

CCB INTERNATIONAL RMB FUND SERIES

CCB INTERNATIONAL - RMB FIXED INCOME FUND

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

CCB INTERNATIONAL RMB FUND SERIES
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ADMINISTRATION AND MANAGEMENT

MANAGER

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

DIRECTORS OF THE MANAGER

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

TRUSTEE AND REGISTRAR

BOCI-Prudential Trustee Limited
12/F & 25/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

AUDITORS

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

SOLICITORS TO THE MANAGER

Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

CUSTODIAN

Bank of China (Hong Kong) Limited
14/F, Bank of China Tower
1 Garden Road
Hong Kong

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MANAGER'S REPORT

Manager's comment

After the 2018 New Year holiday, short-term funding needs seemed loosening a lot and pushed down overall yield of the portfolio. In the US, the expected probability of Fed to raise interest rate in March soared to 86% after the publication of the strong economic data for January, which pushed the 10 Year Treasury up to an intra month high of 2.754%. Going into February, US 10 Year Treasury continued to roar up to an intra-month high of 2.957%, which was the highest level since 2013, before ending the month at 2.868%. On the contrary, the Chinese bond market warmed up after the CNY holidays, partly because of the bad performance of the equity market. The offshore RMB bond market was neither affected much by the US nor the onshore market given its limited liquidity. Moving towards end of first quarter, Chinese onshore bond market continued to be under relatively bullish sentiment, partly because of the bad performance in the equity market and partly because of the attractive valuation in the bond market under an environment of less stringent liquidity. The offshore RMB bond market was also stable compared to the USD denominated securities while the appreciating RMB also made RMB denominated investments more attractive.

Entering second quarter, offshore renminbi bond market continued to revive as investors took advantage of the strengthening RMB. However, more bonds issued by Chinese issuers suffered from credit default since the regulators continued to control refinancing vehicles. Nevertheless, worries on credit risks seemed to affect pricing of the US\$ denominated Chinese bonds rather than that of RMB denominated bonds. By middle of the quarter, worldwide market recorded fluctuation at the back of the predicaments in Italy. However, lack of liquidity in the CNY market had made the bond prices less volatile as compared to the USD counterpart but credit spread of corporate bonds widened due to the continuous Chinese companies' default issues, though most of the default bonds' issuers are private enterprises. Quarter end liquidity was not in strain as most investors had expected in the onshore bond market since PBOC injected fund via MLF and announced a cut in reserved rate again by 0.5% to be in effect in July. Again, lack of liquidity made CNH bond prices less volatile but credit spread of corporate bonds continued to widen due to Chinese companies' default issues, in addition to pressure from trade war worries and emerging market weaknesses.

China monetary and fiscal policies took a U-turn at the beginning of second half 2018. The State Council Executive Meeting near month end confirmed the changes with indications for more proactive fiscal and looser monetary policies resulting in much improved liquidity and drove short end rates lower. Trade war worries and emerging market weaknesses remained the dominate topics moving into middle of third quarter with emerging market currencies, particularly that of Argentine Peso and Turkish Lira, continued the slide. In order to stabilize RMB, PBOC reinstalled the 20% foreign exchange risk reserves rate, the first time since cancelling it back in September 2017, aiming to discourage the short positions. In September, US president Donald Trump eventually ordered to impose a tariff on \$200 billion worth of Chinese goods after much speculation, bringing the trade war to a new level of tension. US 10 year treasury yield ended the month above 3% for the first time since 2013.

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MANAGER'S REPORT (CONTINUED)

Manager's comment (Continued)

In October, risk assets suffered one of the worst months in 2018. Uncertainty in global trade, dimming world economic outlook and escalating US interest rate all contributed to the correction. USD/CNH exchange rate also challenged recent high, reaching 6.9752 intra-months with Dim Sum bond suffered as a result. Disappointing loan and social financing numbers, ample funding environment and deteriorating economic outlook all contributed to the drop in yield in China in November with onshore 10 year treasury yield continued to slide by 15bp from 3.51% to 3.36% during the month. The drop in yield spilled over to Offshore CNH market thus providing support. China and the United States agreed to a ceasefire in their bitter trade war during the G20 summit in Argentina in December. CNH welcomed the news and staged a rally. However, economic side of the story continued to disappoint with Chinese exports and imports number falling well short of expectation. In sight of the weakening economy, PBOC created another tool Target Medium Lending Facility (TMLF) to boost SME lending. CNH bond market responded positively in the last month of the year.

2018 performance

CCB International RMB Fixed Income Fund ("The Fund") had 97.52% of its NAV invested in fixed income instrument as of as of 30 June 2018 as compared to 80.79% in 31 December 2017.

At the end of 2018, the Fund has 96.44% of its NAV invested in fixed income instrument with the performance of 2.84% increase in NAV between 31 December 2017 and 31 December 2018.

Market outlook and strategy

In 2018, Onshore and offshore RMB interest rates had come down across the board with one month Shanghai Interbank Market (CNYSHIBOR) declined from around 4.94% to around 3.47% while one month Hong Kong Interbank Market (CNHHIBOR) fell from around 4.3% to 3.29%. Chinese Government 10-year bond also fell from around 3.92% to around 3.27%.

With the Chinese Government adopting a more proactive fiscal and looser monetary policies since mid-2018 while the US Federal Reserve putting up a more dovish tone after its December 2018 rate hike, 2019 outlook for onshore and offshore RMB fixed income assets together with RMB exchange rate should be more on the stable to positive side given that risk of further substantial interest hike by the Fed and thus further widening in interest rates differential between US\$ and CNY/CNH should remain low, putting less pressure on the RMB exchange rate and RMB fixed income pricing.

With a number of Dim Sum bonds held by the Fund going to mature in 2019, the fund would continue to increase its weighting in high quality issues.

CCB International Asset Management Limited

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TRUSTEE'S REPORT

We hereby confirm that, in our opinion, the Manager, CCB International Asset Management Limited, has, in all material respects, managed CCB International RMB Fund Series - CCB International - RMB Fixed Income Fund for the year ended 31 December 2018 in accordance with the provisions of the Trust Deed dated 29 December 2010, as amended.

On behalf of
BOCI-Prudential Trustee Limited, the Trustee

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CCB INTERNATIONAL – RMB FIXED INCOME FUND**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of CCB International – RMB Fixed Income Fund (the “Sub-Fund”), a sub-fund of CCB International RMB Fund Series, set out on pages 9 to 34, which comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Sub-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 Sub-Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor’s report thereon.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CCB INTERNATIONAL – RMB FIXED INCOME FUND
(CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Other Information (Continued)

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management for the Financial Statements

The Management of the Sub-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 Sub-Fund is responsible for assessing the Sub-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 Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-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 29 December 2010, as amended ("Trust Deed"), and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CCB INTERNATIONAL – RMB FIXED INCOME FUND
(CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-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 Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-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 Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF CCB INTERNATIONAL – RMB FIXED INCOME FUND
(CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 April 2019

CCB INTERNATIONAL RMB FUND SERIES
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 RMB	2017 RMB
Assets			
Financial assets at fair value through profit or loss	4(a)	34,824,325	30,897,823
Prepaid expenses		13,348	12,673
Interest receivable		526,358	401,461
Other receivable		373	-
Cash and cash equivalents	6	1,397,702	8,031,746
Total assets		<u>36,762,106</u>	<u>39,343,703</u>
Liabilities			
Management fee payable	9(a)	21,661	29,198
Trustee fee payable	9(b)	40,000	40,000
Custodian fee payable	9(c)	774	1,043
Distribution payable	8	407,599	420,073
Redemption payable		16	-
Accrued expenses and other payables		182,243	589,670
Tax payable	10	-	11,259
Total liabilities		<u>652,293</u>	<u>1,091,243</u>
Net assets attributable to unitholders	7	<u>36,109,813</u>	<u>38,252,460</u>

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

For and on behalf of
BOCI-Prudential Trustee
Limited

For and on behalf of
CCB International Asset
Management Limited

The accompanying notes on pages 13 to 34 are an integral part of these financial statements

CCB INTERNATIONAL RMB FUND SERIES
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB	2017 RMB
Income			
Interest from financial assets at fair value through profit or loss		1,810,974	2,784,317
Interest from bank deposits		7,024	24,858
Net gains on financial assets at fair value through profit or loss	5	489,792	3,380,679
Net foreign exchange gains/(losses)		20	(879)
Other income		373	-
		<u>2,308,183</u>	<u>6,188,975</u>
Expenses			
Management fee	9(a)	(259,321)	(462,903)
Trustee fee	9(b)	(480,000)	(480,000)
License fee		(10,133)	(10,399)
Custodian fee	9(c)	(77,766)	(68,167)
Auditors' remuneration		(176,120)	(176,120)
Publishing charges		(9,120)	(9,359)
Brokerage fees and other transaction costs		(60,495)	(723,795)
Professional fee		(5,158)	-
Other expenses		(15,545)	(3,466)
		<u>(1,093,658)</u>	<u>(1,934,209)</u>
Profit before taxation		1,214,525	4,254,766
Withholding taxes	10	11,259	(11,259)
Total comprehensive income for the year		<u>1,225,784</u>	<u>4,243,507</u>

The accompanying notes on pages 13 to 34 are an integral part of these financial statements.

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

	Notes	2018 RMB	2017 RMB
Balance at beginning of 1 January		38,252,460	32,214,959
		-----	-----
Total comprehensive income for the year		1,225,784	4,243,507
		-----	-----
Subscription of units		286,286	311,508,485
Redemption of units		(3,065,623)	(308,897,088)
Distribution to unitholders	8	(589,094)	(817,403)
		-----	-----
Total transactions with unitholders		(3,368,431)	1,793,994
		-----	-----
Balance at end of 31 December		36,109,813	38,252,460
		=====	=====

The accompanying notes on pages 13 to 34 are an integral part of these financial statements.

CCB INTERNATIONAL RMB FUND SERIES
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB	2017 RMB
Cash flows from operating activities			
Total comprehensive income for the year		1,225,784	4,243,507
Adjustments for:			
Interest from financial assets at fair value through profit or loss		(1,810,974)	(2,784,317)
Interest from bank deposits		(7,024)	(24,858)
Net increase in financial assets at fair value through profit or loss		(3,926,502)	(2,860,323)
(Increase)/decrease in prepaid expenses		(675)	1,205
Increase in other receivable		(373)	-
(Decrease)/increase in management fee payable		(7,537)	9,781
(Decrease)/increase in custodian fee payable		(269)	350
(Decrease)/increase in accrued expenses and other payables		(407,427)	421,880
(Decrease)/increase in tax payable		(11,259)	11,259
Cash used in operations		(4,946,256)	(981,516)
Interest received		1,693,101	2,810,393
Net cash (outflow)/inflow from operating activities		(3,253,155)	1,828,877
Cash flows from financing activities			
Proceeds from subscription of units		286,286	311,508,485
Payments for redemption of units		(3,065,607)	(308,897,088)
Distribution to unitholders		(601,568)	(889,848)
Net cash (outflow)/inflow from financing activities		(3,380,889)	1,721,549
Net change in cash and cash equivalents for the year		(6,634,044)	3,550,426
Cash and cash equivalents at beginning of year		8,031,746	4,481,320
Cash and cash equivalents at the end of year, representing cash at bank	6	1,397,702	8,031,746

The accompanying notes on pages 13 to 34 are an integral part of these financial statements.

**CCB INTERNATIONAL RMB FUND SERIES
- CCB INTERNATIONAL - RMB FIXED INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

1 General information

CCB International RMB Fund Series (the “Trust”) was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to a trust deed dated 29 December 2010 (the “Trust Deed”) between CCB International Asset Management Limited (the “Manager”) and BOCI-Prudential Trustee Limited (the “Trustee”).

CCB International - RMB Fixed Income Fund (the “Sub-Fund”) was constituted as a separate sub-fund of the Trust on 25 March 2011. The Sub-Fund is an open-ended unit trust and is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the “SFC Code”). As at 31 December 2018, no other sub-fund had been established by the Trust.

The investment objective of the Sub-Fund is to achieve long-term capital return while maintaining a steady flow of income through investment primarily in a diversified portfolio of debt instruments denominated in Renminbi (“RMB”). It may also invest in other RMB denominated deposits issued outside Mainland China, such as bank certificate of deposit, bank deposits and negotiated term deposits, commercial papers and short term bills and notes.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management of the Sub-Fund to exercise its judgement in the process of applying the Sub-Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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

- IFRS 9 “Financial instruments”

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

**CCB INTERNATIONAL RMB FUND SERIES
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

- **IFRS 9 "Financial instruments" (Continued)**

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

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

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

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

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

**CCB INTERNATIONAL RMB FUND SERIES
- CCB INTERNATIONAL - RMB FIXED INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The subscriptions and redemptions of the redeemable units denominated in RMB. The performance of the Sub-Fund is measured and reported to the investors in RMB. The Directors of the Manager consider RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Sub-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 the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within ‘Net gains on financial assets at fair value through profit or loss’.

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

(i) Classification

The Sub-Fund classifies its investments based on both the Sub-Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The contractual cash flows of the Sub-Fund’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss.

(ii) Recognition/derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-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.

**CCB INTERNATIONAL RMB FUND SERIES
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

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

(ii) Recognition/derecognition and measurement (Continued)

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-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 other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

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

(iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Sub-Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Management will determine the point within the bid-ask spread that is most representative of fair value.

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

**CCB INTERNATIONAL RMB FUND SERIES
- CCB INTERNATIONAL - RMB FIXED INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(d) Income and expenses

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

The effective interest method is a method of calculating the amortised cost of an interest bearing asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Expenses are accounted for on an accrual basis.

(e) Cash and cash equivalents

Cash and cash equivalents include demand deposits with original maturities of three months or less.

(f) Redeemable units

All proceeds and payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders. The net asset value of the Sub-Fund is computed daily. Prices for issues and redemptions are based on the latest available preceding valuation.

Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units. In accordance with the provisions of the Sub-Fund's explanatory memorandum, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

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

The Sub-Fund has one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Sub-Fund and ranks *pari passu* in all material respects and has identical terms and conditions.

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 Sub-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;

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2 Summary of significant accounting policies (Continued)

(f) Redeemable units (Continued)

- apart from the contractual obligation for the Sub-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 Sub-Fund over the life of the instrument.

The Sub-Fund's redeemable units meet all of these conditions and are classified as equity.

(g) Distribution to unitholders

No distribution will be paid out of the Sub-Fund's capital. Distributions are recognised in the statement of changes in net assets attributable to unitholders when they are approved by the Manager.

(h) Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(i) Transaction costs

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include the fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs are expensed as incurred in the statement of comprehensive income.

(j) Taxation

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

The Sub-Fund currently incurs withholding taxes imposed by the People's Republic of China (the 'PRC') on interest 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.

3 Critical accounting estimates and judgements

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

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3 Critical accounting estimates and judgements (Continued)

People's Republic of China ("PRC") tax provision

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

Under the general tax provision of PRC Corporate Income Tax Law ("PRC CIT Law"), the non-PRC residents with no place of effective management, establishment or place of business in the PRC may be subject to 10% PRC withholding income tax ("WIT") on the PRC-sourced income, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

In addition, the non-PRC residents with interest income derived from the debt securities will be subject to 10% WIT. Pursuant to the PRC CIT Law, debt securities issuers in the PRC are obligated to withhold the 10% PRC WIT on interest income for those foreign debt securities holders. However, interest income derived from government bonds issued by the State Council's finance departments and/or local government bonds approved by the State Council is exempt from PRC WIT under the PRC CIT Law.

Furthermore, according to the notice Caishui [2016] No.36 ("Circular 36"), Value-Added Tax ("VAT") at 6% shall be levied on the difference between the selling and buying prices of those marketable securities starting from 1 May 2016. The gains derived by Bond Connect investors and through the Bond Connect from trading of marketable securities are exempted from VAT in the PRC under Circular 36 and other prevailing VAT regulations. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT. However, the prevailing VAT regulations do not specifically exempt VAT on interest received by Bond Connect investors. Hence, gains derived by Bond Connect investor and interest income on non-government bonds (including corporate bonds) technically should be subject to 6% VAT. In addition, if VAT is applicable, local surtaxes including Urban and Construction Tax (currently at the rate ranging from 1% to 7%), Educational Surcharge (currently at the rate of 3%) and Local Educational Surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities (the "VAT related taxes").

Exemption of PRC WIT and VAT effective from 7 November 2018

On 7 November 2018, the Ministry of Finance and the PRC State Administration of Taxation ("SAT") jointly issued a notice Caishui [2018] No.108 ("Circular 108") which stipulates that foreign institutional investors are temporarily exempted from PRC WIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021.

Hence, the Manager decides to change the tax provisioning policy of the Sub-Fund and cease to make provisions for PRC WIT and VAT (plus the VAT related taxes) on the interest income received from PRC non-government bonds from 7 November 2018 to 6 November 2021.

Capital gains on PRC debt securities ("PRC Investments")

During the years ended 31 December 2018 and 2017, the Sub-Fund invests in PRC Investments in PRC through Bond Connect. The Manager considers that the enforcement of PRC tax on gains derived from the PRC Investments is uncertain as at the date of approval of these financial statements.

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3 Critical accounting estimates and judgements (Continued)

Capital gains on PRC debt securities (“PRC Investments”) (Continued)

Based on the current verbal interpretation of the SAT and the local PRC tax authorities, the authorities are of the view that capital gains derived by foreign investors from investment in PRC Investments would not be treated as PRC-sourced income and thus would not be subject to PRC WIT. However, there are no written tax regulations issued by the PRC tax authorities to confirm this interpretation. As a matter of practice, such 10% PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of these PRC debt securities has not been strictly enforced by the PRC tax authorities. The Manager has considered the applicability of the arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion to the Sub-Fund and assessed that the probability of such tax being levied up to the approval date of the financial statements of the Sub-Fund is reasonably low. Based on all the aforementioned factors, the Manager has reassessed the provisioning approach and has continued not making PRC WIT provision on gains derived from the PRC Investments of the Sub-Fund.

The Manager estimates the gross realised gains from 25 March 2011 (date of inception) to 31 December 2018 and gross unrealised gains of the Sub-Fund as at 31 December 2018 which could be exposed to PRC WIT at the rate of 10% to be RMB3,984,498 (from 25 March 2011 (date of inception) to 31 December 2017: RMB3,471,132) and nil (As at 31 December 2017: nil) respectively. The estimated potential capital gain tax exposure arising from realised capital gain and unrealised capital gain would be RMB398,450 and nil respectively which in aggregate represents 1.10% (As at 31 December 2017: RMB347,113 and nil respectively which in aggregate represents 0.91%) of the net assets attributable to unitholders of the Sub-Fund as at 31 December 2018. The Manager considers that the PRC WIT on capital gains from PRC Investments is still uncertain and has not made the provision on the gross realised capital gains derived from PRC Investments in the Sub-Fund as at 31 December 2018 and 2017.

The Manager has exercised its judgment when assessing whether the Sub-Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events.

Interest income on bonds issued by PRC tax residents (“PRC bonds”)

The Management considers that the PRC WIT treatment on accrued interest arising from PRC non-government bonds from 25 March 2011 (date of inception) to 6 November 2018 and the enforcement of VAT and the VAT related taxes from 1 May 2016 to 6 November 2018 is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

PRC WIT

For the PRC bonds disposed of during the year, the Management has not made provision on the accrued interest income of PRC bonds during the year and as at reporting date as they consider that:

- (i) the issuers of PRC bonds are required to withhold 10% WIT at the coupon payment date before distributing the interest income to the bond holder; and
- (ii) the Manager has sold the PRC bonds before the coupon payment dates or the maturity dates of the PRC bonds.

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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

Interest income on bonds issued by PRC tax residents (“PRC bonds”) (Continued)

PRC VAT and related taxes

As at 31 December 2018, the Manager does not consider that the potential VAT exposure arising from the Sub-Fund’s accumulated interest income received from PRC non-government bonds since 1 May 2016 to 6 November 2018 to be material.

4 Financial risk management

The Sub-Fund’s activities may expose it to a variety of risks including but not limited to: market risk (including market price, interest rate and currency), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The following is a summary of the main risks and risk management policies.

(a) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund’s market price risk is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals.

The following table shows the net market exposure the Sub-Fund has to various markets, incorporating the underlying market risk through all debt securities held by the Sub-Fund. Countries below represent where the debt securities were issued.

	As at 31 December 2018		As at 31 December 2017	
	Fair value		Fair value	
	RMB	% of NAV	RMB	% of NAV
Listed debt securities				
Hong Kong				
Financials	9,025,000	26%	7,064,850	18%
Technology	2,988,750	8%	-	-
Consumer				
Discretionary	1,889,000	5%	-	-
London				
Financials	3,033,750	8%	-	-
Singapore				
Financials	9,882,700	27%	-	-
Industrial	-	-	4,963,820	13%
Consumer Staples	2,997,000	8%	2,951,250	8%
	<u>29,816,200</u>	<u>82%</u>	<u>14,979,920</u>	<u>39%</u>
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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Market price risk (Continued)

	As at 31 December 2018		As at 31 December 2017	
	Fair value		Fair value	
	RMB	% of NAV	RMB	% of NAV
Unlisted debt securities				
Financials	2,013,180	6%	15,917,903	42%
Government	2,994,945	8%	-	-
	<u>5,008,125</u>	<u>14%</u>	<u>15,917,903</u>	<u>42%</u>
	<u>34,824,325</u>	<u>96%</u>	<u>30,897,823</u>	<u>81%</u>

The Sub-Fund had no concentrations in individual investments exceeding 10% of the Sub-Fund's net asset value at 31 December 2018.

Refer to note 4(b) for the sensitivity analysis performed on the Sub-Fund's investment portfolio.

(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 tables below summarise the Sub-Fund's exposure to interest rate risks at the reporting date. Included in the table are the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	Maturity less than 1 month RMB	Maturity 1-3 months RMB	Maturity over 3 months RMB	Non-interest bearing RMB	Total RMB
As at 31 December 2018					
Assets					
Financial assets at fair value					
through profit or loss	-	2,000,000	32,824,325	-	34,824,325
Prepaid expenses	-	-	-	13,348	13,348
Interest receivable	-	-	-	526,358	526,358
Other receivable	-	-	-	373	373
Cash and cash equivalents	1,397,702	-	-	-	1,397,702
Total assets	<u>1,397,702</u>	<u>2,000,000</u>	<u>32,824,325</u>	<u>540,079</u>	<u>36,762,106</u>
Liabilities					
Management fee payable	-	-	-	21,661	21,661
Trustee fee payable	-	-	-	40,000	40,000
Custodian fee payable	-	-	-	774	774
Distribution payable	-	-	-	407,599	407,599
Redemption payable	-	-	-	16	16
Accrued expenses and other payables	-	-	-	182,243	182,243
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>652,293</u>	<u>652,293</u>

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(b) Interest rate risk (Continued)

	Maturity less than 1 month RMB	Maturity 1-3 months RMB	Maturity over 3 months RMB	Non-interest bearing RMB	Total RMB
As at 31 December 2017					
Assets					
Financial assets at fair value					
through profit or loss	2,000,000	1,001,330	27,896,493	-	30,897,823
Prepaid expenses	-	-	-	12,673	12,673
Interest receivable	-	-	-	401,461	401,461
Cash and cash equivalents	8,031,746	-	-	-	8,031,746
Total assets	10,031,746	1,001,330	27,896,493	414,134	39,343,703
Liabilities					
Management fee payable	-	-	-	29,198	29,198
Trustee fee payable	-	-	-	40,000	40,000
Custodian fee payable	-	-	-	1,043	1,043
Distribution payable	-	-	-	420,073	420,073
Accrued expenses and other payables	-	-	-	589,670	589,670
Total liabilities	-	-	-	1,079,984	1,079,984

The Sub-Fund holds debt securities that expose the Sub-Fund to fair value interest rate risk. Interest rate exposures are expressed in terms of rate of weighted average modified duration. The Manager monitors the interest rate risks by quantifying market exposure in duration terms. The following table demonstrated the sensitivity of the fair value of the Sub-Fund's debt securities to changes in interest rates, with all other variables held constant.

	Carrying value of financial assets at fair value through profit or loss RMB	Total portfolio weighted average modified duration	Change in interest rate %	Impact in net asset value RMB +/-
As at 31 December 2018				
Debt securities	34,824,325	1.32	0.25%	114,920
As at 31 December 2017				
Debt securities	30,897,823	0.81	0.25%	62,568

Other than debt securities disclosed above, the interest-bearing financial assets also include cash and cash equivalents. The Manager considers that the Sub-Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. As a result, no sensitivity analysis on interest rate movement is required.

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are mainly denominated in RMB, the Sub-Fund's functional and presentation currency. As a result, the Management does not present sensitivity analysis of currency risk.

(d) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

All transactions in securities are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is made only when the custodian has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in debt securities. The Sub-Fund does not have explicit restrictions on the minimum credit ratings of securities it may hold. The Manager will actively manage the portfolio of the Sub-Fund. In case of credit rating downgrading, the Manager will adjust the positions in the portfolio using its credit analysis and rating systems that are designed to manage credit risks.

The table below summarises the credit quality of the Sub-Fund's debt portfolio based on the issuers' credit rating, which represents 96.44% (2017: 80.79%) of net asset value, as at 31 December 2018 and 2017.

Credit rating agency	Rating range	2018
		% of net asset value
Moody's	B3 to Aa3	66.04%
S&P	BBB-	5.53%
Dagong	AA-	8.30%
Unrated		16.57%
		<hr/>
		96.44%
		<hr/>
Credit rating agency	Rating range	2017
		% of net asset value
Moody's	B1 to A1	31.30%
S&P	BB- to A	23.59%
Chengxin	AAA	5.21%
Dagong	AA- to AA+	15.46%
Shanghai Brilliance	AA+	5.23%
		<hr/>
		80.79%
		<hr/>

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(d) Credit and counterparty risk (Continued)

The Sub-Fund's portfolio includes bonds which are unrated. The Manager adopted the same discipline, bottom up approach, in offshore RMB bonds' selection with or without credit ratings as well as portfolio construction. Research and analysis are conducted on the individual issuers' credit quality and repayment capability, with particular focus on possible risk factors that are specific to the issuer and to the issuers' industry, sector, and country.

The Sub-Fund is also exposed to counterparty risk on cash and cash equivalents.

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2018 and 31 December 2017, all cash and cash equivalents are held with counterparties with a credit rating of A-1 from S&P and are due to be settled on demand. The Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

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

	RMB	Credit rating	Source of credit rating
Bank			
Bank of China (Hong Kong) Limited	1,397,702	A-1	S&P
Custodian			
Bank of China (Hong Kong) Limited	34,824,325	A-1	S&P

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

	RMB	Credit rating	Source of credit rating
Bank			
Bank of China (Hong Kong) Limited	8,031,746	A-1	S&P
Custodian			
Bank of China (Hong Kong) Limited	30,897,823	A-1	S&P

The maximum exposure to credit risk as at 31 December 2018 and 2017 is the carrying amount of the financial assets as shown on the statement of financial position excluding financial assets at fair value through profit or loss.

The Manager considers that none of these assets are impaired nor past due (2017: Nil).

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(e) Liquidity risk (Continued)

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

The table below analyses the Sub-Fund's non-derivative financial assets and financial liabilities into relevant groupings. The groupings for financial assets and that for financial liabilities are based on the remaining period at the reporting date to the expected receipt date and to the contractual maturity date respectively. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand RMB	Less than 1 month RMB	More than 1 month but less than 1 year RMB	Total RMB
As at 31 December 2018				
Financial assets				
Financial assets at fair value				
through profit or loss	-	34,824,325	-	34,824,325
Interest receivable	-	26,137	500,221	526,358
Other receivable	-	-	373	373
Cash and cash equivalents	1,397,702	-	-	1,397,702
	<u>1,397,702</u>	<u>34,850,462</u>	<u>500,594</u>	<u>36,748,758</u>
Financial liabilities				
Management fee payable	-	21,661	-	21,661
Trustee fee payable	-	40,000	-	40,000
Custodian fee payable	-	774	-	774
Distribution payable	-	407,599	-	407,599
Redemption payable	-	-	16	16
Accrued expenses and other payables	-	6,123	176,120	182,243
	<u>-</u>	<u>476,157</u>	<u>176,136</u>	<u>652,293</u>

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4 Financial risk management (Continued)

(e) Liquidity risk (Continued)

	On demand RMB	Less than 1 month RMB	More than 1 month but less than 1 year RMB	Total RMB
As at 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss	-	30,897,823	-	30,897,823
Interest receivable	-	73,962	327,499	401,461
Cash and cash equivalents	8,031,746	-	-	8,031,746
	<u>8,031,746</u>	<u>30,971,785</u>	<u>327,499</u>	<u>39,331,030</u>
Financial liabilities				
Management fee payable	-	29,198	-	29,198
Trustee fee payable	-	40,000	-	40,000
Custodian fee payable	-	1,043	-	1,043
Distribution payable	-	420,073	-	420,073
Accrued expenses and other payables	-	421,880	167,790	589,670
	<u>-</u>	<u>912,194</u>	<u>167,790</u>	<u>1,079,984</u>

(f) 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.

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 Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end 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.

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(f) Fair value estimation (Continued)

For instruments for which there is no active market, the Sub-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 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 level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Sub-Fund’s financial assets at fair value through profit or loss as at 31 December 2018 and 2017.

	Level 2 RMB	Total RMB
As at 31 December 2018		
Debt securities	34,824,325	34,824,325
As at 31 December 2017		
Debt securities	30,897,823	30,897,823

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4 Financial risk management (Continued)

(f) Fair value estimation (Continued)

RMB denominated bonds that trade in markets which are not considered to be active are valued based on quoted market prices and dealer quotations and classified within level 2. As level 2 investments include positions that are not traded in active markets, which are generally based on available market information.

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

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

(g) Capital risk management

The capital of the Sub-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 Sub-Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Sub-Fund's objective when managing capital is to safeguard the Sub-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 Sub-Fund.

In order to maintain or adjust the capital structure, the Sub-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 Sub-Fund pays to redeemable unitholders.
- Redeem and issue new units in accordance with the constitutional documents of the Sub-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.

5 Net gains on financial assets at fair value through profit or loss

	2018 RMB	2017 RMB
Net realised gains on sale of investments	541,333	3,462,603
Change in unrealised losses in value of investments	(51,541)	(81,924)
	<u>489,792</u>	<u>3,380,679</u>

CCB INTERNATIONAL RMB FUND SERIES
- CCB INTERNATIONAL - RMB FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	2018 RMB	2017 RMB
Cash at bank	1,397,702	8,031,746
	<u>1,397,702</u>	<u>8,031,746</u>

7 Number of units in issue and net asset value per unit

The Sub-Fund has one class of redeemable units in issue, which are classified as equity. This is the most subordinate class of financial instruments in the Sub-Fund and ranks pari passu in all material respects and has identical terms and conditions.

The following is the subscription/(redemption) of units of the Sub-Fund during the end of reporting year:

	2018 Number of units	2017 Number of units
As at 1 January	381,884.70	328,345.50
Subscription of units	2,822.88	3,107,851.68
Redemption of units	(30,273.38)	(3,054,312.48)
As at 31 December	<u>354,434.20</u>	<u>381,884.70</u>
	RMB	RMB
Net asset value per unit	<u>101.88</u>	<u>100.16</u>

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- CCB INTERNATIONAL - RMB FIXED INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

8 Distribution

	Distribution RMB	Distribution per unit RMB
Distribution for 2018		
Interim dividend	181,495	0.50
Final dividend	407,599	1.15
Distribution for 2017		
Interim dividend	397,330	1.00
Final dividend	420,073	1.10

The Manager approved and declared the final dividend on 28 December 2018. The final dividend was paid to unitholders on 8 January 2019.

9 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 Sub-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 Sub-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 Sub-Fund does not have any other transactions with Connected Persons except for those disclosed below.

(a) Management fee

The Manager is entitled to receive, on an annual basis, a management fee from the Sub-Fund, at a rate of 0.7% per annum with respect to the net asset value of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears.

The management fee for the year was RMB259,321 (2017: RMB462,903). As at 31 December 2018, management fee of RMB21,661 (2017: RMB29,198) was payable to the Manager.

(b) Trustee fee

The Trustee is entitled to receive, on an annual basis, a trustee fee from the Sub-Fund, at a rate of 0.175% per annum of the net asset value of the Sub-Fund calculated, subject to a minimum monthly fee of RMB40,000, and accrued on each dealing day and is paid monthly in arrears.

The trustee fee for the year was RMB480,000 (2017: RMB480,000). As at 31 December 2018, trustee fee of RMB40,000 (2017: RMB40,000) was payable to the Trustee.

(c) Custodian fee

The Custodian is entitled to receive, on an annual basis, a custodian fee from the Sub-Fund, at a rate up to 0.025% per annum of the net asset value of the Sub-Fund calculated and accrued on each dealing day and is paid monthly in arrears. The Custodian is also entitled to receive transaction charges for each investment buy/sell transaction of the Sub-Fund.

The custodian fee for the year was RMB77,766 (2017: RMB68,167). As at 31 December 2018, custodian fee of RMB774 (2017: RMB1,043) was payable to the Custodian.

CCB INTERNATIONAL RMB FUND SERIES
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NOTES TO THE FINANCIAL STATEMENTS

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

(d) Cash and cash equivalents

	2018 RMB	2017 RMB
Bank balances with:		
Bank of China (Hong Kong) Limited	<u>1,397,702</u>	<u>8,031,746</u>

Interest income amounted to RMB7,024 was earned from these bank balances during the year (2017: RMB24,858). Bank charges of RMB2,414 were paid during the year (2017: RMB966).

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

	2018 RMB	2017 RMB
Debt securities held with:		
Bank of China (Hong Kong) Limited	<u>34,824,325</u>	<u>30,897,823</u>

During the years ended 31 December 2018 and 2017, the Sub-Fund held the debt security issued by the Bank of China Limited Johannesburg Branch, who is the intermediate holding company of the Trustee.

Debt security invested in:

Bank Of China Ltd/Johannesburg 4.88% S/A 20Apr2020

	2018 RMB	2017 RMB
Nominal value brought forward	1,000,000	-
Additions	-	1,000,000
Disposals	-	-
Nominal value as at 31 December	<u>1,000,000</u>	<u>1,000,000</u>

Interest income amounted to RMB48,800 was earned from the debt security during the year (2017: RMB34,227). Net losses of RMB3,190 were incurred from the debt security during the year (2017: Net gains of RMB13,190).

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NOTES TO THE FINANCIAL STATEMENTS

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

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

During the year ended 31 December 2018, the Sub-Fund held the debt security issued by the Bank of China Limited Tokyo Branch, who is the fellow subsidiary of the Trustee (2017: Nil).

Debt security invested in:

Bank Of China Ltd/Tokyo 4.35% S/A 29Nov2020

	2018 RMB	2017 RMB
Nominal value brought forward	-	-
Additions	2,000,000	-
Disposals	-	-
Nominal value as at 31 December	<u>2,000,000</u>	<u>-</u>

Interest income amounted to RMB7,866 was earned from the debt security during the year (2017: Nil). Net gains of RMB13,180 were incurred from the debt security during the year (2017: Nil).

During the years ended 31 December 2018 and 2017, the Sub-Fund held the debt security issued by the China Construction Bank Corporation, who is the intermediate holding company of the Manager.

Debt security invested in:

China Construction Bank Corp 4.9% S/A 12Nov2024

	2018 RMB	2017 RMB
Nominal value brought forward	2,000,000	2,000,000
Additions	-	-
Disposals	-	-
Nominal value as at 31 December	<u>2,000,000</u>	<u>2,000,000</u>

Interest income amounted to RMB98,000 was earned from the debt security during the year (2017: RMB98,000). Net losses of RMB6,660 were incurred from the debt security during the year (2017: Net gains of RMB11,660).

**CCB INTERNATIONAL RMB FUND SERIES
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NOTES TO THE FINANCIAL STATEMENTS

10 Taxation

Taxation in the statement of comprehensive income represents:

	2018 RMB	2017 RMB
PRC withholding taxes	<u>(11,259)</u>	<u>11,259</u>

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

Certain interest income received by the Sub-Fund is subject to withholding tax imposed in the PRC for interest earned. Refer to note 3 for details.

11 Soft commission arrangements

The Manager and its connected persons may enter into soft commission arrangements with brokers under which certain goods and services used to support investment decision making will be received. The Manager and its connected persons will not make direct payment for these services but will transact an agreed amount of business with the brokers on behalf of the Sub-Fund and commission will be paid on these transactions.

The goods and services must be of demonstrable benefit to the Sub-Fund and may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis and data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications.

Since the inception of the Sub-Fund, the Manager had not participated in any soft dollar arrangements in respect of any transactions for the accounts of the Sub-Fund.

12 Approval of the financial statements

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

CCB INTERNATIONAL RMB FUND SERIES
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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	At 31 December 2017 RMB	Movements in nominal value		At 31 December 2018 RMB
		Additions RMB	Disposals RMB	
LISTED DEBT SECURITIES				
Hong Kong				
Bank Of China Ltd/Johannesburg 4.88% S/A 20Apr2020	1,000,000	-	-	1,000,000
Beijing Capital Polaris Investment Co Ltd 5.2% S/A 26Mar2020	-	2,000,000	-	2,000,000
Car Inc 6.5% S/A 04Apr2021	-	2,000,000	-	2,000,000
Central Plaza Development Ltd 6.875% S/A 17Feb2019	2,000,000	-	-	2,000,000
China Construction Bank Corp 4.9% S/A 12Nov2024	2,000,000	-	-	2,000,000
Far East Horizon Ltd 4.9% S/A 27Feb2021	-	2,000,000	-	2,000,000
Greenland Hong Kong Hldgs Ltd 5.5% S/A 23Jan2018	2,000,000	-	(2,000,000)	-
Lenovo Group Ltd 4.95% S/A 10Jun2020	-	3,000,000	-	3,000,000
London				
QNB Finance Ltd 5.1% A 08Mar2021	-	3,000,000	-	3,000,000
Singapore				
Chong Qing Grain Group Co Ltd 4.02% Q 14Jul2019	3,000,000	-	-	3,000,000
Country Garden Hldgs Co Ltd 5.8% S/A 12Mar2021	-	2,000,000	-	2,000,000
Fantasia Hldgs Group Co Ltd 9.5% S/A 04May2019	-	3,000,000	-	3,000,000
Haikou Meilan Intl Airport Investment Ltd 7.25% S/A 18Jun2018	3,000,000	-	(3,000,000)	-
Shimao Property Hldgs Ltd 5.75% S/A 15Mar2021	-	2,000,000	-	2,000,000
Shimao Property Hldgs Ltd 5.75% S/A 15Mar2021 (Funged)	-	2,000,000	(2,000,000)	-
Shui On Development Hldg Ltd 6.875% S/A 02Mar2021	-	3,000,000	-	3,000,000
Tianjin Eco-City Investment & Development Co Ltd 4.65% S/A 29Oct2018	2,000,000	-	(2,000,000)	-

CCB INTERNATIONAL RMB FUND SERIES
- CCB INTERNATIONAL - RMB FIXED INCOME FUND

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

	Movements in nominal value			
	At 31 December 2017 RMB	Additions RMB	Disposals RMB	At 31 December 2018 RMB
UNLISTED DEBT SECURITIES				
China				
Agricultural Development Bank Of China Co Ltd 4.02% A 10Nov2018 Cdc	-	5,000,000	(5,000,000)	-
Agricultural Bank Of China Ltd/Singapore 5% A 15Mar2018 Fxcd	1,000,000	-	(1,000,000)	-
Agricultural Development Bank Of China Co Ltd 3.85% A 06Jan2027 Cdc	-	10,000,000	(10,000,000)	-
Bank Of China Ltd/Tokyo 4.35% S/A 29Nov2020	-	2,000,000	-	2,000,000
Bank Of Communications Co Ltd/Sydney 4.3% A 30May2018 Fxcd	3,000,000	-	(3,000,000)	-
Beijing Jingneng Power Co Ltd 5.23% A 09Oct2018 Shch	-	6,000,000	(6,000,000)	-
China Development Bank 3.83% N/A 20Oct2018 Cdc	10,000,000	90,000,000	(100,000,000)	-
China Development Bank Corp 4.24% A 24Aug2027 Cdc	-	150,000,000	(150,000,000)	-
China Eastern Airlines Corp Ltd 4.16% A 18May2018	-	3,000,000	(3,000,000)	-
China Govt Bond 2.41% A 22Nov2019 Cdc	-	3,000,000	-	3,000,000
China Govt Bond 3.13% A 13Apr2022 Cdc	-	10,000,000	(10,000,000)	-
China Govt Bond 3.59% A 19Sep2022 Cdc	-	10,000,000	(10,000,000)	-
China National Petroleum Corp 3.28% A 06Nov2018 Shch	-	3,000,000	(3,000,000)	-
Citic Corp Ltd 4.35% A 30Apr2018 Shch	2,000,000	-	(2,000,000)	-
GD Power Development Co Ltd 4.58% A 13Jul2018 Shch	-	3,000,000	(3,000,000)	-
Huadian Power Intl Corp Ltd 4.28% A 04May2018 Shch	-	3,000,000	(3,000,000)	-
Shandong Hi-Speed Group Co Ltd 4.41% A 10Apr2018 Shch	-	3,000,000	(3,000,000)	-
South Cement Co Ltd 5.15% A 05Mar2019 Shch	-	3,000,000	(3,000,000)	-

CCB INTERNATIONAL RMB FUND SERIES
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INVESTMENT PORTFOLIO (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Nominal value RMB	Fair value RMB	% of net assets
LISTED DEBT SECURITIES			
Hong Kong			
Bank Of China Ltd/Johannesburg 4.88% S/A 20Apr2020	1,000,000	1,010,000	2.80
Beijing Capital Polaris Investment Co Ltd 5.2% S/A 26Mar2020	2,000,000	2,012,500	5.57
Car Inc 6.5% S/A 04Apr2021	2,000,000	1,889,000	5.23
Central Plaza Development Ltd 6.875% S/A 17Feb2019	2,000,000	2,000,000	5.54
China Construction Bank Corp 4.9% S/A 12Nov2024	2,000,000	2,005,000	5.55
Far East Horizon Ltd 4.9% S/A 27Feb2021	2,000,000	1,997,500	5.53
Lenovo Group Ltd 4.95% S/A 10Jun2020	3,000,000	2,988,750	8.28
London			
QNB Finance Ltd 5.1% A 08Mar2021	3,000,000	3,033,750	8.40
Singapore			
Chong Qing Grain Group Co Ltd 4.02% Q 14Jul2019	3,000,000	2,997,000	8.30
Country Garden Hldgs Co Ltd 5.8% S/A 12Mar2021	2,000,000	1,982,840	5.49
Fantasia Hldgs Group Co Ltd 9.5% S/A 04May2019	3,000,000	2,916,930	8.08
Shimao Property Hldgs Ltd 5.75% S/A 15Mar2021	2,000,000	1,988,660	5.51
Shui On Development Hldg Ltd 6.875% S/A 02Mar2021	3,000,000	2,994,270	8.29
		<hr/> 29,816,200	<hr/> 82.57
UNLISTED DEBT SECURITIES			
China			
Bank Of China Ltd/Tokyo 4.35% S/A 29Nov2020	2,000,000	2,013,180	5.58
China Govt Bond 2.41% A 22Nov2019 Cdc	3,000,000	2,994,945	8.29
		<hr/> 5,008,125	<hr/> 13.87
Total investment portfolio (Cost: RMB34,845,978)		34,824,325	96.44
Other net assets		<hr/> 1,285,488	<hr/> 3.56
Total net assets		<hr/> <hr/> 36,109,813	<hr/> <hr/> 100.00

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

CCB INTERNATIONAL RMB FUND SERIES
- CCB INTERNATIONAL - RMB FIXED INCOME FUND

PERFORMANCE TABLE (UNAUDITED)

(a) Price record (Dealing NAV)

Year/period ended 31 December	Highest RMB	Lowest RMB
2018	103.11	100.05
2017	101.43	97.56
2016	100.20	96.04
2015	100.31	95.06
2014	100.96	98.93
2013	101.14	95.72
2012	99.91	97.51
2011 (since inception)	100.41	98.01

(b) Total net asset value

	2018 RMB	2017 RMB	2016 RMB
Total net asset value	36,109,813	38,252,460	32,214,959

(c) Net asset value per unit

Net asset value per unit	101.88	100.16	98.11
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