</b>				
<b>Assets</b>				
Cash and cash equivalents	15,404,255	-	-	15,404,255
Prepayments and other assets	-	318,889	-	318,889
Amount receivable on subscription of units	-	19,512	-	19,512
Amount receivable on sale of investments	-	5,183,751	-	5,183,751
Interest receivable	-	4,752,174	-	4,752,174
	<u>15,404,255</u>	<u>10,274,326</u>	<u>-</u>	<u>25,678,581</u>
<b>Liabilities</b>				
Management fee payable	-	798,345	-	798,345
Amount payable on redemption of units	-	3,778,809	-	3,778,809
Distribution payable to unitholders	-	1,967,442	-	1,967,442
Accrued expenses and other payables	-	250,897	-	250,897
	<u>-</u>	<u>6,795,493</u>	<u>-</u>	<u>6,795,493</u>

**DA CHENG CHINA RMB FIXED INCOME FUND**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**4 Financial risk management (Continued)**

**(f) Fair value estimation (Continued)**

The assets and liabilities included in the above table are carried at amortised cost, their carrying values are a reasonable approximation of fair value.

Interest receivable on investments and other receivables include the contractual amounts for settlement of the obligations due to the Sub-Fund. Amounts payable on redemption and accrued expenses represent obligations due by the Sub-Fund for settlement of expenses.

**(g) Capital risk management**

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

**5 Financial instruments by category**

**Financial assets**

Apart from financial assets of investments as disclosed in the statement of financial position which are classified as at fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including interest receivable, amount receivable on subscription of units, amount receivable on sale of investments, prepayments and other assets, and cash and cash equivalents, are categorised as "loans and receivables".

**Financial liabilities**

All financial liabilities as disclosed in the statement of financial position, including management fee payable, amount payable on redemption of units, accrued expenses and other payables, distribution payable to unitholders, are categorised as "other financial liabilities".

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**6 Net changes in fair value on financial assets and liabilities at fair value through profit or loss**

	Period from 20 February 2012 (date of commencement of operations) to 31 December 2012 RMB
Change in unrealised gain/loss in value of investments	2,205,609
Net realised gain on sale of investments	475,653
	<u>2,681,262</u>

**7 Number of units in issue and net assets attributable to unitholders per unit**

Net assets attributable to unitholders are classified as equity in the statement of net assets, carried at the redemption amount that would be payable at the period end date if the unitholder exercised the right to redeem the units in the Sub-Fund.

There are 2 classes of units. Class A Units are available for sale to the retail public in Hong Kong. Class I Units are offered to institutional investors. For the period from 20 February 2012 (date of commencement of operations) to 31 December 2012, the Sub-Fund only had one class (Class A) of units in issue.

The movements of the redeemable units are as follows:

	Period from 20 February 2012 (date of commencement of operations) to 31 December 2012 Class A Units
Number of units in issue at the beginning of period	-
Units issued	26,319,881
Units redeemed	(2,098,462)
	<u>24,221,419</u>
Number of units in issue at the end of period	<u>24,221,419</u>
	2012 RMB
Net assets attributable to unitholders per unit (Dealing NAV) at 31 December 2012	<u>10.15</u>

At the discretion of the Manager, units subscribed may be subject to a subscription charge of up to 5% of the value of any subscription.

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**8 Transactions with the Trustee, Manager and connected persons**

The following is a summary of significant related party transactions/transactions entered into during the period between the Sub-Fund and the Trustee, the Manager and their Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code"). All transactions entered into during the period between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with Connected Persons except for those disclosed below.

**(a) Management fee**

The Manager is entitled to receive a management fee of up to 2% per annum of the net asset value of the Sub-Fund. For the period from 20 February 2012 (date of commencement of operations) to 31 December 2012, the Manager charged a management fee of 1.25% per annum of the net asset value of the Sub-Fund. The fee calculated and accrued on each dealing day and payable monthly in arrears.

Management fee charged for the year was RMB 2,279,712 of which RMB 798,345 was outstanding at 31 December 2012.

**(b) Trustee fee**

The Trustee is entitled to receive a trustee fee of up to 0.5% per annum of the net asset value of the Sub-Fund. Currently, the Trustee is entitled to receive a fee of 0.175% per annum, subject to a minimum monthly fee of RMB 40,000. The fee is calculated and accrued on each dealing day and payable monthly in arrears.

Trustee fee charged for the year was RMB 332,295 of which RMB 40,000 was outstanding at 31 December 2012.

**(c) Custodian fee**

The Custodian is entitled to receive transaction charges at customary market rates and custody fees at different rates. Such charges and fees will be calculated monthly and payable monthly in arrears. The Custodian will be paid a custodian fee of up to 0.10% per annum of the net asset value of the Sub-Fund. Custodian fee charged for the year was RMB 206,078.

**(d) Bank balances and investment balances**

Bank balance amounted to RMB 6,612,109 and RMB 8,792,146 is held with Bank of China (Hong Kong) Limited and Bank of China Limited respectively. In addition, the Sub-Fund's investments are placed at Bank of China Limited. Bank of China (Hong Kong) Limited and Bank of China Limited are related parties of the Trustee.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**9 Taxation**

Hong Kong profits tax

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as collective investment schemes under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

PRC withholding tax

The Sub-Fund invests in RMB denominated collective investment schemes listed in the People's Republic of China ("PRC") and debt securities. Refer to note 3 for details.

	<b>As at 31 December 2012 RMB</b>
Provision of withholding tax on interest income from debt securities	523,944
Provision of withholding tax on interest income from deposits	97
Provision of capital gains tax	453,597
	<hr/>
Provision for taxation	977,638
	<hr/> <hr/>
	<b>Period from 20 February 2012 (date of commencement of operations) to 31 December 2012 RMB</b>
Withholding tax on interest income from debt securities	527,444
Withholding tax on interest income from deposits	6,821
Capital gains tax	453,597
	<hr/>
Taxation	987,862
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**10 Soft commission arrangements**

The Manager confirms that there has been no soft commission arrangement existing during the period in relation to directing transactions of the Sub-Fund through a broker or dealer.

**11 Reconciliation between net assets attributable to unitholders per the financial statements**

In accordance with the Sub-Fund's Explanatory Memorandum, the establishment costs of the Sub-Funds will be amortised over the first three years. However, the accounting policy of the Sub-Fund for the purpose of financial statements preparation in compliance with IFRS is to expense establishment costs in the statement of comprehensive income as incurred. The differences between expensing the establishment costs as incurred in accordance with IFRS and capitalisation and amortisation of the establishment costs indicated in the Sub-Fund's Explanatory Memorandum resulted in adjustments in the net asset value.

	<b>Period from 20 February 2012 (date of commencement of operations) to 31 December 2012 RMB</b>
Dealing NAV	245,742,772
Adjustment for different basis adopted by the fund in arriving at net assets attributable to unitholders	(762,489)
	<hr/>
Accounting NAV as reported in the statement of financial position	244,980,283
	<hr/> <hr/>

**12 Distribution to unitholders**

The Fund made the following distributions during the period:

	2012 RMB
- RMB0.10 on 20,449,274 units with ex-date on 26 June 2012 and payment on 11 July 2012	2,044,927
- RMB0.08 on 24,593,027 units with ex-date on 21 December 2012 and payment on 16 January 2013	1,967,442
	<hr/>
	4,012,369
	<hr/> <hr/>

**13 Approval of financial statements**

The financial statements were approved by the Trustee and the Manager on 25 April 2013.



**DA CHENG CHINA RMB FIXED INCOME FUND**
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**INVESTMENT PORTFOLIO (UNAUDITED)**
**AS AT 31 DECEMBER 2012**

	<b>Holding Shares</b>	<b>Market Value RMB</b>	<b>% of Net Assets</b>
<b>Listed/Quoted Investments</b>			
<b>Collective Investment Schemes</b>			
<b>China</b>			
CHINA MERCHANTS CREDIT BOND FUND	4,000,000	3,912,000	1.60%
E FUND SUIFENG TIANLI BOND FUND	5,000,000	5,075,000	2.07%
FULLGOAL TIANFONG BOND FUND	4,150,191	4,316,199	1.76%
		<u>13,303,199</u>	<u>5.43%</u>

	<b>Nominal Value RMB</b>	<b>Market Value RMB</b>	<b>% of Net Assets</b>
<b>Debt Securities</b>			
<b>China</b>			
BEIJING NORTH STAR CO LTD 8.2% A 18JUL2013	40,000	4,067,200	1.66%
BEIJING VANTONE REAL ESTATE CO LTD 7.2% A 14OCT2014	100,000	10,400,000	4.25%
CHINA PETROLEUM & CHEM CB 0.7% A 23FEB2017	140,000	14,390,600	5.87%
CHINA VANKE CO LTD 7% A 05SEP2013	50,000	5,075,000	2.07%
DARE TECHNOLOGY CO LTD 5.5% A 29JAN2015	100,000	10,020,000	4.09%
DAXING ANLING FORESTRY GROUP CO 7.08% A 23OCT2019	100,000	10,020,920	4.09%
FOSHAN NATIONSTAR OPTOELECTRONICS CO LTD 6.8% A 03MAY2017	100,000	10,200,000	4.16%
FUJIAN ZHANGLONG ENTERPRISE CO LTD 5.07% A 27NOV2013	100,000	10,017,220	4.09%
HANZHONG CITY CONSTRUCTION INVESTMENT & DEVELOPMEN CO LTD 7.48% A 14MAR2018	100,000	10,100,000	4.12%
HENGDIAN GROUP DMEGC MAGNETICS CO LTD 7% A 09FEB2017	90,530	9,324,590	3.81%
INDUSTRIAL & COMMERCIAL BANK OF CHINA CB 0.9% A 31AUG2016	140,000	15,332,800	6.26%
JIANGXI COPPER CO LTD 1% A 22SEP2016 WW	150,000	12,981,000	5.30%
JIANGYIN SULONG HEAT AND POWER GENERATING CO LTD 4.69% A 27AUG2013	100,000	9,987,710	4.08%
KUNSHAN ENTREPRENEUR HLDGS CO LTD 6.28% A 07NOV2019	100,000	9,969,140	4.07%
LINFEN CITY INVESTMENT CONSTRUCTION DEVELOPMENT CO LTD 7.23% A 22FEB2019	97,190	9,986,272	4.08%
SHANDONG NANSHAN ALUMINUM CO LTD CB 3.5% A 16OCT2018	40,000	4,236,000	1.73%
SHANGHAI FORTE LAND CO 7.3% A 22SEP2014	100,000	10,367,000	4.23%
SHENZHEN AIRPORT CO CB 0.8% A 15JUL2017	20,000	1,827,520	0.75%
SICHUAN CHUANTOU ENERGY CO LTD CB 0.7% A 21MAR2017	72,080	7,831,492	3.20%

**DA CHENG CHINA RMB FIXED INCOME FUND**  
(A sub-fund of DCI Investment Trust established in Hong Kong)

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**  
**AS AT 31 DECEMBER 2012**

	Nominal Value RMB	Market Value RMB	% of Net Assets
<b>Listed/Quoted Investments (Continued)</b>			
<b>Debt Securities (Continued)</b>			
WANXIANG QIANCHAO CO LTD 6% A 25APR2017	70,000	7,125,300	2.91%
WUJIANG TRANSPORTATION INVESTMENT CO LTD 6.8% A 31OCT2020	100,000	9,981,350	4.07%
ZHEJIANG BAOXINIAO GARMENT CO LTD 7% A 24NOV2016	120,000	12,396,000	5.06%
ZHEJIANG FUCHUNJIANG ENVIRONMENTAL THERMOELECTRIC CO LTD 6.7% A 05JUN2017	50,000	5,150,000	2.09%
ZHONGSHAN PUBLIC UTILITIES GROUP CO LTD 5.5% A 29OCT2019	30,000	2,984,520	1.22%
		<hr/> 213,771,634	<hr/> 87.26%
<b>Total listed/quoted investments</b>		227,074,833	92.69%
<b>Other net assets</b>		<hr/> 17,905,450	<hr/> 7.31%
<b>Total net assets as at 31 December 2012</b>		<hr/> 244,980,283	<hr/> 100%
<b>Total investments, at cost</b>		<hr/> 224,869,224	

**DA CHENG CHINA RMB FIXED INCOME FUND**
*(A sub-fund of DCI Investment Trust established in Hong Kong)*
**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)  
 FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
 31 DECEMBER 2012**

		Holdings		
	20 February 2012 (date of commence- ment of operations)	Additions	Deductions	31 December 2012
Collective Investment Schemes				
CHINA MERCHANTS CREDIT BOND FUND	-	13,000,000	(9,000,000)	4,000,000
E FUND SUIFENG TIANLI BOND FUND	-	10,984,971	(5,984,971)	5,000,000
FULLGOAL TIANFONG BOND FUND	-	12,650,141	(8,499,950)	4,150,191
Listed/Quoted Debt Securities				
AGRICULTURAL DEVELOPMENT BANK OF CHINA CO LTD 4.59% A 01JUL2018	-	100,000	(100,000)	-
BEIJING NORTH STAR CO LTD 8.2% A 18JUL2013	-	159,990	(119,990)	40,000.00
BEIJING SHOUHANG RESOURCES SAVING CO LTD- A	-	500	(500)	-
BEIJING VANTONE REAL ESTATE CO LTD 7.2% A 14OCT2014	-	200,000	(100,000)	100,000.00
CHINA DEV BK 3.83% A 05APR2015	-	100,000	(100,000)	-
CHINA DEV BK 4.11% A 16APR2017	-	100,000	(100,000)	-
CHINA DEV BK 4.21% A 22MAR2022	-	100,000	(100,000)	-
CHINA DEV BK 4.44% A 23APR2022	-	100,000	(100,000)	-
CHINA GOVT BOND 2.54% A 18APR2012	-	250,000	(250,000)	-
CHINA GOVT BOND 4.26% S/A 31JUL2021	-	70,000	(70,000)	-
CHINA MERCHANTS CASH APPRECIATION FUND-B	-	10,089,661	(10,089,661)	-
CHINA PETROLEUM & CHEM CB 1% A 23FEB2017	-	215,000	(75,000)	140,000.00
CHINA RAILWAY 21 BUREAU GROUP CO LTD 7.38% A 12OCT2012	-	100,000	(100,000)	-
CHINA SHIPBUILDING INDUSTRY CORP CB 0.5% A 04JUN2018	-	99,000	(99,000)	-
CHINA VANKE CO LTD 7% A 05SEP2013	-	249,491	(199,491)	50,000.00
DARE TECHNOLOGY CO LTD 6.3% A 29JAN2015	-	168,697	(68,697)	100,000.00
DAXING ANLING FORESTRY GROUP CO 7.08% A 23OCT2019	-	100,000	-	100,000.00
EXPORT-IMPORT BANK OF CHINA 3.87% A 23FEB2017	-	100,000	(100,000)	-
FOSHAN NATIONSTAR OPTOELECTRONICS CO LTD 6.8% A 03MAY2017	-	100,000	-	100,000.00

**DA CHENG CHINA RMB FIXED INCOME FUND**
*(A sub-fund of DCI Investment Trust established in Hong Kong)*
**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
 FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
 31 DECEMBER 2012**

Listed/Quoted Debt Securities (Continued)	20 February 2012 (date of commence- ment of operations)	Holdings		31 December 2012
		Additions	Deductions	
FUJIAN EXPRESSWAY DEVELOPMENT CO LTD 5.8% A 08MAR2017	-	50,000	(50,000)	-
FUJIAN ZHANGLONG ENTERPRISE CO LTD 5.07% A 27NOV2013	-	100,000	-	100,000.00
GD POWER DEVELOPMENT CO LTD CB 0.5% A 19AUG2017	-	110,850	(110,850)	-
GUANGZHOU R&F PROPERTIES CO LTD 7.15% A 23OCT2014	-	107,680	(107,680)	-
HANZHONG CITY CONSTRUCTION INVESTMENT & DEVELOPMEN CO LTD 7.48% A 14MAR2018	-	130,000	(30,000)	100,000.00
HENGDIAN GROUP DMEGC MAGNETICS CO LTD 7% A 09FEB2017	-	90,530	-	90,530.00
INDUSTRIAL & COMMERCIAL BANK OF CHINA CB 0.9% A 31AUG2016	-	220,000	(80,000)	140,000.00
JIANGSU YUNYI ELECTRIC CO LTD-A	-	500	(500)	-
JIANGXI COPPER CO LTD 1% A 22SEP2016 WW	-	175,740	(25,740)	150,000.00
JIANGYIN SULONG HEAT AND POWER GENERATING CO LTD 4.69% A 27AUG2013	-	100,000	-	100,000.00
KANGMEI PHARMACEUTICAL CO LTD 0.8% A 08MAY2014	-	50,000	(50,000)	-
KINGFA SCI & TECH CO LTD 8.2% A 24JUL2013	-	88,250	(88,250)	-
KUNSHAN ENTREPRENEUR HLDGS CO LTD 6.28% A 07NOV2019	-	100,000	-	100,000.00
LINFEN CITY INVESTMENT CONSTRUCTION DEVELOPMENT CO LTD 7.23% A 22FEB2019	-	120,970	(23,780)	97,190.00
METALLURGICAL CORP OF CHINA LTD 6.12% A 14OCT2012	-	100,000	(100,000)	-
NANJING IRON & STEEL CO LTD 5.8% A 06MAY2018	-	150,000	(150,000)	-
SDIC POWER HLDGS CO LTD CB 0.9% A 25JAN2017	-	114,000	(114,000)	-
SHANDONG NANSHAN ALUMINUM CO LTD CB 3.5% A 16OCT2018	-	55,000	(15,000)	40,000.00
SHANGHAI FORTE LAND CO 7.3% A 22SEP2014	-	202,160	(102,160)	100,000.00
SHANGHAI JINFENG INVESTMENT CO LTD 5.9% A 25DEC2012	-	81,360	(81,360)	-
SHANGHAI ZI JIANG ENTERPRISE GROUP CO LTD 6.1% A 28DEC2017	-	100,000	(100,000)	-
SHENZHEN AIRPORT CO CB 0.8% A 15JUL2017	-	20,000	-	20,000.00

**DA CHENG CHINA RMB FIXED INCOME FUND**
*(A sub-fund of DCI Investment Trust established in Hong Kong)*
**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
 FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
 31 DECEMBER 2012**

	20 February 2012 (date of commence- ment of operations)	Holdings		31 December 2012
		Additions	Deductions	
<b>Listed/Quoted Debt Securities (Continued)</b>				
SHENZHEN CHANGFANG LIGHT EMITTING DIODE LIGHTING CO LTD-A	-	500	(500)	-
SICHUAN CHUANTOU ENERGY CO LTD CB 0.9% A 21MAR2017	-	115,100	(43,020)	72,080.00
SINOCHEN INTL CORP 1.8% A 01DEC2012	-	50,000	(50,000)	-
WANXIANG QIANCHAO CO LTD 6% A 25APR2017	-	70,000	-	70,000.00
WUHAN IRON & STEEL 1.2% A 26MAR2012 WW	-	50,000	(50,000)	-
WUJIANG TRANSPORTATION INVESTMENT CO LTD 6.8% A 31OCT2020	-	100,000	-	100,000.00
XINJIANG JOINWORLD CO LTD 6.85% A 17NOV2018	-	19,600	(19,600)	-
ZHANGJIAGANG CHEMICAL MACHINERY CO LTD 7% A 17APR2017	-	30,000	(30,000)	-
ZHEJIANG BAOXINIAO GARMENT CO LTD 7% A 24NOV2016	-	240,000	(120,000)	120,000.00
ZHEJIANG FUCHUNJIANG ENVIRONMENTAL THERMOELECTRIC CO LTD 6.7% A 05JUN2017	-	50,000	-	50,000.00
ZHONGSHAN PUBLIC UTILITIES GROUP CO LTD 5.5% A 29OCT2019	-	30,000	-	30,000.00
ZHUZHOU CITY CONSTRUCTION INVESTMENT OPERATION CO LTD 8.36% A 10NOV2021	-	40,690	(40,690)	-

**DA CHENG CHINA RMB FIXED INCOME FUND**

*(A sub-fund of DCI Investment Trust established in Hong Kong)*

**PERFORMANCE TABLE (UNAUDITED)**

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2012**

**Net asset values (Dealing NAV)**

	Net asset value of the Sub-Fund RMB	Net asset value per unit RMB
At the end of financial period dated 31 December 2012		
Class A	245,742,772	10.15

**Highest and lowest net asset value per unit**

	Highest issue price per unit	Lowest redemption price per unit
Financial period ended 31 December 2012 (since commencement of operations)		
Class A	10.22	10.00