

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

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CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

MANAGER'S REPORT

Market and Fund Performance Review

In 2017, Hong Kong stock market maintained a strong upward trend thanks to pick up in Chinese economy, strong earnings growth achieved by Chinese companies and faster southbound fund inflows from China. In July, Bond Connect was officially launched with only northbound trading initially, a step further for mutual market access between Hong Kong and Mainland China. In addition, the financial deleveraging campaign in China, the North Korea-US tensions, uncertainty over the pace of the Fed fund rate hikes and the French presidential election all increased stock market volatility.

As southbound capital kept flowing into large-cap stocks, the Fund continued to reduce positions in small-cap stocks and accumulate blue chips like leading Internet services provider, banking, insurance and exchange stocks. In addition, mid-cap industry leaders that would benefit from China's policies were also major investment targets of the Fund. Large-cap companies in paper, auto, property, home appliance, food and beverage, steel and metal sectors all performed well. However, as some small-cap stocks held by the fund underperformed and while holdings in heavyweight stocks corrected due to investors' taking profit in the fourth quarter, the Fund recorded an annual investment return of 12.18% and underperformed the HSI index with a total return of 41.27%.

Macroeconomic and Policy Review

Despite environmental inspections and winter closures, China's GDP growth accelerated from 6.7% in 2016 to 6.9% in 2017, better than market expectations. 'New economy' continued to thrive with consumption becoming the main driver of economic growth. Contribution of final consumption expenditure to GDP growth reached 58.8%, while total capital formation and net exports contributed 30.1% and 9.1% respectively. During the year, PBoC continued to strengthen financial regulation and to deleverage the system, which caused liquidity tightening. On the other hand, the actual fiscal deficit to GDP ratio was under 3% given strong economic growth. Costs to corporate sector were slashed by more than 1 trillion yuan via tax cut and fee reduction.

In overseas markets, the Federal Reserve raised the fed fund rate three times during the year and announced to start unwinding its \$4.5 trillion balance sheet from October. On the other hand, U.S. President Donald Trump signed into law a massive \$1.5 trillion tax cut bill, lowering the corporate income tax rate from 35% to 21%. The ECB announced to extend QE beyond September 2018 but cut bond buying program from 60 billion to 30 billion euros per month, starting in January 2018. The Bank of England raised interest rates by 25 bps for the first time in a decade, and left the size of its asset purchase program unchanged. The Fed and ECB both upgraded their economic growth forecasts for the U.S. and Eurozone in 2018, and expected mild inflation in the next three years.

Market Outlook and Investment Strategy

Looking forward, we are cautiously positive on Hong Kong market given ongoing global economic recovery, China to sustain stable growth momentum, market expectations for the positive effects of Trump's tax reform and infrastructure plan, continuous southbound capital inflows, China A shares to be included in the MSCI Emerging Markets Index in June 2018 and the start of the policy-rate hike cycles globally. The Fund will continue to focus on investing in companies that will benefit from China's policies and 'new economy' development to offer investors favorable returns in the medium to long term.

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

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND (“THE FUND”)

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 2017.

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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

What we have audited

The financial statements of CCB International – China Policy Driven Fund (the “Fund”) set out on pages 6 to 26, which comprise:

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

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 2017, 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.

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 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 have 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").

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.

**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)

- 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.

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, 26 April 2018

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

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

	Notes	2017 HK\$	2016 HK\$
Assets			
Current assets			
Investments	5	292,530,568	521,619,747
Amounts due from brokers		35,743,498	33,865,391
Amounts due from unitholders on subscription of units		294,724	316,805
Interest receivables		247	27,057
Prepaid expense		268,887	-
Cash and cash equivalents	6(b)	7,640,697	5,123,372
Total assets		<u>336,478,621</u>	<u>560,952,372</u>
Liabilities			
Current liabilities			
Amounts due to unitholders on redemption of units		676,242	1,508,490
Amounts due to brokers		9,797,531	37,322,411
Other payables		772,495	1,096,095
Total liabilities		<u>11,246,268</u>	<u>39,926,996</u>
Net assets attributable to unitholders	8	<u>325,232,353</u>	<u>521,025,376</u>

Approved by the Trustee and the Manager on 26 April 2018.

.....
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 10 to 26 are an integral part of these financial statements.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

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

	Notes	2017 HK\$	2016 HK\$
Dividend income		8,035,643	6,441,931
Net gains/(losses) on investments	3	62,582,565	(121,710,867)
Net foreign exchange gains/(losses)		10,823	(452)
Interest income		4,118	27,455
Net investment gains/(losses)		<u>70,633,149</u>	<u>(115,241,933)</u>
Brokerage commission and other transaction costs		(7,327,503)	(9,891,337)
Management fee	6(a)	(7,864,947)	(10,169,907)
Trustee fee	6(c)	(964,258)	(1,092,438)
Transaction fee	6(c)	(295,420)	(217,198)
Auditors' remuneration		(200,284)	(206,301)
Safe custody and bank charges	6(b)	(138,365)	(171,062)
Legal and professional fees		(102,460)	(490,144)
Miscellaneous expenses		(56,065)	(68,686)
Operating expenses		<u>(16,949,302)</u>	<u>(22,307,073)</u>
Profit/(loss) before taxation		53,683,847	(137,549,006)
Withholding taxes	4	(263,936)	(76,120)
Total comprehensive income/(loss) for the year		<u><u>53,419,911</u></u>	<u><u>(137,625,126)</u></u>

The accompanying notes on pages 10 to 26 are an integral part of these financial statements.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

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

	2017 HK\$	2016 HK\$
Balance at beginning of 1 January	521,025,376	711,857,586
	-----	-----
Total comprehensive income/(loss) for the year	53,419,911	(137,625,126)
	-----	-----
Issue of units	75,031,126	105,338,479
Redemption of units	(324,244,060)	(158,545,563)
	-----	-----
Total transactions with unitholders	(249,212,934)	(53,207,084)
	-----	-----
Balance at end of 31 December	325,232,353	521,025,376
	=====	=====

The accompanying notes on pages 10 to 26 are an integral part of these financial statements.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

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

	2017 HK\$	2016 HK\$
Cash flows from operating activities		
Total comprehensive income/(loss) for the year	53,419,911	(137,625,126)
Adjustments for:		
Dividend income	(8,035,643)	(6,441,931)
Interest income	(4,118)	(27,455)
Withholding taxes	263,936	76,120
Net cash inflow/(outflow) from operating activities before working capital changes	<u>45,644,086</u>	<u>(144,018,392)</u>
Decrease in investments	229,089,179	177,713,993
Increase in amount due from brokers	(1,878,107)	(33,162,536)
(Decrease)/increase in amount due to brokers	(27,524,880)	37,322,411
Increase in prepaid expense	(268,887)	-
Decrease in other payables	(323,600)	(314,525)
Cash generated from operations	244,737,791	37,540,951
Dividend received	8,035,643	6,441,931
Interest received	30,928	398
Tax paid	(263,936)	(76,120)
Net cash inflow from operating activities	<u>252,540,426</u>	<u>43,907,160</u>
Cash flows from financing activities		
Proceeds from issue of units	75,053,207	105,758,745
Payments on redemption of units	(325,076,308)	(157,656,075)
Net cash outflow from financing activities	<u>(250,023,101)</u>	<u>(51,897,330)</u>
Net increase/(decrease) in cash and cash equivalents	2,517,325	(7,990,170)
Cash and cash equivalents at 1 January	<u>5,123,372</u>	<u>13,113,542</u>
Cash and cash equivalents at 31 December, representing cash at bank	<u><u>7,640,697</u></u>	<u><u>5,123,372</u></u>

The accompanying notes on pages 10 to 26 are an integral part of these financial statements.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

1 General information

CCB International - China Policy Driven Fund (the “Fund”) is an open-ended unit trust established under a Trust Deed dated 12 January 2009, as amended, supplemented and restated, and is governed by the Hong Kong law. 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.

The Fund is 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.

CCB International Asset Management Limited is the Manager of the Fund and HSBC Institutional Trust Services (Asia) Limited is the Trustee of the Fund.

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 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 - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that have had a material impact on the Fund.

(c) New standards, amendments and interpretations effective after 1 January 2017 and have not been early adopted

- IFRS 9 "Financial instruments"

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

Classification and measurement of debt assets will be 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.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

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

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(d) 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'.

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

(i) Classification

All of the Fund's investments are classified as financial assets at fair value through profit or loss. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(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.

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.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

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

(ii) Recognition, derecognition and measurement (Continued)

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) Measurement

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

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

(iv) 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 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 reporting date.

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.

(f) 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.

(h) 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.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(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) Expenses

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

(l) 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.

(m) 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 - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(n) 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 share class which is the sole share 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 share class, RMB Class, which was subject to different terms as disclosed herein. As a result of the change in class of shares, the net assets attributable to holders of redeemable participating shares do not meet the above criteria and were recognised as financial liabilities in accordance with the IAS32.

(o) Comparative figures

When necessary, comparative figures have been restated to conform to the current year's presentation.

3 Net gains/(losses) on investments

	2017 HK\$	2016 HK\$
Net gains/(losses) on investments		
- Realised gains/(losses)	64,556,582	(135,829,046)
- Change in unrealised (losses)/gains	(1,974,017)	14,118,179
	<u>62,582,565</u>	<u>(121,710,867)</u>

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

4 Taxation

Taxation in the statement of comprehensive income represents:

	2017 HK\$	2016 HK\$
Overseas withholding taxes	<u>263,936</u>	<u>76,120</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.

5 Investments

	2017 HK\$	2016 HK\$
Financial assets designated at fair value through profit or loss		
- Listed equities	292,530,568	516,443,035
- Unlisted convertible bond	-	5,176,712
Total	<u>292,530,568</u>	<u>521,619,747</u>
Investments, at cost	264,388,502	491,503,664
Net unrealised appreciation in value of investments	<u>28,142,066</u>	<u>30,116,083</u>
Investments, at market value	<u>292,530,568</u>	<u>521,619,747</u>

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:

	2017 HK\$	2016 HK\$
Management fees charged for the year	7,864,947	10,169,907
Management fees payable at year end	478,046	782,806

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 fellow subsidiary of the Trustee. The balances of the bank accounts amounted to HK\$7,640,697 as at 31 December 2017 (2016: HK\$5,123,372).

Interest income amounted to \$4,118 was earned from these bank balances during the year (2016: HK\$398). Safe custody and bank charges of HK\$138,365 were paid during the year (2016: HK\$171,062).

(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:

	2017 HK\$	2016 HK\$
Trustee's fees charged for the year	964,258	1,092,438
Trustee's fees payable at year end	67,867	86,991

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:

	2017 HK\$	2016 HK\$
Transaction fees charged for the year	295,420	217,198
Transaction fees payable at year end	17,980	26,652

(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:

	2017 HK\$	2016 HK\$
Total aggregate value of transactions executed during the year	25,778,209	128,211,853
Commission paid during the year	64,446	320,889
Average rate of commission	0.25%	0.25%
Percentage of these transactions in value to total transactions of the year	1.09%	4.23%

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

As at 31 December 2017, the Manager and a related company of the Manager, CCB International (Holdings) Limited ("CCBIH"), hold nil and 6,240,000 (2016: 2,338,270 and 19,999,999) units of the Fund respectively.

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 (Continued)

	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)
	<u> </u>	<u> </u>
Number of units in issue as at 31 December	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	2016	
	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	-	-
	<u> </u>	<u> </u>
Number of units in issue as at 31 December	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

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

	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)
	<u> </u>	<u> </u>
Number of units in issue as at 31 December	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

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

	HKD Class	2016 RMB Class*
Number of units in issue brought forward	59,145,932	-
Units issued during the year	10,300,178	-
Units redeemed during the year	(15,645,179)	-
	<hr/>	<hr/>
Number of units in issue as at 31 December	53,800,931	-
	<hr/> <hr/>	<hr/> <hr/>
	HKD Class	RMB Class*
	HK\$	RMB
Net asset value per unit		
2017	10.86	10.34
2016	9.68	-
	<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 - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(a) Price risk (Continued)

	2017		2016	
	HK\$	Change in net assets if equity price changes by 5% +/-	HK\$	Change in net assets if equity price changes by 5% +/-
Market exposure				
Listed equities	292,530,568	+/- 14,626,528	516,443,035	+/- 25,822,152
Convertible bond	-	-	5,176,712	+/- 258,836

(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\$7,640,697 (2016: HK\$5,123,372) and investment in convertible bond amounted to nil (2016: HK\$5,176,712). At the date of statement of financial position, assuming all other factors unchanged, should interest rates increase/decrease by 50 basis points, decrease/increase in total comprehensive income of the Fund would amount to HK\$38,203 (2016: HK\$51,500).

(c) Currency risk

As the majority of the Fund's financial instruments at 31 December 2017 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.

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 2017 together with its credit rating.

	HKD	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

The table below summarises the net exposure to the Fund's counterparty as at 31 December 2016 together with its credit rating.

	HKD	Credit rating	Source of credit rating
Banks			
The Hongkong and Shanghai Banking Corporation Limited	5,123,372	AA-	S&P
Custodian			
The Hongkong and Shanghai Banking Corporation Limited	521,619,747	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 three months.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(e) Liquidity risk (Continued)

	On demand HKD	Less than 1 month HKD	More than 1 month but less than 1 year HKD	Total HKD
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
	<u>-</u>	<u>11,045,984</u>	<u>200,284</u>	<u>11,246,268</u>
As at 31 December 2016				
Financial assets				
Investments	-	516,443,035	5,176,712	521,619,747
Amounts due from brokers	-	33,865,391	-	33,865,391
Amounts due from unitholders on subscription of units	-	316,805	-	316,805
Interest receivables	-	27,057	-	27,057
Cash and cash equivalents	5,123,372	-	-	5,123,372
	<u>5,123,372</u>	<u>550,652,288</u>	<u>5,176,712</u>	<u>560,952,372</u>
Financial liabilities				
Amounts due to unitholders on redemption of units	-	1,508,490	-	1,508,490
Amounts due to brokers	-	37,322,411	-	37,322,411
Other payables	-	895,811	200,284	1,096,095
	<u>-</u>	<u>39,726,712</u>	<u>200,284</u>	<u>39,926,996</u>

(f) Concentration risk

At 31 December 2017, two (2016: two) unitholders held more than 10% of the Fund's issued units.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(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.

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

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(h) Fair value estimation (Continued)

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 2017. 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 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 - 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 measured at fair value at 31 December 2016. 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 2016	Level 1 HK\$	Level 3 HK\$	Total HK\$
Investments			
Listed equities			
Bermuda			
Consumer, Non-cyclical	10,782,000	-	10,782,000
Industrial	84,622,370	-	84,622,370
Cayman Islands			
Basic materials	23,079,600	-	23,079,600
Consumer, Cyclical	84,464,560	-	84,464,560
Consumer, Non-cyclical	40,306,560	-	40,306,560
Energy	40,320,000	-	40,320,000
Financials	86,250,295	-	86,250,295
Industrials	63,213,760	-	63,213,760
China			
Financials	35,526,180	-	35,526,180
Industrials	22,013,150	-	22,013,150
Utilities	22,024,800	-	22,024,800
Hong Kong			
Industrials	3,839,760	-	3,839,760
	<u>516,443,035</u>	<u>-</u>	<u>516,443,035</u>
Convertible bond			
Bermuda			
Information Technology	-	5,176,712	5,176,712
	<u>516,443,035</u>	<u>5,176,712</u>	<u>521,619,747</u>

Key valuation technique and significant unobservable input in Level 3 valuation:

Financial assets at fair value through profit or loss classified as level 3

Description	Fair value at 31 December 2016 HK\$	Valuation technique	Unobservable inputs	Inputs in valuation
Assets				
Unlisted convertible bond	5,176,712	Binomial (Note a)	Volatility	87%

Note a: An increase in the discount rate in isolation will result in unfavorable movement in the fair value.

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:

	2017 HK\$	2016 HK\$
At 1 January	5,176,712	-
Payment for purchases	-	5,000,000
Changes in fair value recognised in the statement of comprehensive income during the year	-	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)	-
At 31 December	-	5,176,712
Total (losses)/gains for the year included in the statement of comprehensive income at the reporting date	(176,712)	176,712

For the year ended 31 December 2017 and 2016, 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 26 April 2018.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**PORTFOLIO STATEMENT (UNAUDITED)
AS AT 31 DECEMBER 2017**

	Holdings Shares	Market value HK\$	% of NAV
Listed equities			
Hong Kong			
BYD CO LTD	200,000	13,620,000	4.19
CHINA LITERATURE LTD	236,000	19,670,600	6.05
CHINA MENGNIU DAIRY COMPANY LTD	700,000	16,275,000	5.01
GEELY AUTOMOBILE HOLDINGS LTD	1,130,000	30,623,000	9.42
HAIER ELECTRONICS GP COM LTD	390,000	8,346,000	2.57
HONG KONG EXCHANGES AND CLEARING LTD	100,000	23,980,000	7.37
INDUSTRIAL AND COMMERCIAL BANK OF CHINA H SHS	3,000,000	18,870,000	5.80
OI WAH PAWNSHOP CREDIT HOLDINGS	21,980,590	7,363,498	2.26
PING AN INSURANCE (GROUP) COMPANY OF CHINA LIMITED H SHARES	333,000	27,089,550	8.33
SHIMAO PROPERTY HOLDINGS LTD	996,000	16,932,000	5.21
SUN INTERNATIONAL GROUP LTD	13,445,000	13,176,100	4.05
TENCENT HLDGS LTD	78,000	31,668,000	9.74
TONGDA GROUP HOLDINGS LTD	15,000,000	30,000,000	9.22
XINYI GLASS HOLDING COMPANY LTD	2,972,000	30,254,960	9.30
ZOOLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO LTD H SHS	1,391,600	4,661,860	1.43
Total listed equities		<u>292,530,568</u>	<u>89.95</u>
Other net assets		<u>32,701,785</u>	<u>10.05</u>
Total net assets		<u><u>325,232,353</u></u>	<u><u>100.00</u></u>
Total cost of investments		<u><u>264,388,502</u></u>	

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
AS AT 31 DECEMBER 2017**

	1 January 2017 Shares	Holdings		31 December 2017 Shares
		Additions Shares	Disposals Shares	
Listed equities				
Hong Kong				
AGRICULTURAL BANK OF CHINA H	-	5,484,000	5,484,000	-
ALUMINUM CORP OF CHINA LTD	-	2,060,000	2,060,000	-
ANGANG STEEL CO LTD H SHS	-	3,126,000	3,126,000	-
BBMG CORP H SHS	-	8,267,000	8,267,000	-
BLOOMAGE BIOTECHNOLOGY CORPORATION	2,650,000	995,000	3,645,000	-
BOC HONG KONG HOLDINGS LTD	-	400,000	400,000	-
BRILLIANCE CHINA AUTOMOTIVE HLDGS LTD	-	712,000	712,000	-
BYD CO LTD	-	200,000	-	200,000
CGN POWER CO LTD-H	-	3,136,000	3,136,000	-
CHINA COMM CONSTRUCTION CO LTD H SHS	-	1,015,000	1,015,000	-
CHINA E-WALLET PAYMENT GP LTD	-	20,000,000	20,000,000	-
CHINA GALAXY SECURITIES COMPANY	-	1,000,000	1,000,000	-
CHINA LIFE INSURANCE CO LTD H SHS	-	700,000	700,000	-
CHINA LITERATURE LIMITED	-	236,000	-	236,000
CHINA MENGNIU DAIRY CO LTD	-	700,000	-	700,000
CHINA MINSHENG BANKING CORP LTD H SHS	-	500,000	500,000	-
CHINA MODERN DAIRY HOLDINGS LTD	-	5,000,000	5,000,000	-
CHINA MOLYBDENUM CO LTD H SHS	-	1,200,000	1,200,000	-
CHINA PACIFIC INSURANCE GR CO LTD H SHS	-	700,000	700,000	-
CHINA RAILWAY GROUP LTD H SHS	919,000	-	919,000	-
CHINA RESOURCES CEMENT HLDG LTD	-	1,000,000	1,000,000	-
CHINA RESOURCES PHOENIX HEALTHCARE HOLDING CO LTD	943,000	-	943,000	-
CHINA SINGYES SOLAR TECH HLDGS LTD	13,832,000	-	13,832,000	-
CHINA STATE CONSTRUCTION INT	-	1,322,000	1,322,000	-
CHINA ZHENG TONG AUTO SERVICES HLDGS LTD	-	1,000,000	1,000,000	-
CHOW TAI FOOK JEWELLERY GROUP LTD	-	660,000	660,000	-
CITIC SECURITIES CO LTD H SHS	600,000	1,006,000	1,606,000	-
CNOOC LTD	-	3,000,000	3,000,000	-
COSCO SHIPPING HOLDINGS CO	3,255,000	-	3,255,000	-
CPMC HLDGS LTD	-	830,000	830,000	-
CRRC CORPORATION LIMITED- H SHS	1,053,000	1,500,000	2,553,000	-
CT ENVIRONMENTAL GROUP LTD	-	1,200,000	1,200,000	-
DETAI NEW ENERGY GROUP LTD	29,950,000	-	29,950,000	-
DIFFER GROUP HOLDING CO LTD	54,160,000	-	54,160,000	-
GALAXY ENTERTAINMENT GROUP LTD	-	1,450,000	1,450,000	-
GEELY AUTOMOBILE HOLDINGS LTD	-	2,490,000	1,360,000	1,130,000
GOLD-FINANCE HOLDINGS LTD	-	20,000,000	20,000,000	-
GREAT WALL MOTOR COMPANY LTD H SHS	-	900,000	900,000	-
GUANGZHOU AUTOMOBILE GROUP CO LTD H SHS	-	1,200,000	1,200,000	-

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2017**

	Holdings			31 December 2017 Shares
	1 January 2017 Shares	Additions Shares	Disposals Shares	
Listed equities				
Hong Kong				
HAIER ELECTRONICS GP COM LTD ORD	-	390,000	-	390,000
HONG KONG EXCHANGES AND CLEARING LTD	-	100,000	-	100,000
HUANENG RENEWABLES CORP LTD H SHS	8,740,000	-	8,740,000	-
HUAZHANG TECHNOLOGY HOLDING LTD	5,368,000	-	5,368,000	-
INDUSTRIAL AND COMM BANK OF CHINA H SHS	-	7,000,000	4,000,000	3,000,000
KINGDEE INTL SOFTWARE GROUP CO LTD	-	1,504,000	1,504,000	-
LEE & MAN PAPER MANUFACTURING LTD	-	7,321,000	7,321,000	-
LENOVO GROUP LTD	-	2,000,000	2,000,000	-
MAANSHAN IRON & STEEL CO LTD H SHARES	-	6,046,000	6,046,000	-
MAN WAH HOLDINGS LTD	-	3,100,000	3,100,000	-
MEITU INC	-	3,686,500	3,686,500	-
NINE DRAGONS PAPER HOLDINGS LIMITED	-	5,234,000	5,234,000	-
OI WAH PAWNSHOP CREDIT HLDGS	96,676,590	-	74,696,000	21,980,590
PETROCHINA CO LTD H SHS	-	2,358,000	2,358,000	-
PICC PROPERTY & CASUALTY CO LTD H SHS	-	1,000,000	1,000,000	-
PING AN INSURANCE (GRP) CO OF CHINA 'H'	-	500,000	167,000	333,000
POSTAL SAVINGS BANK OF CHI-H	6,222,000	-	6,222,000	-
QPL INTL HOLDINGS LTD	58,538,000	-	58,538,000	-
RCG HOLDINGS LIMITED 2.5% CONV 14OCT2019	5,000,000	-	5,000,000	-
SANDS CHINA LTD	828,800	1,260,400	2,089,200	-
SHENZHEN INVESTMENT LTD	-	900,000	900,000	-
SHIMAO PROPERTY HOLDINGS LTD	-	1,169,000	173,000	996,000
SINOTRANS SHIPPING LTD	2,666,500	-	2,666,500	-
SINOTRUK HONG KONG LTD	-	2,269,500	2,269,500	-
SUN INTERNATIONAL GROUP LIMITED	21,370,000	-	7,925,000	13,445,000
TENCENT HLDGS LTD	-	110,000	32,000	78,000
TONGDA GROUP HLDGS LTD	25,380,000	16,000,000	26,380,000	15,000,000
TONKING NEW ENERGY GROUP HOL	1,300,000	-	1,300,000	-
WLS HOLDINGS LTD/HONG KONG	27,060,000	-	27,060,000	-
WYNN MACAU LTD	-	1,284,000	1,284,000	-
XINYI GLASS HLDG CO LTD	7,900,000	2,972,000	7,900,000	2,972,000
XINYI SOLAR HOLDINGS LTD	16,000,000	1,888,000	17,888,000	-
XINYI SOLAR HOLD-RIGHTS	-	1,788,800	1,788,800	-
YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED	-	213,500	213,500	-
ZHONGSHENG GROUP HOLDINGS LTD	-	150,000	150,000	-
ZOOMLION HEAVY IND SCIENCE&TECH CO LTD-H	-	1,391,600	-	1,391,600

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

	% of net assets	
	2017	2016
Listed equities		
Hong Kong	89.95	99.12
Convertible bond		
Hong Kong	-	0.99
Total investments	<u>89.95</u>	<u>100.11</u>
Other net assets/(liabilities)	<u>10.05</u>	<u>(0.11)</u>
Total net assets	<u><u>100.00</u></u>	<u><u>100.00</u></u>

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				
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	-

(b) Total net asset value	2017 HK\$	2016 HK\$	2015 HK\$
Total net asset value – HKD Class	319,043,269	521,025,376	711,857,586
	RMB	RMB	RMB
Total net asset value – RMB Class	5,170,942	-	-

(c) Net asset value per unit	2017 HK\$	2016 HK\$	2015 HK\$
Net asset value per unit – HKD Class	10.86	9.68	12.04
	RMB	RMB	RMB
Net asset value per unit – RMB Class	10.34	-	-

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

ADMINISTRATION

Manager

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

Directors of the Manager

Bai Yue
Li Ngai
Lo Chak Bong Alfred Bing
Rattiwat Samson (resigned on 1 Dec 2017)
Hung Yat (appointed on 1 Dec 2017)

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