

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

Contents	Page(s)
Manager's report	1
Trustee's report	2
Independent auditor's report	3 - 5
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in net assets attributable to unitholders	8
Statement of cash flows	9
Notes on the financial statements	10 - 24
Portfolio statement	25
Statement of movements in portfolio holdings	26 - 28
Performance record	29
Administration	30

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

MANAGER'S REPORT

Market Review

In the first two months of 2016, Hong Kong stock market experienced a panic sell-off along with A share market, mainly driven by the A-share circuit breaker, a quick and sharp yuan depreciation, and Deutsche Bank's debt crisis. Thereafter, the market went up and down amid mixed factors. The two black swan events of the year, Brexit and Trump's Election Win, both caused turbulence in global financial markets. Moreover, uncertainty over the timing of the Fed fund rate hikes, oil price fluctuation, China's monthly economic data release and the launch of the Shenzhen-Hong Kong stock connect all impacted on the equity markets as well.

The Fund mainly invested in mid-cap industry leaders that were policy beneficiaries and some small-cap stocks with high earnings growth potentials. As southbound fund inflows surged and rushed into big-cap stocks to fight yuan depreciation, the Fund underperformed the market and recorded negative return in 2016.

Economic Review

In 2016, China's GDP growth slowed to 6.7%, as the government focused more on the quality of growth. Consumption has contributed 64.6% to GDP growth. On the policy front, the PBoC defined monetary policy as "prudent with a slight easing bias" and only cut the reserve requirement ratio once by 50 bps. On the other hand, Chinese renminbi (RMB) officially joined the SDR basket on October 1st, 2016. Yet yuan depreciation sustained during the year given the rising expectations for Fed rate hikes. In addition, the fiscal deficit ratio was set at around 3% and the tax burden of businesses for the year has been slashed by 570 billion yuan. In the overseas market, The Federal Reserve finally raised the federal funds rate by 25 bps in December and provided forward guidance of three rate hikes in 2017, which confirmed that the U.S. has entered a rate-hike cycle. In addition, the European Central Bank, Bank of England and Bank of Japan all stayed with their quantitative easing policies.

Market Outlook and Investment Strategy

Looking forward, we are cautiously positive on Hong Kong market given China's improving growth momentums, rising southbound inflows and market expectations for Trump's fiscal stimulus. China is expected to maintain its annual GDP growth to be no less than 6.5% by 2020. Moreover, China's supply-side structural reform has already yielded positive results and should be policy focus in the coming years. The Fund will continue to focus on policy beneficiaries to offer investors favorable returns in the mid-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 2016.

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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 24, which comprise:

- the statement of financial position as at 31 December 2016;
- 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 2016, 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 the information included in the administration, manager’s report, trustee’s report, portfolio statement, the statement of movements in portfolio holdings, and performance record but does not include 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 Trustee and the Manager for the Financial Statements

The Trustee and the Manager of the Fund are 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 ("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. Our responsibilities is to express an opinion on these financial statements based on our audit and to 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 Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 April 2017

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	2016 HK\$	2015 HK\$
Assets			
Current assets			
Investments	5	521,619,747	699,333,740
Amounts due from brokers		33,865,391	702,855
Amounts due from unitholders on subscription of units		316,805	737,071
Interest Receivables		27,057	-
Cash and cash equivalents	6 (b)	5,123,372	13,113,542
Total assets		<u>560,952,372</u>	<u>713,887,208</u>
Liabilities			
Current liabilities			
Amounts due to unitholders on redemption of units		1,508,490	619,002
Amounts due to brokers		37,322,411	-
Other payables	6	1,096,095	1,410,620
Total liabilities		<u>39,926,996</u>	<u>2,029,622</u>
Net assets attributable to unitholders		<u>521,025,376</u>	<u>711,857,586</u>
Total number of units in issue	8	<u>53,800,931</u>	<u>59,145,932</u>
Net asset value per unit		<u>9.68</u>	<u>12.04</u>

Approved by the Trustee and the Manager on 24 April 2017.

.....
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 page 10 to 24 are an integral part of these financial statements.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 HK\$	2015 HK\$
Dividend income		6,441,931	12,603,282
Net losses on investments	3	(121,710,867)	(54,035,531)
Net foreign exchange losses		(452)	(70)
Interest income		27,455	-
Net investment losses		<u>(115,241,933)</u>	<u>(41,432,319)</u>
Brokerage commission and other transaction costs		(9,891,337)	(14,939,314)
Management fees	6(a)	(10,169,907)	(13,711,192)
Trustee fees	6(c)	(1,092,438)	(1,305,149)
Transaction fees	6(c)	(217,198)	(438,432)
Auditors' remuneration		(206,301)	(200,474)
Safe custody and bank charges		(171,062)	(229,382)
Legal and professional fee		(490,144)	-
Miscellaneous expenses		(68,686)	(159,401)
Operating expenses		<u>(22,307,073)</u>	<u>(30,983,344)</u>
Loss before taxation		<u>(137,549,006)</u>	<u>(72,415,663)</u>
Taxation	4	(76,120)	(57,423)
Total comprehensive loss for the year		<u><u>(137,625,126)</u></u>	<u><u>(72,473,086)</u></u>

The accompanying notes on page 10 to 24 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 2016**

	2016 HK\$	2015 HK\$
Balance at beginning of 1 January	711,857,586	620,540,359
	-----	-----
Total comprehensive loss for the year	(137,625,126)	(72,473,086)
	-----	-----
Transactions with unitholders recorded directly in equity		
Proceeds from issue of units	105,338,479	607,526,840
Payments on redemption of units	(158,545,563)	(443,736,527)
	-----	-----
Total transactions with unitholders	(53,207,084)	163,790,313
	-----	-----
Balance at end of 31 December	521,025,376	711,857,586
	=====	=====

The accompanying notes on page 10 to 24 are an integral part of these financial statements.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 HK\$	2015 HK\$
Cash flows from operating activities		
Total comprehensive loss for the year	(137,625,126)	(72,473,086)
Adjustments for:		
Dividend Income	(6,441,931)	(12,603,282)
Interest Income	(27,455)	-
Taxation	76,120	57,423
Net cash outflow from operating activities before working capital changes	<u>(144,018,392)</u>	<u>(85,018,945)</u>
Decrease / (Increase) in investments	56,003,126	(135,095,601)
Net losses on investments	121,710,867	54,035,531
(Increase) / Decrease in amount due from brokers	(33,162,536)	9,650,538
Increase / (Decrease) in amount due to brokers	37,322,411	(19,107,408)
(Decrease) / Increase in other payables	(314,525)	88,692
Cash generated from / (used in) operations	37,540,951	(175,447,193)
Dividend received	6,441,931	12,603,282
Interest received	398	-
Taxation	(76,120)	(57,423)
Net cash flow generated from/ (used in) operating activities	<u>43,907,160</u>	<u>(162,901,334)</u>
Cash flows from financing activities		
Proceeds from issue of units	105,758,745	607,746,597
Payments on redemption of units	(157,656,075)	(444,852,236)
Net cash (used in)/ generated from financing activities	<u>(51,897,330)</u>	<u>162,894,361</u>
Net decrease in cash and cash equivalents	(7,990,170)	(6,973)
Cash and cash equivalents at 1 January	13,113,542	13,120,515
Cash and cash equivalents at 31 December	<u>5,123,372</u>	<u>13,113,542</u>

The accompanying notes on page 10 to 24 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)

(c) Standards and amendments to existing standards effective 1 January 2016 and have been adopted

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

(d) New standards, amendments and interpretations effective after 1 January 2016 and have not been early adopted

- IFRS 9 (2014), "Financial instruments" replaces the whole of IAS 39.

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS39. This standard is not expected to have a significant impact on the financial statements of the Fund.

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)

(e) Foreign currency

(i) Functional and presentation currency

The subscriptions and redemptions of the redeemable units denominated in HK\$. The performance of the Fund is measured and reported to the investors in HK\$. The Directors of the Manager consider HK\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in HK\$, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'net foreign exchange losses'.

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

(f) 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)

(f) 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.

(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.

(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.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(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.

(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 certain countries 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.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

2 Significant accounting policies (Continued)

(o) Units in issue (Continued)

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

The Fund has one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Fund and ranks pari passu in all material respects and has identical terms and conditions. The redeemable units provide investors with the right to require redemption of cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instruments if it meets the following conditions:

- 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.

The Fund's redeemable units meet all of these conditions and are classified as equity. The Fund's distributions are recognised in the statement of changes in net assets attributable to unitholders.

3 Net losses on investments

	2016 HK\$	2015 HK\$
Net losses on investments		
- Realised losses	(135,829,046)	(58,367,485)
- Change in unrealized gains	14,118,179	4,331,954
Total net losses	<u>(121,710,867)</u>	<u>(54,035,531)</u>

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

4 Taxation

Taxation in the statement of comprehensive income represents:

	2016 HK\$	2015 HK\$
Overseas withholding tax	<u>76,120</u>	<u>57,423</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 People's Republic of China which is charged at 10% of dividends received.

5 Investments

	2016 HK\$	2015 HK\$
Financial assets designated at fair value through profit or loss		
- Listed equities	516,443,035	699,333,740
- Unlisted convertible bond	<u>5,176,712</u>	<u>-</u>
Total	<u>521,619,747</u>	<u>699,333,740</u>
Investments, at cost	491,503,664	683,335,836
Net unrealised appreciation in value of investments	<u>30,116,083</u>	<u>15,997,904</u>
Investments, at market value	<u>521,619,747</u>	<u>699,333,740</u>

6 Related parties transactions

The following is a summary of transactions with related parties for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) Management fees

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:

	2016 HK\$	2015 HK\$
Management fees charged for the year	10,169,907	13,711,192
Management fees payable at year end	<u>782,806</u>	<u>1,052,634</u>

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

6 Related parties transactions (Continued)

(b) Bank balances and margin deposits

The Fund maintains bank accounts and margin deposits with The Hongkong and Shanghai Banking Corporation Limited and HSBC Futures (S) Pte Ltd respectively, which are fellow subsidiaries of the Trustee. The balances of the bank accounts amounted to HK\$5,123,372 as at 31 December 2016 (2015: HK\$13,113,542). Interest income amounted to \$398 was earned from these bank balances during the year (2015: nil). Margin deposit account was closed during the year 2016. The account has nil balance as at the end of the reporting period (2015: nil).

(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:

	2016 HK\$	2015 HK\$
Trustee's fees charged for the year	1,092,438	1,305,149
Trustee's fees payable at year end	86,991	105,460

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:

	2016 HK\$	2015 HK\$
Transaction fees charged for the year	217,198	438,432
Transaction fees payable at year end	26,652	52,677

(d) Brokerage services

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

	2016 HK\$	2015 HK\$
Total aggregate value of transactions executed during the year	128,211,853	137,977,246
Commission paid during the year	320,889	345,387
Average rate of commission	0.25%	0.25%
Percentage of these transactions in value to total transactions of the year	4.23%	2.86%

(e) Investment in the Fund

As at 31 December 2016, the Manager and a related company of the Manager, CCB International (Holdings) Limited, hold 2,338,270 and 19,999,999 (2015: 2,338,270 and 19,999,999) shares of the Fund respectively.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

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

	2016 HK\$	2015 HK\$
Number of units in issue brought forward	59,145,932	54,616,389
Units issued during the year	10,300,178	36,953,585
Units redeemed during the year	(15,645,179)	(32,424,042)
	<hr/>	<hr/>
Number of units in issue as at 31 December	<u>53,800,931</u>	<u>59,145,932</u>

The Fund does not have any externally imposed capital requirements.

9 Financial instruments and associated risks

The Fund maintains an investment portfolio comprising equity instruments. Details of such investments held as at 31 December 2016 are shown in the portfolio statement.

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.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(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 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.

	2016		2015	
	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	516,443,035	+/- 25,822,152	699,333,740	+/- 34,966,687
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\$5,123,372 (2015: nil) and investment in convertible bond amounted to HK\$5,176,712 (2015: nil). 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\$51,500 (2015: nil).

(c) Currency risk

As the majority of the Fund's financial instruments at 31 December 2016 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 recognized 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.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(d) Credit risk (Continued)

At 31 December 2016, the cash deposits are deposited with HSBC Group and investments are under custody of the Trustee's fellow subsidiaries, which belong to HSBC Group, credit risk is considered to be low. The credit rating of HSBC Holdings PLC is A (2015: A+) under Standard & Poor's Rating.

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.

(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.

As at 31 December 2016, the Fund's financial liabilities are due within three months.

(f) Concentration risk

At 31 December 2016, one of the unitholders represented around 37% (2015: 34%) of the Fund's net assets attributable to unitholders.

(g) Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net asset attributable to holders of redeemable units can change significantly on a daily basis, as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

NOTES ON THE FINANCIAL STATEMENTS

9 Financial instruments and associated risks (Continued)

(g) Capital risk management (continued)

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

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

The Director of the Manager and Investment Manager monitor 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.

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.

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 2016. 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 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>
Total investments	<u>516,443,035</u>	<u>5,176,712</u>	<u>521,619,747</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 2015. 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 2015	Level 1 HK\$	Level 3 HK\$	Total HK\$
Investments			
Listed equities			
Bermuda			
Industrial	13,680,000	-	13,680,000
Cayman Islands			
Communications	63,795,800	-	63,795,800
Consumer, Cyclical	54,975,840	-	54,975,840
Consumer, Non-cyclical	67,818,000	-	67,818,000
Financials	122,950,700	-	122,950,700
Industrials	150,297,020	-	150,297,020
Technology	76,038,000	-	76,038,000
China			
Industrials	1,807,480	-	1,807,480
Utilities	103,933,100	-	103,933,100
Hong Kong			
Financials	27,852,800	-	27,852,800
Industrials	16,185,000	-	16,185,000
Total investments	699,333,740	-	699,333,740

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:

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

For the year ended 31 December 2016, there were no transfers between levels.

The Fund's other assets and liabilities are carried at amortized 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 Subsequent Event

Subsequent to the year end, Manager approved establishment of new share class, CCB International - China Policy Driven Fund (RMB Class), which was launched on 29 March 2017. With the approval of China Securities Regulatory Commission, the new share class is eligible to distribute in China under 'Mutual Recognition of Funds' scheme.

12 Approval of the financial statements

The financial statements were approved and authorised for issue by the Trustee and the Manager on 24 April 2017.

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**PORTFOLIO STATEMENT (UNAUDITED)
AS AT 31 DECEMBER 2016**

	Holdings Shares	Market value HK\$	% of NAV
Listed equities			
Hong Kong			
BLOOMAGE BIOTECHNOLOGY CORPORATION	2,650,000	30,952,000	5.94
CHINA RAILWAY GROUP LTD H SHS	919,000	5,863,220	1.13
CHINA RESOURCES PHOENIX HEAL	943,000	9,354,560	1.80
CHINA SINGYES SOLAR TECH HLDGS LTD	13,832,000	51,178,400	9.82
CITIC SECURITIES CO LTD H SHS	600,000	9,456,000	1.81
COSCO SHIPPING HOLDINGS CO	3,255,000	8,821,050	1.69
CRRC CORPORATION LIMITED- H SHS	1,053,000	7,328,880	1.41
DETAI NEW ENERGY GROUP LTD	29,950,000	10,782,000	2.07
DIFFER GROUP HOLDING CO LTD	54,160,000	37,912,000	7.28
HUANENG RENEWABLES CORP LTD H SHS	8,740,000	22,024,800	4.23
HUAZHANG TECHNOLOGY HOLDING LTD	5,368,000	12,453,760	2.39
OI WAH PAWNSHOP CREDIT HLDGS	96,676,590	48,338,295	9.28
POSTAL SAVINGS BANK OF CHI-H	6,222,000	26,070,180	5.00
QPL INTL HOLDINGS LTD	58,538,000	27,220,170	5.22
SANDS CHINA LTD	828,800	27,930,560	5.36
SINOTRANS SHIPPING LTD	2,666,500	3,839,760	0.74
SUN INTERNATIONAL RESOURCES	21,370,000	23,079,600	4.43
TONGDA GROUP HLDGS LTD	25,380,000	50,760,000	9.74
TONKING NEW ENERGY GROUP HLDGS LTD	1,300,000	6,448,000	1.24
WLS HOLDINGS LTD	27,060,000	6,223,800	1.19
XINYI GLASS HLDG CO LTD	7,900,000	50,086,000	9.61
XINYI SOLAR HOLDINGS LTD	16,000,000	40,320,000	7.74
Total listed equities		<u>516,443,035</u>	<u>99.12</u>
Convertible bond			
Hong Kong			
RCG HOLDINGS LIMITED 2.5% CONV 14OCT2019	5,000,000	5,176,712	0.99
Other net liabilities		<u>(594,371)</u>	<u>(0.11)</u>
Total net assets		<u><u>521,025,376</u></u>	<u><u>100.00</u></u>
Total cost of investments		<u><u>491,503,664</u></u>	

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
AS AT 31 DECEMBER 2016**

	Holdings			31 December 2016 Shares
	1 January 2016 Shares	Additions Shares	Disposals Shares	
Listed equities				
Hong Kong				
AGRICULTURAL BANK OF CHINA H	-	6,000,000	6,000,000	-
ANHUI CONCH CEMENT COMPANY LIMITED H SHARES	-	2,257,000	2,257,000	-
ANTA SPORTS PRODUCTS LTD	-	1,676,000	1,676,000	-
ASIA CASSAVA RESOURCES HOLDING	10,700,000	-	10,700,000	-
BLOOMAGE BIOTECHNOLOGY CORPORATION	3,097,500	357,500	805,000	2,650,000
BYD CO LTD	-	1,100,000	1,100,000	-
CGN POWER CO LTD-H	19,839,000	-	19,839,000	-
CHEUNG WO INTERNATIONAL HOLD	-	15,000,000	15,000,000	-
CHIHO-TIANDE GROUP LTD	3,504,000	-	3,504,000	-
CHINA 33 MEDIA GROUP LTD	189,700,000	-	189,700,000	-
CHINA CITIC BANK H SHS	-	4,000,000	4,000,000	-
CHINA EVERBRIGHT INTERNATIONAL LTD	1,625,000	-	1,625,000	-
CHINA LESSO GROUP HOLDINGS LTD	3,574,000	-	3,574,000	-
CHINA LIFE INSURANCE CO LTD H SHS	-	600,000	600,000	-
CHINA MAPLE LEAF EDUCATIONAL	-	2,150,000	2,150,000	-
CHINA MED&HCARE	-	30,000,000	30,000,000	-
CHINA MINSHENG BANKING CORP LTD H SHS	-	4,500,000	4,500,000	-
CHINA NEW CITY COMMERCIAL DEVELOPMENT LTD	-	1,290,000	1,290,000	-
CHINA OILFIELD SERVICES LIMITED	-	400,000	400,000	-
CHINA OVERSEAS LAND AND INVESTMENT LIMITED	1,024,000	1,000,000	2,024,000	-
CHINA RAILWAY CONSTRUCTION CORP H SHS	-	4,635,000	4,635,000	-
CHINA RAILWAY GROUP LTD H SHS	-	4,919,000	4,000,000	919,000
CHINA RESOURCES CEMENT HLDG LTD	-	4,120,000	4,120,000	-
CHINA RESOURCES PHOENIX HEALTHCARE HOLDINGS	-	3,263,500	2,320,500	943,000
CHINA SHENHUA ENERGY COMPANY LIMITED H SHS	-	900,000	900,000	-
CHINA SINGYES SOLAR TECH HLDGS LTD	-	16,521,000	2,689,000	13,832,000
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LTD	-	2,960,000	2,960,000	-
CHINA U-TON HOLDING LTD	39,700,000	-	39,700,000	-
CHINA VANKE CO LTD-H SHRS	-	2,000,000	2,000,000	-
CITIC SECURITIES CO LTD H SHS	-	2,246,000	1,646,000	600,000
CNOOC LTD COM	-	771,000	771,000	-
CONVOY GLOBAL HOLDINGS LTD	-	24,996,000	24,996,000	-
COSCO SHIPPING HOLDINGS CO	-	3,255,000	-	3,255,000
CRRC CORPORATION LIMITED- H SHS	-	5,912,000	4,859,000	1,053,000
DETAI NEW ENERGY GROUP LTD	-	30,000,000	50,000	29,950,000
DIFFER GROUP HOLDING CO LTD	54,160,000	-	-	54,160,000
EVER SMART INTERNATIONAL HOL	-	2,000,000	2,000,000	-
FRESH EXPRESS DELIVERY HOLDINGS	-	13,000,000	13,000,000	-
FUTURE BRIGHT MINING HOLDING	3,400,000	-	3,400,000	-
GALAXY ENTERTAINMENT GROUP LTD	-	1,000,000	1,000,000	-
GEELY AUTOMOBILE HOLDINGS LTD	-	1,100,000	1,100,000	-

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2016**

	1 January 2016 Shares	Holdings		31 December 2016 Shares
		Additions Shares	Disposals Shares	
Listed equities				
Hong Kong				
GREATVIEW ASEPTIC PACKAGING CO LTD	6,480,000	-	6,480,000	-
HONG KONG EXCHANGES AND CLEARING LTD	-	428,100	428,100	-
HUANENG POWER INTL INC H SHS	-	3,798,000	3,798,000	-
HUANENG RENEWABLES CORP LTD H SHS	20,000,000	18,740,000	30,000,000	8,740,000
HUARONG INTERNATIONAL FINANCIAL	-	1,755,000	1,755,000	-
HUAZHANG TECHNOLOGY HOLDING LTD	-	6,000,000	632,000	5,368,000
ICO GROUP LTD	20,000,000	-	20,000,000	-
INTIME RETAIL GROUP CO LTD	3,006,000	-	3,006,000	-
KINGSOFT CORP LTD	3,100,000	723,000	3,823,000	-
L&A INTL HOLD	8,000,000	40,000,000	48,000,000	-
LONGFOR PROPERTIES CO LTD	-	1,419,000	1,419,000	-
MAN WAH HOLDINGS LTD	-	2,044,000	2,044,000	-
MEDINET GROUP LTD	-	3,710,000	3,710,000	-
MILAN STATION HOLDINGS LTD	-	20,000,000	20,000,000	-
NAMESON HOLDINGS LTD	-	100,000	100,000	-
O LUXE HOLDINGS LTD	-	9,996,000	9,996,000	-
OI WAH PAWNSHOP CREDIT HOLDINGS	114,900,000	2,504,590	20,728,000	96,676,590
PEAK SPORT PRODUCTS LTD	-	2,069,000	2,069,000	-
POSTAL SAVING 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	-	5,000,000	-	5,000,000
SANDS CHINA LTD	-	2,528,800	1,700,000	828,800
SHIMAO PROPERTY HOLDINGS LTD	-	2,265,000	2,265,000	-
SINOREF HLDGS WTS 31DEC2046	8,000,000	-	8,000,000	-
SINOREF HOLDINGS LTD	40,000,000	-	40,000,000	-
SINOTRANS SHIPPING LTD	-	2,666,500	-	2,666,500
SINOTRUK HONG KONG LTD	-	416,000	416,000	-
SKYWORTH DIGITAL HOLDINGS LIMITED	-	9,508,000	9,508,000	-
SMART-CORE HOLDINGS LTD	-	3,278,000	3,278,000	-
SUN INTERNATIONAL RESOURCES	-	24,400,000	3,030,000	21,370,000
TENCENT HLDGS LTD	-	307,300	307,300	-
TONGDA GROUP HOLDINGS LIMITED	48,960,000	8,550,000	32,130,000	25,380,000
TONKING NEW ENERGY GROUP	-	1,300,000	-	1,300,000
VST HOLDINGS LTD	5,300,000	-	5,300,000	-
WEICHAI POWER COMPANY LIMITED 'H' SHARES	-	4,272,000	4,272,000	-
WLS HOLDINGS LTD/HONG KONG	38,000,000	-	10,940,000	27,060,000
XINYI AUTOMOBILE GLASS HONG KONG ENTERPRISES LTD	-	4,154,000	4,154,000	-
XINYI GLASS HOLDING COMPANY LIMITED	-	9,770,000	1,870,000	7,900,000
XINYI SOLAR HOLDINGS LTD	-	18,902,000	2,902,000	16,000,000
XTEP INTERNATIONAL HOLDINGS LTD	-	424,500	424,500	-
YANZHOU COAL MINING CO LTD H SHS	-	5,356,000	5,356,000	-
ZHEJIANG TENGY ENVIRONMENTAL T	247,600	-	247,600	-
ZHUZHOU CRRC TIMES ELECTRIC CO LTD H SHS	-	829,000	829,000	-

CCB INTERNATIONAL - CHINA POLICY DRIVEN FUND

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	% of net assets 2016	2015
Listed equities		
Hong Kong	99.12	98.24
Convertible bond	0.99	-
Hong Kong		
Total investments	<u>100.11</u>	<u>98.24</u>
Other net (liabilities) / assets	<u>(0.11)</u>	<u>1.76</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
	Year			
	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		9.94	17.79
			<u> </u>	<u> </u>
(b)	Total net asset value			
		2016	2015	2014
		HK\$	HK\$	HK\$
	Total net asset value	521,025,376	711,857,586	620,540,359
		<u> </u>	<u> </u>	<u> </u>
(c)	Net asset value per unit			
	Net asset value per unit	9.68	12.04	11.36
		<u> </u>	<u> </u>	<u> </u>

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
Li Yuezhong (resigned on 30 June 2016)
Lo Chak Bong Alfred Bing
Rattiwat Samson
Yang Feng (resigned on 16 January 2016)

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
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