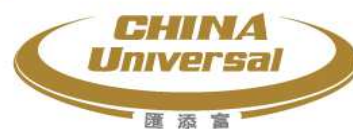


Annual Report

CHINA UNIVERSAL INTERNATIONAL SERIES –
CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series, an
umbrella unit trust established under the laws of Hong Kong)

31 December 2016



CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

CONTENTS

	Pages
ADMINISTRATION AND MANAGEMENT	1
REPORT OF THE MANAGER TO THE UNITHOLDER	2
REPORT OF THE TRUSTEE TO THE UNITHOLDER	3
INDEPENDENT AUDITOR'S REPORT	4 - 6
AUDITED FINANCIAL STATEMENTS	
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of changes in net assets attributable to unitholders	10
Statement of cash flows	11
Notes to the financial statements	12 - 33
UNAUDITED INVESTMENT PORTFOLIO	34 - 35
UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS	36 - 38
UNAUDITED PERFORMANCE TABLE	39

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

ADMINISTRATION AND MANAGEMENT

MANAGER

China Universal Asset Management (Hong Kong) Company
Limited
3710-11, Two International Finance Centre
8 Finance Street
Central
Hong Kong

DIRECTORS OF THE MANAGER

LI Wen
WAN Qing
ZHANG Hui

SOLICITORS TO THE MANAGER

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

TRUSTEE AND REGISTRAR

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

AUDITOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

CUSTODIAN

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

REPORT OF THE MANAGER TO THE UNITHOLDERS

Fund Performance

For the year ended 31 December 2016, the Class I of CUAM China-Hong Kong Strategy Fund had an accumulated gain of 4.45%. Since the inception on 16 November 2012, Class I achieved an accumulative return of 28.42%. The Class A of CUAM China-Hong Kong Strategy Fund had an accumulated loss of 21.23% since its inception date on 17 April 2015.

Market Review

In terms of fundamental, the Chinese economy is still in the recovering process. Macro data so far has been positive. Purchasing Manager's Index (PMI), trade and other high-frequency indicators point to solid demand from both domestic construction and a pickup in manufacturing abroad.

From capital point of view, we believe the relatively tight monetary policy of People's Bank of China ("PBoC") will continue. Foreign exchange reserves in February turned positive for the first time in eight months, pointing to significant easing of the outflow pressure seen in the last three years. In turn, the PBoC turned to liquidity withdrawal, which also helped to keep the front-end interbank rate tight. While average Consumer Price Index (CPI) is below the government target of 3%, benefiting from moderate food prices, the underlying pressure remains given the cost push from higher production costs and solid end demand. As a result, we see little room for policy easing or lower interest rates in the near-term.

However, it is anticipated that Hong Kong stock market will see continuous capital inflow from mainland China, as institutional investors have strong demand for overseas assets.

Market Outlook

We are optimistic on Hong Kong stock market due to the above fundamental and capital flow reasons. Domestic demand might be boosted by property sector and infrastructure construction; overseas improving momentum also stimulated exports; from bottom-up research, we learnt that general willingness to consume also recovered. On the one hand, the recovery of economy would help improve corporate profitability; on the other hand, domestic capital has shown strong demand for overseas assets, which might bring additional capital for Hong Kong market, with more and more Shanghai-Hong Kong-Shenzhen connect products coming out. As a result, we take an optimistic perspective on Hong Kong market in the mid-long term.

For and on behalf of
China Universal Asset Management (Hong Kong) Company Limited, the Manager

24 April 2017

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager, China Universal Asset Management (Hong Kong) Company Limited, has, in all material respects, managed China Universal International Series – CUAM China-Hong Kong Strategy Fund for the year ended 31 December 2016 in accordance with the provisions of the trust deed dated 29 December 2011 as amended by three supplemental deeds dated 5 October 2012, 15 July 2013 and 25 August 2016 (collectively, the "Trust Deed").

On behalf of
BOCI-Prudential Trustee Limited, the Trustee

24 April 2017

Independent auditor's report

To the Trustee and the Manager of

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND

(A Sub-Fund of China Universal International Series, an umbrella unit trust established under the laws of Hong Kong)

Opinion

We have audited the financial statements of China Universal International Series – CUAM China-Hong Kong Strategy Fund (a sub-fund of China Universal International Series (the "Trust") and referred to as the "Sub-Fund") set out on pages 7 to 33, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. 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 are independent of the Sub-Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Annual Report

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)

To the Trustee and the Manager of

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND

(A Sub-Fund of China Universal International Series, an umbrella unit trust established under the laws of Hong Kong)

Responsibilities of the Manager and the Trustee for the financial statements

The Manager and the Trustee of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, 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 misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee of the Sub-Fund are 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 Manager and the Trustee either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 29 December 2011 as amended by three supplemental deeds dated 5 October 2012, 15 July 2013 and 25 August 2016 (collectively, the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds ("the SFC Code") issued by the Hong Kong Securities and Futures Commission.

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 is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism 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.

Independent auditor's report (continued)

To the Trustee and the Manager of

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND

(A Sub-Fund of China Universal International Series, an umbrella unit trust established under the laws of Hong Kong)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Manager and the Trustee.
- Conclude on the appropriateness of the Manager's and the Trustee'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.

We communicate with the Manager and the Trustee 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 provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

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

Certified Public Accountants
Hong Kong
24 April 2017

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 HK\$	2015 HK\$
INCOME			
Dividend income		3,865,749	3,219,088
Interest income		1,690	538
Net gains/(loss) on financial assets at fair value through profit or loss	7	<u>5,381,779</u>	<u>(12,346,115)</u>
		<u>9,249,218</u>	<u>(9,126,489)</u>
EXPENSES			
Management fee	4	(1,150,848)	(1,187,574)
Trustee fee	4	(420,000)	(420,000)
Custodian fee	4	(27,783)	(29,345)
Broker commission and investment transaction fee		(781,285)	(652,080)
Other expenses		<u>(51,549)</u>	<u>(13,829)</u>
		<u>(2,431,465)</u>	<u>(2,302,828)</u>
PROFIT/(LOSS) BEFORE TAX		6,817,753	(11,429,317)
Income tax	5	<u>(123,195)</u>	<u>(163,906)</u>
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u><u>6,694,558</u></u>	<u><u>(11,593,223)</u></u>

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK\$	2015 HK\$
ASSETS			
Financial assets at fair value through profit or loss	7	166,117,514	159,279,740
Cash and bank balances	8	6,020,477	531,521
Amount due from broker		3,505,167	-
Prepayment and other receivables		<u>126,932</u>	<u>26,878</u>
TOTAL ASSETS		<u><u>175,770,090</u></u>	<u><u>159,838,139</u></u>
LIABILITIES			
Management fee payable	4	108,813	101,803
Trustee fee payable	4	35,000	35,000
Amount due to broker		5,177,320	-
Other payables and accruals		<u>5,453</u>	<u>2,552</u>
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u><u>5,326,586</u></u>	<u><u>139,355</u></u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	10	<u><u>170,443,504</u></u>	<u><u>159,698,784</u></u>
NUMBER OF UNITS IN ISSUE			
- Class A (HKD) units	9	16,733,076	4,912,180
- Class I (HKD) units	9	13,262,287,674	12,986,339,747
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT			
- Class A (HKD) units		7.876	7.578
- Class I (HKD) units		12.842	12.295

For and on behalf of
China Universal Asset Management (Hong Kong)
Company Limited, as the Manager

For and on behalf of
BOCI-Prudential Trustee Limited,
as the Trustee

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CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Total equity HK\$
At 1 January 2015	138,053,926
Reclassification of the redeemable units as financial liabilities	(138,053,926)
At 31 December 2015 and 31 December 2016	-

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2016

	HK\$
At 1 January 2015	-
Reclassification of the redeemable units as financial liabilities	138,053,926
Subscription of units	34,729,382
Redemption of units	(1,491,301)
Decrease in net assets attributable to unitholders during the year	<u>(11,593,223)</u>
At 31 December 2015 and 1 January 2016	159,698,784
Subscription of units	10,099,000
Redemption of units	(6,048,838)
Increase in net assets attributable to unitholders during the year	<u>6,694,558</u>
At 31 December 2016	<u><u>170,443,504</u></u>

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 HK\$	2015 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		6,817,753	(11,429,317)
Adjustments for:			
Interest income on bank deposits		(1,690)	(538)
Dividend income		(3,865,749)	(3,219,088)
		<u>2,950,314</u>	<u>(14,648,943)</u>
Increase in financial assets at fair value through profit or loss		(6,837,774)	(32,233,228)
(Increase)/decrease in amount due from broker		(3,505,167)	10,321,190
(Increase)/decrease in prepayment and other receivables		(100,054)	35,435
Increase in management fee payable		7,010	10,363
Decrease in trustee fee payables		-	(2,333)
Increase/(decrease) in amount due to broker		5,177,320	(5,477,148)
Increase/(decrease) in other payables and accruals		<u>2,901</u>	<u>(5,600)</u>
Net cash used in operations		(2,305,450)	(42,000,264)
Interest received		1,690	538
Dividend received, net of tax		<u>3,742,554</u>	<u>3,055,182</u>
Net cash flows from/(used in) operating activities		<u>1,438,794</u>	<u>(38,944,544)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		10,099,000	34,729,382
Payments on redemption of units		(6,048,838)	(1,491,301)
Net cash flows from financing activities		<u>4,050,162</u>	<u>33,238,081</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		5,488,956	(5,706,463)
Cash and cash equivalents at beginning of year		<u>531,521</u>	<u>6,237,984</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>6,020,477</u></u>	<u><u>531,521</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	8	<u><u>6,020,477</u></u>	<u><u>531,521</u></u>

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1. THE SUB-FUND

China Universal International Series (the "Trust") was constituted as an open-ended unit trust established under the laws of Hong Kong pursuant to the trust deed dated 29 December 2011 as amended by three supplemental deeds dated 5 October 2012, 15 July 2013 and 25 August 2016 (collectively, the "Trust Deed"). As at 31 December 2016, the Trust consists of three sub-funds namely CUAM RMB Bondplus Fund, CUAM China-Hong Kong Strategy Fund and CUAM Hong Kong Dollar Bond Fund.

CUAM China-Hong Kong Strategy Fund (the "Sub-Fund") was commenced as a separate sub-fund of the Trust on 16 November 2012. The Sub-Fund is an open-ended unit trust authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under Section 104(1) of the Securities and Futures Ordinance (the "SFO") and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code"). Authorisation by the SFC does not imply official approval or recommendation.

The Manager of the Sub-Fund is China Universal Asset Management (Hong Kong) Company Limited (the "Manager") and the Trustee is BOCI-Prudential Trustee Limited (the "Trustee"). The Custodian is Bank of China (Hong Kong) Limited (the "Custodian").

Two classes of units, namely Class A units and Class I units, are available for subscription for the Sub-Fund. Class A units and Class I units are subject to different management fee. For the year ended 31 December 2016, Class A units and Class I units were in issue.

The investment objective of the Sub-Fund is to achieve medium to long-term capital growth through investing primarily in securities of companies which are established in the People's Republic of China ("PRC"), Hong Kong, Macau and Taiwan ("Greater China") or having their income, revenue, assets, economic activities, business or operations associated with Greater China.

The Sub-Fund primarily invests in equity securities listed on the Hong Kong Stock Exchange ("HKEx") and, to a lesser extent, in equity securities listed on other stock exchanges around the world, debt securities, and other collective investment schemes. The target asset allocation is that at least 70% of the Sub-Fund's net asset value will be invested in equity securities listed on the HKEx, and less than 30% of its net asset value in equity securities listed on other stock exchanges around the world, debt securities, and other collective investment schemes, subject to the investment and borrowing restrictions in the Explanatory Memorandum. The Sub-Fund's aggregate exposure in onshore mainland China market will not be more than 20% of its net asset value.

The Sub-Fund may have direct exposure to China A-Share using Renminbi Qualified Foreign Institutional Investors ("RQFII") quota of the Manager (as RQFII holder) and China B-Shares. The Sub-Fund may also directly invest in certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect. Besides, the Sub-Fund may invest in exchange-traded funds ("ETF") listed on the HKEx with exposure to China A-Shares (including physical and synthetic ETFs).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E to the SFC Code.

The financial statements have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. The financial statements are presented in Hong Kong Dollar ("HK\$") and all values are rounded to the nearest HK\$ except where otherwise indicated.

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting principles adopted in the current year are consistent with those of the prior year; except that the Sub-Fund has adopted the following new revised accounting standard:

Amendments to HKAS 1 *Disclosure Initiative*
Annual Improvements to HKFRSs 2012-2014 Cycle

The nature and the impact of the amendments are described below:

Amendments to HKAS 1 - *Disclosure Initiative*

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Sub-Fund's financial statements.

Amendments under *Annual Improvements to HKFRSs 2012-2014 Cycle*

The Sub-Fund has applied the applicable improvement for the first time in these financial statements. This includes:

HKFRS 7 *Financial Instruments: Disclosures*: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the HKFRS 7 disclosures are required.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED

The Sub-Fund has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

In September 2014, the HKICPA issued the final version of HKFRS 9, which reflects all phases of the financial instruments project and replaces HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Sub-Fund expects to adopt the new standard from 1 January 2018. The Sub-Fund is currently assessing the impact of the standard upon adoption.

Amendments to HKAS 7 were issued in June 2016 and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Sub-Fund expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) Classification

The Sub-Fund classifies its financial assets and liabilities into the categories below in accordance with HKAS 39.

Financial assets at fair value through profit or loss

The Sub-Fund classifies all of its investments as financial assets held for trading.

Financial assets held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes equity securities. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Fund includes in this category amounts relating to cash and bank balances, amount due from broker and other receivables.

Financial liabilities at amortised cost

The Sub-Fund includes in this category amounts relating to management fee payable, trustee fee payable, amount due to broker and other payables and accruals.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Recognition

The Sub-Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the financial asset.

(iii) Initial measurement

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Loans and receivables and financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in "Net gains or losses on financial assets at fair value through profit or loss". Dividend revenue elements of such instruments are recorded separately in "Dividend income".

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement; and either (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset, or (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained.

The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled, or expired.

Fair value measurement

The Sub-Fund measures financial instruments, such as, equities investments at fair value at each reporting date.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible by the Sub-Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Based on quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-Fund determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of financial assets

The Sub-Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. An impairment exists if one or more events that have occurred after the initial recognition of the asset and have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Sub-Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to profit or loss.

Interest income on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

These financial statements are presented in HK\$, which is the Sub-Fund's functional and presentation currency. Foreign currency transactions recorded by the Sub-Fund are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the reporting date. Differences arising on settlement or transaction of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss as part of the "Net gains or losses on financial assets and liabilities at fair value through profit or loss".

Functional currency

The Sub-Fund's functional currency is HK\$, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance is evaluated and its liquidity is managed in HK\$. Therefore, the HK\$ is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Sub-Fund's presentation currency is also HK\$.

Amount due to broker

Amount due to broker is payable for securities purchased (in a regular way transaction) that has been contracted for but not yet delivered on the reporting date. Refer to the accounting policy for financial liabilities, other than those classified as at fair value through profit or loss, for recognition and measurement.

Amount due from broker

Amount due from broker is receivable for securities sold (in a regular way transaction) that has been contracted for but not yet delivered on the reporting date. Refer to the accounting policy for loans and receivables for recognition and measurement.

Net assets attributable to unitholders

The Sub-Fund issues redeemable units, namely Class A units and Class I units, which are redeemable at the unitholder's option and are classified as financial liabilities.

The unitholders can redeem the units during the Hong Kong business days of each calendar month or such other day or days determined by the Manager and Trustee may agree from time to time for cash equal to a proportionate share of the Sub-Fund's net assets attributable to unitholders of the relevant classes.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets attributable to unitholders (continued)

Redeemable units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net assets attributable to unitholders per unit at the time of issue or redemption. The Sub-Fund's net assets attributable to unitholders per unit is calculated by dividing the net assets attributable to unitholders by the number of units in issue.

Prior to the issuance of Class A units in 2015, only Class I units were in issue. The Sub-Fund's redeemable units met the definition of puttable instruments classified as equity instruments under the revised HKAS 32 and were then classified as equity.

Cash and cash equivalents

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand, demand deposits, and short-term deposits in bank, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash balances as defined above, net of outstanding bank overdrafts when appropriate.

Interest income

Interest income is recognised in profit or loss for all interest-bearing financial instruments as it accrues, using the effective interest method.

Dividend income

Dividend income is recognised when the Sub-Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss.

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

This item includes changes in the fair value of financial assets as "at fair value through profit or loss" and excludes interest and dividend income.

Unrealised gains and losses comprise changes in the fair value of financial assets for the year and from reversal of prior period's unrealised gains and losses for financial assets which were realised in the reporting period.

Realised gains and losses on disposals of financial assets classified as "at fair value through profit or loss" are calculated using the weighted average method. They represent the difference between an instrument's average cost and disposal amount.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Sub-Fund if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Sub-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-Fund are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Sub-Fund are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-Fund or to the parent of the Sub-Fund.

Taxes

The Sub-Fund is exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Sub-Fund presents the withholding tax separately from the gross investment income in profit or loss. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

Distributions to unitholders

Distributions are at the discretion of the Manager. A distribution to the Sub-Fund's unitholders is included in profit or loss as the "finance costs". A proposed distribution is recognised as a liability in the year in which it is approved by the Manager of the Sub-Fund. The Manager does not intend to make any distribution of income in respect of the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Sub-Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements

In the process of applying the Sub-Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Sub-Fund's management has made an assessment of the Sub-Fund ability to continue as a going concern and is satisfied that the Sub-Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Sub-Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Sub-Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Sub-Fund. Such changes are reflected in the assumptions when they occur.

4. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS AND RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions entered into during the year between the Sub-Fund and the Manager and their 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, the Manager and their 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:

Holdings of the Sub-Fund

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

4. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS AND RELATED PARTY TRANSACTIONS (continued)

Holdings of the Sub-Fund (continued)

The holdings of Class I (HKD) units of the Sub-Fund by the Manager as at 31 December 2016 were as follows:

At 31 December 2016

	Units outstanding at 31 December 2015	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2016
CUAM China-Hong Kong Strategy Fund – Class I (HKD)	<u>10,005,236.681</u>	<u>-</u>	<u>-</u>	<u>10,005,236.681</u>

The holdings of Class I (HKD) units of the Sub-Fund by the Manager as at 31 December 2015 were as follows:

At 31 December 2015

	Units outstanding at 31 December 2014	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2015
CUAM China-Hong Kong Strategy Fund – Class I (HKD)	<u>10,005,236.681</u>	<u>-</u>	<u>-</u>	<u>10,005,236.681</u>

Brokerage commission

BOCI Securities Limited, an affiliate of the Trustee, rendered brokerage services for the Sub-Fund's purchases and sales of securities. The Sub-Fund did not enter into any transactions with any related broker for the year ended 31 December 2016. During the year ended 31 December 2015, the transaction details were as follows:

2015

	Aggregate value of purchases and sales of securities HK\$	Total commission paid HK\$	% of Sub-Fund's total transactions during the year %	Average commission rate %
BOCI Securities Limited	64,074,703	60,117	19.15%	0.09%

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

4. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS AND RELATED PARTY TRANSACTIONS (continued)

Bank deposits and investments held by the Trustee's affiliates

The Sub-Fund's bank deposits and investments were held by the Trustee's affiliates, Bank of China (Hong Kong) Limited. Further details of the bank balances held are described in note 8 to the financial statements. During the year, interest income on these bank balances was HK\$1,690 (2015: HK\$538).

Management fee

The Manager is entitled to receive, on an annual basis, a management fee from the Sub-Fund, at a rate of 1.25% for Class A units and 0.75% for Class I units per annum (up to maximum of 3% per annum in total by giving not less than one month's prior notice to the unitholders) with respect to the net assets attributable to holders of redeemable units of each class of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears.

Trustee fee

The Trustee is entitled to receive, on an annual basis, a trustee fee from the Sub-Fund, at a rate of 0.15% per annum (up to maximum of 0.5% per annum by giving not less than one month's prior notice to the unitholders) of the net assets attributable to holders of redeemable units of the Sub-Fund calculated, subject to a minimum monthly fee of HK\$35,000, and accrued on each dealing day and is paid monthly in arrears.

Custodian fee

The Custodian is entitled to receive, on an annual basis, custodian fees from the Sub-Fund, at a rate up to 0.1% per annum of the net assets attributable to unitholders of the Sub-Fund calculated and is paid monthly in arrears.

Certain charges, fees and expenses borne by the Manager

Pursuant to the Explanatory Memorandum dated October 2015 of the Sub-Fund, certain charges, fees and expenses which are attributable to the Sub-Fund are borne by the Manager at its discretion stating from 1 January 2014 until a future date as notified by the Manager. For the year ended 31 December 2016, the Manager borne and paid a total sum of HK\$467,439 (2015: HK\$467,419) for the Sub-Fund.

Investment handling fee

The Sub-Fund pays investment handling fee of HK\$100 per transaction to the Trustee. For the year ended 31 December 2016, no investment handling fee was charged to the Sub-Fund as this was borne by the Manager (2015: Nil).

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

5. INCOME TAX

Hong Kong tax

No provision for Hong Kong profits tax has been made for the Sub-Fund. The Sub-Fund is authorised by the SFC as a collective investment scheme pursuant to Section 104 of the SFO for offering to the retail public in Hong Kong. It is exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

PRC tax

Under PRC laws and regulations, foreign investors (such as the Sub-Fund) may be subject to a 10% withholding tax on income (such as dividend/interest and capital gains) imposed on securities issued by PRC tax resident enterprises.

Withholding tax

A 10% PRC withholding tax is levied on dividend and interest derived by foreign investors from PRC companies which would have the obligation to withhold the tax on behalf of the foreign investors. As such, the issuers would have the obligation to withhold the tax on behalf of the Sub-Fund for the 10% withholding tax imposed on dividend and interest income. The Sub-Fund has recognised dividend income of listed equity securities. The withholding tax of listed equity securities for the year ended 31 December 2016 was HK\$123,195 (2015: HK\$163,906).

6. DISTRIBUTION

According to the distribution policy as stated in the Explanatory Memorandum of the Sub-Fund, the Manager does not intend to make any distribution of income in respect of the Sub-Fund.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$	2015 HK\$
Held for trading:		
Listed equity securities	<u>166,117,514</u>	<u>159,279,740</u>
Net (losses)/gains recognised in relation to financial assets at fair value through profit or loss:		
Realised (loss)/gain	(15,297,322)	6,373,954
Unrealised gain/(loss)	<u>20,679,101</u>	<u>(18,720,069)</u>
Net gains/(losses)	<u>5,381,779</u>	<u>(12,346,115)</u>

The fair value of financial assets traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Sub-Fund is the last traded price.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The following table shows an analysis of the Sub-Fund's financial assets measured at fair value at 31 December 2016 and at 31 December 2015.

At 31 December 2016

	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
<u>Financial assets at fair value</u> <u>through profit or loss</u> <u>– held for trading:</u>				
Listed equity securities	<u>166,117,514</u>	<u>-</u>	<u>-</u>	<u>166,117,514</u>

At 31 December 2015

	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
<u>Financial assets at fair value</u> <u>through profit or loss</u> <u>– held for trading:</u>				
Listed equity securities	<u>159,279,740</u>	<u>-</u>	<u>-</u>	<u>159,279,740</u>

When fair values of listed equity securities at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

There are no investments classified within Level 2 and Level 3 and no transfers of fair value measurements between Level 1 and Level 2 during the year ended 31 December 2016 and 31 December 2015.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

8. CASH AND BANK BALANCES

The cash at banks held with the Custodian of the Sub-Fund, was placed into accounts bearing floating interest.

9. NUMBER OF UNITS IN ISSUE

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

	Number of Class A (HKD) units	Number of Class I (HKD) units
At 1 January 2015	-	10,700,760.779
Subscription of units	108,963.110	2,349,208.935
Redemption of units	(104,050.930)	(63,629.967)
At 31 December 2015 and 1 January 2016	4,912.180	12,986,339.747
Subscription of units	11,820.896	745,323.098
Redemption of units	-	(469,375.171)
At 31 December 2016	<u>16,733.076</u>	<u>13,262,287.674</u>

10. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

The Sub-Fund initially had only one class of redeemable shares (Class I) outstanding which met the conditions to be classified as equity. During the year ended 31 December 2015, following the issuance of Class A units which are subject to different fee structures, the Sub-Fund concluded that the condition that the financial instruments have identical features was no longer met under HKAS32. Therefore, the Sub-Fund has prospectively reclassified the redeemable units as financial liabilities. The amount reclassified was the entire equity balance which was determined to be the fair value of the liability to unitholders at the date of the reclassification.

For the year ended 31 December 2016 and 31 December 2015, Class A units and Class I units were in issue.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk management

Risk is inherent in the Sub-Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling risks. In perspective of risk management, the Sub-Fund's objective is to create and protect value for unitholders.

The Sub-Fund is exposed to market risk (which includes equity price risk, interest rate risk and foreign exchange risk), credit and counterparty risk and liquidity risk arising from the financial instruments it holds.

Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments. Market movement may therefore result in substantial fluctuation in the net assets attributable to unitholders per unit of the Sub-Fund.

The maximum credit risk resulting from financial instruments approximate their carrying amounts.

The Sub-Fund assumes market risk in trading activities. The Sub-Fund distinguishes market risk as follows:

- Equity price risk
- Interest rate risk
- Foreign exchange risk

Equity 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, either caused by factors specific to the individual instrument or factors affecting all instruments in the market. The Sub-Fund is exposed to equity price risk as changes in prices of equity instruments of its investments will affect its net asset value. Equity price risk can be mitigated by constructing a diversified portfolio of investment across different issuers, different sectors or traded on different markets by the investment strategies of investment manager.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

Market risk (continued)

Equity price risk (continued)

Management's estimation of the effect on changes in net assets attributable to unitholders for the period due to a reasonably possible change in the applicable equity index, MSCI China Index¹, which is an internally predetermined reference for equity investment of the Sub-Fund, with all other variables held constant, is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

At 31 December 2016

	Change in equity prices	Effect on net assets attributable to unitholders and on changes in net assets attributable to unitholders for the year HK\$/Unit
MSCI China Index ¹	±5%	±0.625

At 31 December 2015

	Change in equity prices	Effect on net assets attributable to unitholders and on changes in net assets attributable to unitholders for the year HK\$/Unit
MSCI China Index ¹	±5%	±0.613

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates.

The Manager considers that the Sub-Fund is not subject to significant risk due to fluctuations in the prevailing level of market interest rate. As the Sub-Fund has no investments in fixed income assets, the Manager considers that changes in the fair value of the investment portfolio of the Sub-Fund in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis of the investment portfolio of the Sub-Fund is presented.

¹ The index is for reference only, not for benchmark

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

Market risk (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Sub-Fund holds assets and liabilities predominately denominated in HK\$, the functional currency of the Sub-Fund. The Manager considers the Sub-Fund is not exposed to significant currency risk and therefore no sensitivity analysis is presented.

Liquidity risk

Liquidity risk is defined as the risk that the Sub-Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Sub-Fund could be required to pay its liabilities or redeem its units earlier than expected. The Sub-Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Sub-Fund's net asset value per unit at the time of redemption, calculated in accordance with the Sub-Fund's Trust Deed. It is the Sub-Fund's policy that the Manager monitors the Sub-Fund's liquidity position on a daily basis.

The table below summarises the maturity profile of Sub-Fund's financial liabilities at the end of the reporting period based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Sub-Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Sub-Fund's contractual commitments and liquidity.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Sub-Fund can be required to pay.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

Liquidity risk (continued)

Financial assets

Analysis of equity securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

At 31 December 2016

	Less than 3 months HK\$	3 to 6 months HK\$	Others* HK\$	Total HK\$
<u>Financial assets</u>				
Financial assets at fair value				
through profit or loss	166,117,514	-	-	166,117,514
Cash and bank balances	6,020,477	-	-	6,020,477
Amount due from broker	3,505,167	-	-	3,505,167
Financial assets included in prepayment and other receivables	<u>119,932</u>	<u>-</u>	<u>-</u>	<u>119,932</u>
Total financial assets	<u>175,763,090</u>	<u>-</u>	<u>-</u>	<u>175,763,090</u>
<u>Financial liabilities</u>				
Management fee payable	108,813	-	-	108,813
Trustee fee payable	35,000	-	-	35,000
Amount due to broker	5,177,320	-	-	5,177,320
Other payables and accruals	5,453	-	-	5,453
Net assets attributable to unitholders*	<u>-</u>	<u>-</u>	<u>170,443,504</u>	<u>170,443,504</u>
Total financial liabilities	<u>5,326,586</u>	<u>-</u>	<u>170,443,504</u>	<u>175,770,090</u>

* As detailed in the explanatory memorandum of the Sub-Fund, the redeemable participating units might be subject to redemption restrictions.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

Liquidity risk (continued)

Financial assets (continued)

At 31 December 2015

	Less than 3 months HK\$	3 to 6 months HK\$	Others* HK\$	Total HK\$
<u>Financial assets</u>				
Financial assets at fair value				
through profit or loss	159,279,740	-	-	159,279,740
Cash and bank balances	531,521	-	-	531,521
Financial assets included in prepayment and other receivables	<u>19,878</u>	<u>-</u>	<u>-</u>	<u>19,878</u>
Total financial assets	<u>159,831,139</u>	<u>-</u>	<u>-</u>	<u>159,831,139</u>
<u>Financial liabilities</u>				
Management fee payable	101,803	-	-	101,803
Trustee fee payable	35,000	-	-	35,000
Other payables and accruals	2,552	-	-	2,552
Net assets attributable to unitholders*	<u>-</u>	<u>-</u>	<u>159,698,784</u>	<u>159,698,784</u>
Total financial liabilities	<u>139,355</u>	<u>-</u>	<u>159,698,784</u>	<u>159,838,139</u>

Credit and counterparty risk

The Sub-Fund is exposed to credit risk, which is the risk that the counterparty to a financial instrument will cause a financial loss for the Sub-Fund by failing to discharge an obligation.

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

Credit and counterparty risk (continued)

The Sub-Fund's financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank deposits and assets held with the custodian. The table below summarises the Sub-Fund's assets placed with banks and the custodian and their related credit ratings from Standard & Poor's ("S&P"):

At 31 December 2016

	HK\$	Credit rating	Source of credit rating
Bank			
Bank of China (Hong Kong) Limited	6,020,477	A+	S&P
Custodian			
Bank of China (Hong Kong) Limited	166,117,514	A+	S&P

At 31 December 2015

	HK\$	Credit rating	Source of credit rating
Bank			
Bank of China (Hong Kong) Limited	531,521	A+	S&P
Custodian			
Bank of China (Hong Kong) Limited	159,279,740	A+	S&P

The Sub-Fund's maximum exposure to credit risk at the end of the reporting period is the carrying amount of total assets as shown on the statement of financial position.

The Manager considers that none of these assets are impaired nor past due as at 31 December 2016 and 31 December 2015.

Capital management

The Sub-Fund's objectives for managing capital are to invest the capital in investments in order to achieve its investment objective while maintaining sufficient liquidity to meet the expenses of the Sub-Fund, and to meet redemption requests as they arise.

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A sub-fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

12. 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, computer hardware associated with specialised software or research services and performance insurance.

During the year ended 31 December 2016, no commission rebates was received by the Manager (2015: Nil).

13. EVENTS AFTER THE REPORTING PERIOD

- (a) A new sub-fund, CUAM Select US Dollar Bond Fund, was commenced as a separate sub-fund of the Trust on 27 March 2017 with new supplemental deed dated 12 January 2017.
- (b) During the period between the reporting date and the date of authorisation of these financial statements, the Sub-Fund has a total subsequent subscription and redemption of HK\$38,000,000 and HK\$26,086,662 respectively.

14. APPROVAL OF THE FINANCIAL STATEMENTS

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

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED INVESTMENT PORTFOLIO

31 December 2016

<u>LISTED EQUITY SECURITIES</u>	Holdings	Fair Value HK\$	% of net assets
Mainland China			
Denominated in HK\$			
WUXI LITTLE SWAN CO LTD-B	100	2,448	0.00
Hong Kong			
Denominated in HK\$			
3SBIO INC	518,000	3,910,900	2.29
AGRICULTURAL BANK OF CHINA LTD-H	1,080,000	3,434,400	2.01
AIA GROUP LTD	78,000	3,412,500	2.00
BANK OF CHINA LTD-H	2,080,000	7,155,200	4.20
BEIJING ENTERPRISES WATER GROUP LTD	780,000	4,024,800	2.36
CHINA CONSTRUCTION BANK CORP-H	680,000	4,059,600	2.38
CHINA DATANG CORP RENEWABLE POWER CO LTD-H	534,000	379,140	0.22
CHINA EVERBRIGHT INTL LTD	380,000	3,340,200	1.96
CHINA MERCHANTS BANK CO LTD-H	338,000	6,144,840	3.61
CHINA MOBILE LTD	68,000	5,589,600	3.28
CHINA RAILWAY SIGNAL & COMMUNICATION CORP LTD-H	849,000	4,745,910	2.78
CHINA SUNTIEN GREEN ENERGY CORP LTD-H	5,680,000	5,680,000	3.33
CHONGQING RURAL COMMERCIAL BANK CO LTD-H	580,000	2,639,000	1.55
CIFI HLDGS GROUP CO LTD	1,680,000	3,511,200	2.06
DAWN RAYS PHARMACEUTICAL (HLDGS) LTD	4,000	18,640	0.01
FUFENG GROUP LTD	1,000	3,810	0.00
GEELY AUTOMOBILE HLDGS LTD	580,000	4,297,800	2.52
GUANGZHOU AUTOMOBILE GROUP CO LTD-H	688,000	6,453,440	3.79
GUOTAI JUNAN INTL HLDGS LTD	980,000	2,342,200	1.37
HISENSE KELON ELECTRICAL HLDGS CO LTD-H	780,000	4,937,400	2.90
HONG KONG EXCHANGES & CLEARING LTD	21,800	3,993,760	2.34
HSBC HLDGS PLC	108,000	6,723,000	3.94
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LTD	950,000	1,795,500	1.05
SINO BIOPHARMACEUTICAL LTD	598,000	3,265,080	1.92
SINOPHARM GROUP CO LTD-H	58,000	1,853,100	1.09
SUN HUNG KAI PROPERTIES LTD	1,000	98,000	0.06
TENCENT HLDGS LTD	86,800	16,465,960	9.66
TIANJIN DEVELOPMENT HLDGS LTD	2,180,000	8,894,400	5.22
TIMES PROPERTY HLDGS LTD	1,180,000	4,472,200	2.62

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED INVESTMENT PORTFOLIO (continued)

31 December 2016

<u>LISTED EQUITY SECURITIES</u> (continued)	Holdings	Fair Value HK\$	% of net assets
Hong Kong (continued)			
Denominated in HK\$			
TONG REN TANG TECHNOLOGIES CO LTD-H	238,000	3,422,440	2.01
UNITED LABORATORIES LTD	274,000	1,446,720	0.85
YUZHOU PROPERTIES CO LTD	10,000	27,000	0.02
ZHOU HEI YA INTL HLDGS CO LTD	885,000	6,018,000	3.53
United States			
Denominated in US\$			
ALIBABA GROUP HLDG LTD-SPONSORED ADS	18,000	12,255,517	7.19
NETEASE.COM INC-ADR	2,000	3,339,411	1.96
NEW ORIENTAL EDUCATION & TECHNOLOGY- ADR	8,800	2,872,632	1.69
TAL EDUCATION GROUP-ADR	8,200	4,460,224	2.62
WEIBO CORP-SPONSORED ADR	8,000	2,518,438	1.48
YY INC-ADR	20,000	6,113,104	3.59
TOTAL INVESTMENTS, AT FAIR VALUE		<u>166,117,514</u>	<u>97.46</u>
TOTAL INVESTMENTS, AT COST		<u>160,082,859</u>	
<u>TOTAL NET ASSETS</u>			
Total investment		166,117,514	97.46
Other net assets		<u>4,325,990</u>	<u>2.54</u>
Total net assets		<u>170,443,504</u>	<u>100.00</u>

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2016

	Movements				
	Holdings as at 1 January 2016	Additions	Corporate Action	Disposals	Holdings as at 31 December 2016
Listed equities					
Mainland China					
CHONGQING CHANGAN AUTOMOBILE CO LTD-B	8,000	-	-	(8,000)	-
WUXI LITTLE SWAN CO LTD-B	100	-	-	-	100
Hong Kong					
3SBIO INC	368,000	518,000	-	(368,000)	518,000
AGRICULTURAL BANK OF CHINA LTD-H	-	1,080,000	-	-	1,080,000
AIA GROUP LTD	98,000	190,000	-	(210,000)	78,000
BANK OF CHINA LTD-H	-	2,080,000	-	-	2,080,000
BEIJING ENTERPRISES WATER GROUP LTD	-	980,000	-	(200,000)	780,000
BOC AVIATION LTD	-	38,000	-	(38,000)	-
CHINA CONSTRUCTION BANK CORP-H	1,580,000	1,500,000	-	(2,400,000)	680,000
CHINA DATANG CORP RENEWABLE POWER CO LTD-H	-	1,680,000	-	(1,146,000)	534,000
CHINA EVERBRIGHT INTL LTD	-	918,000	-	(538,000)	380,000
CHINA LIFE INSURANCE CO LTD-H	258,000	-	-	(258,000)	-
CHINA LONGYUAN POWER GROUP CORP LTD-H	-	238,000	-	(238,000)	-
CHINA MEDICAL SYSTEM HLDGS LTD	298,000	-	-	(298,000)	-
CHINA MERCHANTS BANK CO LTD-H	457,000	180,000	-	(299,000)	338,000
CHINA MOBILE LTD	98,000	61,000	-	(91,000)	68,000
CHINA PETROLEUM & CHEMICAL CORP-H	8,000	-	-	(8,000)	-
CHINA PIONEER PHARMA HLDGS LTD	1,580,000	-	-	(1,580,000)	-
CHINA POWER INTL DEVELOPMENT LTD	1,000	-	-	(1,000)	-
CHINA RAILWAY SIGNAL & COMMUNICATION CORP LTD-H	-	849,000	-	-	849,000
CHINA SUNTIEN GREEN ENERGY CORP LTD-H	1,380,000	5,680,000	-	(1,380,000)	5,680,000
CHINASOFT INTL LTD	-	1,654,000	-	(1,654,000)	-
CHONGQING RURAL COMMERCIAL BANK CO LTD-H	-	980,000	-	(400,000)	580,000

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2016

Listed equities (continued)	Movements				
	Holdings as at 1 January 2016	Additions	Corporate Action	Disposals	Holdings as at 31 December 2016
Hong Kong (continued)					
CIFI HLDGS GROUP CO LTD	1,880,000	5,316,000	-	(5,516,000)	1,680,000
COWELL E HLDGS INC	2,780,000	-	-	(2,780,000)	-
DAWN RAYS PHARMACEUTICAL (HLDGS) LTD	2,100,000	-	-	(2,096,000)	4,000
DYNAGREEN ENVIRONMENTAL PROTECTION GROUP CO LTD-H	1,580,000	-	-	(1,580,000)	-
FUFENG GROUP LTD	-	3,980,000	-	(3,979,000)	1,000
GALAXY ENTERTAINMENT GROUP LTD	-	58,000	-	(58,000)	-
GEELY AUTOMOBILE HLDGS LTD	-	580,000	-	-	580,000
GF SECURITIES CO LTD-H	1,000	-	-	(1,000)	-
GREENLAND HONG KONG HLDGS LTD	518,000	-	-	(518,000)	-
GREENTOWN CHINA HLDGS LTD	-	398,000	-	(398,000)	-
GUANGDONG YUEYUN TRANSPORTATION CO LTD-H	777,000	-	-	(777,000)	-
GUANGZHOU AUTOMOBILE GROUP CO LTD-H	-	888,000	-	(200,000)	688,000
GUOTAI JUNAN INTL HLDGS LTD	262,000	718,000	-	-	980,000
HENDERSON LAND DEVELOPMENT CO LTD	1,100	-	-	(1,100)	-
HILONG HLDG LTD	-	7,880,000	-	(7,880,000)	-
HISENSE KELON ELECTRICAL HLDGS CO LTD-H	-	780,000	-	-	780,000
HONG KONG EXCHANGES & CLEARING LTD	39,800	16,000	-	(34,000)	21,800
HSBC HLDGS PLC	-	138,000	-	(30,000)	108,000
HUANENG RENEWABLES CORP LTD-H	-	580,000	-	(580,000)	-
KWG PROPERTY HLDG LTD	-	588,000	-	(588,000)	-
NAGACORP LTD	2,000	-	-	(2,000)	-
PHOENIX SATELLITE TELEVISION HLDGS LTD	2,036,000	-	-	(2,036,000)	-
PING AN INSURANCE GROUP CO OF CHINA LTD-H	116,000	-	-	(116,000)	-
RED STAR MACALLINE GROUP CORP LTD-H	100,000	-	-	(100,000)	-
SANDS CHINA LTD	-	98,000	-	(98,000)	-

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

31 December 2016

	Movements				
	Holdings as at 1 January 2016	Additions	Corporate Action	Disposals	Holdings as at 31 December 2016
Listed equities (continued)					
Hong Kong (continued)					
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LTD	-	4,180,000	-	(3,230,000)	950,000
SHENZHEN INVESTMENT LTD	-	960,000	-	(960,000)	-
SINO BIOPHARMACEUTICAL LTD	580,000	300,000	-	(282,000)	598,000
SINOPEC ENGINEERING (GROUP) CO LTD-H	238,000	-	-	(238,000)	-
SINOPHARM GROUP CO LTD-H	-	58,000	-	-	58,000
SOUTHWEST SECURITIES INTL SECURITIES LTD	2,580,000	-	-	(2,580,000)	-
SUN HUNG KAI PROPERTIES LTD	1,000	-	-	-	1,000
TENCENT HLDGS LTD	86,800	-	-	-	86,800
TIANJIN DEVELOPMENT HLDGS LTD	-	2,680,000	-	(500,000)	2,180,000
TIMES PROPERTY HLDGS LTD	-	3,000,000	-	(1,820,000)	1,180,000
TONG REN TANG TECHNOLOGIES CO LTD-H	380,000	237,000	-	(379,000)	238,000
TOWNGAS CHINA CO LTD	1,000	-	-	(1,000)	-
TRAVELSKY TECHNOLOGY LTD-H	138,000	-	-	(138,000)	-
UNITED LABORATORIES LTD	780,000	2,472,000	-	(2,978,000)	274,000
YUNNAN WATER INVESTMENT CO LTD-H	598,000	-	-	(598,000)	-
YUZHOU PROPERTIES CO LTD	3,880,000	3,000,000	-	(6,870,000)	10,000
ZHOU HEI YA INTL HLDGS CO LTD	-	1,000,000	-	(115,000)	885,000
United States					
ALIBABA GROUP HLDG LTD- SPONSORED ADS	10,500	7,500	-	-	18,000
BAIDU INC-ADR	1,050	-	-	(1,050)	-
NETEASE.COM INC-ADR	-	2,000	-	-	2,000
NEW ORIENTAL EDUCATION & TECHNOLOGY-ADR	-	8,800	-	-	8,800
TAL EDUCATION GROUP-ADR	4,900	3,300	-	-	8,200
WEIBO CORP-SPONSORED ADR	-	8,000	-	-	8,000
YY INC-ADR	-	20,000	-	-	20,000

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM CHINA-HONG KONG STRATEGY FUND
(A Sub-Fund of China Universal International Series)

UNAUDITED PERFORMANCE TABLE

31 December 2016

1. NET ASSET VALUE

	Net assets value per unit HK\$	Total net asset value HK\$
As at 31 December 2016		
- Class A (HKD) units	7.876	131,793
- Class I (HKD) units	12.842	170,311,711
As at 31 December 2015		
- Class A (HKD) units	7.578	37,225
- Class I (HKD) units	12.295	159,661,559
As at 31 December 2014		
- Class A (HKD) units	N/A	N/A
- Class I (HKD) units	12.901	138,053,926

2. HIGHEST ISSUE AND LOWEST REDEMPTION PRICES PER UNIT

	Highest subscription unit price HK\$	Lowest redemption unit price HK\$
During the year ended 31 December 2016		
- Class A (HKD) units	8.544	5.849
- Class I (HKD) units	13.914	9.495
During the year ended 31 December 2015		
- Class A (HKD) units	10.331	6.670
- Class I (HKD) units	16.712	10.803
During the year ended 31 December 2014		
- Class A (HKD) units	N/A	N/A
- Class I (HKD) units	13.323	11.059
For the period from 16 November 2012 (date of inception) to 31 December 2013		
- Class A (HKD) units	N/A	N/A
- Class I (HKD) units	12.268	9.972