

REPORTS AND FINANCIAL STATEMENTS

CCB INTERNATIONAL FUND SERIES

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

(A sub-fund of an open-ended unit trust established as an umbrella fund under the laws of the Hong Kong)

FOR THE YEAR ENDED 31 DECEMBER 2019

CCB INTERNATIONAL FUND SERIES**CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND**

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CONTENTS	Pages
REPORT OF THE MANAGER	1
REPORT OF THE TRUSTEE	2
INDEPENDENT AUDITOR'S REPORT	3 - 5
Statement of net assets	6
Statement of profit and loss and other comprehensive income	7
Statement of changes in net assets attributable to unitholders	8
Statement of cash flows	9
Notes on the financial statements	10 - 34
PORTFOLIO STATEMENT (unaudited)	35 - 36
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (unaudited)	37 - 39
PERFORMANCE RECORD (unaudited)	40
ADMINISTRATION AND MANAGEMENT	41

CCB INTERNATIONAL FUND SERIES

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REPORT OF THE MANAGER

Market & Fund Performance Review

HK stocks had a roller coaster ride in 2019 amid combination of complicated geopolitical and economic factors. Hang Seng Index went up substantially at the beginning of the year at the back of China's growth-driven economic policies, positive shifting in financial regulatory policies, Fed's continued dovish signal and progress from China-U.S. trade negotiations. In May 2019, investors came to have increasing concerns for uncertainties in China-U.S. trade policies and escalated trade friction with both countries hitting each other with waves of tariffs which led to increase in risk aversion in capital market. HK's social disturbances since June drove market to slump. Towards end of the year, alleviation in social unrest and conclusion in China-U.S. phase one trade deal caused valuation recovery in HK stock market. The manager adopts value investment principle by underweighting stocks with compromised fundamentals and overweighting blue chips with high earnings visibility and reasonable valuation. This fund achieved approximately 20% return for the year, outperforming Hang Seng Index by approximately 10%.

Macroeconomic and Policy Review

China's economy underwent profound pressure in 2019 with GDP growth decelerated to 6% at the back of multiple challenges from slowdown in global economic recovery and China- U.S. trade war. Fundamentals in Hong Kong stock market were under pressure from China's economic slowdown its upside with capped.

There was positive development in several key factors which related to Hong Kong stock market: substantive progress in new round of China-U.S. trade negotiations; Hong Kong Chief Executive's 2019 Policy Address focusing on land & housing supply, improvement in social well-being and economic growth with particular emphasis on land & housing supply; Fed's third round of rate cut in 2019 to elevate global liquidity condition and investors' sentiment.

Market Outlook & Investment Strategies

Looking forward, magnitude of deceleration in China's economic growth, level of liquidity loosening and the development in China-U.S. trade negotiations are to be intensively focused upon. With acceleration in the opening up of China's financial sector, Mainland and Hong Kong capital markets would enter into new era further intensification in connectivity through which capital inflow from the Mainland should play a decisive role in supporting the HK capital market.

We maintain our defensive investment allocation while staying alert to impact from movements in economic cycle. The fund continues to invest in companies benefiting from supportive national policies to achieve mid to long-term return for investors.

)
) For and on behalf of
) CCB International Asset
) Management Limited
)

CCB INTERNATIONAL FUND SERIES

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

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REPORT OF THE TRUSTEE

We hereby confirm that, in our opinion, the Fund has, in all material respects, been managed in accordance with the provisions of the Trust Deed dated 12 January 2009, as amended, for the year ended 31 December 2019.

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)
) For and on behalf of
) HSBC Institutional Trust Services
) (Asia) Limited
)
)

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CCB INTERNATIONAL – CHINA POLICY DRIVEN FUND**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CCB International – China Policy Driven Fund (the “Fund” of CCB International Fund Series) set out on pages 6 to 34, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Fund as at 31 December 2019, and of its financial performance and its cash flows for the year ended 31 December 2019, in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standard on Auditing (“HKSA”) issued by the HKICPA. 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 are independent of the Fund in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the Annual Report

The Manager and the Trustee of the Fund are responsible for the other information. The other information comprises the information included in this Annual Report, other than the financial statements and our auditor’s report thereon (the “Other Information”).

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CCB INTERNATIONAL – CHINA POLICY DRIVEN FUND
(CONTINUED)**

Responsibilities of the Manager and the Trustee for the Financial Statements

The Manager and the Trustee of the Fund are responsible for the preparation of the financial statements that give a true and fair view, in all material respects, in accordance with IFRSs issued by the ISAB, and for such internal control as the Manager and the Trustee determine are 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, the Manager and the Trustee are 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 the Manager and the Trustee either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Fund are required to ensure that the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed of the Fund dated 12 January 2009, as amended, and Appendix E of the Code on Unit Trusts and Mutual Funds ("the SFC Code") issued by the Hong Kong Securities and Futures Commission.

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 auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CCB INTERNATIONAL – CHINA POLICY DRIVEN FUND
(CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism 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.
- 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 the Manager and the Trustee.
- Conclude on the appropriateness of the Manager and the Trustee'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 the Manager and the Trustee 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.

Report on Other Legal and Regulatory Requirements

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 disclosure requirements specified in Appendix E to the SFC Code.

Certified Public Accountants
Hong Kong
27 April 2020

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

STATEMENT OF NET ASSETS

AS AT 31 DECEMBER 2019

	Notes	2019 HK\$	2018 HK\$
ASSETS			
CURRENT ASSETS			
Financial assets at fair value through profit or loss	6	193,088,440	173,131,566
Amounts due from brokers		-	1,619
Amounts due from unitholders on subscription of units		39,176	369,677
Interest receivables		1,551	2,638
Prepaid expense		155,904	212,512
Other receivables		29,300	-
Cash and cash equivalents	7(b)	<u>18,849,055</u>	<u>38,850,435</u>
Total assets		<u>212,163,426</u>	<u>212,568,447</u>
LIABILITIES			
CURRENT LIABILITIES			
Amounts due to unitholders on redemption of units		749,632	416,951
Other payables		<u>468,620</u>	<u>595,432</u>
Total liabilities		<u>1,218,252</u>	<u>1,012,383</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	9	<u>210,945,174</u>	<u>211,556,064</u>

Approved by the Trustee and the Manager on 27 April 2020

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For and on behalf of
HSBC Institutional Trust Services (Asia) Limited

.....
For and on behalf of
CCB International Asset Management Limited

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK\$	2018 HK\$
Dividend income		8,329,818	7,187,379
Interest income	7(b)	134,996	126,633
Other income		20,375	-
Net gains/(losses) on financial assets at fair value through profit or loss	4	33,334,075	(56,077,242)
Net foreign exchange losses		<u>(25,684)</u>	<u>(913)</u>
		<u>41,793,580</u>	<u>(48,764,143)</u>
Management fee	7(a)	(3,840,054)	(4,713,389)
Trustee fee	7(c)	(720,905)	(754,036)
Transaction fee	7(c)	(43,909)	(108,420)
Auditor's remuneration		(179,000)	(200,284)
Brokerage commission and other transaction costs		(806,461)	(2,885,104)
Safe custody and bank charges	7(b)	(62,349)	(72,088)
Legal and professional fees		(73,535)	(77,016)
Other expenses		<u>(23,040)</u>	<u>(43,181)</u>
Operating expenses		<u>(5,749,253)</u>	<u>(8,853,518)</u>
Profit/(loss) before taxation		36,044,327	(57,617,661)
Withholding taxes	5	<u>(287,221)</u>	<u>(428,218)</u>
Total comprehensive income/(loss) for the year		<u><u>35,757,106</u></u>	<u><u>(58,045,879)</u></u>

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK\$	2018 HK\$
Balance at beginning of 1 January		<u>211,556,064</u>	<u>325,232,353</u>
Total comprehensive income/(loss) for the year		<u>35,757,106</u>	<u>(58,045,879)</u>
Issue of units	9	17,776,758	17,725,230
Redemption of units	9	<u>(54,144,754)</u>	<u>(73,355,640)</u>
Total transactions with unitholders		<u>(36,367,996)</u>	<u>(55,630,410)</u>
Balance at end of 31 December		<u><u>210,945,174</u></u>	<u><u>211,556,064</u></u>

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK\$	2018 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income/(loss) for the year	35,757,106	(58,045,879)
Adjustments for:		
Dividend income	(8,329,818)	(7,187,379)
Interest income	(134,996)	(126,633)
Withholding taxes	<u>287,221</u>	<u>428,218</u>
Net cash generated from / (used in) operating activities before working capital changes	27,579,513	(64,931,673)
(Increase)/decrease in investments	(19,956,874)	119,399,002
Decrease in amount due from brokers	1,619	35,741,879
Decrease in prepaid expense	56,608	56,375
Increase in other receivables	(29,300)	-
Decrease in amount due to brokers	-	(9,797,531)
Decrease in other payables	<u>(126,812)</u>	<u>(177,063)</u>
Cash generated from operations	7,524,754	80,290,989
Dividend received	8,329,818	7,187,379
Interest received	136,083	124,242
Tax paid	<u>(287,221)</u>	<u>(428,218)</u>
Net cash generated from operating activities	<u>15,703,434</u>	<u>87,174,392</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	18,107,259	17,650,277
Payments on redemption of units	<u>(53,812,073)</u>	<u>(73,614,931)</u>
Net cash used in financing activities	<u>(35,704,814)</u>	<u>(55,964,654)</u>
Net (decrease)/increase in cash and cash equivalents	(20,001,380)	31,209,738
Cash and cash equivalents at beginning of the year	<u>38,850,435</u>	<u>7,640,697</u>
Cash and cash equivalents at end of the year, representing cash at bank	<u><u>18,849,055</u></u>	<u><u>38,850,435</u></u>

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

1. General information

CCB International Fund Series (the “Trust”) was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to a trust deed dated 12 January 2009 (the “Trust Deed”) between CCB International Asset Management Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

CCB International - China Policy Driven Fund (the “Fund”) was constituted as a separate sub-fund of the Trust on 21 January 2009. The Fund is an open-ended unit trust and authorised by the Hong Kong Securities and Futures Commission under section 104(1) of the Hong Kong Securities and Futures Ordinance and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the “SFC Code”). The Fund is also a collective investment scheme which is included as permissible investment under the Capital Investment Entrant Scheme.

The purpose of the Fund is to achieve capital growth over the long-term for the unitholders through investing in a broad range of companies listed primarily on Hong Kong stock exchange and/or any international securities exchanges and to benefit from the policies in place and/or to be made by the government and/or statutory bodies of Mainland China, Hong Kong, Macau and Taiwan.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), the relevant disclosures provisions of the Trust Deed, and the relevant disclosure requirements specified in Appendix E of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission. A summary of the significant accounting policies adopted by the Fund is set out below.

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is the Hong Kong dollar (“HK\$”).

The financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss which are measured at fair value.

The preparation of financial statements in conformity with IFRSs requires the Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(c) Standards and amendments to existing standards effective 1 January 2019

IFRIC Interpretation 23

Uncertainty over Income Tax Treatments

On 7 June 2017, the IFRS Interpretations Committee issued IFRIC 23 Uncertainty Over Income Tax Treatments (“IFRIC 23”), which clarifies how the recognition and measurement requirements of IAS 12 Income taxes are applied where there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019.

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profits (tax losses), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The interpretation is to be applied retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Fund adopted the interpretation from 1 January 2019. The interpretation does not have significant impact on the Fund’s financial statements.

(d) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

The Fund has not early applied any of the new and revised IFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2019 in these financial statements. Among the new and revised IFRSs, the following is expected to be relevant to the Fund’s financial statements upon becoming effective:

Amendments to IAS 1 and IAS 8

Definition of Material¹

¹ Effective for annual periods beginning on or after 1 January 2020

The amendments to IAS 1 and IAS 8 were issued in January 2019 to align the definition of “material” across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and are not expected to have a significant impact on the Fund’s financial statements upon adoption.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(e) Foreign currency

(i) Functional and presentation currency

The subscriptions and redemptions of the redeemable units denominated in HK\$ for HKD Class and in RMB for RMB Class. The performance of the Fund is measured and reported to the investors in HK\$ for HKD Class and in RMB for RMB Class. The Manager considers HK\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in HK\$, 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 statement of financial position 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 foreign exchange losses'.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss'.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(f) Financial instruments

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including amount due from brokers, amount due from unitholders on subscription of units, interest receivable, cash and cash equivalents and other receivables.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(i) Classification (continued)

Financial assets (continued)

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

- Listed equities: These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category amounts due to unitholders on redemption of units and other payable.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in 'Net gain / (losses) on financial assets at fair value through profit or loss'. Dividend and interest earned of such financial assets is recorded separately in 'Dividend income' and 'Interest income'.

Debit instruments, other than those classified as at FVPL, are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method ("EIR") is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(vi) Derecognition (continued)

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(vii) Fair value estimation

The Fund measures its investments in financial instruments, such as interest bearing investments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques, such as, recent arm's length market transactions, quotes from brokers and market makers, deemed to be appropriate in the circumstances.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- | | |
|-----------|--|
| Level 1 - | Quoted (unadjusted) market prices in active markets for identical assets or liabilities |
| Level 2 - | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 - | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(vi) Fair value estimation (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

(vii) Impairment of financial assets

The Fund holds only short-term receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its short-term receivables. Therefore, the Fund does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

The Fund assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(viii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Fund currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(g) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

(i) Transactions costs

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

(j) Taxation

Under the section 26A(IA) of the Hong Kong Inland Revenue Ordinance, the Fund is exempt from paying income taxes.

The Fund currently incurs withholding taxes imposed by the People's Republic of China (the "PRC") on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are shown as a separate item in the statement of comprehensive income.

(k) Income

Dividend income

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes.

Interest income

Interest income is recognised using the effective interest rate method.

Net gains or losses on financial assets through profit or loss

This item includes changes in the fair value of financial assets held for trading and excludes interest and dividend income.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealized gains and losses for financial instruments which were realized in the reporting period.

Realized gains and losses on disposals of financial instruments classified as at FVPL are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(l) Expenses

All expenses are recognised in statement of comprehensive income on an accrual basis.

(m) Related parties

A party is considered to be related to the Fund if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund or of a parent of the Fund;or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Fund are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Fund are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and the entity, or any member of a group of which it is a part, provides key management personnel services to the Fund or to the parent of the Fund.

(n) Subscriptions and redemptions

The Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

The Fund classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

2. Summary of significant accounting policies (continued)

(o) Redeemable units

The Fund issue redeemable units, which are redeemable at the unitholder's option and are classified as liabilities in accordance with IAS 32 (amendment).

Should the redeemable units' terms or conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable 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 value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in liabilities.

Redeemable units can be put back to the respective Fund at any time for cash equal to a proportionate share of the respective Fund's trading net asset value calculated in accordance with the Trust Deed.

3. Critical accounting estimates and judgements

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, not 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.

Critical judgements

In preparing these financial statements, the Manager has made certain judgements which are dependent on what might happen in the future. The judgements made by the Manager may not equal the related actual results.

No significant accounting estimates and critical judgements are made for the Fund.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

4. Net gains/(losses) on investments

	2019 HK\$	2018 HK\$
Net gains/(losses) on investments		
- Realised losses	(7,025,888)	(8,798,241)
- Change in unrealised gains/(losses)	<u>40,359,963</u>	<u>(47,279,001)</u>
	<u>33,334,075</u>	<u>(56,077,242)</u>

5. Taxation

Taxation in the statement of comprehensive income represents:

	2019 HK\$	2018 HK\$
Overseas withholding taxes	<u>287,221</u>	<u>428,218</u>

No provision for Hong Kong profits tax has been made in the financial statements as the Fund is exempt from taxation under section 26A(IA) of the Hong Kong Inland Revenue Ordinance.

Certain dividend income received by the Fund is subject to withholding tax imposed in the PRC which is charged at 10% of dividends received.

6. Financial asset at fair value through profit or loss

	2019 HK\$	2018 HK\$
Financial assets designated at fair value through profit or loss		
- Listed equities	<u>193,088,440</u>	<u>173,131,566</u>
Investments, at cost	171,865,412	192,268,501
Net unrealised appreciation/(depreciation) in value of Investments	<u>21,223,028</u>	<u>(19,136,935)</u>
Investments, at market value	<u>193,088,440</u>	<u>173,131,566</u>

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

7. Transactions with the Trustee and its related parties and the Manager and its connected persons

The following is a summary of significant related party transactions/transactions entered into during the year between the Fund and the Trustee and its related parties and the Manager and its Connected Persons. Connected Persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year between the Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Fund does not have any other transactions with Connected Persons except for those disclosed below:

(a) Management fee

The Manager receives a management fee, payable monthly in arrears, equivalent to 1.75% per annum of the net asset value of the Fund accrued on each dealing day, which is defined in the Fund's prospectus as every business day. The management fees charged and payable for the year are as follows:

	2019 HK\$	2018 HK\$
Management fees charged for the year	3,840,054	4,713,389
Management fees payable at year end	315,019	318,224

(b) Bank balances

The Fund maintains bank accounts with The Hongkong and Shanghai Banking Corporation Limited, which is the immediate holding company of the Trustee. The balances of the bank accounts amounted to HK\$18,849,055 as at 31 December 2019 (2018: HK\$38,850,435).

Interest income amounted to HK\$134,996 was earned from these bank balances during the year (2018: HK\$126,633). Safe custody and bank charges of HK\$62,349 were charged during the year (2018: HK\$72,088).

(c) Trustee and transaction fees

The Trustee receives a fee equivalent to 0.125% per annum for the first US\$50 million of the net asset value of the Fund and 0.10% per annum thereafter. It is accrued on each dealing day, payable monthly in arrears, subject to a minimum fee of US\$40,000 per annum. In addition, the Trustee provides valuation services to the Fund for a fee of US\$130 per valuation day. The trustee fees charged and payable for the year are as follows:

	2019 HK\$	2018 HK\$
Trustee's fees charged for the year	720,905	754,036
Trustee's fees payable at year end	91,757	55,394

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

7. Transactions with the Trustee and its related parties and the Manager and its connected persons (continued)

(c) Trustee and transaction fees (continued)

The Trustee also receives a charge of US\$50, US\$30 and US\$25 for each investment buy/sell transaction of the Fund in the PRC market, South Korea market and Hong Kong market respectively. The transaction fees charged and payable for the year are as follows:

	2019 HK\$	2018 HK\$
Transaction fees charged for the year	43,909	108,420
Transaction fees payable at year end	2,726	1,370

(d) Brokerage services

The Fund may use the brokerage services of a fellow subsidiary of the Manager to purchase and sell investments. During the years ended 31 December 2019 and 2018, there is no such transactions executed with fellow subsidiary of the Manager during the year.

(e) Manager's and its connected persons' holding in the Fund

As at 31 December 2019, a related company of the Manager, CCB International (Holdings) Limited ("CCBIH"), holds 6,240,000 (2018: 6,240,000) units of the Fund.

The movement of the units held by the Manager and CCBIH during the year is as follows:

	2019 Manager	CCBIH
Number of units in issue brought forward	-	6,240,000
Units issued during the year	-	-
Units redeemed during the year	-	-
Number of units in issue as at 31 December	-	6,240,000

	2018 Manager	CCBIH
Number of units in issue brought forward	-	6,240,000
Units issued during the year	-	-
Units redeemed during the year	-	-
Number of units in issue as at 31 December	-	6,240,000

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

7. Transactions with the Trustee and its related parties and the Manager and its connected persons (continued)

(f) Investments

	2019 HK\$	2018 HK\$
Equity securities held with:		
The Hongkong and Shanghai Banking Corporation Limited	<u>193,088,440</u>	<u>173,131,566</u>

During the year ended 31 December 2019, there is no investment in HSBC Holdings plc, who is the intermediate holding company of the Trustee (2018: 238,600).

The movement of the Fund's investment in HSBC Holdings Plc is as follows:

	2019	2018
Number of shares brought forward	283,600	-
Additions	-	465,600
Disposals	<u>(283,600)</u>	<u>(182,000)</u>
Number of shares as at 31 December	<u>-</u>	<u>283,600</u>

Net losses of HK\$6,428,584 were incurred from the above investment during the year (2018: HK\$323,097, net gain).

During the year ended 31 December 2019, there is no investment in China Construction Bank Corporation, who is the intermediate holding company of the Manager, which all the holdings were disposed during the year ended 31 December 2018 (31 December 2018: Nil).

The movement of the Fund's investment in China Construction Bank-H is as follows:

	2019	2018
Number of shares brought forward	-	-
Additions	-	1,700,000
Disposals	<u>-</u>	<u>(1,700,000)</u>
Number of shares as at 31 December	<u>-</u>	<u>-</u>

Net losses of HK\$ nil were incurred from the above investment during the year (2018: HK\$1,511,188, net losses).

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

8. Soft commission arrangements

The Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. The Manager does not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Fund. Commission is paid from the Fund on these transactions.

The services utilised for the Fund include the following:

- research and advisory services;
- economic and political analysis;
- portfolio analysis, including valuation and performance measurement;
- market analysis, data and quotation services;
- computer hardware and software incidental to the above goods and services; and
- clearing and custodian services and investment - related publications.

9. Units in issue and net asset value per unit

	2019	
	HKD Class	RMB Class*
Number of units in issue brought forward	24,081,774	499,850
Units issued during the year	1,853,544	-
Units redeemed during the year	(5,687,669)	-
Number of units in issue as at 31 December	<u>20,247,649</u>	<u>499,850</u>
	2018	
	HKD Class	RMB Class*
Number of units in issue brought forward	29,366,631	499,850
Units issued during the year	1,750,592	-
Units redeemed during the year	(7,035,449)	-
Number of units in issue as at 31 December	<u>24,081,774</u>	<u>499,850</u>
	HKD Class	RMB Class*
	HK\$	RMB
Net asset value per unit		
2019	10.14	10.14
2018	<u>8.58</u>	<u>8.50</u>

*RMB class was launched on 29 March 2017

The Fund does not have any externally imposed capital requirements.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

10. Financial instruments and associated risks

The Fund's investing activities expose them to various types of risks that are associated with the financial instruments and markets in which they invest. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund. Unitholders should note that additional information in respect of risks associated with investment in the Fund can be found in the Fund's offering document.

The nature and extent of the financial instruments outstanding at the date of statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments traded in the market. The Fund is exposed to price risk as changes in market prices of its investments will affect the valuation of the Fund. Price risk can be mitigated by constructing a diversified portfolio of investments across different issuers, different sectors, or traded in different markets in accordance with the investment objective of the Fund.

The Fund is not directly correlated with any market index. The impact on a 5% increase in value of the investments at year end, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset value by an equal but opposite amount. The Manager has used its view of what would be a "reasonable possible shift" in each key market to estimate the change in the sensitivity analysis below. However, this does not represent a prediction of the future movement in the corresponding key markets.

		2019 Change in net assets if equity price changes by 5% +/-		2018 Change in net assets if equity price changes by 5% +/-
	HK\$		HK\$	
Market exposure				
Listed equities	193,088,440	9,654,422	173,131,566	8,656,578

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

10. Financial instruments and associated risks (continued)

(b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

The Fund has no significant interest-bearing financial assets and liabilities except for cash and cash equivalents amounted to HK\$18,849,055 (2018: HK\$38,850,435). At the date of statement of financial position, assuming all other factors unchanged, should interest rates increase/decrease by 50 basis points, increase/decrease in total comprehensive income of the Fund would amount to HK\$94,245 (2018: HK\$194,252).

(c) Currency risk

As the majority of the Fund's financial instruments at 31 December 2019 are denominated in Hong Kong dollars, the Fund is exposed to minimal foreign currency risk.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument fails to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

Investments in listed securities are quoted on recognised stock exchanges. Transactions involving convertible instrument is with counterparty of sound credit standing. Management regularly reviews their latest credit standing and did not expect any investment counterparties fail to meet its obligations.

As at 31 December 2019 and 2018, the Fund's financial assets subject to the expected credit loss model within IFRS 9 are amounts due from brokers, amounts due from unitholders on subscription of units, interest receivable, other receivable and cash and cash equivalents.

The Fund has adopted general approach for these financial assets subject to IFRS 9's impairment requirements. The loss allowance shown, if any, is therefore based on 12-month or life time ECLs for general approach depending on the credit quality of each respective financial assets.

As at 31 December 2019 and 2018, all the financial assets subject to IFRS 9's impairment requirements with general approach are based on 12-month ECLs as no significant increase in credit risk since initial recognition for these financial assets.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. As at 31 December 2019 and 2018, no loss allowance had been provided. No assets are considered impaired and no amounts have been written off in the period.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

10. Financial instruments and associated risks (continued)

(d) Credit risk (continued)

Credit risk arising from transaction with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered low due to the short settlement period involved and the high credit quality of the brokers used.

The carrying amounts of financial assets represent the maximum credit risk exposure at the date of statement of assets and liabilities. The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2019 and 31 December 2018, all amounts due from brokers and cash and cash equivalents are held with counterparties with a credit rating of AA- from S&P and are due to be settled within one month. The Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The table below summarises the net exposure to the Fund's counterparty as at 31 December 2019 together with its credit rating.

	HK\$	Credit rating	Source of credit rating
Banks			
The Hongkong and Shanghai Banking Corporation Limited	18,849,055	AA-	S&P
Custodian			
The Hongkong and Shanghai Banking Corporation Limited	193,088,440	AA-	S&P

The table below summarises the net exposure to the Fund's counterparty as at 31 December 2018 together with its credit rating.

	HK\$	Credit rating	Source of credit rating
Banks			
The Hongkong and Shanghai Banking Corporation Limited	38,850,435	AA-	S&P
Custodian			
The Hongkong and Shanghai Banking Corporation Limited	173,131,566	AA-	S&P

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

10. Financial instruments and associated risks (continued)

(e) Liquidity risk

Liquidity risk arises from the risk that the Manager may not be able to convert investments into cash to meet liquidity needs in a timely manner. The Fund is exposed to daily liquidity risk on redemption of units.

The Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The Fund may periodically invest in unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to liquidate quickly its investment at an amount close to its fair value to meet its liquidity requirements. The Fund therefore manages its liquidity risk by investing predominantly in listed investments, which under normal market conditions, are readily convertible to cash within one month.

	On demand HK\$	Less than 1 month HK\$	More than 1 month but less than 1 year HK\$	Total HK\$
As at 31 December 2019				
Financial assets				
Financial assets at fair value				
through profit or loss	-	193,088,440	-	193,088,440
Amounts due from unitholders				
on subscription of units	-	39,176	-	39,176
Interest receivables	-	1,551	-	1,551
Other receivable	-	-	29,300	29,300
Cash and cash equivalents	349,055	18,500,000	-	18,849,055
	<u>349,055</u>	<u>211,629,167</u>	<u>29,300</u>	<u>212,007,522</u>
Financial liabilities				
Amounts due to unitholders				
on redemption of units	-	749,632	-	749,632
Other payables	-	468,620	-	468,620
Net assets attributable to unitholders	-	210,945,174	-	210,945,174
	<u>-</u>	<u>212,163,426</u>	<u>-</u>	<u>212,163,426</u>

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

10. Financial instruments and associated risks (continued)

(e) Liquidity risk (continued)

	On demand HK\$	Less than 1 month HK\$	More than 1 month but less than 1 year HK\$	Total HK\$
As at 31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss	-	173,131,566	-	173,131,566
Amounts due from brokers	-	1,619	-	1,619
Amounts due from unitholders on subscription of units	-	369,677	-	369,677
Interest receivables	-	2,638	-	2,638
Cash and cash equivalents	350,435	38,500,000	-	38,850,435
	<u>350,435</u>	<u>212,005,500</u>	<u>-</u>	<u>212,355,935</u>
Financial liabilities				
Amounts due to unitholders on redemption of units	-	416,951	-	416,951
Other payables	-	385,946	209,486	595,432
Net assets attributable to unitholders	-	211,556,064	-	211,556,064
	<u>-</u>	<u>212,358,961</u>	<u>209,486</u>	<u>212,568,447</u>

(f) Concentration risk

At 31 December 2019, two (2018: two) unitholders held more than 10% of the Fund's issued units.

(g) Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net asset attributable to holders of redeemable units can change significantly on a daily basis, as the Fund is subject to daily subscriptions and redemptions at the discretion of 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 unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

10. Financial instruments and associated risks (continued)

(g) Capital risk management (continued)

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

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate daily and adjust the amount of distributions the Fund pays to redeemable unitholders.
- Redeem and issue new units in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

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

(h) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The Fund utilises the last traded market price for both financial assets and financial liabilities. If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Hong Kong on the year end date, valuation techniques will be applied to determine the fair value.

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.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

10. Financial instruments and associated risks (continued)

(h) Fair value estimation (continued)

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at 31 December 2019. The investments below are listed in the Hong Kong stock exchange. Countries below represent where the issuers of the investments were incorporated.

All fair value measurements disclosed are recurring fair value measurements.

As at 31 December 2019	Level 1 HK\$
Investments	
Listed equities	
Bermuda	
Consumer, cyclical	3,896,000
Cayman Islands	
Communications	29,816,080
Consumer, cyclical	2,278,000
Consumer, non-cyclical	13,028,640
Financial	34,420,110
Industrial	4,721,500
China	
Financial	59,080,330
Hong Kong	
Consumer, non-cyclical	12,806,480
Financial	<u>33,041,300</u>
Total investments	<u><u>193,088,440</u></u>

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

10. Financial instruments and associated risks (continued)

(h) Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at 31 December 2018. The investments below are listed in the Hong Kong stock exchange. Countries below represent where the issuers of the investments were incorporated.

As at 31 December 2018	Level 1 HK\$
Investments	
Listed equities	
Britain	
Financial	18,377,280
Cayman Islands	
Communications	19,625,006
Consumer, Non-cyclical	2,440,000
Financial	3,310,000
China	
Communications	2,279,200
Consumer, non-cyclical	14,430,600
Energy	4,046,000
Financial	47,947,580
Hong Kong	
Consumer, non-cyclical	11,334,400
Energy	1,210,000
Financial	41,351,500
Utilities	6,780,000
Total investments	<u>173,131,566</u>

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

31 December 2019

11. Distribution policy

The Manager does not presently intend to make cash distributions in respect of the Fund. Income earned by the Fund will be reinvested in the Fund and reflected in the value of its units.

12. Subsequent events

The outbreak of Coronavirus Disease ("COVID-19 outbreak") in early 2020 has had significant impact on global financial markets. The Manager will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Fund. Any impact incurred by the COVID-19 outbreak is considered to be a non-adjusting event after the reporting period. The Manager will continue to remain alert to the situation and monitor the subscriptions and redemptions of the Fund.

13. Approval of the financial statements

The financial statements were approved and authorised for issue by the Trustee and the Manager on 27 April 2020.

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

PORTFOLIO STATEMENT (UNAUDITED)

AS AT 31 DECEMBER 2019

	Holdings shares	Market value HK\$	% of NAV
Listed equities			
Hong Kong			
AIA GROUP LTD	206,000	16,850,800	7.99
ALIBABA GROUP HOLDING LTD ORD	50,000	10,360,000	4.91
BANK OF CHINA LTD H SHS ORD	2,691,000	8,961,030	4.25
BEIJING TONG REN TANG CHINESE MEDICINE COMPANY LIMITED ORD	773,000	9,090,480	4.31
C&D INTL GROUP ORD	1,856,000	16,741,120	7.94
CHINA EAST EDUCATION HOLDING ORD	239,500	3,908,640	1.85
CHINA MENGNIU DAIRY COMPANY LIMITED	80,000	2,520,000	1.19
CHINA MERCHANTS BANK CO LTD H SHS ORD	150,000	6,007,500	2.85
CHINA OVERSEAS LAND AND INVESTMENT LIMITED	150,000	4,552,500	2.16
CHINA OVERSEAS PROPERTY HOLDING	1,260,000	6,174,000	2.93
CHINA RESOURCES LAND LIMITED	100,000	3,880,000	1.84
CITIC SECURITIES CO LTD H SHS ORD	210,000	3,733,800	1.77
CSPC PHARMACEUTICAL GROUP LTD ORD	200,000	3,716,000	1.76
FRONTAGE HOLDINGS CORP ORD	1,000,000	4,420,000	2.10
GREENTOWN SERVICE GROUP CO LTD ORD	349,000	2,969,990	1.41
HAIER ELECTRONICS GP COM LTD ORD	160,000	3,896,000	1.84
HONG KONG EXCHANGES AND CLEARING LTD ORD	46,000	11,638,000	5.51
INDUSTRIAL AND COMMERCIAL BANK OF CHINA H SHS ORD	3,260,000	19,560,000	9.27
PING AN INSURANCE (GROUP) COMPANY OF CHINA LIMITED H SHARES	180,000	16,578,000	7.86

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

PORTFOLIO STATEMENT (UNAUDITED)

AS AT 31 DECEMBER 2019

	Holdings shares	Market value HK\$	% of NAV
Listed equities (continued)			
Hong Kong (continued)			
POSTAL SAVINGS BANK OF CHI-H ORD	800,000	4,240,000	2.01
SHENZHOU INTERNATIONAL GROUP ORD	20,000	2,278,000	1.08
SINO BIOPHARMACEUTICAL LTD	200,000	2,180,000	1.03
SUNAC CHINA HOLDINGS LTD ORD	100,000	4,655,000	2.21
SUNNY OPTICAL TECHNOLOGY GROUP CO LTD ORD HKD	35,000	4,721,500	2.24
TENCENT HLDGS LTD	51,800	19,456,080	9.22
Total listed equities		193,088,440	91.53
Other net assets		17,856,734	8.47
Total net assets		210,945,174	100
Total listed equities (at cost)		171,865,412	

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

AS AT 31 DECEMBER 2019

	1 January 2019 Shares	Holdings Additions Shares	Disposals Shares	31 December 2019 Shares
Listed equities				
Hong Kong				
AGRICULTURAL BANK OF CHINA H	-	1,700,000	(1,700,000)	-
AIA GROUP LTD	300,000	-	(94,000)	206,000
ALIBABA GROUP HOLDING LTD ORD	-	50,000	-	50,000
BANK OF CHINA LTD-H SHS ORD	3,441,000	-	(750,000)	2,691,000
BEIJING TONG REN TANG CHINESE MEDICINE COMPANY LIMITED ORD	920,000	-	(147,000)	773,000
BOC HONG KONG HOLDINGS LTD ORD	-	70,000	(70,000)	-
C&D INTL GROUP ORD	-	2,147,000	(291,000)	1,856,000
CHINA EVERBRIGHT BANK CO LIMITED- H SHRS ORD	-	600,000	(600,000)	-
CHINA EAST EDUCATION HOLDING ORD	-	239,500	-	239,500
CHINA MENGNIU DAIRY COMPANY LIMITED	100,000	-	(20,000)	80,000
CHINA MERCHANTS BANK CO. LTD - H SHS ORD	150,000	-	-	150,000
CHINA OVERSEAS LAND AND INVESTMENT LIMITED	100,000	100,000	(50,000)	150,000
CHINA OVERSEAS PROPERTY HOLDIN ORD HKD	-	2,400,000	(1,140,000)	1,260,000
CHINA PETROLEUM AND CHEMICAL CORPORATION-H	200,000	-	(200,000)	-
CHINA RESOURCES CEMENT HLDG LTD	-	550,000	(550,000)	-
CHINA RESOURCES LAND LIMITED	100,000	100,000	(100,000)	100,000
CITIC SECURITIES CO LTD H SHS ORD	-	210,000	-	210,000
CLP HOLDINGS LIMITED	40,000	-	(40,000)	-
CNOOC LTD	100,000	-	(100,000)	-
C.P.POKPHAND CO LTD	-	3,400,000	(3,400,000)	-
CSOP ASSET MANAGEMENT LTD/HONG KONG-CSOP HANG SENG INDEX DAILY -1X - ETF	-	1,800,000	(1,800,000)	-
CSPC PHARMACEUTICAL GROUP LTD ORD	-	260,000	(60,000)	200,000
FRONTAGE HOLDINGS CORP ORD	-	1,300,000	(300,000)	1,000,000
GREENTOWN SERVICE GROUP CO LTD ORD	50,000	810,000	(511,000)	349,000
GUANGZHOU AUTOMOBILE GROUP CO LTD H SHS	-	350,000	(350,000)	-
GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO LTD	12,000	-	(12,000)	-
HAIER ELECTRONICS GP COM LTD ORD	-	160,000	-	160,000
HONG KONG AND CHINA GAS CO LTD	200,000	-	(200,000)	-
HONG KONG EXCHANGES AND CLEARING LTD ORD	60,000	-	(14,000)	46,000
HSBC HLDGS PLC	283,600	-	(283,600)	-
iFLYTEC CO LTD – A ORD	-	119,950	(119,950)	-
INDUSTRIAL AND COMMERCIAL BANK OF CHINA H SHS ORD	3,500,000	-	(240,000)	3,260,000
JIANGSU NHWA PHARMACEUTICA-A ORD	-	199,931	(199,931)	-
LINK REIT	35,000	15,000	(50,000)	-
NARI TECHNOLOGY DEVELOPMEN - A SHRS	-	210,000	(210,000)	-

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)

AS AT 31 DECEMBER 2019

	1 January 2019 Shares	Holdings Additions Shares	Disposals Shares	31 December 2019 Shares
Listed equities (continued)				
Hong Kong (continued)				
NEW CHINA LIFE INSURANCE CO H SHS	-	160,000	(160,000)	-
PETROCHINA COMPANY LIMITED H SHARES	600,000	-	(600,000)	-
PING AN INSURANCE (GROUP) COMPANY OF CHINA LIMITED H SHARES	180,000	-	-	180,000
POSTAL SAVINGS BANK OF CHI-H ORD	-	1,250,000	(450,000)	800,000
SHANGHAI FUDAN MICROELECT-H ORD	-	210,000	(210,000)	-
SHENZHOU INTERNATIONAL GROUP ORD	-	20,000	-	20,000
SINO BIOPHARMACEUTICAL LTD	-	200,000	-	200,000
SUN HUNG KAI PROPERTIES LTD	25,000	36,000	(61,000)	-
SUNAC CHINA HOLDINGS LTD ORD	-	140,000	(40,000)	100,000
SUNNY OPTICAL TECHNOLOGY GROUP CO LTD ORD	-	50,000	(15,000)	35,000
TENCENT HLDGS LTD	62,500	-	(10,700)	51,800
VITASOY INTERNATIONAL HOLDINGS LTD	-	120,000	(120,000)	-
YICHANG HEC CHANGJIANG PHA-H ORD	540,000	-	(540,000)	-
ZHEJIANG EXPRESSWAY COMPANY LIMITED 'H'	-	500,000	(500,000)	-
ZHOU HEI YA INTERNATIONAL HO ORD	-	300,000	(300,000)	-
ZTE CORP H SHS ORD	154,000	150,000	(304,000)	-

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	% of net assets	
	2019	2018
Listed equities		
Hong Kong	<u>91.53</u>	<u>81.83</u>
Total investments	91.53	81.83
Other net assets	<u>8.47</u>	<u>18.17</u>
Total net assets	<u><u>100.00</u></u>	<u><u>100.00</u></u>

CCB INTERNATIONAL FUND SERIES
- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

PERFORMANCE RECORD (UNAUDITED)

(a) Price record (Dealing NAV)

Year/period ended 31 December	Lowest		Highest	
	HKD Class HK\$	RMB Class RMB	HKD Class HK\$	RMB Class RMB
2019	8.42	8.34	10.24	10.20
2018	8.38	8.42	12.11	11.13
2017	9.59	9.47	11.64	11.19
2016	9.35	-	11.64	-
2015	10.86	-	18.82	-
2014	10.93	-	15.43	-
2013	8.21	-	12.40	-
2012	7.39	-	10.32	-
2011	9.46	-	19.05	-
2010	14.85	-	19.22	-
2009 (since inception)	<u>9.94</u>	<u>-</u>	<u>17.79</u>	<u>-</u>

(b) Total net asset value

	2019 HK\$	2018 HK\$	2017 HK\$
Total net asset value – HKD Class	<u>205,289,009</u>	<u>206,716,841</u>	<u>319,043,269</u>
	RMB	RMB	RMB
Total net asset value – RMB Class	<u>5,069,712</u>	<u>4,249,223</u>	<u>5,170,942</u>

(c) Net asset value per unit

	2019 HK\$	2018 HK\$	2017 HK\$
Net asset value per unit – HKD Class	<u>10.14</u>	<u>8.58</u>	<u>10.86</u>
	RMB	RMB	RMB
Net asset value per unit – RMB Class	<u>10.14</u>	<u>8.50</u>	<u>10.34</u>

CCB INTERNATIONAL FUND SERIES**- CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND**

(A sub-fund of an open-ended unit trust established as an umbrella fund under the laws of the Hong Kong)

ADMINISTRATION AND MANAGEMENT**Manager**

CCB International Asset Management Limited
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3 Connaught Road Central
Central
Hong Kong

Directors of the Manager

Hung Yat
Li Ngai
Li Yuezhong (resigned on 31 Jan 2019)
Lo Chak Bong Alfred Bing
Yam Wang Lap

Trustee and registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

Legal Advisers

Clifford Chance
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Auditors

Ernst & Young
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