

ANNUAL REPORT

CHINA UNIVERSAL INTERNATIONAL SERIES -  
CUAM HONG KONG DOLLAR BOND FUND

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

31 December 2017



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

CONTENTS

	Pages
ADMINISTRATION AND MANAGEMENT	1
REPORT OF THE MANAGER	2
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	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 net assets attributable to unitholders	9
Statement of cash flows	10
Statement of distribution	11
Notes to the financial statements	12 - 35
UNAUDITED INVESTMENT PORTFOLIO	36 - 40
UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS	41 - 47
UNAUDITED PERFORMANCE TABLE	48

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM HONG KONG DOLLAR BOND 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 HONG KONG DOLLAR BOND FUND  
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REPORT OF THE MANAGER

In 2017, Hong Kong Monetary Authority raised its base lending rate for three times following a similar move by the United States Federal Reserve rate hike, increasing to 1.75%. Bond yields climbed up but still remained at low level due to the ample liquidity. The United States Dollar/Hong Kong Dollar (US\$/HK\$) exchange rate increased from 7.7559 to 7.8140 till the year end. The Hong Kong monetary base edged up by HK\$51 billion to HK\$1,687 billion. The aggregate balance decreased to HK\$180 billion.

Assuming dividends were reinvested, the Hong Kong Dollar Class I units of the Sub-Fund achieved a 2.43% return during the year. The Hong Kong Dollar Class A units of the Sub-Fund achieved a 2.19% return during the year. The US Dollar Class I units of the Sub-Fund achieved a 1.71% return during the year.

In terms of market outlook, we have well prepared to minimize the downside risk for rate hike cycle. We keep short duration and lower position, underweight rates and overweight credits, to be more defensive. Meanwhile, we prudentially select in bonds seeking for return enhancement as we expect stronger economic data to create an environment where spread products will outperform rate products.

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

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26 April 2018

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM HONG KONG DOLLAR BOND FUND  
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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 Hong Kong Dollar Bond Fund for the year ended 31 December 2017 in accordance with the provisions of the trust deed dated 29 December 2011 as amended by four supplemental deeds dated 5 October 2012, 15 July 2013, 25 August 2016 and 12 January 2017 (collectively, the "Trust Deed").

On behalf of  
BOCI-Prudential Trustee Limited, the Trustee

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26 April 2018

**Independent auditor's report**

To the Trustee and the Manager of

CHINA UNIVERSAL INTERNATIONAL SERIES – CUAM HONG KONG DOLLAR BOND 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 Hong Kong Dollar Bond Fund (a sub-fund of China Universal International Series (the "Trust") and referred to as the "Sub-Fund") set out on pages 7 to 35, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders, the statement of cash flows and the statement of distribution 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 2017, 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 HONG KONG DOLLAR BOND 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 four supplemental deeds dated 5 October 2012, 15 July 2013, 25 August 2016 and 12 January 2017 (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 HONG KONG DOLLAR BOND FUND**

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**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  
26 April 2018



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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 HK\$	2016 HK\$
<b>INCOME</b>			
Interest income on financial assets at fair value through profit or loss		7,742,510	3,800,348
Other interest income		428,496	29,560
Net loss on financial assets at fair value through profit or loss	8	( 255,765)	( 2,142,647)
Foreign exchange differences		206,690	( 28,335)
Other income		<u>-</u>	<u>13,602</u>
		<u>8,121,931</u>	<u>1,672,528</u>
<b>EXPENSES</b>			
Management fee	4	( 1,769,898)	( 756,181)
Trustee fee	4	( 459,974)	( 220,034)
Custodian fee	4	( 49,235)	( 22,626)
License fee		( 7,000)	( 7,000)
Other expenses		<u>( 10,277)</u>	<u>( 7,986)</u>
		<u>( 2,296,384)</u>	<u>( 1,013,827)</u>
<b>OPERATING PROFIT</b>		<b>5,825,547</b>	<b>658,701</b>
<b>FINANCE COSTS</b>			
Distributions to unitholders	7	<u>( 8,112,596)</u>	<u>( 3,771,419)</u>
<b>DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>			
		<u><u>( 2,287,049)</u></u>	<u><u>( 3,112,718)</u></u>

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

STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK\$	2016 HK\$
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	8	345,547,858	167,400,247
Cash and cash equivalents	10	87,850,867	36,827,507
Interest receivable		3,287,148	1,456,128
Prepayment and other receivables		<u>39,855</u>	<u>44,080</u>
<b>TOTAL ASSETS</b>		<u><u>436,725,728</u></u>	<u><u>205,727,962</u></u>
<b>LIABILITIES</b>			
Management fee payable	4	212,595	88,794
Trustee fee payable	4	51,656	24,978
Due to a broker	6	4,035,801	-
Redemption proceeds payable		10,418,529	-
Other payables and accruals		<u>2,300</u>	<u>1,700</u>
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><u>14,720,881</u></u>	<u><u>115,472</u></u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><u>422,004,847</u></u>	<u><u>205,612,490</u></u>
<b>NUMBER OF UNITS IN ISSUE</b>			
- Class A (HKD) units	11	20,969,064.995	3,083,059.516
- Class I (HKD) units	11	13,432,330.262	15,712,969.752
- Class I (USD) units	11	9,983,750.639	2,000,934.100
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT</b>			
		<b>HK\$</b>	<b>HK\$</b>
- Class A (HKD) units		9.996	9.920
- Class I (HKD) units		10.023	10.157
		<b>US\$</b>	<b>US\$</b>
- Class I (USD) units		0.997	0.994

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

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2017

	HK\$
At 1 January 2016	125,340,694
Subscription of units	146,372,892
Redemption of units	( 62,988,378)
Decrease in net assets attributable to unitholders during the year	<u>( 3,112,718)</u>
At 31 December 2016 and 1 January 2017	205,612,490
Subscription of units	286,164,545
Redemption of units	( 67,485,139)
Decrease in net assets attributable to unitholders during the year	<u>( 2,287,049)</u>
At 31 December 2017	<u><u>422,004,847</u></u>

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 HK\$	2016 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Decrease in net assets attributable to unitholders		( 2,287,049)	( 3,112,718)
Adjustments for:			
Interest income on financial assets at fair value through profit or loss		( 7,742,510)	( 3,800,348)
Other interest income		( 428,496)	( 29,560)
Distribution to unitholders		<u>8,112,596</u>	<u>3,771,419</u>
		( 2,345,459)	( 3,171,207)
Increase in financial assets at fair value through profit or loss		(178,147,611)	( 60,224,766)
Decrease/(increase) in prepayment and other receivables		4,225	( 27,560)
Increase in management fee payable		123,801	33,882
Increase in trustee fee payable		26,678	10,850
Increase in amount due to a broker		4,035,801	-
Increase in other payables and accruals		<u>600</u>	<u>250</u>
Net cash used in operations		(176,301,965)	( 63,378,551)
Interest received		<u>6,339,986</u>	<u>3,406,615</u>
Net cash flows used in operating activities		<u>(169,961,979)</u>	<u>( 59,971,936)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of units		286,164,545	146,372,892
Payments for redemption of units		( 57,066,610)	( 62,988,378)
Distribution to unitholders		<u>( 8,112,596)</u>	<u>( 3,771,419)</u>
Net cash flows from financing activities		<u>220,985,339</u>	<u>79,613,095</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		51,023,360	19,641,159
Cash and cash equivalents at beginning of year		<u>36,827,507</u>	<u>17,186,348</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	<u><u>87,850,867</u></u>	<u><u>36,827,507</u></u>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	10	<u><u>87,850,867</u></u>	<u><u>36,827,507</u></u>

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

STATEMENT OF DISTRIBUTION

Year ended 31 December 2017

	Note	HK\$
Undistributed income at 1 January 2016		-
Decrease in net assets attributable to unitholders during the year		(3,112,718)
Add: Finance costs – distribution to unitholders		3,771,419
Add: Net loss on financial assets at fair value through profit or loss		<u>2,142,647</u>
Undistributed income before distribution		2,801,348
2016 interim distribution (HK\$0.12 per unit) distributed on 17 June 2016	7	(1,226,536)
2016 final distribution (HK\$0.14 per unit) distributed on 15 December 2016	7	(2,544,883)
Transfer from capital		<u>970,071</u>
Undistributed income at 31 December 2016 and 1 January 2017		-
Decrease in net assets attributable to unitholders during the year		(2,287,049)
Add: Finance costs – distribution to unitholders		8,112,596
Add: Net loss on financial assets at fair value through profit or loss		<u>255,765</u>
Undistributed income before distribution		6,081,312
2017 interim distribution (Class A HKD: HK\$ 0.082 per unit, Class I HKD: HK\$ 0.082 per unit, Class I USD: US\$ 0.011 per unit) distributed on 15 June 2017	7	(2,500,043)
2017 final distribution (Class A HKD: HK\$ 0.060 per unit, Class I HKD: HK\$ 0.300 per unit, Class I USD: US\$ 0.003 per unit) distributed on 15 December 2017	7	(5,612,553)
Transfer from capital		<u>2,031,284</u>
Undistributed income at 31 December 2017		<u><u>-</u></u>

The amount available for distribution is the total net amount receivable by the Sub-Fund in respect of the relevant period ("Total Income") minus any expenses chargeable against income, subject to adjustments made in accordance with the Trust Deed. Total Income would include amount receivable by way of interests (e.g. generated from bank deposits and debt securities), or other receipts as determined by the Manager to be in the nature of income. Capital gains or losses, whether realised or unrealised, do not form part of Total Income and therefore would not impact on the amount available for distribution.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 four supplemental deeds dated 5 October 2012, 15 July 2013, 25 August 2016 and 12 January 2017 (collectively, the "Trust Deed"). As at 31 December 2017, the Trust consists of four sub-funds namely CUAM RMB Bondplus Fund, CUAM China-Hong Kong Strategy Fund, CUAM Hong Kong Dollar Bond Fund and CUAM Select US Dollar Bond Fund.

CUAM Hong Kong Dollar Bond Fund (the "Sub-Fund") was commenced as a separate sub-fund of the Trust on 2 September 2013. 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 fees. For the year ended 31 December 2017, Class A units and Class I units were in issue.

The Sub-Fund mainly invests in debt securities issued or fully guaranteed by governments, government agencies, supranational and corporate. The debt securities instruments in which the Sub-Fund may invest include (but not limited to) long-term bonds, medium-term notes, bills, convertible bonds, subordinated debt, asset-backed debt securities, certificate of deposits and commercial papers. The Sub-Fund will invest more than 70% of its assets in Hong Kong Dollar denominated debt securities and certificates of deposits, and not more than 30% will be invested in other currency denominated debt securities.

The investment objective of the Sub-Fund is to seek to provide investors with a stable and consistent investment return over medium to long term by investing primarily in Hong Kong Dollar denominated debt securities instruments.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2.1 BASIS OF PREPARATION (continued)

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 7                      *Disclosure Initiative*

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

**Amendments to HKAS 7 - *Disclosure Initiative***

Amendments to HKAS 7 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 adoption of these amendments does not have any impact on the Sub-Fund's financial statements.

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                                      *Financial Instrument*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace 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 will adopt HKFRS 9 from 1 January 2018. The Sub-Fund will not restate comparative information and will recognise any transition adjustments against the opening balance of net assets attributable to unitholders at 1 January 2018. During 2017, the Sub-Fund has performed a detailed assessment of the impact of the adoption of HKFRS 9. The Sub-Fund does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement, and impairment of its financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 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 debt securities 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 and/or repurchasing in the near term. 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 cash equivalent, interest receivable on debt securities and other receivables.

**Financial liabilities at amortised cost**

The Sub-Fund includes in this category amounts relating to management fee payable, trustee fee payable, due to a broker, redemption proceeds payable, distribution payable to unitholders and other short-term payables.

(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 (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

**(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 gain or loss on financial assets at fair value through profit or loss". Interest earned on such instruments is recorded separately in "Interest income on financial assets at fair value through profit or loss".

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.

**(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Sub-Fund measures financial instruments, such as, debt securities 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.

For all other financial instruments not traded in an active market, the fair value is determined by using the last traded price or valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach and income approach.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 banks, 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 bank balances as defined above, net of outstanding bank overdrafts when applicable.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

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 loss on financial assets 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\$.

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.

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.

Interest income

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

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

This item includes changes in the fair value of financial assets held for trading and excludes interest income and expenses.

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

Realised gains and losses on disposals of financial instruments 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.

Due to a broker

Due to a 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 exempted from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdiction, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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's 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 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 in circumstances arising beyond the control of the Sub-Fund. Such changes are reflected in the assumptions when they occur.

*Fair value of financial instruments*

When the fair values of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as yield curve, credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, the Sub-Fund performs sensitivity analysis or stress testing techniques.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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.

The holdings of Class I and Class A in the Sub-Fund by the Manager as at 31 December 2017 and 2016 were as follows:

At 31 December 2017	Units outstanding at 31 December 2016	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2017
CUAM Hong Kong Dollar Bond Fund – Class I (HKD)	<u>12,230,475.143</u>	<u>379,700.602</u>	<u>(2,890,092.198)</u>	<u>9,720,083.547</u>
CUAM Hong Kong Dollar Bond Fund – Class I (USD)	<u>2,000,934.100</u>	<u>7,982,816.539</u>	<u>-</u>	<u>9,983,750.639</u>
CUAM Hong Kong Dollar Bond Fund – Class A (HKD)	<u>70,059.933</u>	<u>994.249</u>	<u>-</u>	<u>71,054.182</u>
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 Hong Kong Dollar Bond Fund – Class I (HKD)	<u>5,250,860.688</u>	<u>6,979,614.455</u>	<u>-</u>	<u>12,230,475.143</u>
CUAM Hong Kong Dollar Bond Fund – Class I (USD)	<u>-</u>	<u>2,000,934.100</u>	<u>-</u>	<u>2,000,934.100</u>
CUAM Hong Kong Dollar Bond Fund – Class A (HKD)	<u>68,273.463</u>	<u>1,786.470</u>	<u>-</u>	<u>70,059.933</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

Investment handling fee

The Sub-Fund pays investment handling fee of HK\$100 per transaction to the Trustee. For the year ended 31 December 2017, no investment handling fee was charged to the Sub-Fund as this was borne by the Manager (2016: Nil).

Brokerage commission

Bank of China (Hong Kong) Limited and BOCI Securities Limited, an affiliate of the Trustee, rendered brokerage services for the Sub-Fund's purchases and sales of securities. The transaction details were as follows:

Year ended 31 December 2017

	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 (%)
Bank of China (Hong Kong) Limited	100,806,390	-	27.56%	-

Year ended 31 December 2016

	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 (%)
Bank of China (Hong Kong) Limited	57,074,125	-	29.10%	-
BOCI Securities Limited	4,245,938	-	2.17%	-

Bank deposits and investments held by the Trustee's affiliates

The Sub-Fund's investments were held by the Trustee's affiliate, Bank of China (Hong Kong) Limited. As at 31 December 2017, bank balances including time deposits of the Sub-Fund held by the Trustee's affiliate were HK\$23,541,632 (2016: HK\$16,823,726) and the interest income on these bank balances for the year was HK\$13,425 (2016: HK\$1,429).



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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

Management fee

The Manager is entitled to receive, on an annual basis, a management fee from the Sub-Fund, at a rate of 0.75% for Class A units and 0.5% 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 unitholders 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 the current 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 unitholders 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. 50% discount on minimum monthly fee is applied from 1 January 2016 to 30 June 2017.

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. As at 31 December 2017, no fees were payable to the Custodian (2016: Nil).

Certain charges, fees and expenses borne by the Manager

Pursuant to the Explanatory Memorandum of the Sub-Fund dated December 2017, certain charges, fees and expenses which are attributable to the Sub-Fund are borne by the Manager at its discretion starting from 1 January 2014 until a future date as notified by the Manager. For the year ended 31 December 2017, the Manager borne and paid a total sum of HK\$337,898 for the Sub-Fund (2016: HK\$337,430).

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 SFC to 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

6. DUE TO A BROKER

	2017 HK\$	2016 HK\$
Due to a broker		
- payables for securities purchased but not yet settled	<u>4,035,801</u>	<u>-</u>

The carrying amount of due to a broker is approximate to its fair value.

7. DISTRIBUTIONS

	2017 HK\$	2016 HK\$
2017 interim distribution (Class A HKD: HK\$ 0.082 per unit, Class I HKD: HK\$ 0.082 per unit, Class I USD: US\$ 0.011 per unit) distributed on 15 June 2017		2,500,043
2017 final distribution (Class A HKD: HK\$ 0.060 per unit, Class I HKD: HK\$ 0.300 per unit, Class I USD: US\$ 0.003 per unit) distributed on 15 December 2017		<u>5,612,553</u>
Total distributions during the year		<u>8,112,596</u>
2016 interim distribution (HK\$0.120 per unit) distributed on 17 June 2016		1,226,536
2016 final distribution (HK\$0.140 per unit) distributed on 15 December 2016		<u>2,544,883</u>
Total distributions during the year		<u>3,771,419</u>

The Manager has declared, on behalf of the Sub-Fund, the above interim and final dividend during the year ended 31 December 2017. The distributions were paid out on 21 June 2017 and 21 December 2017, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$	2016 HK\$
Held for trading:		
Quoted debt securities	344,545,358	166,397,747
Unquoted debt securities	<u>1,002,500</u>	<u>1,002,500</u>
Total financial assets at fair value through profit or loss	<u>345,547,858</u>	<u>167,400,247</u>
Net gains or losses recognised in relation to financial assets at fair value through profit or loss:		
Realised gains/(losses)	1,077,811	( 91,135)
Net change in unrealised gains or losses	<u>( 1,333,576)</u>	<u>( 2,051,512)</u>
Net loss	<u>( 255,765)</u>	<u>( 2,142,647)</u>

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows an analysis of the Sub-Fund's financial assets measured at fair value at 31 December 2017 and 31 December 2016.

At 31 December 2017	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 through profit or loss – held for trading:</u>				
Quoted debt securities	-	344,545,358	-	344,545,358
Unquoted debt securities	<u>-</u>	<u>-</u>	<u>1,002,500</u>	<u>1,002,500</u>
	<u>-</u>	<u>344,545,358</u>	<u>1,002,500</u>	<u>345,547,858</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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>				
Quoted debt securities	-	166,397,747	-	166,397,747
Unquoted debt securities	-	-	1,002,500	1,002,500
	<u>-</u>	<u>166,397,747</u>	<u>1,002,500</u>	<u>167,400,247</u>

There are no transfers of fair value measurements between levels during the year ended 31 December 2017 (2016: Nil).

Valuation techniques

*Quoted debt securities*

The Sub-Fund invests in corporate bonds. 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. In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuers or comparable issuers and yield curves. Adjustments are made to valuation when necessary to recognise differences in the instrument terms. To the extent that the significant inputs are observable, the Sub-Fund categorises these investments as Level 2.

*Unquoted debt securities*

The Sub-Fund invests in illiquid unquoted corporate debt securities. In the absence of a quoted price in an active market, they are valued using discounted cash flow with unobservable inputs such as yield curves of securities issued by comparable issuers. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are unobservable, the Sub-Fund categorises these investments as Level 3.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation process for Level 3 valuations

The valuation of unquoted debt securities is performed on a daily basis by the portfolio manager and reviewed by the senior management of the Manager. The latest valuation is compared with the valuations in the preceding quarters. If fair value changes are more than certain thresholds set, the changes are further considered by the senior management of the Manager. The Manager considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods be applied to support the valuation arising from the chosen method. There were no changes in valuation techniques during the year.

Quantitative information of significant unobservable inputs – Level 3

Description	HK\$	Valuation technique	Unobservable input	Sensitivity used*	Effect on net assets attributable to unitholders HK\$
At 31 December 2017					
Unquoted debt securities					
- <i>Melco Finance Ltd.</i>					
4.15% Q 05 Mar 2018 ("Melco Finance")	1,002,500	Discounted cash flow	Yield (2.74%)	+/-5	-/+100
At 31 December 2016					
Unquoted debt securities					
- <i>Melco Finance Ltd.</i>					
4.15% Q 05 Mar 2018 ("Melco Finance")	1,002,500	Discounted cash flow	Yield (3.99%)	+/-5	-/+600

\* The sensitivity analysis refers to a basis point added or deducted from the input and the effect this has on the fair value

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 for the year ended 31 December 2017 and 31 December 2016.

	Financial assets at fair value through profit or loss debt securities 2017 HK\$	Financial assets at fair value through profit or loss debt securities 2016 HK\$
At 1 January	1,002,500	1,002,500
At 31 December	<u>1,002,500</u>	<u>1,002,500</u>
Total gains and losses for the year included in profit or loss for assets held at the end of reporting period	<u>-</u>	<u>-</u>

10. CASH AND CASH EQUIVALENTS

	2017 HK\$	2016 HK\$
Bank balance	22,541,632	16,823,726
Time deposits	<u>65,309,235</u>	<u>20,003,781</u>
	<u>87,850,867</u>	<u>36,827,507</u>

The bank balance is the cash at bank held with the Custodian of the Sub-Fund that was placed into accounts bearing floating interest.

Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Sub-Fund, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

11. NUMBER OF UNITS IN ISSUE

The following is the subscription of units of the Sub-Fund during the year:

	Number of Class A (HKD) units	Number of Class I (HKD) units	Number of Class I (USD) units
At 1 January 2016	5,066,879.558	7,231,556.764	-
Subscription of units	4,204,433.631	8,481,412.988	2,000,934.100
Redemption of units	( 6,188,253.673)	-	-
At 31 December 2016 and 1 January 2017	3,083,059.516	15,712,969.752	2,000,934.100
Subscription of units	19,548,662.744	2,636,821.586	7,982,816.539
Redemption of units	( 1,662,657.265)	( 4,917,461.076)	-
At 31 December 2017	<u>20,969,064.995</u>	<u>13,432,330.262</u>	<u>9,983,750.639</u>

Unitholders of the Sub-Fund who wish to redeem their redeemable participating units may do so on any dealing day, i.e. every Hong Kong business day of the calendar year, by submitting a realisation request to the Manager or authorised distributors before the dealing deadline, i.e. 4:00 p.m. (Hong Kong time) on the relevant dealing day. Unless otherwise stated in the explanatory memorandum of the Sub-Fund, realisation requests received after the dealing deadline will be carried forward and dealt with on the next dealing day.

The Manager may suspend the redemption or conversions of redeemable participating units or delay the payment of redemption proceeds during any periods in which the determination of the net asset value of the Sub-Fund is suspended under certain conditions as set out in the explanatory memorandum of the Sub-Fund.

With a view to protecting the interests of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of any Sub-Fund redeemed on any dealing day to 10% of the total number of units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all unitholders of the Sub-Fund who have validly requested to redeem units of the Sub-Fund on that dealing day will redeem the same proportion of such units of the Sub-Fund provided that any holdings so requested to be realised being in aggregate of not more than 1% of the total number of units of any Sub-Fund in issue may be realised in full if in the opinion of the Manager with the Trustee's approval the application of such limitation would be unduly onerous or unfair to the unitholder or unitholders concerned. Any units not realized (but which would otherwise have been realised) will be carried forward for realisation, subject to the same limitation, and will have priority on the next succeeding dealing day and all following dealing days (in relation to which the Manager has the same power) until the original request has been satisfied in full.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

12. 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 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:

- Interest rate risk
- Foreign exchange risk

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial instruments and future cash flow.

As the Sub-Fund has invested in fixed income securities whose values are driven significantly by changes in interest rates, the Sub-Fund is subject to interest rate risk. When interest rates rise, the value of previously acquired fixed income securities will normally fall because new debt securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired debt securities will normally rise. The Manager regularly assesses the economic condition, monitor changes in interest rates outlook and takes appropriate measures accordingly to control the impact of interest rate risk.

The majority of interest rate exposure arises on investments in debt securities. Most of the Sub-Fund's investments in debt securities carry fixed interest rates and the average duration of the fixed income portion is around 3.0 (2016: 2.7). The Manager considers the movement in interest rates will have insignificant impact on the interest income.



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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

Risk management (continued)

**Market risk** (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the year to a reasonable possible change in interest rates, with all other variables held constant.

The sensitivity of both the net assets attributable to unitholders and the change in net assets attributable to unitholders from operations is the effect of the assumed changes in interest rates on changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the end of the reporting period. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

As at 31 December 2017

	Financial assets at fair value through profit or loss HK\$	Change in basis points	Sensitivity of changes in fair value of investments increase/(decrease) HK\$
Quoted debt securities	344,545,358	+/-50	-/+ 5,180,000
Unquoted debt securities	1,002,500	+/-50	-/+ 900

As at 31 December 2016

	Financial assets at fair value through profit or loss HK\$	Change in basis points	Sensitivity of changes in fair value of investments increase/(decrease) HK\$
Quoted debt securities	166,397,747	+/-50	-/+ 2,250,000
Unquoted debt securities	1,002,500	+/-50	-/+ 5,000

The Sub-Fund also has interest-bearing bank deposits. As the bank deposits are of short term maturity, the Manager considers the movement in interest rates will have insignificant cash flow impact on the daily net assets attributable to unitholders as at 31 December 2017 and therefore no sensitivity analysis of interest on bank deposits is presented.

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. Other transactions are denominated in United States dollars ("US\$"). The Manager considers the Sub-Fund's exposure on foreign currency risk is minimal since the US\$ is pegged to the HK\$.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

Risk management (continued)

***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 assets. 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.

Financial assets

Analysis of debt 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

Risk management (continued)

***Liquidity risk*** (continued)

At 31 December 2017

	Less than 3 months HK\$	3 to 12 months HK\$	Others *	Total HK\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	345,547,858	-	-	345,547,858
Cash and cash equivalents	87,850,867	-	-	87,850,867
Interest receivable	2,669,402	617,746	-	3,287,148
Financial assets included in prepayments and other receivables	33,480	-	-	33,480
Total financial assets	<u>436,101,607</u>	<u>617,746</u>	<u>-</u>	<u>436,719,353</u>
<u>Financial liabilities</u>				
Management fee payable	212,595	-	-	212,595
Trustee fee payable	51,656	-	-	51,656
Other payables and accruals	2,300	-	-	2,300
Redemption proceeds payable	10,418,529	-	-	10,418,529
Due to a broker	4,035,801	-	-	4,035,801
Net assets attributable to unitholders*	-	-	422,004,847	422,004,847
Total financial liabilities	<u>14,720,881</u>	<u>-</u>	<u>422,004,847</u>	<u>436,725,728</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 HONG KONG DOLLAR BOND FUND  
(A Sub-Fund of China Universal International Series)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

Risk management (continued)

***Liquidity risk*** (continued)

At 31 December 2016

	Less than 3 months HK\$	3 to 12 months HK\$	Others *	Total HK\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	167,400,247	-	-	167,400,247
Cash and cash equivalents	36,827,507	-	-	36,827,507
Interest receivable	1,246,024	210,104	-	1,456,128
Financial assets included in other receivables	37,080	-	-	37,080
Total financial assets	<u>205,510,858</u>	<u>210,104</u>	<u>-</u>	<u>205,720,962</u>
<u>Financial liabilities</u>				
Management fee payable	88,794	-	-	88,794
Trustee fee payable	24,978	-	-	24,978
Other payables and accruals	1,700	-	-	1,700
Net assets attributable to unitholders*	-	-	205,612,490	205,612,490
Total financial liabilities	<u>115,472</u>	<u>-</u>	<u>205,612,490</u>	<u>205,727,962</u>

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

***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 other party by failing to discharge an obligation.

If the issuer of any of the fixed income securities in which the Sub-Fund's assets are invested in defaults, the performance of the Sub-Fund will be adversely affected.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

Risk management (continued)

***Credit and counterparty risk*** (continued)

The Sub-Fund invests in a diversified portfolio of fixed income securities, the selection of which is based upon fundamental research analysis, to mitigate this risk. The Sub-Fund limits its exposure to credit risk by transacting the majority of its securities issued by issuers with a suitable credit rating, and contractual commitment activity with broker-dealers and financial institutions with high credit ratings that the Sub-Fund considers to be well established.

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 2017 (2016: Nil).

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.

13. SOFT COMMISSION ARRANGEMENTS

The Manager and its connected persons have not received any soft dollar commissions or entered into any soft dollar arrangements in respect of the management of the Sub-Fund for the year ended 31 December 2017 (2016: Nil).

14. EVENTS AFTER THE REPORTING PERIOD

During the period between the reporting date and the date of authorisation of these financial statements, the Sub-Fund has a total subsequent subscription of HK\$93,439,671 and a total subsequent redemption of HK\$46,708,937 respectively.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 26 April 2018.

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

UNAUDITED INVESTMENT PORTFOLIO

31 December 2017

	Holding/ Nominal value	Fair value HK\$	% of net assets
<b>Listed/quoted debt securities</b>			
<i>Bermuda</i>			
Denominated in HK\$			
HAITONG INTL SECURITIES GROUP LTD CB 0% A 25OCT2021	14,000,000	14,152,740	3.35
<i>British Virgin Islands</i>			
Denominated in HK\$			
HENDERSON LAND MTN LTD 4.8% Q 10NOV2031	3,000,000	3,515,940	0.83
HLP FINANCE LTD 4.35% S/A 20JAN2021	1,000,000	1,033,180	0.24
HLP FINANCE LTD 4.6% S/A 16MAY2024	1,000,000	1,059,640	0.25
HYSAN MTN LTD 3.78% Q 31AUG2020	2,000,000	2,079,760	0.49
K WAH INTL FINANCIAL SERVICES LTD 4.35% Q 22JUL2021	1,000,000	1,065,670	0.25
MELCO FINANCE LTD 4.15% Q 05MAR2018	1,000,000	1,002,500	0.24
NWD MTN LTD 5.9% S/A 18SEP2023	4,000,000	4,388,340	1.04
TONG JIE LTD CB 0% A 18FEB2018	6,000,000	6,280,800	1.49
Denominated in US\$			
FRANSHION BRILLIANT LTD 5.75% S/A PERP	500,000	4,021,315	0.95
ZHONGRONG INTL BOND 2016 LTD 6.95% S/A 21JUN2019	500,000	3,984,542	0.94
<i>Cayman Islands</i>			
Denominated in HK\$			
CHEUNG KONG FINANCE MTN LTD 4.35% Q 20JAN2020	1,000,000	1,043,550	0.25
HENGAN INTL GROUP CO LTD CB 0% A 27JUN2018	4,000,000	4,262,440	1.01
MTR CORP (CI) 4.95% Q 21OCT2019	1,000,000	1,056,140	0.25
MTR CORP (CI) LTD 2.25% Q 04DEC2025	2,000,000	1,984,860	0.47
MTR CORP (CI) LTD 3% Q 24FEB2037	1,000,000	1,064,050	0.25
MTR CORP (CI) LTD 4.9% A 25JUN2018	5,000,000	5,083,000	1.20
SUN HUNG KAI PROPERTIES CAPITAL MARKET LTD 2.28% Q 25AUG2026	2,000,000	1,943,840	0.46
SUN HUNG KAI PROPERTIES CAPITAL MARKET LTD 2.7% Q 26JUN2027	2,000,000	2,027,240	0.48
SUN HUNG KAI PROPERTIES CAPITAL MARKET LTD 3.25% Q 05DEC2022	1,000,000	1,028,340	0.24
SUN HUNG KAI PROPERTIES CAPITAL MARKET LTD 4.05% Q 24FEB2021	3,000,000	3,148,200	0.75
SUN HUNG KAI PROPERTIES CAPITAL MARKETS LTD 4.03% Q 03JUN2019	3,000,000	3,081,480	0.73
SWIRE PACIFIC MTN FINANCING LTD 2.85% Q 18JUL2022	2,000,000	2,029,040	0.48

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

UNAUDITED INVESTMENT PORTFOLIO (continued)

31 December 2017

	Holding/ Nominal value	Fair value HK\$	% of net assets
<b>Listed/quoted debt securities (continued)</b>			
<i>Cayman Islands (continued)</i>			
Denominated in HK\$			
SWIRE PACIFIC MTN FINANCING LTD 3.35% Q 31JUL2025	3,000,000	3,106,560	0.74
SWIRE PACIFIC MTN FINANCING LTD 3.9% Q 05NOV2030	6,000,000	6,497,280	1.54
<i>Cayman Islands</i>			
Denominated in US\$			
AGILE GROUP HLDGS LTD 8.25% S/A PERP	500,000	3,972,310	0.94
CENTRAL CHINA REAL ESTATE LTD 8.75% S/A 23JAN2021	400,000	3,351,576	0.79
CIFI HLDGS GROUP CO LTD 5.5% S/A 23JAN2022	500,000	3,894,270	0.92
COUNTRY GARDEN HLDGS CO LTD 4.75% S/A 28SEP2023	400,000	3,115,510	0.74
GREENTOWN CHINA HLDGS LTD 5.875% S/A 11AUG2020	500,000	4,033,937	0.96
KWG PROPERTY HLDG LTD 6% S/A 11JAN2022	500,000	3,946,909	0.94
LONGFOR PROPERTIES CO LTD 6.75% S/A 29JAN2023	500,000	4,049,530	0.96
POWERLONG REAL ESTATE HLDGS LTD 7.625% S/A 26NOV2018	500,000	3,998,415	0.95
SHIMAO PROPERTY HLDGS LTD 8.125% S/A 22JAN2021	500,000	4,075,908	0.97
YUZHOU PROPERTIES CO LTD 6% S/A 25OCT2023	300,000	2,364,464	0.56
<i>China</i>			
Denominated in HK\$			
BANK OF CHINA LTD/HONG KONG 2.59% A 25JUL2022 FXCD	1,000,000	994,370	0.24
BANK OF CHINA LTD/MACAU 2.34% S/A 15OCT2020	14,000,000	13,946,800	3.30
BANK OF COMMUNICATIONS CO LTD/HONG KONG 2% A 17AUG2020 FXCD	8,000,000	7,936,400	1.88
CHINA DEV BK HK 3.25% A 17SEP2018 FXCD	2,000,000	2,021,020	0.48
CHINA DEVELOPMENT BANK CORP/HK 2% Q 19NOV2018 FXCD	2,000,000	2,004,220	0.47
CHINA DEVELOPMENT BANK CORP/HK 2.05% A 12NOV2018 FXCD	5,000,000	5,011,700	1.19
CHINA DEVELOPMENT BANK CORP/HK 2.4% A 22JAN2020 FXCD	5,000,000	5,033,700	1.19
CHINA DEVELOPMENT BANK CORP/HONG KONG 3.65% A 24NOV2020 FXCD	5,000,000	5,199,050	1.23
CHINA DEVELOPMENT BANK CORP/HONG KONG 3.98% A 23APR2020 FXCD	1,000,000	1,041,650	0.25

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

UNAUDITED INVESTMENT PORTFOLIO (continued)

31 December 2017

	Holding/ Nominal value	Fair value HK\$	% of net assets
<b>Listed/quoted debt securities (continued)</b>			
<i>Hong Kong</i>			
Denominated in HK\$			
CITIC LTD 4.35% S/A 25JUL2024	7,000,000	7,565,600	1.79
DAH SING BANK LTD 2.28% Q 07NOV2018 FXCD	1,000,000	1,004,220	0.24
DBS BANK HONG KONG LTD 3.86% Q 20JAN2020 FXCD	1,000,000	1,031,770	0.24
DBS BANK HONG KONG LTD 3.98% Q 04SEP2018 FXCD	1,000,000	1,015,600	0.24
FAR EAST HORIZON LTD 4.35% Q 14MAR2020	2,000,000	1,995,656	0.47
HANG SENG BANK LTD 2.25% Q 11MAY2020 FXCD	2,000,000	2,005,640	0.48
HK GOVT 1.52% S/A 25SEP2018	1,000,000	1,003,160	0.24
HK GOVT 2.48% S/A 28FEB2029	5,000,000	5,328,850	1.26
HKCG FINANCE LTD 3.3% Q 16MAY2022	4,000,000	4,183,480	0.99
HKCG FINANCE LTD 4.72% Q 23SEP2039	2,000,000	2,549,420	0.60
HONG KONG AIRPORT AUTHORITY 3.85% A 03JUL2019	5,000,000	5,149,350	1.22
HONG KONG GOVERNMENT BOND PROGRAMME 0.61% S/A 05FEB2018	2,000,000	1,998,500	0.47
HONG KONG GOVERNMENT BOND PROGRAMME 0.91% S/A 05NOV2020	5,000,000	4,911,750	1.16
HONG KONG GOVERNMENT BOND PROGRAMME 1.06% S/A 05FEB2020	2,000,000	1,985,220	0.47
HONG KONG GOVERNMENT BOND PROGRAMME 1.1% S/A 17JAN2023	3,000,000	2,910,120	0.69
HONG KONG GOVERNMENT BOND PROGRAMME 1.25% S/A 29JUN2027	2,000,000	1,901,120	0.45
HONG KONG GOVERNMENT BOND PROGRAMME 1.47% S/A 20FEB2019	2,000,000	2,006,200	0.48
HONG KONG GOVERNMENT BOND PROGRAMME 1.68% S/A 21JAN2026	5,000,000	4,962,800	1.18
HONG KONG GOVERNMENT BOND PROGRAMME 1.89% S/A 02MAR2032	6,000,000	5,909,880	1.40
HONG KONG GOVERNMENT BOND PROGRAMME 2.13% S/A 16JUL2030	3,000,000	3,063,360	0.73
HONG KONG GOVERNMENT BOND PROGRAMME 2.22% S/A 07AUG2024	6,000,000	6,177,960	1.46
HONG KONG GOVERNMENT BOND PROGRAMME 2.46% S/A 04AUG2021	15,000,000	15,466,650	3.68
HONG KONG GOVERNMENT BOND PROGRAMME 2.93% S/A 13JAN2020	1,000,000	1,030,050	0.24
HONG KONG GOVERNMENT BOND PROGRAMME HKCPI+0% S/A 07AUG2018 (CMU)	2,000,000	2,040,000	0.48
HONG KONG GOVERNMENT BOND PROGRAMME HKCPI+0% S/A 20JUN2019	2,000,000	2,103,000	0.50



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

UNAUDITED INVESTMENT PORTFOLIO (continued)

31 December 2017

	Holding/ Nominal value	Fair value HK\$	% of net assets
<b>Listed/quoted debt securities (continued)</b>			
<i>Hong Kong (continued)</i>			
HONG KONG MORTGAGE CORP LTD 1.1% Q 16APR2018	6,000,000	5,998,620	1.42
HONG KONG MORTGAGE CORP LTD 1.6% Q 04MAR2020	5,000,000	4,977,900	1.18
HONG KONG MORTGAGE CORP LTD 1.96% A 16MAR2020	1,000,000	1,002,860	0.24
HONG KONG SAR GOVERNMENT BOND 5.125% S/A 23JUL2019	17,500,000	18,664,976	4.43
KOWLOON-CANTON 3.88% S/A 15JUN2021	1,000,000	1,056,460	0.25
OCBC WING HANG BANK LTD 2.6% Q 16JUL2018 FXCD	1,000,000	1,004,230	0.24
OCBC WING HANG BANK LTD 3.2% Q 09JUN2021 FXCD	4,000,000	4,116,240	0.98
SWIRE PROPERTIES MTN FINANCING LTD 1.8% Q 17AUG2021	6,000,000	5,867,220	1.39
SWIRE PROPERTIES MTN FINANCING LTD 2.55% Q 18AUG2024	8,000,000	7,886,400	1.87
SWIRE PROPERTIES MTN FINANCING LTD 2.65% Q 03JUN2026	3,000,000	2,950,230	0.70
SWIRE PROPERTIES MTN FINANCING LTD 2.8% Q 26MAR2025	2,000,000	1,992,320	0.47
SWIRE PROPERTIES MTN FINANCING LTD 3% Q 07APR2027	5,000,000	5,024,050	1.19
WHARF FINANCE LTD 2.65% Q 11JAN2018	2,000,000	2,000,460	0.47
WHARF FINANCE LTD 3.1% A 03OCT2018	3,000,000	3,022,590	0.72
WHARF FINANCE LTD 3.75% Q 24OCT2022	6,000,000	6,275,880	1.49
WHARF FINANCE LTD 3.9% Q 19JUN2024	2,000,000	2,093,600	0.50
WHARF FINANCE LTD 4.35% Q 17JAN2022	2,000,000	2,122,020	0.50
WHARF FINANCE NO 1 LTD 2.9% Q 27NOV2018	2,000,000	2,014,240	0.48
WHARF FINANCE NO 1 LTD 4.9% Q 21JAN2020	1,000,000	1,052,880	0.25
WHEELock FINANCE LTD 2.7% Q 18JAN2018	2,000,000	2,001,020	0.47
WHEELock FINANCE LTD 4.06% Q 27FEB2021	1,000,000	1,056,350	0.25
<i>Japan</i>			
Denominated in HK\$			
BANK OF TOKYO-MITSUBISHI UFJ LTD/HONG KONG 2.1% A 28JAN2019 FXCD	3,000,000	3,012,300	0.71
BANK OF TOKYO-MITSUBISHI UFJ LTD/HONG KONG 2.48% A 16MAY2022 FXCD	8,000,000	7,973,520	1.89
SUMITOMO MITSUI BANKING CORP/HONG KONG 2.7% Q 21FEB2022 FXCD	1,000,000	1,013,510	0.24

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

UNAUDITED INVESTMENT PORTFOLIO (continued)

31 December 2017

	Holding/ Nominal value	Fair value HK\$	% of net assets
<b>Listed/quoted debt securities (continued)</b>			
<i>United Arab Emirates</i>			
Denominated in HK\$			
NATIONAL BANK OF ABU DHABI 4.6% Q 29JAN2021 FXCD	2,000,000	2,136,440	0.51
TOTAL INVESTMENTS, AT FAIR VALUE		345,547,858	81.88
TOTAL INVESTMENTS, AT COST		347,985,149	
<b><u>TOTAL NET ASSETS</u></b>			
Total debt securities		345,547,858	81.88
Cash and cash equivalents		87,850,867	20.82
Other net liabilities		( 11,393,878)	( 2.70)
Total net assets		422,004,847	100.00

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

UNAUDITED MOVEMENT IN INVESTMENT PORTFOLIO

31 December 2017

	Movement			At 31 December 2017
	At 1 January 2017	Additions	Disposals	
LISTED/QUOTED DEBT SECURITIES				
Bermuda				
Denominated in HK\$				
HAITONG INTL SECURITIES GROUP LTD CB 0% A 25OCT2021	10,000,000	46,000,000	(42,000,000)	14,000,000
British Virgin Islands				
Denominated in HK\$				
HENDERSON LAND MTN LTD 4.8% Q 10NOV2031	-	3,000,000	-	3,000,000
HLP FINANCE LTD 4.35% S/A 20JAN2021	1,000,000	-	-	1,000,000
HLP FINANCE LTD 4.6% S/A 16MAY2024	1,000,000	-	-	1,000,000
HYSAN MTN LTD 3.78% Q 31AUG2020	2,000,000	-	-	2,000,000
K WAH INTL FINANCIAL SERVICES LTD 4.35% Q 22JUL2021	1,000,000	-	-	1,000,000
MELCO FINANCE LTD 4.15% Q 05MAR2018	1,000,000	-	-	1,000,000
NWD MTN LTD 5.9% S/A 18SEP2023	4,000,000	-	-	4,000,000
TONG JIE LTD CB -% A 18FEB2018	6,000,000	-	-	6,000,000
Denominated in US\$				
FRANSHION BRILLIANT LTD 5.75% S/A PERP	-	1,000,000	(500,000)	500,000
GREENLAND GLOBAL INVESTMENT LTD 3.5% S/A 06SEP2019	-	500,000	(500,000)	-
RKI OVERSEAS FINANCE 2016 B LTD 4.7% S/A 06SEP2021	-	500,000	(500,000)	-
TRILLION CHANCE LTD 8.5% S/A 10JAN2019 (CALLED)	500,000	-	(500,000)	-
ZHONGRONG INTL BOND 2016 LTD 6.95% S/A 21JUN2019	-	500,000	-	500,000
Cayman Islands				
Denominated in HK\$				
CHEUNG KONG FINANCE MTN LTD 4.35% Q 20JAN2020	1,000,000	-	-	1,000,000
HENGAN INTL GROUP CO LTD CB -% A 27JUN2018	4,000,000	-	-	4,000,000
KINGSOFT CORP LTD CB 1.25% S/A 11APR2019	8,000,000	-	(8,000,000)	

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

UNAUDITED MOVEMENT IN INVESTMENT PORTFOLIO (continued)

31 December 2017

	Movement			
	At 1 January 2017	Additions	Disposals	At 31 December 2017
LISTED/QUOTED DEBT SECURITIES (continued)				
Cayman Islands (continued)				
Denominated in HK\$				
MTR CORP (CI) 4.95% Q 21OCT2019	1,000,000	-	-	1,000,000
MTR CORP (CI) LTD 1.68% Q 15MAR2017	2,000,000	2,000,000	(4,000,000)	-
MTR CORP (CI) LTD 2.25% Q 04DEC2025	2,000,000	-	-	2,000,000
MTR CORP (CI) LTD 3% Q 24FEB2037	-	1,000,000	-	1,000,000
MTR CORP (CI) LTD 4.9% A 25JUN2018	-	5,000,000	-	5,000,000
SUN HUNG KAI PROPERTIES CAPITAL MARKET LTD 2.28% Q 25AUG2026	2,000,000	-	-	2,000,000
SUN HUNG KAI PROPERTIES CAPITAL MARKET LTD 2.7% Q 26JUN2027	-	2,000,000	-	2,000,000
SUN HUNG KAI PROPERTIES CAPITAL MARKET LTD 3.25% Q 05DEC2022	1,000,000	-	-	1,000,000
SUN HUNG KAI PROPERTIES CAPITAL MARKET LTD 4.05% Q 24FEB2021	2,000,000	1,000,000	-	3,000,000
SUN HUNG KAI PROPERTIES CAPITAL MARKETS LTD 4.03% Q 03JUN2019	3,000,000	-	-	3,000,000
SWIRE PACIFIC MTN FINANCING LTD 2.85% Q 18JUL2022	2,000,000	-	-	2,000,000
SWIRE PACIFIC MTN FINANCING LTD 3.35% Q 31JUL2025	3,000,000	-	-	3,000,000
SWIRE PACIFIC MTN FINANCING LTD 3.9% Q 05NOV2030	-	6,000,000	-	6,000,000
Denominated in US\$				
AGILE GROUP HLDGS LTD 8.25% S/A PERP	-	500,000	-	500,000
CAR INC 6% S/A 11FEB2021	-	500,000	(500,000)	-
CENTRAL CHINA REAL ESTATE LTD 8.75% S/A 23JAN2021	400,000	-	-	400,000
CIFI HLDGS GROUP CO LTD 5.5% S/A 23JAN2022	-	500,000	-	500,000
CIFI HLDGS GROUP CO LTD 7.75% S/A 05JUN2020	350,000	-	(350,000)	-
COUNTRY GARDEN HLDGS CO LTD 4.75% S/A 28SEP2023	-	400,000	-	400,000
COUNTRY GARDEN HLDGS CO LTD 7.875% S/A 27MAY2019 REGS (CALLED)	500,000	-	(500,000)	

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

UNAUDITED MOVEMENT IN INVESTMENT PORTFOLIO (continued)

31 December 2017

	Movement			
	At 1 January 2017	Additions	Disposals	At 31 December 2017
<b>LISTED/QUOTED DEBT SECURITIES</b>				
<b>(continued)</b>				
<i>Cayman Islands (continued)</i>				
Denominated in US\$				
GEELY AUTOMOBILE HLDGS LTD				
5.25% S/A 06OCT2019 REGS				
(CALLED)	-	300,000	(300,000)	-
GREENTOWN CHINA HLDGS LTD				
5.875% S/A 11AUG2020	500,000	-	-	500,000
KWG PROPERTY HLDG LTD 6% S/A				
11JAN2022	-	500,000	-	500,000
LOGAN PROPERTY HLDGS CO LTD				
9.75% S/A 08DEC2017	-	500,000	(500,000)	-
LONGFOR PROPERTIES CO LTD 6.75%				
S/A 29JAN2023	-	500,000	-	500,000
POWERLONG REAL ESTATE HLDGS				
LTD 7.625% S/A 26NOV2018	-	500,000	-	500,000
SHIMAO PROPERTY HLDGS LTD				
8.125% S/A 22JAN2021	500,000	-	-	500,000
YUZHOU PROPERTIES CO LTD 6% S/A				
25OCT2023	-	300,000	-	300,000
YUZHOU PROPERTIES CO LTD 8.625%				
S/A 24JAN2019 (CALLED)	-	500,000	(500,000)	-
<i>China</i>				
Denominated in HK\$				
BANK OF CHINA LTD/HONG KONG				
2.59% A 25JUL2022 FXCD	-	1,000,000	-	1,000,000
BANK OF CHINA LTD/MACAU 2.34%				
S/A 15OCT2020	-	14,000,000	-	14,000,000
BANK OF COMMUNICATIONS CO				
LTD/HONG KONG 2% A 17AUG2020				
FXCD	-	8,000,000	-	8,000,000
CHINA DEV BK HK 3.25% A 17SEP2018				
FXCD	-	2,000,000	-	2,000,000
CHINA DEVELOPMENT BANK				
CORP/HK 2% Q 19NOV2018 FXCD	-	2,000,000	-	2,000,000
CHINA DEVELOPMENT BANK				
CORP/HK 2.05% A 12NOV2018 FXCD	-	5,000,000	-	5,000,000
CHINA DEVELOPMENT BANK				
CORP/HK 2.4% A 22JAN2020 FXCD	-	5,000,000	-	5,000,000

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

UNAUDITED MOVEMENT IN INVESTMENT PORTFOLIO (continued)

31 December 2017

	Movement			
	At 1 January 2017	Additions	Disposals	At 31 December 2017
LISTED/QUOTED DEBT SECURITIES (continued)				
China (continued)				
Denominated in HK\$				
CHINA DEVELOPMENT BANK CORP/HONG KONG 3.65% A 24NOV2020 FXCD	-	5,000,000	-	5,000,000
CHINA DEVELOPMENT BANK CORP/HONG KONG 3.98% A 23APR2020 FXCD	-	1,000,000	-	1,000,000
Hong Kong				
Denominated in HK\$				
CITIC LTD 4.35% S/A 25JUL2024	7,000,000	-	-	7,000,000
DAH SING BANK LTD 2.28% Q 07NOV2018 FXCD	1,000,000	-	-	1,000,000
DBS BANK HONG KONG LTD 3.86% Q 20JAN2020 FXCD	1,000,000	-	-	1,000,000
DBS BANK HONG KONG LTD 3.98% Q 04SEP2018 FXCD	1,000,000	-	-	1,000,000
FAR EAST HORIZON LTD 4.35% Q 14MAR2020	2,000,000	-	-	2,000,000
HANG SENG BANK LTD 2.25% Q 11MAY2020 FXCD	2,000,000	-	-	2,000,000
HK GOVT 1.52% S/A 25SEP2018	1,000,000	-	-	1,000,000
HK GOVT 2.48% S/A 28FEB2029	-	5,000,000	-	5,000,000
HKCG FINANCE LTD 3.3% Q 16MAY2022	-	4,000,000	-	4,000,000
HKCG FINANCE LTD 4.72% Q 23SEP2039	-	2,000,000	-	2,000,000
HONG KONG AIRPORT AUTHORITY 3.85% A 03JUL2019	5,000,000	-	-	5,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 0.61% S/A 05FEB2018	2,000,000	-	-	2,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 0.91% S/A 05NOV2020	3,000,000	2,000,000	-	5,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 1.02% S/A 10APR2017	6,000,000	6,000,000	(12,000,000)	-
HONG KONG GOVERNMENT BOND PROGRAMME 1.06% S/A 05FEB2020	2,000,000	-	-	2,000,000

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

UNAUDITED MOVEMENT IN INVESTMENT PORTFOLIO (continued)

31 December 2017

	Movement			
	At 1 January 2017	Additions	Disposals	At 31 December 2017
LISTED/QUOTED DEBT SECURITIES (continued)				
Hong Kong(continued)				
Denominated in HK\$				
HONG KONG GOVERNMENT BOND PROGRAMME 1.1% S/A 17JAN2023	3,000,000	-	-	3,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 1.25% S/A 29JUN2027	-	2,000,000	-	2,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 1.47% S/A 20FEB2019	2,000,000	-	-	2,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 1.68% S/A 21JAN2026	2,000,000	3,000,000	-	5,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 1.89% S/A 02MAR2032	-	6,000,000	-	6,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 2.13% S/A 16JUL2030	-	3,000,000	-	3,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 2.22% S/A 07AUG2024	6,000,000	-	-	6,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 2.46% S/A 04AUG2021	4,000,000	11,000,000	-	15,000,000
HONG KONG GOVERNMENT BOND PROGRAMME 2.93% S/A 13JAN2020	1,000,000	-	-	1,000,000
HONG KONG GOVERNMENT BOND PROGRAMME HKCPI+-% S/A 07AUG2018 (CMU)	2,000,000	-	-	2,000,000
HONG KONG GOVERNMENT BOND PROGRAMME HKCPI+-% S/A 11AUG2017 (CMU)	-	4,000,000	(4,000,000)	-
HONG KONG GOVERNMENT BOND PROGRAMME HKCPI+-% S/A 20JUN2019	-	2,000,000	-	2,000,000
HONG KONG MORTGAGE CORP LTD 1.1% Q 16APR2018	-	6,000,000	-	6,000,000
HONG KONG MORTGAGE CORP LTD 1.6% Q 04MAR2020	5,000,000	-	-	5,000,000
HONG KONG MORTGAGE CORP LTD 1.96% A 16MAR2020	-	1,000,000	-	1,000,000
HONG KONG SAR GOVERNMENT BOND 5.125% S/A 23JUL2019	6,000,000	11,500,000	-	17,500,000
HONG KONG T-BILLS -% A 09AUG2017	-	6,000,000	(6,000,000)	-
KOWLOON-CANTON 3.88% S/A 15JUN2021	1,000,000	-	-	1,000,000

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

UNAUDITED MOVEMENT IN INVESTMENT PORTFOLIO (continued)

31 December 2017

	Movement			At 31 December 2017
	At 1 January 2017	Additions	Disposals	
LISTED/QUOTED DEBT SECURITIES (continued)				
Hong Kong(continued)				
Denominated in HK\$				
OCBC WING HANG BANK LTD 2.6% Q 16JUL2018 FXCD	1,000,000	-	-	1,000,000
OCBC WING HANG BANK LTD 3.2% Q 09JUN2021 FXCD	1,000,000	3,000,000	-	4,000,000
SWIRE PROPERTIES MTN FINANCING LTD 1.8% Q 17AUG2021	-	6,000,000	-	6,000,000
SWIRE PROPERTIES MTN FINANCING LTD 2.55% Q 18AUG2024	-	8,000,000	-	8,000,000
SWIRE PROPERTIES MTN FINANCING LTD 2.65% Q 03JUN2026	3,000,000	-	-	3,000,000
SWIRE PROPERTIES MTN FINANCING LTD 2.8% Q 26MAR2025	2,000,000	-	-	2,000,000
SWIRE PROPERTIES MTN FINANCING LTD 3% Q 07APR2027	-	5,000,000	-	5,000,000
WHARF FINANCE LTD 2.65% Q 11JAN2018	2,000,000	-	-	2,000,000
WHARF FINANCE LTD 3.1% A 03OCT2018	3,000,000	-	-	3,000,000
WHARF FINANCE LTD 3.75% Q 24OCT2022	-	6,000,000	-	6,000,000
WHARF FINANCE LTD 3.9% Q 19JUN2024	2,000,000	-	-	2,000,000
WHARF FINANCE LTD 4.35% Q 17JAN2022	-	2,000,000	-	2,000,000
WHARF FINANCE NO 1 LTD 2.9% Q 27NOV2018	-	2,000,000	-	2,000,000
WHARF FINANCE NO 1 LTD 4.9% Q 21JAN2020	1,000,000	-	-	1,000,000
WHELOCK FINANCE LTD 2.7% Q 18JAN2018	2,000,000	-	-	2,000,000
WHELOCK FINANCE LTD 4.06% Q 27FEB2021	1,000,000	-	-	1,000,000



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

UNAUDITED MOVEMENT IN INVESTMENT PORTFOLIO (continued)

31 December 2017

	Movement			
	At 1 January 2017	Additions	Disposals	At 31 December 2017
LISTED/QUOTED DEBT SECURITIES(continued)				
Japan				
Denominated in HK\$				
BANK OF TOKYO-MITSUBISHI UFJ LTD/HONG KONG 2.1% A 28JAN2019 FXCD	-	3,000,000	-	3,000,000
BANK OF TOKYO-MITSUBISHI UFJ LTD/HONG KONG 2.48% A 16MAY2022 FXCD	-	8,000,000	-	8,000,000
SUMITOMO MITSUI BANKING CORP/HONG KONG 2.7% Q 21FEB2022 FXCD	-	1,000,000	-	1,000,000
United Arab Emirates				
Denominated in HK\$				
NATIONAL BANK OF ABU DHABI 4.6% Q 29JAN2021 FXCD	2,000,000	-	-	2,000,000

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

UNAUDITED PERFORMANCE TABLE

31 December 2017

**1. NET ASSET VALUE**

	Net asset value per unit		Total net asset value	
	HK\$	US\$	HK\$	US\$
As at 31 December 2017				
- Class A (HKD) units	9.996	-	209,598,107	-
- Class I (HKD) units	10.023	-	134,637,727	-
- Class I (USD) units	-	0.997	-	9,950,308
As at 31 December 2016				
- Class A (HKD) units	9.920	-	30,585,448	-
- Class I (HKD) units	10.157	-	159,598,924	-
- Class I (USD) units	-	0.994	-	1,989,747
As at 31 December 2015				
- Class A (HKD) units	10.069	-	51,018,279	-
- Class I (HKD) units	10.278	-	74,322,415	-
- Class I (USD) units	-	-	-	-

**2. HIGHEST ISSUE AND LOWEST REDEMPTION PRICES PER UNIT**

	Highest subscription unit price		Lowest redemption unit price	
	HK\$	US\$	HK\$	US\$
For the year ended 31 December 2017				
- Class A (HKD) units	10.168	-	9.921	-
- Class I (HKD) units	10.422	-	10.013	-
- Class I (USD) units	-	1.015	-	0.994
For the year ended 31 December 2016				
- Class A (HKD) units	10.237	-	9.898	-
- Class I (HKD) units	10.461	-	10.134	-
- Class I (USD) units	-	1.000	-	0.991
For the year ended 31 December 2015				
- Class A (HKD) units	10.161	-	9.943	-
- Class I (HKD) units	10.365	-	9.988	-
- Class I (USD) units	-	-	-	-
For the period from 2 September 2013 (date of inception) to 31 December 2014				
- Class A (HKD) units	-	-	-	-
- Class I (HKD) units	10.348	-	9.941	-
- Class I (USD) units	-	-	-	-