



**AUSTRALIA CHINA
INVESTMENT FUND**

ABN 50 276 530 275

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

AUSTRALIA CHINA INVESTMENT FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Directors of the Trustee, Vasco Investment Managers Limited, present their report on the Australia China Investment Fund ('the Fund') for the year ended 30 June 2018.

1. Directors

The names of Directors of the Trustee in office at any time during the financial year are:

Craig Mathew Dunstan (appointed 6 August 2009)

Fiona Jean Dunstan (appointed 6 August 2009)

Stephen George Hawkins (appointed 10 May 2010)

Jonathan William Martin (appointed 6 August 2009)

The Directors have been in office since the establishment of the Fund to the date of this report unless otherwise stated.

2. Principal Activities

The principal activities of the Fund are to invest in a portfolio of real estate related investments in the Australian market, in a SIV compliant manner (as the rules were in existence on 30 June 2015).

The Fund was established on 21 August 2015 and issued the first units on the commencement date of 23 November 2015.

3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2018 was \$1,912,500 (2017: \$1,754,281). All surplus profits are payable to the Investment Manager as a performance fee. Any deficit funds will be recovered prior to a performance fee being paid.

4. Review of Operations

During the period since inception, the Fund has issued 27,500,000 units. Of these, 2,000,000 units have been redeemed. The total units on issue as at 30 June 2018 was 25,500,000.

As at 30 June 2018 the Fund held the following investments:

- (i) An investment in the Golden Age Box Hill Development Unit Trust of \$20,000,000, with a potential term of 4 years. The distribution rate is 10.125% for the first \$10,000,000 investment and 10.625% for the second \$10,000,000 investment. The distributions are payable every six months based on the investment date.
- (ii) A loan of \$5,000,000 was made to Caydon Finance Pty Ltd on 3 February 2017 with a term of 3 years. The repayment date is 36 months from the drawdown date. The interest rate is 10.6% per annum and the interest is payable on a quarterly basis.

The total investments held by the Fund are \$25,000,000.

AUSTRALIA CHINA INVESTMENT FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018

5. Distributions Paid or Recommended

In accordance with the Information Memorandum of the Fund, distributions are calculated and accrued on a daily basis and are paid on a quarterly basis within 14 days after the end of each quarter.

The following distributions have been paid or payable for the financial year to 30 June 2018:

Period	Distribution payable per unit
July – September 2017	\$0.02
October – December 2017	\$0.02
January – March 2018	\$0.02
April – June 2018	\$0.02

The total distributions declared for the financial year were \$1,912,500 (2017: \$ 1,754,281).

6. Applications Held

As at 30 June 2018, there are no pending applications for the Fund.

7. Redemption Arrangements

As detailed in the Fund's Constitution the Trustee is not under any obligation to buy back, purchase or redeem units from unitholders. Consequently, no units were redeemed by the Trustee during the reporting period.

Although the Trust Deed permits the withdrawal or redemption of units in the Fund, at the discretion of the Trustee, the Trustee does not currently intend to permit Investors to voluntarily withdraw any amount from the Fund during the initial 4 years of their investment. Investors may only withdraw their investment after the minimum investment period of 4 years, subject to available liquidity. The Trustee has the absolute discretion to permit Investors to voluntarily withdraw any amount from the Fund.

8. Options

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The directors and executives of the Trustee hold no options over interests in the Fund.

9. Proceedings on Behalf of the Fund

No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings. The Fund was not a party to any such proceedings during the period.

10. Value of Scheme Assets

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$26,251,123 (2017: \$ 29,415,204). The Net Asset Value at the end of the reporting period was \$25,549,992 (2017: \$ 25,566,308).

AUSTRALIA CHINA INVESTMENT FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018

11. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this Report, there have been no other significant changes to the state of affairs of the Fund during the financial year.

12. After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

13. Future Developments

There are no future developments to report on which are not otherwise disclosed in this report.

14. Indemnifying Officers or Auditor

During or since the end of the financial year, the Trustee has paid insurance premiums to insure each of the aforementioned directors as well as officers of the Trustee against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Trustee, other than conduct involving a willful breach of duty in relation to the Trustee.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Trustee has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Trustee or of any related body corporate against a liability incurred as such an officer or auditor.

15. Fees, Commissions or Other Charges by the Trustee, Investment Manager or Related Parties

Fees of \$26,061 (plus GST) were accrued and paid by the Fund to Trustee for the period. In addition fees of \$25,729 (plus GST) were accrued and paid by the Fund to the Trustee for undertaking fund administration responsibilities.

16. Units held by the Trustee, Investment Manager or Related Parties

As at 30 June 2018, neither the Trustee or Investment Manager and their related parties held units in the Fund.

17. Interests Issued in the Fund

During the financial year no units were issued.

18. Number of Interests on Issue

As at 30 June 2018, the number of units on issue in the Fund was 25,500,000 (2017: 25,500,000)

AUSTRALIA CHINA INVESTMENT FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018

19. Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities and Investments Commission's Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*. Consequently, amounts in the financial statements have been rounded to the nearest dollar in accordance with that legislative instrument, or in certain cases, the nearest thousand dollars.

20. Environmental Regulation

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

Signed in accordance with a resolution of the Board of Directors of Vasco Investment Managers Limited by:



Craig Mathew Dunstan

Director

Date: 13 September 2018

AUSTRALIA CHINA INVESTMENT FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Revenue and other income			
Bank interest	2 (b)	16,502	48,581
Investment income	3 (a)	2,605,000	2,304,972
Total revenue and other income		2,621,502	2,353,553
Expenses			
Investment management fees	8	260,612	238,928
Performance fees	8	383,458	267,749
Trustee fees	9	26,061	25,601
Administration fees	9	25,729	25,216
Other administration expenses	10	29,458	25,467
Total expenses		725,318	582,961
Other income			
Interest income		-	5
Operating profit/(loss) before finance costs attributable to unitholders		1,896,184	1,770,592
Finance costs attributable to unitholders			
Distributions paid to unitholders	7 (b)	1,912,500	1,754,281
Total comprehensive income		(16,316)	16,316

The accompanying notes form part of these financial statements

AUSTRALIA CHINA INVESTMENT FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	2 (a)	636,962	3,909,735
Accrued distribution income	3 (a)	472,214	472,213
Accrued loan interest income	3 (a)	132,137	16,521
Total current assets		1,241,313	4,398,469
Non-current assets			
Investment assets	3 (b)	25,000,000	25,000,000
Prepaid expenses	4	16,735	16,735
Less amortisation	4	(6,925)	-
Total non-current assets		25,009,810	25,016,735
Total assets		26,251,123	29,415,204
Liabilities			
Fees payable	5	185,678	181,052
Administration expenses payable	6	(7,590)	(3,766)
Distributions payable		476,815	476,815
Withholding tax payable		46,228	47,157
Applications held		-	3,147,638
Total liabilities		701,131	3,848,896
Net assets		25,549,992	25,566,308
Represented by:			
Issued units	7 (a)	25,500,000	25,500,000
Revaluation reserve		49,992	49,992
Undistributed profit/(loss) attributable to unitholders	7 (b)	16,316	16,316
Current year earnings		(16,316)	-
Net assets attributable to unitholders		25,549,992	25,556,308

The accompanying notes form part of these financial statements

AUSTRALIA CHINA INVESTMENT FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Bank interest		16,502	48,586
Distributions received		2,075,000	2,075,000
Loan interest received		414,384	213,452
RITC Receivable		(140,964)	(87,463)
Payments to suppliers		(765,046)	(620,521)
Application held		(3,147,637)	3,147,637
Distribution paid to unitholders		(1,725,012)	(1,471,379)
Distribution paid to be reinvested		-	(49,992)
Net cash provided by/(used in) operating activities	12	<u>(3,272,773)</u>	<u>3,255,320</u>
Cash flows from investing activities			
Payment for investment assets		-	(5,000,000)
Net cash provided by/ (used in) investing activities		<u>0</u>	<u>(5,000,000)</u>
Cash flows from financing activities			
Proceeds from units issue		-	5,000,000
Proceeds from distribution re-investment		-	49,992
Net cash provided by/ (used in) financing activities		<u>0</u>	<u>6,676,258</u>
Net increase/ (decrease) in cash and cash equivalents		(3,272,773)	3,305,312
Cash and cash equivalents at the beginning of year		3,909,735	604,423
Cash and cash equivalents at the end of year	2 (a)	<u>636,962</u>	<u>3,909,735</u>

The accompanying notes form part of these financial statements

AUSTRALIA CHINA INVESTMENT FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or the end of the financial year.

AUSTRALIA CHINA INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the entity Australia China Investment Fund ('the Fund') as an individual entity. The Fund is an unlisted managed investment scheme established and domiciled in Australia. The Trustee of the Fund is Vasco Investment Managers Limited, and Australia China Investment Fund Limited is appointed as the Investment Manager of the Fund.

Financial Reporting Framework

The Fund is not a reporting entity, because in the opinion of the directors of the Trustee, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored, so as to specifically satisfy all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the directors of the Trustee's reporting requirements under *Corporations Act 2001*.

Basis of Preparation

The financial report is a special purpose financial report that has been prepared in accordance with the recognition and measurement requirements of all Australian Accounting Standards (including Australian Accounting Interpretations), and the disclosure requirements of *AASB 101: Presentation of Financial Statements*, *AASB 107: Statement of cash flows* and *AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors*, the *Corporations Act 2001 (Cth)* and the Fund's Constitution.

The functional and presentation currency of the Fund is Australian dollars.

Significant Accounting Policies

(a) Financial instruments

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

(i) Measurement

Financial assets and financial liabilities are held at fair value through profit or loss.

Under this approach, financial assets and financial liabilities are generally measured initially at fair value excluding any transaction costs that are directly attributable to acquisition.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognized in the statement of comprehensive income.

Fair value in an active market

The fair value of financial asset and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimate future selling costs. Financial assets are priced at current bid prices on the reporting date, while financial liabilities are priced at current offer prices.

AUSTRALIA CHINA INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(ii) Categorisation

The Fund's investments are categorised as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Issued units

The Fund issues units which have a limited life under the Fund's Constitution and are classified as equity in accordance with *AASB 132 Financial Instruments: Presentation* as amended by *AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*.

Should the terms or conditions of the units change such that they no longer comply with the criteria for classification as equity in the revised *AASB 132*, the units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in equity attributable to the Fund's unitholders.

(b) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

(c) Income tax

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

(d) Critical judgements and significant accounting estimates

The preparation of financial statements requires the directors of the Trustee to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

AUSTRALIA CHINA INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Comparatives

As the Australia China Investment Fund commenced operations in a previous financial year, there are comparative numbers for the year ending 30 June 2017.

(f) New accounting standards and interpretations

A number of new accounting standards and interpretation have been published, and are mandatory for at least part of the 30 June 2018 reporting period, having come into effect on the 1 January 2018:

- (i) AASB 9 *Financial Instruments*
- (ii) AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*
- (iii) AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments - Part C*
- (iv) AASB 2014-1 *Amendments to Accounting Standards*

Broadly, these new standards require all financial instruments to be measured at fair value unless the criteria for amortised cost are met.

The introduction of the standard is not expected to change the measurement basis of any of the Fund's current financial instruments.

- (v) AASB 15: *Revenue from contracts with customers*

Broadly, this new standard relates to the recognition of revenue from contracts for goods and services, including construction contracts.

While this standard does not relate to a significant portion of the Fund's holdings, to the extent that it does apply, it is not expected to change the measurement basis of any of the Fund's current financial instruments, or the valuation of the Fund's assets.

There are no other pending standards that are relevant to the Fund in the current or future reporting periods as at the issue date of this report.

NOTE 2: CASH AND CASH EQUIVALENTS

(a) Cash at bank

	2018	2017
	\$	\$
Macquarie Bank	636,962	3,909,735
	<u>636,962</u>	<u>3,909,735</u>

(b) Bank interest income

Cash on deposit is held in a Macquarie Bank cash management account (AUD). The interest rate paid by Macquarie to 31 December 2017 was 1.40%. From 1 January 2018 the interest rate has been 1.30% pa paid monthly on balances greater than \$5,000. The Fund has been able to obtain a higher return from Macquarie amounting to an extra 0.25% pa.

AUSTRALIA CHINA INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 3: INVESTMENT ASSETS

(a) Investment income

The Fund receives distribution income from Golden Age Box Hill Development Unit Trust and loan interest from the Caydon Finance Pty Ltd as investment income. Investment income applicable was \$2,605,000 as at 30 June 2018. (2017: \$2,304,972)

	2018	2017
	\$	\$
Golden Age Box Hill Development Unit Trust distribution	2,075,000	2,075,000
Caydon Finance Pty Ltd loan interest	530,000	229,972
	<u>2,605,000</u>	<u>2,304,972</u>

(b) Investment held

As at 30 June 2018 the Fund held the following investments:

- (i) An investment in the Golden Age Box Hill Development Unit Trust of \$20,000,000, with a potential term of 4 years. The distribution rate is 10.125% for the first \$10,000,000 investment and 10.625% for the second \$10,000,000 investment. The distributions are payable every six months based on the investment date.
- (ii) A loan of \$5,000,000 was made to Caydon Finance Pty Ltd on 3 February 2017 with a term of 3 years. The repayment date is 36 months from the drawdown date. The interest rate is 10.6% per annum and the interest is payable on a quarterly basis.

The total investments held by the Fund are \$25,000,000.

NOTE 4: PREPAID EXPENSES

Trust establishment costs of \$27,700 including the establishment fee, legal fees, drafting of the information memorandum and stamp duty are amortised over four years.

NOTE 5: FEES PAYABLE

	2018	2017
	\$	\$
Investment manager fees payable	65,244	71,010
Performance fees payable	116,096	105,749
Administration fees payable	2,150	2,104
Trustee fees payable	2,188	2,189
	<u>185,678</u>	<u>181,052</u>

AUSTRALIA CHINA INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6: ADMINISTRATION EXPENSES PAYABLE

	2018	2017
	\$	\$
GST payable/(receivable)	(18,178)	(14,006)
Provision for tax return fees	3,300	3,000
Other accrued fees	7,288	7,240
	<u>(7,590)</u>	<u>(3,766)</u>

NOTE 7: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2018	2017
(a) Issued units		
Opening balance	25,500,000	20,500,000
Redemptions	-	-
Units issued – applications	-	5,000,000
Units issued – reinvestment of distributions	-	-
Closing balance	<u>25,500,000</u>	<u>25,500,000</u>

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

(b) Undistributed profit/(loss) attributable to unitholders

	2018	2017
	\$	\$
Opening balance	16,316	-
Operating profit/(loss) before finance costs attributable to unitholders	1,896,184	1,770,597
Distributions paid	(1,435,685)	(1,277,466)
Distributions payable	(476,815)	(476,815)
Closing balance	<u>0</u>	<u>16,316</u>

Withholding taxes applicable to the distributions paid during the 2018 financial year were \$188,002. Total distribution for the financial year was \$1,912,500 of which \$476,815 was declared as at 30 June 2018 and settled on 12 July 2018.

(c) Capital management

The Fund regards total unitholders' interests as capital. The objective of the Fund is to provide unitholders with income distributions. The Fund aims to achieve this objective mainly through investing in a portfolio of real estate related investments in the Australian market.

The Fund aims to invest to meet the Fund's investment objectives while maintaining sufficient liquidity to meet its commitments, including unitholder redemptions. The Trustee regularly reviews the performance of the Fund, including asset allocation strategies, investment and risk management.

AUSTRALIA CHINA INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8: INVESTMENT MANAGEMENT AND PERFORMANCE FEES

In accordance with the Information Memorandum of the Fund, the Investment Manager is entitled to an investment management fee of 1.0 % (plus GST) per annum of the gross asset value of the Fund, calculated and paid monthly in arrears out of the assets of the Fund.

Where in any quarter the return to Investors is less than 7.5% p.a. the Investment Manager will waive in whole or part its investment management fee for the following quarter, so as to make up some or the entire shortfall in return to Investors in the previous quarter.

The Investment Manager is also entitled to an annual performance fee equivalent to any distributable income or capital gains after unitholders have received a return of 7.5% per annum (after all fees and expenses) and any previous under-performance has been recovered. The Information Memorandum was updated on 16 October 2016 to change the payment frequency of the performance fee from annually to quarterly.

All deficit performance fees will be recovered prior to any payment to the Investment Manager. As the recovery will be through interest income, the deficit performance fee is effectively prepaid interest as it reflects the amount not recoverable by the Investment Manager from future interest income received of the same amount.

NOTE 9: TRUSTEE AND ADMINISTRATION FEES

In accordance with the Information Memorandum of the Fund, the Trustee is entitled to an annual fee of 0.1% (plus GST) of the gross asset value of the Fund, subject to a minimum fee of \$25,000 (plus GST); and an annual administration fee of \$25,806 (plus GST), subject to an annual Consumer Price Index (CPI) increase (All groups CPI for Melbourne) on 21 August each year.

NOTE 10: OTHER ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
Tax return fees	3,600	950
Establishment fees	6,258	3,625
Legal fees	667	2,000
Bank fees	-	30
Other administration expenses	968	3,262
GST expense (non-claimable)	17,965	15,600
	<u>29,458</u>	<u>25,467</u>

NOTE 11: APPLICATIONS HELD

The Fund received application monies for an amount of \$3,147,638 from a potential investor during the previous financial year. The potential investor could not meet the minimum investment amount of \$5,000,000 and instructed the monies be transferred to the ACIF Priority Fund Infrastructure Unit Class. This amount was transferred to the ACIF Priority Fund Infrastructure Unit Class in August 2017.

AUSTRALIA CHINA INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities with profit/ (loss) for the year

	2018	2017
	\$	\$
Profit/(loss) for the year	(16,316)	16,316
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(108,692)	(9,595)
Increase/ (decrease) in payables	(3,147,764)	3,248,599
Cash flows from operating activities	<u>(3,272,772)</u>	<u>3,255,320</u>

NOTE 13: RELATED PARTY TRANSACTIONS

(a) Trustee

The Trustee of the Australia China Investment Fund is Vasco Investment Managers Limited.

Fees of \$26,061 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Trustee for the period, of which \$1,433 is claimable by the Fund as RITC.

(b) Investment Manager

The Investment Manager of the Australia China Investment Fund is Australia China Investment Fund Limited.

Investment management fees of \$260,612 (plus GST) were accrued and paid to the Investment Manager for the period, of which \$19,546 is claimable by the Fund as RITC.

Performance fees of \$367,141 (plus GST) were accrued and paid to the Investment Manager for the period, of which \$27,536 is claimable by the Fund as RITC.

(c) Administration Manager

The Administration Manager of the Australia China Investment Fund is Vasco Investment Managers Limited.

Administration fees of \$25,729 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for undertaking fund administration responsibilities, of which \$1,930 is claimable by the Fund as RITC.

(d) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee, Vasco Investment Managers Limited and an Investment Manager, Australia China Investment Fund Limited, to manage the activities of the Fund. The directors of the Trustee and Investment Manager are key management personnel of that entity. No compensation is paid directly by the Fund to directors or to any of the key management personnel of the Trustee or Investment Manager. Payments made by the Fund to the Trustee and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

AUSTRALIA CHINA INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14: REMUNERATION OF AUDITORS

For the period ended 30 June 2018 the accounts of the Fund were not subject to audit and accordingly no audit fees were paid.

NOTE 15: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this report, there have been no events subsequent to the reporting date that require additional disclosure.

NOTE 17: FINANCIAL RISK MANAGEMENT

Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund holds investments in real estate development trusts and in loans, which are not considered to be assets that are readily realisable. In order to address this risk, the Trustee retains broad discretion to restrict distributions, withdrawals and/or redemptions.

NOTE 18: TRUSTEE DETAILS

The registered office and the principal place of business of the Trustee are:

Vasco Investment Managers Limited

Level 5

488 Bourke Street

Melbourne Victoria 3000

AUSTRALIA CHINA INVESTMENT FUND

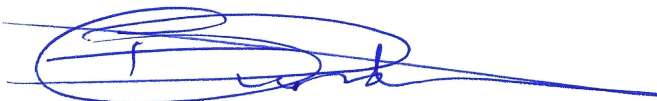
DIRECTORS' DECLARATION

The directors of Vasco Investment Managers Limited, the Trustee, have determined that the Fund is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of Vasco Investment Managers Limited, the Trustee, declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors of Vasco Investment Managers Limited by:



Craig Mathew Dunstan

Director

13 September 2018