

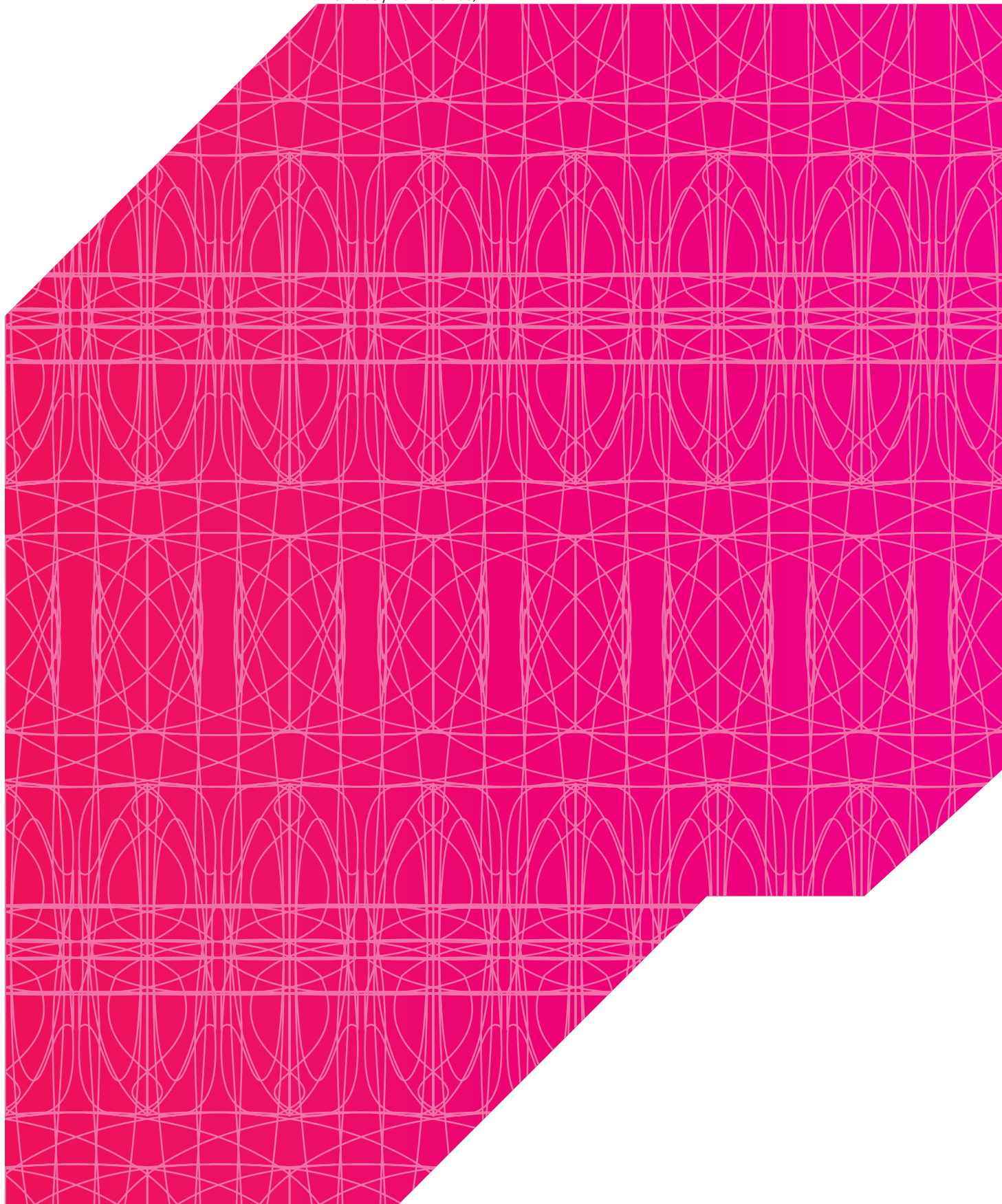


# Invesco China Opportunity Fund III

## Financial Statements

For the year ended 31 March 2017

(A sub-fund of Invesco China Series II, a unit trust established as an exempted trust in the Cayman Islands)



**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

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**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**SCHEDULE OF INVESTMENTS (UNAUDITED)**  
**AS AT 31 MARCH 2017**

	Holdings	Fair value USD	% of net assets
<b>Listed/quoted investments</b>			
<b>Listed equities</b>			
<b>People's Republic of China ("PRC")</b>			
China Jushi Co Ltd 'A'	58,000	88,774	2.00
China Merchants Shekou Industrial Zone Co 'A'	86,636	221,007	4.98
China Yangtze Power Co Ltd 'A'	121,900	234,461	5.29
Dong-E E-Jiao Co Ltd 'A'	15,800	150,230	3.39
Dr Peng Telecom & Media Group Co Ltd 'A'	48,500	138,696	3.13
Foshan Haitian Flavouring 'A'	18,200	91,827	2.07
Fuyao Glass Industry Group Co Ltd 'A'	46,600	152,715	3.44
Gree Electric Appliances 'A'	30,100	138,300	3.12
Guangdong Provincial Expressway Dev 'A'	124,300	135,663	3.06
Guangshen Railway Co Ltd 'A'	170,300	128,355	2.89
Hangzhou Hik-Vision Digital Tech Co 'A'	60,100	277,882	6.27
Jinyu Bio-Technology Co Ltd 'A'	18,600	91,338	2.06
Kweichow Moutai Co Ltd 'A'	1,500	84,000	1.89
Mayinglong Pharmaceutical 'A'	41,700	133,333	3.01
Midea Group Co Ltd 'A'	64,000	308,901	6.97
MYS Group Co Ltd 'A'	116,800	166,922	3.76
Nanfang Zhongjin Environment Co Ltd 'A' (formerly known as Nanfang Pump Industry Co Ltd 'A')	30,200	124,227	2.80
Ningbo Tuopu Group Co Ltd 'A'	28,800	136,042	3.07
SAIC Motor Corp 'A'	60,500	222,557	5.02
SDIC Power Holdings Co Ltd 'A'	118,000	128,787	2.90
Shenzhen Sunway Communication 'A'	18,500	92,107	2.08
Sichuan Chuantou Energy Co Ltd 'A'	165,800	217,484	4.90
Suofeiya Home Collection Co Ltd 'A'	31,100	310,581	7.00
Tianjin Zhongxin Pharmaceutical Co Ltd 'A'	46,800	123,863	2.79
Vatti Corp Ltd 'A'	56,300	272,389	6.14
Wuxi Little Swan Co 'A'	26,000	158,013	3.56
<b>Total investments</b>		<u>4,328,454</u>	<u>97.59</u>
<b>Cash and other net assets</b>		<u>107,070</u>	<u>2.41</u>
<b>Net assets attributable to unitholders</b>		<u>4,435,524</u>	<u>100.00</u>
<b>Total investments at cost</b>		<u>3,978,057</u>	

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

**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**MOVEMENT OF PORTFOLIO INVESTMENTS (UNAUDITED)**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Holdings as at 31 March 2016	Additions	Disposals	Holdings as at 31 March 2017
<b>Listed/quoted investments</b>				
<b>Listed equities</b>				
<b>PRC</b>				
Beijing Enlight Media Co Ltd 'A'	32,600	32,600	(65,200)	-
Beijing Jetsen Technology Co Ltd 'A'	43,600	-	(43,600)	-
Beijing Originwater Technology Co Ltd 'A'	26,700	31,042	(57,742)	-
China Jushi Co Ltd 'A'	-	58,000	-	58,000
China Merchants Securities Co Ltd 'A'	63,500	-	(63,500)	-
China Merchants Shekou Industrial Zone Co 'A'	191,136	-	(104,500)	86,636
China Yangtze Power Co Ltd 'A'	70,600	84,000	(32,700)	121,900
Chongqing Changan Automobile Co Ltd 'A'	-	60,200	(60,200)	-
Dong-E E-Jiao Co Ltd 'A'	33,900	-	(18,100)	15,800
Dr Peng Telecom & Media Group Co Ltd 'A'	107,500	-	(59,000)	48,500
Foshan Haitian Flavouring 'A'	24,900	-	(6,700)	18,200
Fuyao Glass Industry Group Co Ltd 'A'	-	63,600	(17,000)	46,600
GoerTek Inc 'A'	27,300	11,100	(38,400)	-
Gree Electric Appliances 'A'	-	30,100	-	30,100
GRG Banking Equipment Co Ltd 'A'	38,000	15,100	(53,100)	-
Guangdong Provincial Expressway Dev 'A'	-	155,900	(31,600)	124,300
Guangdong QTone Education Co Ltd 'A'	10,700	12,900	(23,600)	-
Guangshen Railway Co Ltd 'A'	476,200	-	(305,900)	170,300
Guotai Junan Securities Co Ltd 'A'	57,400	-	(57,400)	-
Hangzhou Hik-Vision Digital Tech Co 'A'	76,100	48,500	(64,500)	60,100
Huayu Automotive Systems 'A'	-	58,500	(58,500)	-
Hubei Fuxing Science & Tech 'A'	63,200	-	(63,200)	-
Hubei Jumpcan Pharmaceutical 'A'	-	28,100	(28,100)	-
Jiangsu Changjiang Electronics Tech 'A'	72,500	-	(72,500)	-
Jiangsu Chunlan Refrigerating Equip 'A'	117,945	-	(117,945)	-
Jinlong Machinery Electronic Co Ltd 'A'	20,200	-	(20,200)	-

**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**MOVEMENT OF PORTFOLIO INVESTMENTS (CONTINUED) (UNAUDITED)**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Holdings as at 31 March 2016	Additions	Disposals	Holdings as at 31 March 2017
<b>Listed/quoted investments (Continued)</b>				
<b>Listed equities (Continued)</b>				
<b>PRC (Continued)</b>				
Jinyu Bio-Technology Co Ltd 'A'	38,400	-	(19,800)	18,600
Jonjee High-Tech Industrial 'A'	89,400	-	(89,400)	-
Kweichow Moutai Co Ltd 'A'	-	1,500	-	1,500
Luxshare Precision Industry Co Ltd 'A'	39,850	29,175	(69,025)	-
Mayinglong Pharmaceutical 'A'	-	44,000	(2,300)	41,700
Midea Group Co Ltd 'A'	-	74,500	(10,500)	64,000
MYS Group Co Ltd 'A'	123,900	27,900	(35,000)	116,800
Nanfang Zhongjin Environment Co Ltd 'A' (formerly known as Nanfang Pump Industry Co Ltd 'A')	20,700	16,500	(7,000)	30,200
Ningbo Tuopu Group Co Ltd 'A'	-	30,400	(1,600)	28,800
Qiaqia Food Co Ltd 'A' (formerly known as Chacha Food Co Ltd 'A')	41,500	17,500	(59,000)	-
SAIC Motor Corp 'A'	66,900	29,000	(35,400)	60,500
SDIC Power Holdings Co Ltd 'A'	-	118,000	-	118,000
Shanghai Oriental Pearl Media Co Ltd 'A'	26,195	-	(26,195)	-
Shenzhen Salubris Pharmaceuticals 'A'	31,500	-	(31,500)	-
Shenzhen Sunway Communication 'A'	-	18,500	-	18,500
Shenzhen World Union Properties 'A'	13,800	5,520	(19,320)	-
Shijiazhuang Dongfang Energy Co Ltd 'A'	82,700	-	(82,700)	-
Sichuan Chuantou Energy Co Ltd 'A'	-	213,300	(47,500)	165,800
Suofeiya Home Collection Co Ltd 'A'	42,400	-	(11,300)	31,100
Tianjin Zhongxin Pharmaceutical Co Ltd 'A'	-	49,400	(2,600)	46,800
Vatti Corp Ltd 'A'	-	59,400	(3,100)	56,300
Wangsu Science & Tech Co Ltd 'A'	-	12,400	(12,400)	-
Wuxi Little Swan Co 'A'	-	27,400	(1,400)	26,000
Zhejiang Huace Film & TV Co Ltd 'A'	29,200	60,300	(89,500)	-

**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**PERFORMANCE TABLE (UNAUDITED)**

**Performance records**

Highest subscription price per unit:

Year/period	Class A		Class C	Class I
	HKD	USD	USD	USD
For the year ended 31 March 2017	75.69	9.74	-	10.35
For the year ended 31 March 2016	135.41	17.46	-	18.41
For the year ended 31 March 2015	98.05	12.65	-	13.29
For the year ended 31 March 2014	73.14	9.42	-	9.59
Period from 25 May 2012 (date of commencement) to 31 March 2013	77.77	10.02	10.02	10.02

Lowest redemption price per unit:

Year/period	Class A		Class C	Class I
	HKD	USD	USD	USD
For the year ended 31 March 2017	62.46	8.04	-	8.54
For the year ended 31 March 2016	57.88	7.43	-	7.89
For the year ended 31 March 2015	58.70	7.57	-	7.84
For the year ended 31 March 2014	61.93	7.98	-	8.14
Period from 25 May 2012 (date of commencement) to 31 March 2013	59.10	7.63	7.64	7.69

**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**PERFORMANCE TABLE (UNAUDITED)**

**Performance records (Continued)**

**Investment record**


Year	Net asset value per unit			Total net asset value	
	Class A		Class C	Class I	
	HKD	USD	USD	USD	
As at 31 March 2017	74.56	9.59	-	10.19	4,435,524
As at 31 March 2016	67.93	8.76	-	9.30	5,801,984
As at 31 March 2015	97.55	12.58	-	13.22	12,665,496

**INVESCO CHINA OPPORTUNITY FUND III  
(SUB-FUND OF INVESCO CHINA SERIES II)**

**REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF INVESCO CHINA OPPORTUNITY FUND III (THE  
"FUND")**

We hereby confirm that, in our opinion, the Manager has in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 15 February 2012, as amended, during for the year ended 31 March 2017.

For and on behalf of the Trustee,  
**Bank Consortium Trust Company Limited**



.....  
Director



.....  
Director

Hong Kong, 14 July 2017



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS (AS A BODY) OF INVESCO CHINA OPPORTUNITY FUND III  
(SUB-FUND OF INVESCO CHINA SERIES II)**

**Report on the audit of the financial statements**

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**Our opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Invesco China Opportunity Fund III (the Fund), a sub-fund of Invesco China Series II, as at 31 March 2017, and of its financial transactions and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**What we have audited**

The Fund's financial statements, which are set out on pages 11 to 37, comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

**Independence**

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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**Other Information**

The Trustee and the Manager (the Management) are responsible for the other information. The other information comprises the Annual Report (but does not include the Fund's financial statements and our auditor's report thereon).

Our opinion on the Fund's financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS (AS A BODY) OF INVESCO CHINA OPPORTUNITY FUND III  
(SUB-FUND OF INVESCO CHINA SERIES II) (CONTINUED)**

In connection with our audit of the Fund's financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**Responsibilities of Management for the financial statements**

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

In addition, Management is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 15 February 2012, as amended (Trust Deed) and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the SFC Code).

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**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS (AS A BODY) OF INVESCO CHINA OPPORTUNITY FUND III  
(SUB-FUND OF INVESCO CHINA SERIES II) (CONTINUED)**

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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**Other Matter**

This report, including the opinion, has been prepared for and only for the Fund's unitholders as a body represented by the trustee in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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**Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

**PricewaterhouseCoopers**  
Grand Cayman, Cayman Islands  
14 July 2017


**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

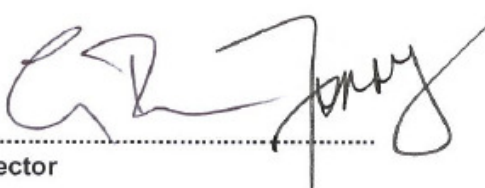
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	Note	2017 USD	2016 USD
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	8	4,328,454	5,727,375
Cash and cash equivalents	9	399,932	199,165
		<hr/>	<hr/>
<b>Total assets</b>		<b>4,728,386</b>	<b>5,926,540</b>
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Redemption payable		280,157	95,910
Accruals and other payables		16,917	60,945
		<hr/>	<hr/>
<b>Liabilities (excluding net assets attributable to unitholders)</b>		<b>297,074</b>	<b>156,855</b>
		<hr/>	<hr/>
<b>Net assets attributable to unitholders</b>	3	<b>4,431,312</b>	<b>5,769,685</b>
		<hr/>	<hr/>
Adjustments for amortisation of organisation costs	11	4,212	32,299
		<hr/>	<hr/>
<b>Net assets attributable to unitholders after adjustment to organisation costs</b>		<b>4,435,524</b>	<b>5,801,984</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Number of units in issue</b>			
Class A - HKD Units		78,748.90	112,620.49
Class A - USD Units		246,988.69	402,369.08
Class I - USD Units		128,623.50	138,670.39
<b>Net assets attributable to unitholders per unit</b>			
Class A - HKD Units		HKD74.56	HKD67.93
Class A - USD Units		USD9.59	USD8.76
Class I - USD Units		USD10.19	USD9.30

For and on behalf of the Trustee,  
**Bank Consortium Trust Company Limited**

For and on behalf of the Manager,  
**Invesco Hong Kong Limited**

  
.....  
**Director**

  
.....  
**Director**

The accompanying notes form an integral part of these financial statements.

**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 USD	2016 USD
<b>Income</b>			
Dividend income		59,471	64,836
Interest income		554	3,733
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss		1,305,681	(4,102,333)
Realised (losses)/gains on disposal of financial assets at fair value through profit or loss		(788,372)	2,494,920
Net losses on foreign currencies		(11,820)	(84,559)
<b>Total investment income/(loss)</b>		<u>565,514</u>	<u>(1,623,403)</u>
<b>Expenses</b>			
Management fee	7(a) & 10(a)	-	97,914
Trustee fee	7(b) & 10(b)	4,027	30,000
Audit fee		5,194	36,302
Transaction costs		13,967	82,361
Organisation costs		-	60,375
Legal and professional fees		998	12,136
Safe custody and bank charges		60,863	68,002
Other operating expenses		5,869	36,703
<b>Total operating expenses</b>		<u>90,918</u>	<u>423,793</u>
<b>Profit/(loss) before tax</b>		474,596	(2,047,196)
Capital gains tax	6(c)	-	8,329
Withholding tax	6(c)	6,442	7,997
		<u>468,154</u>	<u>(2,063,522)</u>
Adjustments for amortisation of organisation costs	11	(28,087)	32,299
<b>Increase/(decrease) in net assets attributable to unitholders after adjustment to organisation costs</b>		<u><u>440,067</u></u>	<u><u>(2,031,223)</u></u>

The accompanying notes form an integral part of these financial statements.

**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 USD	2016 USD
<b>Net assets attributable to unitholders at beginning of the year</b>		5,801,984	12,665,496
		-----	-----
Subscription of units	3	28,882	7,438,228
Redemption of units	3	(1,835,409)	(12,270,517)
		-----	-----
Net decrease from unit transactions		(1,806,527)	(4,832,289)
		-----	-----
Increase/(decrease) in net assets attributable to unitholders		440,067	(2,031,223)
		-----	-----
<b>Net assets attributable to unitholders at end of the year</b>	3	4,435,524	5,801,984
		=====	=====

The accompanying notes form an integral part of these financial statements.

**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 USD	2016 USD
<b>Cash flows from operating activities</b>			
Payments for purchase of investments		(3,252,376)	(20,574,425)
Proceeds from sale of investments		5,168,606	24,834,326
Interest received		554	3,733
Dividend received		59,471	64,836
Management fee paid		-	(127,545)
Trustee fee paid		(6,493)	(31,106)
Transaction costs paid		(13,967)	(82,361)
Other expenses paid		(114,486)	(156,990)
Capital gains tax paid		-	(508,235)
Withholding tax paid		(6,442)	(7,997)
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		1,834,867	3,414,236
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from subscription of units		28,882	7,438,228
Payments for redemption of units		(1,651,162)	(13,216,816)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		(1,622,280)	(5,778,588)
		<hr/>	<hr/>
<b>Increase/(decrease) in cash and cash equivalents</b>		212,587	(2,364,352)
Cash and cash equivalents at beginning of the year		199,165	2,648,076
Net losses on foreign currencies on cash and cash equivalents		(11,820)	(84,559)
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	9	399,932	199,165
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

**INVESCO CHINA OPPORTUNITY FUND III**  
(SUB-FUND OF INVESCO CHINA SERIES II)

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General information**

Invesco China Series II (the "Trust") is a unit trust established as an umbrella fund under the laws of the Cayman Islands by a Trust Deed dated 15 February 2012, as amended and managed by Invesco Hong Kong Limited. Invesco China Opportunity Fund III (the "Fund") is the sub-fund of the Trust. The Trust and the Fund have been authorised by the Securities and Futures Commission of Hong Kong under section 104(1) of the Hong Kong Securities and Futures Ordinance and are required to comply with the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong.

The Trust is an umbrella fund with one or more sub-funds. Each sub-fund will have its own separate and distinct investment policy. The date of commencement of the Fund was 25 May 2012.

The investment objective of the Fund is to achieve long term capital growth by investing into equities and/or equity related securities of companies of different industry sectors and all market capitalisations (including small to medium sized companies) with substantial exposure to mainland China. The Fund will invest at least 70% of its assets in A Shares.

**2 Summary of significant accounting policies**

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

**(a) Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager and/or the Trustee to exercise their judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Standards and amendments to existing standards effective for the financial year beginning 1 April 2016

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2016 that would be expected to have a material impact on the Fund.



**INVESCO CHINA OPPORTUNITY FUND III**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(a) Basis of preparation (Continued)**

New standards, amendments and interpretations effective after financial year beginning 1 April 2016 and have not been early adopted

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Fund are yet to assess IFRS 9's full impact and expect that the application of the standard will have no material impact on how the results and financial position of the Fund are prepared.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Management is assessing the full impact of IAS 15 to the Fund.

The International Accounting Standards Board ("IASB") has issued an amendment to IAS 7, "Statement of cash flows" introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's disclosure initiative, which continues to explore how financial statement disclosures can be improved. An entity shall apply those amendments to IAS 7 for annual periods beginning on or after 1 January 2017. The Management is assessing the impact of IAS 7.

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

**INVESCO CHINA OPPORTUNITY FUND III**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

All investments have been designated as 'financial assets at fair value through profit or loss' at inception. The assets and liabilities are acquired or incurred principally for the purpose of selling or repurchasing in the short term.

Regular way purchases and sales of investments are recognised on trade date - the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for financial assets carried at fair value through profit or loss are expensed as incurred. Investments are subsequently re-measured at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statement of comprehensive income in the year in which they arise.

Investments that are listed or traded on an exchange are fair valued based on last traded market prices.

Investments in unlisted unit trusts are valued at their respective closing net asset value per unit, or if such value is not available, at their respective closing price.

**(c) Investment income and expenses**

Dividend income is recognised on the ex-dividend date with the corresponding foreign withholding taxes recorded as a taxation charge.

Interest income is recognised on a time-proportion basis using the effective interest method.

Expenses are accounted for on an accruals basis.

**(d) Accounts receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are included in current assets, except for maturities greater than one year after the end of the reporting period. These are classified as non-current assets.

**(e) Accounts payables and accruals**

Accounts payables and accruals are recognised initially at fair value and subsequently stated at amortised cost. The difference between the proceeds and the amount payable is recognised over the year of the payable using the effective interest method. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**INVESCO CHINA OPPORTUNITY FUND III**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(f) 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 Fund operates (the “functional currency”). The performance of the Fund is measured and reported to the unitholders in United States Dollar (“USD”). The Manager considers United States Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in United States Dollar, which is the 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 year 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 cash and cash equivalents are presented in the statement of comprehensive income within “net gains/(losses) on foreign currencies”.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within “change in unrealised gains/losses in value of financial assets at fair value through profit or loss” and “realised gains/(losses) on disposal of financial assets at fair value through profit or loss”.

**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any.

**(h) Organisation costs**

Expenditures incurred in the formation of the Fund are recognised as expenses of the Fund in the period in which they arise.

**INVESCO CHINA OPPORTUNITY FUND III**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(i) Redeemable units**

The Fund issues redeemable units, which are redeemable at the unitholders' option and are classified as financial liabilities.

Redeemable units are issued or redeemed at prices based on the Fund's net asset value per unit as at the close of business on the relevant dealing day. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding redeemable units.

**3 Number of units in issue and net assets attributable to unitholders**

Net assets attributable to unitholders represent a liability in the statement of financial position, carried at the redemption amount that would be payable at the year end date if the unitholders exercised the right to redeem units in the Fund.

The movement of the number of units in issue during the year is as follows:

	2017	
	HKD Units	USD Units
<b>Class A Units</b>		
Units outstanding at beginning of the year	112,620.49	402,369.08
Units subscribed	2,889.03	267.04
Units redeemed	(36,760.62)	(155,647.43)
	<u>78,748.90</u>	<u>246,988.69</u>
	HKD	USD
Net assets attributable to unitholders per unit	<u>74.56</u>	<u>9.59</u>
	2016	
	HKD Units	USD Units
<b>Class A Units</b>		
Units outstanding at beginning of the year	219,530.51	628,006.06
Units subscribed	38,285.43	554,232.98
Units redeemed	(145,195.45)	(779,869.96)
	<u>112,620.49</u>	<u>402,369.08</u>
	HKD	USD
Net assets attributable to unitholders per unit	<u>67.93</u>	<u>8.76</u>

**INVESCO CHINA OPPORTUNITY FUND III**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Number of units in issue and net assets attributable to unitholders (Continued)**

	2017 USD Units	2016 USD Units
<b>Class I Units</b>		
Units outstanding at beginning of the year	138,670.39	151,551.01
Units subscribed	-	-
Units redeemed	(10,046.89)	(12,880.62)
Units outstanding at end of the year	<u>128,623.50</u>	<u>138,670.39</u>
	USD	USD
Net assets attributable to unitholders per unit	<u>10.19</u>	<u>9.30</u>

**4 Financial risk management**

**Strategy in using financial instruments**

**Investment strategy**

The Fund seeks to achieve long term capital growth by investing into equities and/or equity related securities of companies of different industry sectors and all market capitalisations (including small to medium sized companies) with substantial exposure to mainland China. The Fund will invest at least 70% of its assets in A Shares.

**Risk management process**

Investment risk management is an integral part of the investment process. It is the responsibility of the Chief Investment Officer ("CIO") to ensure that the investment process is driven by a cohesive team of experienced investment professionals who work together to uncover biases in the whole decision making process. The CIO, with the help of the risk and performance teams, is also responsible for ensuring that a disciplined and transparent investment process is being followed. This would encompass but by no means be limited to ensuring that there is a disciplined and multi-factor focus decision making process, systematic screening for ideas generation, market/stock liquidity risk is evaluated, stocks are well researched, target prices are reviewed, portfolios are appropriately diversified, and investment guidelines and risk parameters are adhered to, etc.

The Fund is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below.

**INVESCO CHINA OPPORTUNITY FUND III  
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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

**(a) Market price risk**

Market price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market risk analysis is conducted regularly on a total portfolio basis.

Price risk is also managed by the Manager by constructing a diversified portfolio of equity and other securities. The portfolio is subject to investment restrictions and prohibitions in accordance with the terms set out in the Fund's offering document.

Refer to Note 8 for the overall market exposures of the Fund.

The Manager does not manage the Fund with reference to any market index. The Fund is also not directly correlated with any market index. Any index should be used only for reference purpose. As at 31 March 2017, the net assets attributable to unitholders would have been approximately USD428,809 (2016: USD527,239) higher or lower, if the reference index, MSCI China A Index, has been increased or decreased by 10% with all other variables held constant and the fair value of the Fund's investments moved according to the historical correlation with the reference index.

**(b) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the financial assets and liabilities of the Fund are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short term market interest rates.

The Fund is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its cash deposits.

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(b) Interest rate risk (Continued)

The table below summarises the Fund's exposure to interest rate risk and includes the Fund's financial assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	Up to 3 months USD	Non-interest bearing USD	Total USD
<b>At 31 March 2017</b>			
<b>Assets</b>			
Cash and cash equivalents	399,932	-	399,932
Financial assets at fair value through profit or loss	-	4,328,454	4,328,454
<b>Total assets</b>	<u>399,932</u>	<u>4,328,454</u>	<u>4,728,386</u>
<b>Liabilities</b>			
Accruals and other payables	-	16,917	16,917
Redemption payable	-	280,157	280,157
Net assets attributable to unitholders	-	4,435,524	4,435,524
<b>Total liabilities</b>	<u>-</u>	<u>4,732,598</u>	<u>4,732,598</u>
<b>Total interest sensitivity gap</b>	<u>399,932</u>		
	Up to 3 months USD	Non-interest bearing USD	Total USD
<b>At 31 March 2016</b>			
<b>Assets</b>			
Cash and cash equivalents	199,165	-	199,165
Financial assets at fair value through profit or loss	-	5,727,375	5,727,375
<b>Total assets</b>	<u>199,165</u>	<u>5,727,375</u>	<u>5,926,540</u>
<b>Liabilities</b>			
Accruals and other payables	-	60,945	60,945
Redemption payable	-	95,910	95,910
Net assets attributable to unitholders	-	5,801,984	5,801,984
<b>Total liabilities</b>	<u>-</u>	<u>5,958,839</u>	<u>5,958,839</u>
<b>Total interest sensitivity gap</b>	<u>199,165</u>		

**INVESCO CHINA OPPORTUNITY FUND III**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

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

At 31 March 2017, should bank interest rates have increased or decreased by 1% with all other variables remaining constant, the net assets attributable to unitholders would be increased or decreased by USD3,999 (2016: USD1,992).

**(c) Credit risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved;
- ensuring that transactions are undertaken with a large number of counterparties; and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

All investment transactions are settled/paid for upon delivery through approved brokers. The risk of default is considered minimal since delivery of investments sold is only made once the broker has received payment. Payments are made on purchases of investments only once the investments have been received by the broker. The trade will fail if either party fails to meet its obligation.

Financial assets which potentially subject the Fund to concentrations of credit and custody risk comprise principally bank deposits and investments placed with JPMorgan Chase Bank, N.A. as the Global Custodian. At 31 March 2017, investments and deposits of USD4,328,454 and USD399,932 (2016: USD5,727,375 and USD199,165) respectively were placed with the Global Custodian. As at 31 March 2017, the credit rating for JPMorgan Chase & Co., which is the parent company of the Global Custodian, was A- (2016: A-) per Standard & Poor's long term foreign issuer credit rating.

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

None of the assets is impaired nor past due but not impaired as at 31 March 2017 and 2016.



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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

**(d) Liquidity risk**

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

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests most of its assets in investments which are considered readily realisable as they are listed on various reputable stock exchanges.

The Manager is entitled with the approval of the Trustee to limit the number of units to be redeemed on any one dealing day to 10% of the units in issue (with redemption requests applied pro rata) and any excess redemption requests are then carried forward to the next dealing day. The Manager may suspend the right of unitholders to redeem units in certain circumstances as mentioned in the offering document.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the year end 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 1 month USD	1- 3 months USD	Over 3 months USD	Total USD
<b>At 31 March 2017</b>				
Accruals and other payables	5,093	5,000	6,824	16,917
Redemption payable	280,157	-	-	280,157
Net assets attributable to unitholders	4,435,524	-	-	4,435,524
	<u>4,720,774</u>	<u>5,000</u>	<u>6,824</u>	<u>4,732,598</u>
Total financial liabilities	<u><u>4,720,774</u></u>	<u><u>5,000</u></u>	<u><u>6,824</u></u>	<u><u>4,732,598</u></u>
<b>At 31 March 2016</b>				
Accruals and other payables	25,954	-	34,991	60,945
Redemption payable	95,910	-	-	95,910
Net assets attributable to unitholders	5,801,984	-	-	5,801,984
	<u>5,923,848</u>	<u>-</u>	<u>34,991</u>	<u>5,958,839</u>
Total financial liabilities	<u><u>5,923,848</u></u>	<u><u>-</u></u>	<u><u>34,991</u></u>	<u><u>5,958,839</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

**(d) Liquidity risk (Continued)**

Units are redeemed on demand at the unitholders' option. However, the Manager and the Trustee do not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as the unitholders typically retain their units for the medium to long term. As at 31 March 2017, 3 unitholders (2016: 4 unitholders) held more than 10% of the Fund's units with the largest holding being 40% (2016: 28%) of the Fund's units on a nominee basis.

The 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 7 days USD	7 days to less than 1 month USD	1-12 months USD	More than 12 months USD	Total USD
<b>At 31 March 2017</b>					
Total financial assets	4,728,386	-	-	-	4,728,386
<b>At 31 March 2016</b>					
Total financial assets	5,679,457	-	247,083	-	5,926,540

The Manager monitors the Fund's liquidity position on a daily basis.

**(e) Currency risk**

The Fund holds certain assets and liabilities which are denominated in currencies other than United States Dollar, the functional currency. The Fund is therefore exposed to currency risk as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund may use currency hedging techniques but this may not be possible or practicable in all cases.

The table below summarises the Fund's monetary and non-monetary exposures to currency risk other than Hong Kong Dollar which is pegged with United States Dollar and the impact on net assets should the currencies have strengthened or weakened by 5% against United States Dollar with all other variables remaining constant, as at 31 March 2017 and 2016:

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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

**(e) Currency risk (Continued)**

**At 31 March 2017**

Original currencies	RMB
USD equivalent	

**Assets**

Monetary assets	389,064
Non-monetary assets	4,328,454

**Liabilities**

Monetary liabilities	(3,328)
Non-monetary liabilities	-

Impact on net assets attributable to unitholders

Monetary	±19,287
Non-monetary	±216,423

**At 31 March 2016**

Original currencies	RMB
USD equivalent	

**Assets**

Monetary assets	197,386
Non-monetary assets	5,727,375

**Liabilities**

Monetary liabilities	(2,691)
Non-monetary liabilities	-

Impact on net assets attributable to unitholders

Monetary	±9,735
Non-monetary	±286,369

**(f) Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The Fund used the last traded market price as its fair valuation inputs for both financial assets and financial liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

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

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

IFRS 13 requires the Fund to classify 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 or indirectly (level 2).
- Inputs for the asset or liability that are not 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 judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Fund. The 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 Fund’s investments (by class) measured at fair value as at 31 March 2017 and 2016:

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>At 31 March 2017</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Listed equities	4,328,454	-	-	4,328,454
	<u>4,328,454</u>	<u>-</u>	<u>-</u>	<u>4,328,454</u>
	<u><u>4,328,454</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,328,454</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

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

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>At 31 March 2016</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Listed equities	5,480,292	-	247,083	5,727,375
	<u>5,480,292</u>	<u>-</u>	<u>247,083</u>	<u>5,727,375</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and quoted collective investment schemes. The Fund does not adjust the quoted price for these investments.

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. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. There was no level 2 investment as at 31 March 2016 and 2017.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

As at 31 March 2017, there was no level 3 investment held by the Fund. As at 31 March 2016, one listed equity investment amounted to USD247,083 was suspended for trading due to voluntary business or corporate restructuring and had resumed trading on 10 May 2016. As at 31 March 2016, the Management applied last transacted price before suspension as the best estimate of the fair value of such investment. Such investment had been classified as level 3 investment as at 31 March 2016.

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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

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

The following table presents the movement in level 3 investments for the year ended 31 March 2017 and 2016.

	2017 USD	2016 USD
Opening balance	247,083	210,585
Transfer from level 1 to level 3	-	247,083
Transfer from level 3 to level 1	(219,735)	(221,649)
Net (losses)/gains on investments	(27,348)	11,064
	<u>                    </u>	<u>                    </u>
Closing balance	-	247,083
	<u>                    </u>	<u>                    </u>
Changes in unrealised gains/losses for the year included in the statement of comprehensive income for investments held at the end of the year	-	-
	<u>                    </u>	<u>                    </u>

	Reason of suspension	Fair value USD	Valuation technique	% of NAV of the Fund
<b>As at 31 March 2016</b>				
Listed equity securities	Corporate restructuring	247,083	Last transacted price	4.26%

For these level 3 investments, quantitative unobservable inputs are not developed by the Manager when measuring fair value. There is no significant unobservable inputs used and thus no quantitative analysis would be presented.

For the year ended 31 March 2016, an investment of US\$247,083 was transferred from level 1 to level 3 due to suspension of trading of the investment on 30 November 2015. Such investment had resumed trading on 10 May 2016.

For the year ended 31 March 2017, an investment of US\$219,735 was transferred from level 3 to level 1 due to resumption of trading of the investment on 10 May 2016.

For the year ended 31 March 2016 and 2017, transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer (e.g. suspension date of the investment).

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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial risk management (Continued)**

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

The assets and liabilities as stated in the Statement of Financial Position, excluding financial assets and liabilities at fair value through profit or loss, are carried at amortised cost; their carrying values are a reasonable approximation of fair value. There are no other assets or liabilities not carried at fair value but for which the fair value is disclosed.

**5 Critical accounting estimates and assumptions**

The Manager and the Trustee (the "Management") make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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.

In preparing these financial statements, the Management has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

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

The Fund invests in A-Shares of PRC listed companies through the Qualified Foreign Institutional Investor ("QFII") quota held by the Fund. Under the general tax provision of PRC corporate tax ("CIT") Law, a 10% PRC withholding income tax ("WIT") is payable on PRC sourced passive income (i.e. capital gains, dividends, interest) derived by a non-PRC tax resident enterprise without a place or establishment in the PRC. Such PRC WIT may be exempted or reduced under specific exemptions in the CIT Law, or under an applicable tax treaty concluded with the PRC. In relation to dividend, in general, the PRC tax resident enterprises distributing the dividend are obligated to withhold the 10% PRC WIT on the dividend to the non-PRC tax resident enterprises.

Notice issued on 14 November 2014

On 14 November 2014, the Ministry of Finance of the PRC (the "MoF"), the State Administration of Taxation of the PRC ("SAT") and the China Securities Regulatory Commission (the "CSRC") jointly issued the "Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII" ("the Notice").

According to the Notice, amongst other things:

- (i) QFIIs and RQFIIs which do not have an establishment or place of business in the PRC or have an establishment or place of business in the PRC but the income so derived in the PRC is not effectively connected with such establishment or place of business will be temporarily exempt from PRC CIT on gains realised from the transfer of PRC equity investment assets (including China A-Shares) effective from 17 November 2014;

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**NOTES TO THE FINANCIAL STATEMENTS**

**5 Critical accounting estimates and assumptions (Continued)**

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

- (ii) PRC CIT will be imposed on gains by QFIs and RQFIs from transfer of equity investment assets (including China A-Shares) realised prior to 17 November 2014 in accordance with the laws.

As a result of the issue of the Notice, the Management has decided on the following changes to the tax provisioning policy of the Fund:

- (i) The Fund continues to provide for PRC WIT of 10% on gross capital gains realised prior to 17 November 2014 from the trading of A-Shares;
- (ii) The Fund has ceased to provide PRC WIT for gross realised gains on A-Shares on or after 17 November 2014;
- (iii) No provision in respect of PRC WIT will be made on the gross unrealised capital gains derived prior to 17 November 2014 from investment in A-Shares. The tax provision made in relation to gross unrealised gains in the Fund's investments in A-Shares of USD302,322 as at 16 November 2014 has been reversed on 17 November 2014.

For the financial year ended 31 March 2016

In February 2015, the Beijing Municipal State Tax Bureau provided further verbal clarifications on the Notice and set a tax filing deadline of 31 July 2015 for all QFIs/RQFIs and their funds using QFI/RQFI quota, covering all types of investment income including PRC sourced dividend, interest and capital gains.

Further to the clarifications by Beijing Municipal State Tax Bureau in February 2015, the Fund had submitted the QFI tax filing package to the Beijing Xicheng State Tax Bureau before 31 July 2015.

Beijing Xicheng State Tax Bureau completed the review on the QFI tax filing package submitted by the Fund and issued a PRC tax demand note to the Fund to settle the withholding income tax payable on gross capital gains realised from 25 May 2012 (date of commencement) to 16 November 2014. The Fund settled the relevant withholding income tax on 14 September 2015. During the year ended 31 March 2016, a total amount of USD508,235 was paid by the Fund for the settlement of the PRC capital gains tax.

For the financial year ended 31 March 2017

During the year ended 31 March 2016, the Fund has made no further capital gains tax provision since the Fund has ceased to provide PRC WIT for gross realized and unrealised gains on A-Shares on or after 17 November 2014.

Management will continue to monitor the development of the PRC tax rule and assess any PRC tax impact on the Fund going forward.



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**NOTES TO THE FINANCIAL STATEMENTS**

**6 Taxation**

**(a) The Cayman Islands**

Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Fund. As a result, no provision for Cayman Islands taxes has been made in the financial statements. The profits of the Fund may be taxable in the hands of the unitholders in the relevant tax jurisdiction of the home country of the unitholders.

**(b) Hong Kong**

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

**(c) PRC**

The Fund invests in A-Shares listed in the PRC and is subjected to 10% WIT on dividend income derived from A-Shares. WIT was charged on dividend income received from A-Shares during the year. A 10% WIT may also be payable on the capital gains derived from the sale of A-Shares by QFIIs. Refer to Note 5.

The taxation of the Fund for the year ended 31 March 2017 and 31 March 2016 represents:

	2017 USD	2016 USD
Withholding income tax - dividend income	6,442	7,997
Capital gains tax on gross realised gains	-	8,329
Total capital gains tax	-	8,329

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**NOTES TO THE FINANCIAL STATEMENTS**

**6 Taxation (Continued)**

**(c) PRC (Continued)**

The movement in current tax liabilities during the year is as follows:

	2017 USD	2016 USD
At beginning of the year	-	499,906
Capital gains tax charged to the statement of comprehensive income	-	8,329
Capital gains tax paid during the year	-	(508,235)
Withholding income tax charged to the statement of comprehensive income	6,442	7,997
Withholding income tax paid during the year	(6,442)	(7,997)
	<u>          </u>	<u>          </u>
At end of the year	<u>          </u>	<u>          </u>

**7 Fees**

**(a) Management fee**

The Manager, Invesco Hong Kong Limited, is entitled to receive a monthly management fee at the rate of up to 2% per annum of the net asset value of that part of the Fund attributable to the relevant class of units, calculated and accrued on a daily basis and payable monthly in arrears. The Manager shall be reimbursed for all reasonable out-of-pocket expenses incurred in relation to the Fund out of the Fund's assets.

Currently, the Manager is charging a management fee of 1.75% per annum of the net asset value of the Class A Units, calculated and accrued daily and payable monthly in arrears. There is no management fee for Class I Units. Refer to Note 10(a).

The Manager has discretion to waive all or any part of the fees to which it is entitled as it deems fit. The Manager may also in its discretion pay all or any portion of the sales charge and management fees to its recognised intermediaries and delegates or persons introducing investors, including but not limited to the distributor, Invesco Asset Management Asia Limited, as it deems appropriate from time to time. Refer to Note 10(d).

**(b) Trustee fee**

The Trustee, Bank Consortium Trust Company Limited, is entitled to be paid out of the assets of the Fund a fee of 0.135% per annum on the first USD40,000,000 of the net asset value and 0.12% per annum thereafter, subject to a minimum of USD30,000 per annum. Such fees will be accrued daily and be paid monthly in arrears. The Trustee shall be reimbursed for all reasonable out-of-pocket expenses incurred in relation to the Fund out of the Fund's assets. Refer to Note 10(b).

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**NOTES TO THE FINANCIAL STATEMENTS**

**8 Financial assets at fair value through profit or loss**

	2017 USD	2016 USD
Listed equities - PRC	4,328,454	5,727,375
Total financial assets at fair value through profit or loss	<u>4,328,454</u>	<u>5,727,375</u>

The net exposures to industries as at 31 March 2017 and 2016 are as follows:

	2017 % of total investments	2016 % of total investments
Industries exposed to		
Consumer Discretionary	39	17
Consumer Staples	4	7
Financials	-	17
Healthcare	12	10
Industrials	9	14
Information Technology	9	19
Materials	6	4
Real Estate	5	-
Telecommunication Services	3	6
Utilities	13	6
	<u>100</u>	<u>100</u>

**9 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances:

	2017 USD	2016 USD
Cash at bank	<u>399,932</u>	<u>199,165</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**10 Transactions with related parties and connected persons of the Manager**

Related parties and connected persons of the Manager are those as defined in IAS 24, 'Related party disclosures' and the Code on Unit Trusts and Mutual Funds established by the SFC respectively.

The following is a summary of significant related party and connected persons transactions entered into during the year between the Fund and the Trustee, the Manager and their related parties and connected persons of the Manager. All transactions with related parties and connected persons of the Manager were entered into in the normal course of business and on normal commercial terms.

**(a) Management fee**

Total management fee for the year, including the outstanding accrued fees due to the Manager at end of the year, is as follows:

	2017 USD	2016 USD
Management fee for the year	-	97,914
Accrued at end of the year	-	-
	<u>          </u>	<u>          </u>

The Manager absorbed the management fee amounted to US\$57,182 (2016: US\$35,851) for the year ended 31 March 2017. Refer to Note 10 (d).

**(b) Trustee fee**

Total trustee fee and out of pocket reimbursements paid to the Trustee for the year, including the outstanding accrued fee at end of the year, are as follows:

	2017 USD	2016 USD
Trustee fee for the year	4,027	30,000
Accrued at end of the year	-	2,466
	<u>          </u>	<u>          </u>

During the year ended 31 March 2017, the Manager absorbed the trustee fee amounted to US\$25,973 (2016: Nil). Refer to Note 10 (d).

**(c) Unitholders**

As at 31 March 2017, 27% (2016: 18%) of the units were held by unitholders, who are the directors of the Manager.

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**NOTES TO THE FINANCIAL STATEMENTS**

**10 Transactions with related parties and connected persons of the Manager (Continued)**

**(d) Fees borne by the Manager**

The Manager absorbed certain management, trustee fee, audit fee, legal and professional fees and other operating expenses of the Fund during the year with details as follows:

	2017 USD	2016 USD
Management fee (Note 10(a))	57,182	35,851
Trustee fee (Note 10(b))	25,973	-
Audit fee	28,306	-
Legal and professional fees	24,364	-
Other operating expenses	9,190	-
	<u>          </u>	<u>          </u>

**11 Adjusted NAV per redeemable units**

In accordance with the provisions of the Fund's Prospectus, the organisation costs of the Fund will be amortised over the first five financial years of the Fund. However, as stated in note 2(h), the accounting policies of the Fund for the purpose of compliance with IFRS are to expense the organisation costs in the period in which they are incurred. The differences between expensing the organisation costs as incurred in accordance with IFRS and capitalisation and amortisation of the organisation costs as indicated in the Fund's Prospectus resulted in adjustments in the net asset value per redeemable unit. This resulted in an increase of USD4,212 (2016: USD32,299) in the net assets attributable to unitholders of redeemable units as at 31 March 2017. The difference is recognized in the statement of comprehensive income for the year ended 31 March 2017.

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**NOTES TO THE FINANCIAL STATEMENTS**

**12 Capital risk management**

The Fund's capital is represented by the net assets attributable to unitholders. Subscription and redemption of units during the year are shown in the statement of changes in net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of the unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the unitholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the policy of the Fund is to perform the following:

- monitor the level of daily subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the Trust Deed of the Fund.

The Manager monitors capital on the basis of the value of net assets attributable to unitholders.

**13 Soft commission arrangements**

During the year, the Manager did not enter into any soft commission arrangements with brokers in relation to dealings in the assets of the Fund.

**14 Approval of financial statements**

The financial statements were approved by the Trustee and the Manager on 14 July 2017.

**INVESCO CHINA OPPORTUNITY FUND III**  
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**MANAGEMENT AND ADMINISTRATION**

**Directors of Manager**

Andrew T S Lo  
John G Greenwood  
Fanny S M Lee  
Terry S K Pan  
Gracie Y S Liu (resigned on 23 July 2016)  
Jeremy C Simpson  
Anna S M Tong

**Manager**

Invesco Hong Kong Limited  
41/F, Champion Tower  
Three Garden Road, Central  
Hong Kong

**Sub-manager**

Invesco Asset Management Limited  
6/F 125 London Wall  
London EC2Y 5AS  
United Kingdom

**Investment Sub-advisor**

Invesco Great Wall Fund Management Company Limited  
21/F, Tower 1, Kerry Plaza  
No. 1 Zhong Xin Si Road,  
Futian District, Shenzhen,  
People's Republic of China

**Trustee**

Bank Consortium Trust Company Limited  
18/F, Cosco Tower  
183 Queen's Road Central  
Hong Kong

**Distributor**

Invesco Asset Management Asia Limited  
41/F, Champion Tower  
Three Garden Road, Central  
Hong Kong

**Auditor**

PricewaterhouseCoopers  
18 Forum Lane  
Camana Bay  
P.O. Box 258  
Grand Cayman, KY1-1104  
Cayman Islands  
British West Indies

**Legal Advisers to the Manager**

*To the Manager  
as to Cayman Islands law:*

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Cayman Islands

*To the Manager  
as to Singapore law:*

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Chevron House  
Singapore 048622

*To the Trustee  
as to Hong Kong law:*

Mayer Brown JSM  
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10 Chater Road  
Hong Kong

*To the Manager  
as to Hong Kong law:*

Clifford Chance  
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One Connaught Place, Central  
Hong Kong

*To the Manager  
as to PRC law:*

Tianyuan Law Firm  
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Corporate Square  
35 Financial St.  
Beijing. 100032  
People's Republic of China

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**MANAGEMENT AND ADMINISTRATION (CONTINUED)**

**Global Custodian**

JPMorgan Chase Bank N.A., Hong Kong Branch  
54/F, One Island East  
Quarry Bay  
Hong Kong

**QFII Custodian**

Bank of China Limited  
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Xicheng District  
Beijing  
People's Republic of China

**Registrar**

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94 Solaris Avenue  
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Grand Cayman, KY1-1108  
Cayman Islands