



**CCB International - China Policy  
Driven Fund**

**31 December 2010**

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## Manager's report

### Market Review


During the first half of 2010, expectation of early exit of stimulus package, the European debt crisis, and domestic property market control measures all drove the market down. As the determinations of Chinese government to cool down the property market were far beyond market expectation, related policy beneficiaries including home appliance and building materials both hit hard and plunged around 20%-40% from their previous peak. The Fund managed to reduce volatility by selling index futures and cutting down positions of such heavy-weighted stocks.

Stepping into the second half of the year, the market started to rebound on back of good interim results, RMB appreciation to speed up, and global low interest rate environment. The Fund timely accumulated high beta policy beneficiaries, which performed well on strong order growth. As a result, the Fund achieved 16.43% return compared with 15.57% for HSI and 11.06% for HSCEI during the second half. In all, total return of the Fund for the year of 2010 was 3.15%, compared to HSCEI of 1.74%.

### Outlook and Strategy

As China's economic recovery is right on track and CPI turned positive at the beginning of the year, the central bank increased the deposit Reserve Requirement Ratio several times throughout the year, and further raised the benchmark deposit and lending rates twice in the fourth quarter while CPI climbed up to the high level of above 4%. The Central Economic Work Conference held in December stated that China's monetary policy will return from "moderately loose" to "steady", and price stabilization is set to be a major policy target in 2011. Hence, the monetary policy is expected to stay tightening before inflation shows a clear sign of slowdown. However, we believe China's thriving economy, and the second round of quantitative easing launched by the U.S. Federal Reserve should provide better ground for the Hong Kong stock market in 2011.

In 2010, the Fund mainly invested in the policy beneficiaries of "Golden Sun" program, "Ten thousand lights in ten cities" program, "Energy saving and emission reduction", "Construction materials go to the countryside", and "Minimum wage" increases, etc. Looking forward, the Fund will review the investment portfolio based on the coming 12th Five-Year Plan. Various polices including the income distribution reform, development of low-carbon economy, support for the seven newly-emerging strategic industries, resources tax reform, and acceleration of affordable housing construction are expected to be important investment themes of the Fund in the future.

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

Trustee's report  
CCB International - China Policy Driven Fund  
("the Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 12 January 2009, as amended, for the year ended 31 December 2010.



)  
)  
) 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 ("the Fund")

We have audited the accompanying financial statements of the Fund set out on pages 5 to 23, which comprise the statement of assets and liabilities as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity, distribution statement and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Manager's and Trustee's responsibilities for the financial statements*

The Manager and the Trustee are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material statement, whether due to fraud or error.

In addition, the Manager and the Trustee also have responsibility to ensure that the financial statements comply with the relevant disclosure provisions of the Trust Deed, as amended and the relevant disclosure requirements set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission ("the Code").

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



## Independent auditor's report to the unitholders of CCB International - China Policy Driven Fund ("the Fund") (continued)

### *Auditors' responsibility (continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of financial statements that give a true and fair value 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2010 and of its transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Report on other legal and regulatory requirements*

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements set out in the Code.

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

28 APR 2011

Statement of assets and liabilities as at 31 December 2010  
 (Expressed in Hong Kong dollars)

	Note	2010	2009
<b>Assets</b>			
Investments	5	\$ 536,420,480	\$ 409,813,150
Amounts due from brokers		8,404,606	4,229,910
Cash and cash equivalents	6(b)	9,964,013	9,486,121
<b>Total assets</b>		<u>\$ 554,789,099</u>	<u>\$ 423,529,181</u>
<b>Total equity</b>		<u>\$ 553,665,033</u>	<u>\$ 412,204,167</u>
<b>Liabilities</b>			
Amounts due to brokers		\$ -	\$ 10,450,794
Amounts due to unitholders on redemption of units		56,012	-
Other payables		1,068,054	874,220
<b>Total liabilities</b>		<u>\$ 1,124,066</u>	<u>\$ 11,325,014</u>
<b>Total equity and liabilities</b>		<u>\$ 554,789,099</u>	<u>\$ 423,529,181</u>
<b>Net assets attributable to unitholders (bid prices)</b>	10	<u>\$ 553,665,033</u>	<u>\$ 412,204,167</u>
<b>Total number of units in issue</b>	8	<u>30,225,246</u>	<u>23,292,418</u>
<b>Net asset value per unit at bid price</b>		<u>\$ 18.32</u>	<u>\$ 17.70</u>

Approved by the Trustee and the Manager on 28 APR 2011

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

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

The notes on pages 10 to 23 form part of these financial statements.

Statement of comprehensive income  
 for the year ended 31 December 2010  
 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2010	Period from 21 January 2009 (date of establishment) to 31 December 2009
Interest income	6(b)	\$ -	\$ 4,098
Dividend income		7,395,212	3,007,052
Net gain on investments	3	40,618,291	183,842,045
Net foreign exchange (loss)/gain		(900)	344
<b>Net investment income</b>		<u>\$ 48,012,603</u>	<u>\$ 186,853,539</u>
Brokerage commission and other transaction costs		\$ 17,510,659	\$ 9,274,557
Management fees	6(a)	8,436,696	4,871,144
Trustee's fees	6(c)	929,505	651,134
Transaction fees	6(c)	405,977	324,895
Auditors' remuneration		188,000	160,000
Formation costs		-	728,711
Legal and professional fees		44,133	31,500
Safe custody and bank charges		137,443	74,134
Miscellaneous expenses		75,924	39,530
<b>Operating expenses</b>		<u>\$ 27,728,337</u>	<u>\$ 16,155,605</u>
<b>Profit before taxation</b>		\$ 20,284,266	\$ 170,697,934
Taxation	4	(83,695)	(29,160)
<b>Profit and total comprehensive income for the year/period</b>		<u>\$ 20,200,571</u>	<u>\$ 170,668,774</u>

The notes on pages 10 to 23 form part of these financial statements.

## Statement of changes in equity for the year ended 31 December 2010

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>Year ended 31 December 2010</i>	<i>Period from 21 January 2009 (date of establishment) to 31 December 2009</i>
<b>Balance at beginning of 1 January 2010/21 January 2009</b>		\$ 412,204,167	\$ -
<b>Profit and total comprehensive income for the year/period</b>		\$ 20,200,571	\$ 170,668,774
<b>Transactions with unitholders recorded directly in equity</b>			
Proceeds from issue of units		\$ 163,077,765	\$ 278,280,871
Payments on redemption of units		(41,817,470)	(36,745,478)
<b>Total transactions with unitholders</b>		\$ 121,260,295	\$ 241,535,393
<b>Balance at end of 31 December</b>	10	\$ 553,665,033	\$ 412,204,167

The notes on pages 10 to 23 form part of these financial statements.

Statement of cash flows  
for the year ended 31 December 2010  
(Expressed in Hong Kong dollars)

	<i>Year ended 31 December 2010</i>	<i>Period from 21 January 2009 (date of establishment) to 31 December 2009</i>
<b>Operating activities</b>		
Interest received	\$ -	\$ 4,098
Dividend received	7,395,212	3,007,052
Payments on purchase of investments	(5,842,425,406)	(2,545,964,611)
Proceeds from sale of investments	5,741,878,437	2,326,122,976
Brokerage commission and other transaction costs paid	(17,578,219)	(9,183,143)
Management fees paid	(8,227,239)	(4,273,373)
Trustee's fees paid	(918,232)	(579,572)
Transaction fee paid to Trustee	(411,863)	(288,589)
Auditor's remuneration paid	(188,000)	-
Formation costs paid	-	(728,711)
Legal and professional fees paid	(44,133)	(31,500)
Safe custody and bank charges paid	(158,010)	(53,567)
Miscellaneous expenses paid	(77,267)	(51,172)
Tax paid	(83,695)	(29,160)
<b>Net cash used in operating activities</b>	<b>\$ (120,838,415)</b>	<b>\$ (232,049,272)</b>
<b>Financing activities</b>		
Proceeds from issue of units	\$ 163,077,765	\$ 278,280,871
Payments on redemption of units	(41,761,458)	(36,745,478)
<b>Net cash generated from financing activities</b>	<b>\$ 121,316,307</b>	<b>\$ 241,535,393</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 477,892</b>	<b>\$ 9,486,121</b>
<b>Cash and cash equivalents at 1 January 2010/21 January 2009</b>	<b>9,486,121</b>	<b>-</b>
<b>Cash and cash equivalents at 31 December</b>	<b>\$ 9,964,013</b>	<b>\$ 9,486,121</b>

The notes on pages 10 to 23 form part of these financial statements.

**Distribution statement**  
**for the year ended 31 December 2010**  
*(Expressed in Hong Kong dollars)*

	<i>Year ended 31 December 2010</i>	<i>Period from 21 January 2009 (date of establishment) to 31 December 2009</i>
<b>Amount available for distribution brought forward</b>	\$ 412,204,167	\$ -
Net subscriptions and redemptions of units	121,260,295	241,535,393
Total comprehensive income for the year/period	<u>20,200,571</u>	<u>170,668,774</u>
<b>Amount available for distribution carried forward</b>	<u>\$ 553,665,033</u>	<u>\$ 412,204,167</u>

***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.

The notes on pages 10 to 23 form part of these financial statements.

## Notes on the financial statements

(Expressed in Hong Kong dollars)

### 1 The Fund

CCB International - China Policy Driven Fund (“the Fund”) is an open-ended unit trust established under a Trust Deed dated 12 January 2009, which was amended during the year (“the Trust Deed”) 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.

The financial statements have been prepared on the historical cost basis except for financial assets and liabilities 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 judgements, 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.

## 2 Significant accounting policies (continued)

### (b) *Basis of preparation of the financial statements (continued)*

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.

### (c) *Foreign currency*

Foreign currency transactions during the period are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars at the foreign exchange rates ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are re-translated into Hong Kong dollars at the foreign currency exchange rates ruling at the dates that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the transaction date.

Foreign currency exchange differences relating to financial instruments at fair value through profit or loss are recognised in profit or loss in the “gains/losses on investments” line. All other foreign currency exchange differences relating to monetary items are recognised in profit or loss in the “net foreign exchange gain/loss” line.

### (d) *Financial assets and financial liabilities*

#### (i) Classification

All of the Fund’s investments are classified as financial assets at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the Fund has acquired principally for the purpose of short-term profit-taking. These investments include investments in equity securities, debt securities and derivatives financial instruments.

Financial assets that are classified as receivables include amounts due from brokers, subscriptions receivable, and interest and dividends receivable.

Financial liabilities that are not at fair value through profit or loss include amounts due to brokers, amounts due to unitholders on redemption of units and other payables.

#### (ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

## 2 Significant accounting policies (continued)

### (d) Financial assets and financial liabilities (continued)

#### (ii) Recognition (continued)

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of IAS 39.

#### (iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

Financial assets classified as receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities other than those at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

#### (iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

#### (v) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

## 2 Significant accounting policies (continued)

### (d) Financial assets and financial liabilities (continued)

#### (vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or when it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### (vii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Fund has a legally enforceable right to set off the recognised amounts and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously, e.g. through a market clearing mechanism.

#### (viii) Specific instruments

##### *Cash and cash equivalents*

Cash and cash equivalents comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, have three months of maturity at acquisition, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

#### (i) Dividends

Dividend income from listed investments is recognised in profit or loss when the share price of the investment is quoted ex-dividend. Dividend income from other investments is recognised when declared.

#### (ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Interest income on bank deposits is disclosed separately in profit or loss. Interest income on debt securities is included in gains on investments.

## 2 Significant accounting policies (continued)

### (f) Expenses

All expenses are recognised in profit or loss on an accruals basis.

### (g) Formation costs

Formation costs of the Fund are charged to the statement of comprehensive income as incurred.

### (h) Income tax expense

Under the section 26A(1A) of the Hong Kong Inland Revenue Ordinance, the Fund is exempt from paying income taxes.

Dividend and interest income received by the Fund may be subject to withholding tax imposed in the country of origin. Investment income is recorded gross of such taxes and the corresponding withholding tax is recognised as tax expense.

### (i) 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.

### (j) 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.

## 2 Significant accounting policies (continued)

### (k) *Units in issue*

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 Funds 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 equity.

### (l) *Segment reporting*

An operating segment is a component of the Fund that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Fund's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Funds is identified as the Manager, CCB International Asset Management Limited.

### 3 Net gain on investments

	<i>Year ended 31 December 2010</i>	<i>Period from 21 January 2009 (date of establishment) to 31 December 2009</i>
Equity investments	\$ 46,658,341	\$ 179,457,465
Debt securities	-	2,270,680
Derivative financial instruments	<u>(6,040,050)</u>	<u>2,113,900</u>
	<u>\$ 40,618,291</u>	<u>\$ 183,842,045</u>

### 4 Taxation

Taxation in the statement of comprehensive income represents:

	<i>Year ended 31 December 2010</i>	<i>Period from 21 January 2009 (date of establishment) to 31 December 2009</i>
Overseas withholding tax	<u>\$ 83,695</u>	<u>\$ 29,160</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(1A) 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

	2010	2009
Equity securities listed in Hong Kong	\$ 536,420,480	\$ 409,813,150
Investments, at cost	\$ 506,135,073	\$ 332,633,144
Net unrealised appreciation in value of investments	30,285,407	77,180,006
Investments, at market value	\$ 536,420,480	\$ 409,813,150

## 6 Related parties transactions

The following is a summary of transactions with related parties for the year/period. 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/period are as follows:

	Year ended 31 December 2010	Period from 21 January 2009 (date of establishment) to 31 December 2009
Management fees charged for the year/period	\$ 8,436,696	\$ 4,871,144
Management fees payable at year/period end	807,228	597,771

### (b) Bank balances

The Fund maintains bank accounts with The Hongkong and Shanghai Banking Corporation Limited and HSBC Futures (S) Pte Ltd, which are fellow subsidiaries of the Trustee. The balances of these accounts amounted to \$9,964,013 as at 31 December 2010 (2009: \$9,486,121). No interest income was earned from these bank balances during the year (2009: \$4,098).

## 6 Related parties transactions (continued)

### (c) *Trustee, custodian and administration fees*

The Trustee receives a fee equivalent to 0.125% per annum on net asset value of the Fund 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 working day. The trustee fees charged and payable for the year/period are as follows:

	<i>Year ended 31 December 2010</i>	<i>Period from 21 January 2009 (date of establishment) to 31 December 2009</i>
Trustee's fees charged for the year/period	\$ 929,505	\$ 651,134
Trustee's fees payable at year/period end	<u>82,835</u>	<u>71,562</u>

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

	<i>Year ended 31 December 2010</i>	<i>Period from 21 January 2009 (date of establishment) to 31 December 2009</i>
Transaction fees charged for the year/period	\$ 405,977	\$ 324,895
Transaction payable at year/period end	<u>30,420</u>	<u>36,306</u>

### (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:

	<i>2010</i>	<i>2009</i>
Total aggregate value of transactions executed during the year/period	\$ 1,790,859,921	\$ 638,987,297
Commission paid during the year/period	4,431,695	1,461,471
Average rate of commission	0.25%	0.23%
Percentage of these transactions in value to total transactions of the year/period	<u>15.47%</u>	<u>13.08%</u>

## 7 **Soft commission arrangements**

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

The goods and 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**

	2010	2009
Number of units in issue brought forward	23,292,418	-
Units issued during the year/period	9,279,709	25,757,602
Units redeemed during the year/period	(2,346,881)	(2,465,184)
	30,225,246	23,292,418
Number of units in issue as at 31 December	30,225,246	23,292,418

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, debt securities and derivative financial instruments. Details of such investments held as at 31 December 2010 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.

## 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.

#### *Price sensitivity*

The impact on a 5% increase in value of the investments at 31 December 2010, 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.

#### **As at 31 December 2010**

Market exposure	
– Listed equity securities	\$ 536,420,480
Change in net assets if equity price increased by 5%	<u>26,821,024</u>

#### **As at 31 December 2009**

Market exposure	
– Listed equity securities	\$ 409,813,150
Change in net assets if equity price increased by 5%	<u>20,490,658</u>

### (b) Interest rate risk

The Fund is exposed to interest rate risk to the extent that it earns bank interest on cash and deposits.

The Fund's financial assets and liabilities are non-interest bearing except for cash and cash equivalents amounted to \$9,941,581 as at 31 December 2010 (2009: \$9,197,552). At the date of statement of assets and liabilities, assuming all other factors unchanged, it is estimated that an increase in interest rates of 50 basis points would result in an increase in the net assets attributable to unitholders and the profit and total comprehensive income of the Fund by \$49,708 (2009: \$45,988).

### (c) Currency risk

As all the Fund's financial instruments at 31 December 2010 are denominated in Hong Kong dollars, the Fund is exposed to minimal foreign currency risk.

## **9 Financial instruments and associated risks (continued)**

### **(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.

At 31 December 2010, all of the Fund's financial assets were exposed to credit risk. As all of the cash is deposited with and investments are under custody of the Trustee's fellow subsidiaries, which belong to a reputable banking group, credit risk is considered to be low. 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's listed investments are considered to have insignificant exposure to liquidity risk as they are all readily realisable under normal condition.

As at 31 December 2010, the Fund's financial liabilities are due within three months.

### **(f) Fair value information**

The major method used in estimating the fair values of financial instruments were disclosed in note 2(d)(iv).

The carrying amounts of all the financial assets and financial liabilities at the date of statement of assets and liabilities approximated their fair values. For listed investments, the fair values were determined directly by reference to published price quotations. For other financial instruments, including amounts due from/to brokers, amounts due from/to unitholders and other payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

## 9 Financial instruments and associated risks (continued)

### (f) Fair value information (continued)

The amendments to IFRS 7, *Financial Instruments: Disclosures*, require disclosures relating to fair value measurements of financial instruments across three levels of a “fair value hierarchy”. The fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2010, all financial instruments of the Fund carried at fair value are equity investments of \$536,420,480 (2009: \$409,813,150) listed on the Stock Exchange of Hong Kong (see note 5). These instruments fall into Level 1 of the fair value hierarchy described above.

## 10 Reconciliation of net assets values

The net asset value presented in the financial statements (“NAV”) and that quoted for pricing purposes at the year/period end (“Dealing NAV”) are different as the principles for calculating the Dealing NAV as set out in the prospectus are different from that required for financial reporting purposes under IFRSs. The following reconciliation provides details of these differences:

	2010	2009
NAV as reported in the financial statements as at 31 December	\$ 553,665,033	\$ 412,204,167
Adjustments for different bases adopted by the Fund in arriving at the Dealing NAV:		
- Use of last traded pricing instead of bid pricing in valuing investments	946,500	1,989,760
Dealing NAV as at 31 December	<u>\$ 554,611,533</u>	<u>\$ 414,193,927</u>

## 11 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 December 2010 and which have not been adopted in these financial statements.

Of these developments, the following standard that may be relevant to the Fund's operations and financial statements:

*Effective for  
accounting periods  
beginning on or after*

IFRS 9, *Financial instruments*

1 January 2013

The Fund is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Fund's results of operations and financial position.

## 12 Segment information

The Manager make the strategic resource allocation on behalf of the Fund and have determined the operating segments based on the reports reviewed which are used to make strategic decisions.

The Manager consider that the Fund has a single operating segment which is investing in companies listed primarily on Hong Kong Stock exchange and/or international securities exchanges with the objective 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. There were no changes in the operating segment during the year.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities.

The Fund is domiciled in Hong Kong. All of the Fund's income from investments is from entities listed in Hong Kong.

The Fund has no assets classified as non-current assets. The Fund has a diversified portfolio of investments. Please refer to portfolio statement on page 24 for investment holdings.

The Fund regards its unitholders as customers, as it relies on their funding for continuing operations and meeting its objectives. The Fund's unitholding structure is exposed to a significant unitholders concentration. The Fund's largest unitholder as at 31 December 2010 represents 66.17% (2009: 85.86%) of the Fund's net asset value attributable to unitholders.

## Portfolio statement as at 31 December 2010

	<i>Holdings</i>	<i>Market value</i>	<i>% of NAV</i>
<b>Listed equities</b>			
<i>Hong Kong</i>			
Anhui Tianda Oil Pipe Co Ltd	2,000,000	\$ 6,800,000	1.23
Beijing Enterprises Hldgs Ltd	300,000	14,385,000	2.60
Bosideng Intl Hldgs Ltd	1,000,000	3,100,000	0.56
China Eastern Airlines Corp Ltd	2,302,000	9,069,880	1.64
China Everbright International Ltd	2,000,000	8,100,000	1.46
China Everbright Ltd	1,000,000	17,540,000	3.17
Ching Green (Holdings) Ltd	1,998,000	15,184,800	2.74
China Lilang Co Ltd	3,000,000	36,000,000	6.50
China Singyes Solar Tech Hldgs Ltd	5,116,000	32,742,400	5.91
China Tontine Wines Group Ltd	5,000,000	9,550,000	1.72
Chongqing Rural Commercial Bank Co	2,000,000	10,400,000	1.88
Giordano International Ltd	3,000,000	13,500,000	2.44
Guangzhou R&F Properties Co Ltd	1,000,000	10,940,000	1.98
Hengan Intl Group Co Ltd	300,000	20,115,000	3.63
Kunlun Energy Co Ltd	3,000,000	35,940,000	6.49
Lansen Pharmaceutical Holdings Ltd	4,000,000	13,400,000	2.42
Maanshan Iron & Steel Co Ltd	5,000,000	20,600,000	3.72
Oriental Watch Holdings Ltd	2,000,000	8,700,000	1.57
Peak Sport Products Ltd	6,000,000	30,600,000	5.53
Poly (Hong Kong) Investment Ltd	2,000,000	15,120,000	2.73
Shenzhou International Group Holdings Ltd	2,000,000	17,820,000	3.22
Sino-ocean Land Holdings Ltd	4,000,000	20,160,000	3.64
Sun International Group Ltd	8,000,000	15,200,000	2.75
Sustainable Forest Holdings Ltd	46,480,000	15,338,400	2.77
TC Interconnect Holdings Ltd	11,000,000	42,350,000	7.65
Vinda International Holdings Ltd	1,500,000	12,825,000	2.32
Xinyi Glass Hldg Co Ltd	7,000,000	44,800,000	8.09
Yingde Gases Group Co Ltd	5,200,000	36,140,000	6.53
<b>Total listed equities</b>		<b>\$536,420,480</b>	<b>96.89</b>
<b>Other net assets</b>		<b>17,244,553</b>	<b>3.11</b>
<b>Total net assets</b>		<b>\$553,665,033</b>	<b>100.00</b>
<b>Total cost of investments</b>		<b>\$506,135,073</b>	

Statement of movements in portfolio holdings  
for the year ended 31 December 2010  
(Expressed in Hong Kong dollars)

	<i>% of net assets</i>	
	<i>2010</i>	<i>2009</i>
<b>Listed shares</b>		
Hong Kong	<u>96.89</u>	<u>99.42</u>
<b>Total investments</b>	<u>96.89</u>	<u>99.42</u>
<b>Other net assets</b>	<u>3.11</u>	<u>0.58</u>
<b>Total net assets</b>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

**Performance record**  
(Expressed in Hong Kong dollars)

**(a) Price record (Dealing NAV)**

<i>Year</i>	<i>Lowest</i>	<i>Highest</i>
2010	14.85	19.22
2009	<u>9.94</u>	<u>17.79</u>

**(b) Total net asset value (at bid prices)**

	<i>2010</i>	<i>2009</i>
Total net asset value	<u>\$ 553,665,033</u>	<u>\$ 412,204,167</u>

**(c) Net asset value per unit (at bid prices)**

	<i>2010</i>	<i>2009</i>
Net asset value per unit	<u>\$ 18.32</u>	<u>\$ 17.70</u>

## Administration

### Manager

CCB International Asset Management Limited  
34/F, Two Pacific Place  
88 Queensway  
Admiralty  
Hong Kong

### Directors of the Manager

Ho Siu Kee David  
Li Ngai  
Liu Bin  
Lo Chak Bong Alfred Bing  
Rattiwat Samson  
Song Yi (resigned on 8 April 2011)  
Xu Xiao Lin  
Zhang Weiwen (appointed on 24 March 2010 and  
resigned on 1 October 2010)  
Yang Feng (appointed on 17 November 2010)  
Bai Yue (appointed on 17 January 2011)

### 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

KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong