

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)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

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)

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MANAGER'S REPORT

Market and Fund Performance Review

Like majority of the global capital markets, the highly globalized Hong Kong market also had a roller coaster ride in 2018. Influenced by China's financial deleveraging policy, the progressive deterioration in US-China trade dispute, and uncertainty in the pace of Fed's rate hike, Hang Seng Index's volatility increased while posting a continuous decline since making its one-year high at the beginning of 2018.

As value investor, we further cut back weighting in small-cap stocks and continued to increase weighting in undervalued blue-chips with high earnings certainty such as pharmaceuticals, banking, insurance, stock exchange, food & beverage and we made a move on the industry leaders in TMT which benefit from national policies. The fund achieved an annual return of approximately -20%, lagging the Hang Seng index which ended the year with -14%.

Macroeconomic and Policy Review

Chinese economy had a challenging 2018 with slowdown in the recovery of global economy, escalating protectionism highlighted by US-China trade dispute and China's financial deleveraging policy. Full year GDP growth was 6.6% with 4Q 2018 growth of 6.4%, which was a reasonable range in 2018.

Following strong growth in 2017, global economy entered 2018 on a high note but suffered from escalating protectionism. Benefiting from tax cut and fiscal stimulus, U.S had accelerated economic growth in 2018, which led to Fed's rate hikes and stronger U.S dollar against major currencies. U.S. Dollar strength also imposed pressure on emerging economies and suppressed global risk appetite.

Market Outlook and Investment Strategy

Going forward, we pay attention to the ongoing development of US-China trade negotiation and the sustainability of China's liquidity easing policy. Increase in China A shares' weighting in the MSCI Emerging Market Index serves as a proxy of international investors' readiness and appetite to increase position on China-related assets, highlighting Hong Kong market as the undervalued part of the Greater China universe. We maintain our defensive investment allocation strategy, staying alert on the impact of the shift in market cycles. We will keep our investment focus on companies set to benefit from national policies and "new economy" initiatives, striving to achieve decent long-term return for our investors.

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

CCB INTERNATIONAL FUND SERIES
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TRUSTEE'S REPORT

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 2018.

)
)
) 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

What we have audited

The financial statements of CCB International – China Policy Driven Fund (the “Fund”), a sub-fund of CCB International Fund Series set out on pages 7 to 29, which comprise:

- the statement of financial position as at 31 December 2018;
- 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.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board.

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”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The Trustee and the Manager (the “Management”) of the Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor’s report thereon.

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

Report on the Audit of the Financial Statements (Continued)

Other Information (Continued)

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.

Responsibilities of the Management for the Financial Statements

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

In preparing the financial statements, the Management of the Fund 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 the Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 12 January 2009, 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").

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

Report on the Audit of the Financial Statements (Continued)

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. We report our opinion 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 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.
- 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 Management.
- Conclude on the appropriateness of the 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.

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

Report on the Audit of the Financial Statements (Continued)

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

We communicate with Management 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 Matters Under the Relevant Disclosure Provisions of the Trust Deed
and the 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
Certified Public Accountants

Hong Kong, 18 April 2019

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

| | Notes | 2018 HK\$ | 2017 HK\$ |
|-------------------------------------------------------|-------|--------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Investments | 5 | 173,131,566 | 292,530,568 |
| Amounts due from brokers | | 1,619 | 35,743,498 |
| Amounts due from unitholders on subscription of units | | 369,677 | 294,724 |
| Interest receivables | | 2,638 | 247 |
| Prepaid expense | | 212,512 | 268,887 |
| Cash and cash equivalents | 6(b) | 38,850,435 | 7,640,697 |
| Total assets | | <u>212,568,447</u> | <u>336,478,621</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Amounts due to unitholders on redemption of units | | 416,951 | 676,242 |
| Amounts due to brokers | | - | 9,797,531 |
| Other payables | | 595,432 | 772,495 |
| Total liabilities | | <u>1,012,383</u> | <u>11,246,268</u> |
| Net assets attributable to unitholders | 8 | <u>211,556,064</u> | <u>325,232,353</u> |

Approved by the Trustee and the Manager on 18 April 2019.

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

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

The accompanying notes on pages 11 to 29 are an integral part of these financial statements.

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Notes | 2018 HK\$ | 2017 HK\$ |
|-------------------------------------------------------|-------|----------------------------|--------------------------|
| Dividend income | | 7,187,379 | 8,035,643 |
| Net (losses)/gains on investments | 3 | (56,077,242) | 62,582,565 |
| Net foreign exchange (losses)/gains | | (913) | 10,823 |
| Interest income | 6(b) | 126,633 | 4,118 |
| Net investment (losses)/gains | | <u>(48,764,143)</u> | <u>70,633,149</u> |
| Brokerage commission and other transaction costs | | (2,885,104) | (7,327,503) |
| Management fee | 6(a) | (4,713,389) | (7,864,947) |
| Trustee fee | 6(c) | (754,036) | (964,258) |
| Transaction fee | 6(c) | (108,420) | (295,420) |
| Auditors' remuneration | | (200,284) | (200,284) |
| Safe custody and bank charges | 6(b) | (72,088) | (138,365) |
| Legal and professional fees | | (77,016) | (102,460) |
| Miscellaneous expenses | | (43,181) | (56,065) |
| Operating expenses | | <u>(8,853,518)</u> | <u>(16,949,302)</u> |
| (Loss)/profit before taxation | | <u>(57,617,661)</u> | <u>53,683,847</u> |
| Withholding taxes | 4 | (428,218) | (263,936) |
| Total comprehensive (loss)/income for the year | | <u><u>(58,045,879)</u></u> | <u><u>53,419,911</u></u> |

The accompanying notes on pages 11 to 29 are an integral part of these financial statements.

**CCB INTERNATIONAL FUND SERIES
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**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | 2018 HK\$ | 2017 HK\$ |
|-------------------------------------------------------|--------------------|--------------------|
| Balance at beginning of 1 January | 325,232,353 | 521,025,376 |
| | ----- | ----- |
| Total comprehensive (loss)/income for the year | (58,045,879) | 53,419,911 |
| | ----- | ----- |
| Issue of units | 17,725,230 | 75,031,126 |
| Redemption of units | (73,355,640) | (324,244,060) |
| | ----- | ----- |
| Total transactions with unitholders | (55,630,410) | (249,212,934) |
| | ----- | ----- |
| Balance at end of 31 December | <u>211,556,064</u> | <u>325,232,353</u> |

The accompanying notes on pages 11 to 29 are an integral part of these financial statements.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | 2018 HK\$ | 2017 HK\$ |
|-------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| Cash flows from operating activities | | |
| Total comprehensive (loss)/income for the year | (58,045,879) | 53,419,911 |
| Adjustments for: | | |
| Dividend income | (7,187,379) | (8,035,643) |
| Interest income | (126,633) | (4,118) |
| Withholding taxes | 428,218 | 263,936 |
| Net cash (outflow)/inflow from operating activities before working capital changes | <u>(64,931,673)</u> | <u>45,644,086</u> |
| Decrease in investments | 119,399,002 | 229,089,179 |
| Decrease/(increase) in amount due from brokers | 35,741,879 | (1,878,107) |
| Decrease in amount due to brokers | (9,797,531) | (27,524,880) |
| Decrease/(increase) in prepaid expense | 56,375 | (268,887) |
| Decrease in other payables | (177,063) | (323,600) |
| Cash generated from operations | <u>80,290,989</u> | <u>244,737,791</u> |
| Dividend received | 7,187,379 | 8,035,643 |
| Interest received | 124,242 | 30,928 |
| Tax paid | <u>(428,218)</u> | <u>(263,936)</u> |
| Net cash inflow from operating activities | <u>87,174,392</u> | <u>252,540,426</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of units | 17,650,277 | 75,053,207 |
| Payments on redemption of units | (73,614,931) | (325,076,308) |
| Net cash outflow from financing activities | <u>(55,964,654)</u> | <u>(250,023,101)</u> |
| Net increase in cash and cash equivalents | 31,209,738 | 2,517,325 |
| Cash and cash equivalents at 1 January | <u>7,640,697</u> | <u>5,123,372</u> |
| Cash and cash equivalents at 31 December, representing cash at bank | <u><u>38,850,435</u></u> | <u><u>7,640,697</u></u> |

The accompanying notes on pages 11 to 29 are an integral part of these financial statements.

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

NOTES ON THE FINANCIAL STATEMENTS

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 Jan 2009. The Fund is an open-ended unit trust and authorised by the Hong Kong Securities and Futures Commission under section 104 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 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 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 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

2 Significant accounting policies (Continued)

(c) Standards and amendments to existing standards effective 1 January 2018

- IFRS 9 "Financial instruments"

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(f). The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Fund.

(d) New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

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

NOTES ON THE FINANCIAL STATEMENTS

2 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 gains/(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 investments'.

(f) Financial assets at fair value through profit or loss

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets 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.

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

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(f) Financial assets at fair value through profit or loss (Continued)

(ii) Recognition, derecognition and measurement (Continued)

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net gain/(loss) on investments in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established.

(iii) Fair value estimation

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 of financial assets 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 reporting date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include reference to quotes provided by independent third parties, 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.

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

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(g) 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.

(h) 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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

(j) 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.

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

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(k) 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.

(l) Expenses

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

(m) Related parties

For the purposes of these financial statements, a party is considered to be related to the Fund if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
- (ii) the Fund and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Fund or a joint venture in which the Fund is a venturer;
- (iv) the party is a member of key management personnel of the Fund or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with 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

2 Significant accounting policies (Continued)

(o) Redeemable units

Prior to 29 March 2017, the Fund classified its puttable instrument as equity in accordance with IAS 32 (Amendment), "Financial instruments: Presentation" ("IAS32"). However, the amendment requires puttable instruments that do not comply with certain criteria to be classified as financial liabilities.

Those criteria include:

- it entitles the holder to a pro-rata share of the entity's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability;
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

For the period from 21 January 2009 (date of incorporation) to 29 March 2017, the Fund issued one single unit class which is the sole unit class of the Fund. Therefore, the net assets attributable to unitholders have been classified as equity during this period in accordance with IAS 32.

With effect from 29 March 2017, the Fund issued a new unit class, RMB Class, which was subject to different terms as disclosed herein. As a result of the change in class of units, the net assets attributable to holders of redeemable participating units do not meet the above criteria and were recognised as financial liabilities in accordance with the IAS32.

3 Net (losses)/gains on investments

| | 2018 HK\$ | 2017 HK\$ |
|-----------------------------------|---------------------|-------------------|
| Net (losses)/gains on investments | | |
| - Realised (losses)/gains | (8,798,241) | 64,556,582 |
| - Change in unrealised losses | (47,279,001) | (1,974,017) |
| | <u>(56,077,242)</u> | <u>62,582,565</u> |

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

NOTES ON THE FINANCIAL STATEMENTS

4 Taxation

Taxation in the statement of comprehensive income represents:

| | 2018 HK\$ | 2017 HK\$ |
|----------------------------|--------------|--------------|
| Overseas withholding taxes | 428,218 | 263,936 |

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.

5 Investments

| | 2018 HK\$ | 2017 HK\$ |
|--------------------------------------------------------------------|--------------|--------------|
| Financial assets designated at fair value through profit or loss | | |
| - Listed equities | 173,131,566 | 292,530,568 |
| Total | 173,131,566 | 292,530,568 |
| Investments, at cost | 192,268,501 | 264,388,502 |
| Net unrealised (depreciation)/appreciation in value of investments | (19,136,935) | 28,142,066 |
| Investments, at market value | 173,131,566 | 292,530,568 |

6 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:

| | 2018 HK\$ | 2017 HK\$ |
|--------------------------------------|--------------|--------------|
| Management fees charged for the year | 4,713,389 | 7,864,947 |
| Management fees payable at year end | 318,224 | 478,046 |

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

NOTES ON THE FINANCIAL STATEMENTS

6 Transactions with the Trustee and its related parties and the Manager and its connected persons (Continued)

(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\$38,850,435 as at 31 December 2018 (2017: HK\$7,640,697).

Interest income amounted to HK\$126,633 was earned from these bank balances during the year (2017: HK\$4,118). Safe custody and bank charges of HK\$72,088 were charged during the year (2017: HK\$138,365).

(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:

| | 2018 HK\$ | 2017 HK\$ |
|-------------------------------------|--------------|--------------|
| Trustee's fees charged for the year | 754,036 | 964,258 |
| Trustee's fees payable at year end | 55,394 | 67,867 |

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:

| | 2018 HK\$ | 2017 HK\$ |
|---------------------------------------|--------------|--------------|
| Transaction fees charged for the year | 108,420 | 295,420 |
| Transaction fees payable at year end | 1,370 | 17,980 |

(d) Brokerage services

The Fund uses the brokerage services of a fellow subsidiary of the Manager to purchase and sell investments. Details of transactions executed are as follows:

| | 2018 HK\$ | 2017 HK\$ |
|-----------------------------------------------------------------------------|--------------|--------------|
| Total aggregate value of transactions executed during the year | - | 25,778,209 |
| Commission paid during the year | - | 64,446 |
| Average rate of commission | 0.00% | 0.25% |
| Percentage of these transactions in value to total transactions of the year | 0.00% | 1.09% |

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

NOTES ON THE FINANCIAL STATEMENTS

6 Transactions with the Trustee and its related parties and the Manager and its connected persons (Continued)

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

As at 31 December 2018, a related company of the Manager, CCB International (Holdings) Limited ("CCBIH"), holds 6,240,000 (2017: 6,240,000) units of the Fund.

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

| | 2018 | |
|--------------------------------------------|-------------|--------------|
| | Manager | CCBIH |
| Number of units in issue brought forward | - | 6,240,000 |
| Units issued during the year | - | - |
| Units redeemed during the year | - | - |
| | <hr/> | <hr/> |
| Number of units in issue as at 31 December | - | 6,240,000 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 2017 | |
| | Manager | CCBIH |
| Number of units in issue brought forward | 2,338,270 | 19,999,999 |
| Units issued during the year | - | - |
| Units redeemed during the year | (2,338,270) | (13,759,999) |
| | <hr/> | <hr/> |
| Number of units in issue as at 31 December | - | 6,240,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

(f) Investments

| | 2018 | 2017 |
|-------------------------------------------------------|-------------|-------------|
| | HK\$ | HK\$ |
| Equity securities held with: | | |
| The Hongkong and Shanghai Banking Corporation Limited | 173,131,566 | 292,530,568 |
| | <hr/> <hr/> | <hr/> <hr/> |

During the year ended 31 December 2018, the Fund invested in HSBC Holdings plc, who is the intermediate holding company of the Trustee (2017: Nil).

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

| | 2018 | 2017 |
|------------------------------------|-------------|-------------|
| Number of shares brought forward | - | - |
| Additions | 465,600 | - |
| Disposals | (182,000) | - |
| | <hr/> | <hr/> |
| Number of shares as at 31 December | 283,600 | - |
| | <hr/> <hr/> | <hr/> <hr/> |

Net gains of HK\$323,097 were incurred from the above investment during the year (2017: Nil).

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

NOTES ON THE FINANCIAL STATEMENTS

6 Transactions with the Trustee and its related parties and the Manager and its connected persons (Continued)

(f) Investments (Continued)

During the year ended 31 December 2018, the Fund invested in China Construction Bank Corporation, who is the intermediate holding company of the Manager (2017: Nil).

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

| | 2018 | 2017 |
|------------------------------------|-------------|-------------|
| Number of shares brought forward | - | - |
| Additions | 1,700,000 | - |
| Disposals | (1,700,000) | - |
| | <hr/> | <hr/> |
| Number of shares as at 31 December | <hr/> <hr/> | <hr/> <hr/> |

Net losses of HK\$1,511,188 were incurred from the above investment during the year (2017: Nil).

7 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.

8 Units in issue and net asset value per unit

| | 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) | - |
| | <hr/> | <hr/> |
| Number of units in issue as at 31 December | <hr/> <hr/> | <hr/> <hr/> |

**CCB INTERNATIONAL FUND SERIES
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NOTES ON THE FINANCIAL STATEMENTS

8 Units in issue and net asset value per unit (Continued)

| | 2017 | |
|--------------------------------------------|--------------|-------------|
| | HKD Class | RMB Class* |
| Number of units in issue brought forward | 53,800,931 | - |
| Units issued during the year | 4,502,991 | 2,499,250 |
| Units redeemed during the year | (28,937,291) | (1,999,400) |
| | <hr/> | <hr/> |
| Number of units in issue as at 31 December | 29,366,631 | 499,850 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | HKD Class | RMB Class* |
| | HK\$ | RMB |
| Net asset value per unit | | |
| 2018 | 8.58 | 8.50 |
| 2017 | 10.86 | 10.34 |
| | <hr/> <hr/> | <hr/> <hr/> |

*RMB class was launched on 29 March 2017

The Fund does not have any externally imposed capital requirements.

9 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.

**CCB INTERNATIONAL FUND SERIES
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NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(a) Price risk (Continued)

| | 2018 | | 2017 | |
|-----------------|-------------|--------------------------------------------------------------------|-------------|--------------------------------------------------------------------|
| | | Change in net assets if equity price changes by 5% +/- | | Change in net assets if equity price changes by 5% +/- |
| | HK\$ | | HK\$ | |
| Market exposure | | | | |
| Listed equities | 173,131,566 | 8,656,578 | 292,530,568 | +/- 14,626,528 |

(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\$38,850,435 (2017: HK\$7,640,697). 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\$194,252 (2017: HK\$38,203).

(c) Currency risk

As the majority of the Fund's financial instruments at 31 December 2018 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.

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 2018 and 31 December 2017, 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.

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

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(d) Credit risk (Continued)

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

| | HKS | 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 |

The table below summarises the net exposure to the Fund's counterparty as at 31 December 2017 together with its credit rating.

| | HKS | Credit rating | Source of credit rating |
|-------------------------------------------------------|-------------|---------------|-------------------------|
| Banks | | | |
| The Hongkong and Shanghai Banking Corporation Limited | 7,640,697 | AA- | S&P |
| Custodian | | | |
| The Hongkong and Shanghai Banking Corporation Limited | 292,530,568 | AA- | S&P |

(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.

CCB INTERNATIONAL FUND SERIES
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NOTES ON THE FINANCIAL STATEMENTS

9 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 | | | | |
| Investments | - | 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> |
| As at 31 December 2017 | | | | |
| Financial assets | | | | |
| Investments | - | 292,530,568 | - | 292,530,568 |
| Amounts due from brokers | - | 35,743,498 | - | 35,743,498 |
| Amounts due from unitholders on subscription of units | - | 294,724 | - | 294,724 |
| Interest receivables | - | 247 | - | 247 |
| Cash and cash equivalents | 140,697 | 7,500,000 | - | 7,640,697 |
| | <u>140,697</u> | <u>336,069,037</u> | <u>-</u> | <u>336,209,734</u> |
| Financial liabilities | | | | |
| Amounts due to unitholders on redemption of units | - | 676,242 | - | 676,242 |
| Amounts due to brokers | - | 9,797,531 | - | 9,797,531 |
| Other payables | - | 572,211 | 200,284 | 772,495 |
| Net assets attributable to unitholders | - | 325,232,353 | - | 325,232,353 |
| | <u>-</u> | <u>336,278,337</u> | <u>200,284</u> | <u>336,478,621</u> |

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

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(f) Concentration risk

At 31 December 2018, two (2017: 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.

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

9 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 2018. 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 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><u>173,131,566</u></u> |

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

NOTES ON THE FINANCIAL STATEMENTS

9 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 2017. 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 2017 | Level 1 HK\$ |
|-------------------------------|--------------------|
| Investments | |
| Listed equities | |
| Bermuda | |
| Consumer, Cyclical | 8,346,000 |
| Cayman Islands | |
| Basic materials | 13,176,100 |
| Communications | 51,338,600 |
| Consumer, Cyclical | 30,623,000 |
| Consumer, Non-cyclical | 16,275,000 |
| Financials | 24,295,498 |
| Industrials | 60,254,960 |
| China | |
| Consumer, Cyclical | 13,620,000 |
| Financials | 45,959,550 |
| Industrials | 4,661,860 |
| Hong Kong | |
| Financial | 23,980,000 |
| Total investments | <u>292,530,568</u> |

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

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(h) Fair value estimation (Continued)

The movement during the year in the balance of Level 3 fair value measurement is as follows:

Unlisted financial asset designated at fair value through profit or loss:

| | 2018 HK\$ | 2017 HK\$ |
|---------------------------------------------------------------------------------------------------|--------------|--------------|
| At 1 January | - | 5,176,712 |
| Converted into listed shares during the year | - | (5,000,000) |
| Realised loss recognised in the statement of comprehensive income during the year | - | (176,712) |
| | <hr/> | <hr/> |
| At 31 December | - | - |
| | <hr/> | <hr/> |
| Total losses for the year included in the statement of comprehensive income at the reporting date | - | (176,712) |
| | <hr/> | <hr/> |

For the years ended 31 December 2018 and 2017, there were no transfers between levels.

The Fund's other assets and liabilities are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

10 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.

11 Approval of the financial statements

The financial statements were approved and authorised for issue by the Trustee and the Manager on 18 April 2019.

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

PORTFOLIO STATEMENT (UNAUDITED)
AS AT 31 DECEMBER 2018

| | Holdings Shares | Market value HK\$ | % of NAV |
|----------------------------------------------------------------------|--------------------|----------------------|---------------|
| Listed equities | | | |
| Hong Kong | | | |
| AIA GROUP LTD | 300,000 | 19,500,000 | 9.22 |
| BANK OF CHINA LTD H SHS ORD CNY1 | 3,441,000 | 11,630,580 | 5.50 |
| BEIJING TONG REN TANG CHINESE MEDICINE COMPANY LIMITED ORD HKD0.5 | 920,000 | 11,334,400 | 5.36 |
| C L P HOLDINGS LIMITED | 40,000 | 3,540,000 | 1.67 |
| CHINA MENGNIU DAIRY COMPANY LIMITED | 100,000 | 2,440,000 | 1.15 |
| CHINA MERCHANTS BANK CO LTD H SHS ORD | 150,000 | 4,305,000 | 2.03 |
| CHINA OVERSEAS LAND AND INVESTMENT LIMITED | 100,000 | 2,690,000 | 1.27 |
| CHINA PETROLEUM AND CHEMICAL CORPORATION-H | 200,000 | 1,118,000 | 0.53 |
| CHINA RESOURCES LAND LIMITED HKD0.1 | 100,000 | 3,010,000 | 1.42 |
| CNOOC LTD | 100,000 | 1,210,000 | 0.57 |
| GREENTOWN SERVICE GROUP CO LTD ORD HKD0.00001 | 50,000 | 300,000 | 0.14 |
| GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO LTD | 12,000 | 336,600 | 0.16 |
| HONG KONG AND CHINA GAS CO LTD | 200,000 | 3,240,000 | 1.53 |
| HONG KONG EXCHANGES AND CLEARING LTD ORD HKD1 | 60,000 | 13,596,000 | 6.43 |
| HSBC HLDGS PLC | 283,600 | 18,377,280 | 8.69 |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA H SHS ORD | 3,500,000 | 19,565,000 | 9.25 |
| LINK REIT | 35,000 | 2,775,500 | 1.31 |
| PETROCHINA COMPANY LIMITED H SHARES | 600,000 | 2,928,000 | 1.38 |
| PING AN INSURANCE (GROUP) COMPANY OF CHINA LIMITED H SHARES HKD1 | 180,000 | 12,447,000 | 5.88 |
| SUN HUNG KAI PROPERTIES LTD | 25,000 | 2,790,000 | 1.32 |
| TENCENT HLDGS LTD HKD0.0002 | 62,500 | 19,625,006 | 9.28 |
| YICHANG HEC CHANGJIANG PHA-H ORD HKD1 | 540,000 | 14,094,000 | 6.66 |
| ZTE CORP H SHS ORD | 154,000 | 2,279,200 | 1.08 |
| Total listed equities | | 173,131,566 | 81.83 |
| Other net assets | | 38,424,498 | 18.17 |
| Total net assets | | 211,556,064 | 100.00 |
| Total cost of investments | | 192,268,501 | |

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

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
AS AT 31 DECEMBER 2018

| | 1 January 2018 Shares | Holdings | | 31 December 2018 Shares |
|-----------------------------------------------|-----------------------------|---------------------|---------------------|-------------------------------|
| | | Additions Shares | Disposals Shares | |
| Listed equities | | | | |
| Hong Kong | | | | |
| 3SBIO INC | - | 400,000 | (400,000) | - |
| AGRICULTURAL BANK OF CHINA-H | - | 6,900,000 | (6,900,000) | - |
| AIA GROUP LTD | - | 370,000 | (70,000) | 300,000 |
| ANHUI CONCH CEMENT CO LTD-H | - | 150,000 | (150,000) | - |
| AVICHINA INDUSTRY & TECH-H | - | 1,425,000 | (1,425,000) | - |
| BANK OF CHINA LTD-H | - | 3,441,000 | - | 3,441,000 |
| BELJING TONG REN TANG CHINESE MEDICINE CO LTD | - | 920,000 | - | 920,000 |
| BYD CO LTD-H | 200,000 | - | (200,000) | - |
| CHINA CITIC BANK CORP LTD-H | - | 1,400,000 | (1,400,000) | - |
| CHINA CONSTRUCTION BANK-H | - | 1,700,000 | (1,700,000) | - |
| CHINA EVERBRIGHT BANK CO LTD-H | - | 3,000,000 | (3,000,000) | - |
| CHINA GAS HOLDINGS LTD | - | 220,000 | (220,000) | - |
| CHINA LIFE INSURANCE CO-H | - | 250,000 | (250,000) | - |
| CHINA LITERATURE LTD | 236,000 | - | (236,000) | - |
| CHINA MAPLE LEAF EDUCATIONAL | - | 32,000 | (32,000) | - |
| CHINA MENGNIU DIARY CO LTD | 700,000 | - | (600,000) | 100,000 |
| CHINA MERCHANTS BANK-H | - | 755,000 | (605,000) | 150,000 |
| CHINA MOLYBDENUM CO LTD-H | - | 459,000 | (459,000) | - |
| CHINA OILFIELD SERVICES-H | - | 1,600,000 | (1,600,000) | - |
| CHINA OVERSEAS LAND & INVEST | - | 100,000 | - | 100,000 |
| CHINA PETROLEUM & CHEMICAL-H | - | 1,100,000 | (900,000) | 200,000 |
| CHINA RESOURCES LAND LTD | - | 250,000 | (150,000) | 100,000 |
| CHINA SHENHUA ENERGY CO-H | - | 600,000 | (600,000) | - |
| CHINA VANKE CO LTD-H | - | 140,000 | (140,000) | - |
| CHINA YUHUA EDUCATION CORP LTD | - | 1,500,000 | (1,500,000) | - |
| CHINA ZHENG TONG AUTO SERVICE | - | 1,191,500 | (1,191,500) | - |
| CIFI HOLDINGS GROUP CO LTD | - | 2,000,000 | (2,000,000) | - |
| CITIC SECURITIES CO LTD-H | - | 600,000 | (600,000) | - |
| CLP HOLDINGS LTD | - | 40,000 | - | 40,000 |
| CNOOC LTD | - | 600,000 | (500,000) | 100,000 |
| COLOUR LIFE SERVICES GROUP | - | 800,000 | (800,000) | - |
| COSCO SHIPPING ENERGY TRAN-H | - | 500,000 | (500,000) | - |
| COUNTRY GARDEN HOLDINGS CO | - | 250,000 | (250,000) | - |
| CRRC CORP LTD - H | - | 1,200,000 | (1,200,000) | - |
| CSOP HS CH ENTERPRISES -1X | - | 500,000 | (500,000) | - |
| CSOP HSI INDEX DAILY -1X IP | - | 4,600,000 | (4,600,000) | - |
| CSPC PHARMACEUTICAL GROUP LTD | - | 780,000 | (780,000) | - |
| DONGFANG ELECTRIC CORP LTD-H | - | 800,000 | (800,000) | - |
| ENN ENERGY HOLDINGS LTD | - | 100,000 | (100,000) | - |

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

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2018

| | Holdings | | | 31 December 2018 Shares |
|------------------------------------|-----------------------------|---------------------|---------------------|-------------------------------|
| | 1 January 2018 Shares | Additions Shares | Disposals Shares | |
| Listed equities (Continued) | | | | |
| Hong Kong | | | | |
| GEELY AUTOMOBILE HOLDINGS LTD | 1,130,000 | - | (1,130,000) | - |
| GREENTOWN SERVICE GROUP CO LTD | - | 1,230,000 | (1,180,000) | 50,000 |
| GUANGZHOU BAIYUNSHAN PHARM-H | - | 130,000 | (118,000) | 12,000 |
| HAIER ELECTRONICS GROUP CO | 390,000 | 100,000 | (490,000) | - |
| HONG KONG & CHINA GAS | - | 200,000 | - | 200,000 |
| HONG KONG EXCHANGES & CLEAR | 100,000 | 10,000 | (50,000) | 60,000 |
| HSBC HOLDINGS PLC | - | 465,600 | (182,000) | 283,600 |
| HUA HONG SEMICONDUCTOR LTD | - | 300,000 | (300,000) | - |
| IND & COMM BK OF CHINA-H | 3,000,000 | 1,000,000 | (500,000) | 3,500,000 |
| JIANGXI COPPER CO LTD-H | - | 500,000 | (500,000) | - |
| KINGDEE INTERNATIONAL SFTWR | - | 2,400,000 | (2,400,000) | - |
| KINGSOFT CORP LTD | - | 540,000 | (540,000) | - |
| LINK REIT | - | 35,000 | - | 35,000 |
| OI WAH PAWNSHOP CREDIT HOLDING | 21,980,590 | - | (21,980,590) | - |
| PETROCHINA CO LTD-H | - | 1,200,000 | (600,000) | 600,000 |
| PING AN INSURANCE GROUP CO-H | 333,000 | 150,000 | (303,000) | 180,000 |
| SEMICONDUCTOR MANUFACTURING | - | 1,181,500 | (1,181,500) | - |
| SHANGHAI PHARMACEUTICALS-H | - | 250,000 | (250,000) | - |
| SHIMAO PROPERTY HOLDINGS LTD | 996,000 | 724,000 | (1,720,000) | - |
| STARRISE MEDIA HOLDINGS LTD | - | 700,000 | (700,000) | - |
| SUN HUNG KAI PROPERTIES | - | 25,000 | - | 25,000 |
| SUN INTERNATIONAL GROUP LTD | 13,445,000 | - | (13,445,000) | - |
| SUNNY OPTICAL TECH | - | 20,000 | (20,000) | - |
| TENCENT HOLDINGS LTD | 78,000 | 40,000 | (55,500) | 62,500 |
| TONGDA GROUP HOLDINGS LTD | 15,000,000 | - | (15,000,000) | - |
| WH GROUP LTD | - | 300,000 | (300,000) | - |
| XINYI GLASS HOLDINGS LTD | 2,972,000 | 140,000 | (3,112,000) | - |
| YICHANG HEC CHANGJIANG PHA-H | - | 600,000 | (60,000) | 540,000 |
| ZHUZHOU CRRC TIMES ELECTRIC-H | - | 200,000 | (200,000) | - |
| ZIJIN MINING GROUP CO LTD-H | - | 800,000 | (800,000) | - |
| ZOOMLION HEAVY INDUSTRY - H | 1,391,600 | - | (1,391,600) | - |
| ZTE CORP-H | - | 554,000 | (400,000) | 154,000 |

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

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | % of net assets | |
|--------------------------|----------------------|----------------------|
| | 2018 | 2017 |
| Listed equities | | |
| Hong Kong | 81.83 | 89.95 |
| Total investments | <u>81.83</u> | <u>89.95</u> |
| Other net assets | 18.17 | 10.05 |
| 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) | Lowest | | Highest | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | HKD Class HK\$ | RMB Class RMB | HKD Class HK\$ | RMB Class RMB |
| Year/period ended 31 December | | | | |
| 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) | 9.94 | - | 17.79 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| (b) Total net asset value | | | | |
| | | 2018 | 2017 | 2016 |
| | | HK\$ | HK\$ | HK\$ |
| Total net asset value – HKD Class | | 206,716,841 | 319,043,269 | 521,025,376 |
| | | <u> </u> | <u> </u> | <u> </u> |
| | | RMB | RMB | RMB |
| Total net asset value – RMB Class | | 4,249,223 | 5,170,942 | - |
| | | <u> </u> | <u> </u> | <u> </u> |
| (c) Net asset value per unit | | | | |
| | | 2018 | 2017 | 2016 |
| | | HK\$ | HK\$ | HK\$ |
| Net asset value per unit – HKD Class | | 8.58 | 10.86 | 9.68 |
| | | <u> </u> | <u> </u> | <u> </u> |
| | | RMB | RMB | RMB |
| Net asset value per unit – RMB Class | | 8.50 | 10.34 | - |
| | | <u> </u> | <u> </u> | <u> </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

Manager

CCB International Asset Management Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Directors of the Manager

Bai Yue (resigned on 19 October 2018)
Hung Yat
Li Ngai
Li Yuezhong (appointed on 19 October 2018 and resigned on 31 Jan 2019)
Lo Chak Bong Alfred Bing
Yam Wang Lap (appointed on 19 October 2018)

Trustee and registrar

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

Legal Advisers

Clifford Chance
28/F, Jardine House
One Connaught Place
Hong Kong

Auditors

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