

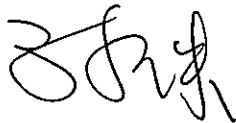


China Everbright Fortune Fund Series
- Everbright Greater China
Opportunities Fund

For the period from 30 November 2017
(date of inception) to 31 December 2018

Fund manager's report

Hong Kong market slid in 2018 and the benchmark Hang Seng Index ended the year at 25,846, drop more than 13% in price return index. Year 2018 was the worst performing year since 2011. HSI started the year strongly and reached its historical peak in January, but after that worries over slowdown of China's economy and Fed's moves on interest rate hike pushed down the Hong Kong market. Global equity markets hit even harder in the second half of 2018, because of the beginning of US-China trade war. HSI Index has slumped for about 22% from its historical peak. Utility sector was the only sector still recorded positive return in 2018. Information Technology sector and Material sector were the worst performing sectors.



China Everbright Securities (HK) Limited

30 APR 2019

Trustee's report
China Everbright Fortune Fund Series -
Everbright Greater China Opportunities Fund ("the Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 10 October 2013, for the period ended 31 December 2018.



)
) For and on behalf of
) ICBC (Asia) Trustee Company
) Limited, Trustee
)

30 APR 2019



Independent auditor's report to the unitholders of China Everbright Fortune Fund Series - Everbright Greater China Opportunities Fund ("the Fund")

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Fund set out on pages 7 to 31, which comprise the statement of assets and liabilities as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the for the period from 30 November 2017 (date of inception) to 31 December 2018 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 Fund as at 31 December 2018 and of its financial transactions and cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). 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 Fund in accordance with the *Code of Ethics for Professional Accountants* ("the Code") issued by the International Ethics Standards Board for Accountants ("IESBA") 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.

Information Other than the Financial Statements and Auditor's Report Thereon

The Manager and the Trustee of the Fund are responsible for the other information. The other information comprises all 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 to the unitholders of China Everbright Fortune Fund Series - Everbright Greater China Opportunities Fund ("the Fund") (continued)

Report on the Audit of Financial Statements (continued)

Responsibilities of the Manager and the Trustee of the Fund for the Financial Statements

The Manager and the Trustee of the Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and for such internal control as the Manager and the Trustee of the Fund 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 Fund are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee of the Fund either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed ("the Trust Deed"), and the relevant disclosure provisions of Appendix E of the Hong Kong 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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.



Independent auditor's report to the unitholders of China Everbright Fortune Fund Series - Everbright Greater China Opportunities Fund ("the Fund") (continued)

Report on the Audit of Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Fund.
- 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager and the Trustee of the Fund 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.



Independent auditor's report to the unitholders of
China Everbright Fortune Fund Series -
Everbright Greater China Opportunities Fund ("the Fund")
(continued)

**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

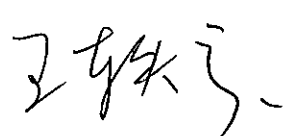
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 APR 2019


Statement of assets and liabilities
as at 31 December 2018
 (Expressed in Hong Kong dollars)

	Note	2018
Assets		
Financial assets at FVTPL	7, 9(e)	\$ 34,215,745
Due from brokers	8	8,283,645
Prepayments		1,420
Cash and cash equivalents	9(e)	5,445,997
		<u>\$ 47,946,807</u>
Liabilities		
Financial liabilities at FVTPL	7	\$ (10,400)
Account payable		(1,502)
Accrued expenses and other payables		(595,972)
		<u>\$ (607,874)</u>
Net assets	13	<u>\$ 47,338,933</u>
Representing:		
Equity		<u>\$ 47,338,933</u>
Number of units in issue, Class - I	10	<u>5,601,815.99</u>
Net asset value per unit		<u>\$ 8.45</u>

Approved by the Trustee and the Manager on **30 APR 2019**



) For and on behalf of
) ICBC (Asia) Trustee Company
) Limited
)



) For and on behalf of
) China Everbright Securities (HK)
) Limited
)

The notes on pages 11 to 31 form part of these financial statements.

Statement of comprehensive income
for the period from 30 November 2017
(date of inception) to 31 December 2018
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
Dividend income	5	\$ 1,674,819
Other interest income		2,712
Net loss from financial assets and financial liabilities at FVTPL	6	(3,718,869)
Net foreign exchange gain		874,183
		\$ (1,167,155)
Management fees	9(a)	\$ (1,465,176)
Trustee's fees	9(c)	(193,912)
Auditor's remuneration		(160,000)
Preliminary expenses		(385,342)
Transaction costs	9(b),9(d)	(1,160,975)
Miscellaneous expenses		(54,859)
		\$ (3,420,264)
Total operating expenses		\$ (3,420,264)
Loss before taxation		\$ (4,587,419)
Taxation	4, 5	(73,648)
		(73,648)
Loss and total comprehensive income for the period		\$ (4,661,067)

The notes on pages 11 to 31 form part of these financial statements.

**Statement of changes in equity
 for the period from 30 November 2017
 (date of inception) to 31 December 2018**
(Expressed in Hong Kong dollars)

	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
Balance at the beginning of the period	\$ <u> -</u>
Loss and total comprehensive income for the period	\$ <u> (4,661,067)</u>
Transaction with unitholders, recognised directly in equity	
Subscriptions of units (17,600,000.00 units)	\$ 176,000,000
Redemption of units (11,998,184.01 units)	<u>(124,000,000)</u>
Total transactions with unitholders	<u>\$ 52,000,000</u>
Balance at the end of the period	<u><u>\$ 47,338,933</u></u>

The notes on pages 11 to 31 form part of these financial statements.

Cash flow statement
 for the period from 30 November 2017
 (date of inception) to 31 December 2018
 (Expressed in Hong Kong dollars)

	<i>Note</i>	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
Operating activities		
Loss for the period		\$ (4,661,067)
Unrealised loss on investments	6	4,619,300
Realised gain on investments	6	(900,431)
Increase in due from brokers		(8,283,645)
Increase in account payable		1,502
Increase in prepayments		(1,420)
Increase in other payables		595,972
Payment for purchase of investments		(323,905,750)
Proceeds from sale of investments		285,981,536
Net cash used in from operating activities		\$ (46,554,003)
Financing activities		
Proceeds from subscription of units		\$ 176,000,000
Payment for redemption of units		(124,000,000)
Net cash generated from financing activities		\$ 52,000,000
Increase in cash and cash equivalents		\$ 5,445,997
Cash and cash equivalents at 30 November 2017 (date of inception)		-
Cash and cash equivalents at 31 December		\$ 5,445,997
Cash flows from operating activities include:		
Interest received		\$ 2,712
Dividend received net of withholding tax		1,601,171

The notes on pages 11 to 31 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 The Fund

China Everbright Fortune Fund Series was constituted as an open-ended unit trust (the "Trust") established as an umbrella fund under the laws of Hong Kong pursuant to a trust deed dated 10 October 2013 (the "Trust Deed") between China Everbright Securities (HK) Limited (the "Manager") and ICBC (Asia) Trustee Company Limited (the "Trustee").

Everbright Greater China Opportunities Fund (the "Sub-Fund") was constituted as a separate sub-fund on 26 November 2015 and commenced operation on 30 November 2017 (date of inception). The Fund is an open-ended unit trust and is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under Section 104(1) of the Securities and Futures Ordinance (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. As at 31 December 2018, there were three other sub-funds established by the Trust, namely Everbright Income Focus Fund, Everbright Hong Kong Bond Fund and Everbright Global Brands Fund.

The investment objective of the Sub-Fund is to aim to provide investors with medium to long term capital appreciation by investing not less than 70% of the Sub-fund's net asset value in a portfolio consisting of listed securities or securities quoted on the over-the-counter markets of companies that derive a significant portion of their revenues from goods produced or sold and/or investments made or services performed in Hong Kong, China and Taiwan (the "Greater China").

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements of the SFC Code. Significant accounting policies adopted by the Fund are disclosed below.

2 Basis of preparation (continued)

(b) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Functional and presentation currency

These financial statements are presented in Hong Kong dollars which is the Fund's functional currency.

3 Significant accounting policies

The accounting policies set out below have been applied consistently during the period.

(a) Foreign currency translation

Transactions in foreign currencies are translated into the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Hong Kong dollars at the foreign currency exchange rate ruling at the date of statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments.

3 Significant accounting policies (continued)

(b) Financial assets and financial liabilities

(i) Recognition and initial measurement

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date, which is the date that the Fund becomes a party to the contractual provisions of the instruments. Other financial assets and liabilities are recognised on the date they are originated.

Financial assets and financial liabilities at fair value through profit or loss are recognised initially at fair value, which transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(ii) Classification

On initial recognition, the Fund classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

All other financial assets of the Fund are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

3 Significant accounting policies (continued)

- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes distributions receivable, amounts receivable on subscription of units, amounts receivable on sale of investments, other accounts receivable, margin deposits, fixed deposits with original maturity more than three months and cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt instruments, equity instruments, collective investment schemes and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for of the time value of money (e.g. periodical reset of interest rates).

3 Significant accounting policies (continued)

The Fund classifies its investments based on the business model and contractual cash flows assessment. Accordingly, the Fund classifies all its investments, including debt instruments, equity instruments, collective investment schemes and derivatives, into financial assets at FVTPL category. Financial assets measured at amortised cost include cash and cash equivalents and receivables.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(iii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(iv) Fair value measurement

“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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at last traded price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

3 Significant accounting policies (continued)

(v) Impairment

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of "investment grade". The Fund considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

3 Significant accounting policies (continued)

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3 Significant accounting policies (continued)

The realised gain/(loss) from financial instruments at fair value through profit or loss represents the difference between the transaction price of a financial instrument and its settlement price.

The unrealised gain/(loss) represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

(vii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of assets and liabilities when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, e.g. for gains and losses arising from group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

(viii) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund for the purpose of meeting short-term commitments, other than cash collateral provided in respect of derivatives, securities sold short and securities borrowing transactions.

Subscriptions and redemptions

The Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

Redeemable units

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

The Fund has one class of redeemable units in issue – "Class - I" unit. This is the most subordinate class of financial instruments in the Fund and rank pari passu in all material respects and has identical terms and conditions. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Fund's net assets at each redeemable date, and also in the event of the Fund's liquidation.

3 Significant accounting policies (continued)

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

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's redeemable units meet these conditions and are classified as equity.

(c) **Interest income**

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

(d) **Dividend income**

Dividend income relating to exchange-traded equity investments is recognised in profit or loss on the ex-dividend date.

(e) **Expenses**

All expenses, including management fees, trustee's fees and custodian fees, are recognised in the statement of comprehensive income on an accrual basis.

3 Significant accounting policies (continued)

(f) Related parties

- (A) A person, or a close member of that person's family, is related to the Fund if that person:
- (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund.
- (B) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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 Fund or an entity related to the 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).
 - (viii) The entity, or any member of a group of which is a part, provides key management personnel services to the Fund.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(g) Segment reporting

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

4 Taxation

The Fund, as a collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO, is exempt from Hong Kong Profits Tax. Accordingly, no provision for Hong Kong Profits Tax is included in these financial statements.

Taxation for the period ended 31 December 2018 represented withholding tax on dividend income which was recorded gross of withholding tax in the statement of comprehensive income.

Under the general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Fund would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including dividend income derived from PRC listed companies. This withholding taxation basis should apply as it is intended that the Fund would be managed and operated in such a manner that they would not be considered as a tax resident enterprise in China or otherwise as having a taxable establishment in the PRC.

5 Net dividend income

	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
Dividend income	\$ 1,674,819
Withholding taxes (note 4)	<u>(73,648)</u>
Net dividend income	<u>\$ 1,601,171</u>

6 Net loss from financial assets and financial liabilities at fair value through profit or loss

	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
Net realised gain	\$ 900,431
Net unrealised loss	<u>(4,619,300)</u>
	<u>\$ (3,718,869)</u>

7 Financial assets and financial liabilities at fair value through profit or loss

2018

Financial assets at fair value through profit or loss

Equity investments listed in Hong Kong & USA \$ 34,215,745

Financial liabilities at fair value through profit or loss

Derivatives (10,400)

\$ 34,205,345

Investments, at cost \$ 38,824,645

Net unrealised depreciation in value of investments (4,619,300)

Investments, at market value \$ 34,205,345

8 Due from brokers

2018

Transaction awaiting settlement \$ 952,060

Margin deposit 7,331,585

\$ 8,283,645

Due from brokers are expected to be recovered on demand or within normal trade settlement period.

9 Related party transactions and other key contracts

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

Related party transactions

- (a) The Fund is managed by China Everbright Securities (HK) Limited ("the Manager"). The Manager receives a management fee, payable monthly in arrears, equivalent to 1.25% per annum of net asset value of "Class-I" unit.

	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
(i) Management fees for the period	\$ 1,465,176
(ii) Management fees payable at period end	<u>51,436</u>

- (b) The Fund utilises the services of the Manager in the purchase and sale of investments.

	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
(i) Value of transactions	\$ 37,902,746
(ii) Percentage of total value of transactions of the Fund	6.21%
(iii) Commission paid for the period	\$ 68,065
(iv) Average commission rate	<u>0.08%</u>

- (c) The Trustee of the Fund is ICBC (Asia) Trustee Company Limited ("the Trustee"), which receives a fee up to 0.10% per annum of net asset value. The total monthly minimum fee of trustee's fee and transaction fee is HK\$24,000.

	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
(i) Trustee's fees for the period (note)	\$ 193,912
(ii) Trustee's fees payable at period end	<u>8,164</u>

9 Related party transactions and other key contracts (continued)

(d) The Trustee receives a transaction fee up to HK\$240 per each security transaction and HK\$150 for each fund transfer not relating to security settlement for handling the investments transactions of the Fund. The total monthly minimum fee of trustee's fee and transaction fee is HK\$24,000.

*Period from
 30 November
 2017 (date of
 inception) to
 31 December
 2018*

(i) Transaction fee for the period (note)	\$	<u>84,530</u>
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(e) The Custodian of the Fund is Industrial and Commercial Bank of China (Asia) Limited ("the Custodian"). The Custodian receives custody fee up to 0.1% per annum of the net asset value plus transaction fees at customary rates.

*Period from
 30 November
 2017 (date of
 inception) to
 31 December
 2018*

(i) Custodian fees for the period	\$	23,289
(ii) Bank balance under the Custodian		5,445,997
(iii) Securities balance under the Custodian		<u>34,215,745</u>

Note: Since the transaction fee incurred during several months in 2018 were below the monthly minimum fee of HK\$24,000, the Fund was required to pay the monthly minimum trustee's fee to the Trustee.

10 Units issued and redeemed

(a) "Class - I" unit

	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
Number of units in issue brought forward	-
Units issued during the period	17,600,000.00
Units redeemed during the period	<u>(11,998,184.01)</u>
Number of units in issue carried forward	<u>5,601,815.99</u>

(b) According to Explanatory Memorandum of the Fund, all classes are denominated in Hong Kong dollars for dealing. During the period ended 31 December 2018, there was no issuance of the Class A unit, only Class I units were issued and remained outstanding as at 31 December 2018.

The Trust and the Fund do not have any externally imposed capital requirements.

11 Distribution of income

The Manager currently does not intend to make any distributions of income and any income earned by the Fund will be re-invested and reflected in the value of units of the Fund. If the Manager intends to make any distribution in respect of the Fund, the Manager will give unitholders of the Fund not less than 30 days' notice (or such other notice period as agreed with the SFC). No distribution statement is prepared as no distribution has been made.

12 Soft dollar commission

As regards to the Fund, the Manager has not entered into any soft dollar commission arrangements during the period.

13 Reconciliation of net asset value

The net asset value ("NAV") presented in the financial statements and that quoted for pricing purposes at the period end ("Dealing NAV") are different as the principles for calculating the Dealing NAV as set out in the Explanatory Memorandum are different from those required for financial reporting purposes under IFRSs. According to the Explanatory Memorandum, the preliminary expenses are amortised over five accounting period. The following reconciliation provides details of these differences:

	<i>Period from 30 November 2017 (date of inception) to 31 December 2018</i>
NAV as reported in the financial statements as at 31 December	\$ 47,338,933
Adjustments for different bases adopted by the Fund in arriving at the Dealing NAV:	
- Unamortised preliminary expenses	301,563
	\$ 47,640,496
 Dealing NAV as at 31 December	 \$ 8.50

14 Financial risk management

In the period ended 31 December 2018, the Fund maintained an investment portfolio of listed financial instruments as dictated by its investment management strategy. The Fund aimed to provide medium to long-term stable capital appreciation by investing in a diversified portfolio of equities securities that were listed primarily on the Hong Kong Stock Exchange.

The Fund's investing activities exposed it to various types of risks that were associated with the financial instruments and markets in which it invested. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund. Investors should note that additional information in respect of risks associated with financial instruments in the Fund can be found in the Fund's offering document.

The nature and extent of the financial instruments outstanding at the date of statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

14 Financial risk management (continued)

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The impact on a 5% increase/(decrease) in value of the investments at 31 December 2018, with all other variables held constant, is shown below:

As at 31 December 2018	Increase/ (decrease) in investment value	Market exposures	Change in net assets
Equity securities	5%	\$ 34,215,745	\$ 1,710,787
	(5)%	34,215,745	(1,710,787)
Derivatives	5%	(10,400)	258,540
	(5)%	(10,400)	(258,540)
		<u> </u>	<u> </u>

(b) Interest rate risk

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

A summary of the Fund's interest rate gap position, analysed by the earlier of contractual repricing or maturity date, is as follows:

	2018			Total
	Less than 1 year	1 year to less than 5 years	5 years and above	
Assets				
Cash and cash equivalents	\$ 5,445,997	\$ -	\$ -	\$ 5,445,997
Total interest sensitivity gap	<u>\$ 5,445,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,445,997</u>

Interest rate sensitivity

At the date of statement of assets and liabilities, assuming all other factors unchanged, it is estimated that an increase in interest rates of 100 basis points would result in a decrease in the amount of the Fund's loss after tax and increase the Fund's equity by \$54,460. The impact of the decrease in interest rates to the Fund's loss after tax and the Fund's equity by is considered to be minimal.

14 Financial risk management (continued)

(c) Foreign currency risk

Almost 100% of the financial instruments as at 31 December 2018 are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"), and as USD is pegged with HKD, the Manager considered there is no significant foreign currency risk is associated with the Fund.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 December 2018, the Fund's financial assets are exposed to credit risk included cash and cash equivalents placed with the Custodian.

The cash held by the Fund is deposited with the Custodian. Bankruptcy or insolvency of the bank may cause the Fund's rights with respect to the cash held by the bank to be delayed or limited. The Manager monitors the credit rating and financial position of the bank on an ongoing basis.

Substantially all of the assets of the Fund are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian had credit rating of A1 designated by Moody's as at 31 December 2018.

The carrying amounts of financial asset best represent the maximum credit risk exposure at the date of statement of assets and liabilities.

At 31 December 2018, there was no significant concentration of credit risk to counterparties except to the Custodian.

(e) Liquidity risk

Liquidity risk arises from the risk that the Manager may not be able to convert investments into cash to meet the Fund's liquidity needs in a timely manner. The Fund is exposed to daily liquidity risk on redemption of units.

The Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

As at 31 December 2018, the Fund's financial liabilities are due within three months.

14 Financial risk management (continued)

(f) Capital management

The Fund's capital as at the period end date is represented by its redeemable units which are classified as equity.

The Fund's objective in capital management is to ensure a stable and strong base to provide long term capital growth and income, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Fund in accordance with the investment objectives and policies stated in the Fund's Explanatory Memorandum.

There were no changes in the policies and procedures during the period with respect to the Fund's approach to its capital management.

The amount and the movement of net assets are stated in the statement of changes in equity. As the redeemable units are redeemed on demand at the unitholders' option, the actual level of redemption may differ significantly from historic experience.

15 Fair value information

The Fund's financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates.

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in accounting policy in note 3(b)(iv).

The Fund measures fair values using the three levels of fair value hierarchy defined in IFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and whose unobservable inputs have a significant effect on the instrument's valuation.

15 Fair value information (continued)

Fair values of equity securities and debt security that are traded in active market are based on quoted prices or dealer price quotations. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The following analyses financial instruments at fair value at 31 December 2018 by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss

	2018			Total
	Level 1	Level 2	Level 3	
Assets				
Equity securities	\$34,215,745	\$ -	-	\$34,215,745
Liabilities				
Derivatives	(10,400)	-	-	(10,400)

There were no transfer between Level 1 and Level 2 of the fair value hierarchy during the period ended 31 December 2018.

16 Segment information

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

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the Fund's performance is evaluated on an overall basis. Accordingly the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the Explanatory Memorandum. There were no changes in the operating segment during the period.

All revenues and losses generated from investments by the Fund are disclosed in note 6. The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period from 30 November 2017(date of inception) to 31 December 2018

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the period ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund.

*Effective for
accounting periods
beginning on or after*

IFRIC 23, *Uncertainty over income tax treatments* 1 January 2019

Annual Improvements to IFRSs 2015-2017 Cycle 1 January 2019

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

Portfolio statement as at 31 December 2018 (Unaudited)

(Expressed in Hong Kong dollars)

	Nominal Value/ Holdings	Market value HK\$ Equivalent	% of net asset value
Equity investments, listed			
Hong Kong Stocks			
Agricultural Bank of China	500,000	1,715,000	3.62
China Construction Bank – H	597,000	3,856,620	8.15
China Merchants Bank Co Ltd-H	92,000	2,640,400	5.58
Ping An Insurance (Group) Company of China Ltd-H	52,500	3,630,375	7.67
Tencent Holdings Ltd	11,700	3,673,800	7.76
China Mengniu Dairy Co	48,000	1,171,200	2.47
CSPC Pharmaceutical Group Limited	36,000	406,800	0.86
China Resources Beer Holdings Co Ltd	22,000	601,700	1.27
Guangdong Investment	78,000	1,180,920	2.49
AIA Group Ltd	31,400	2,041,000	4.31
Hong Kong & China Gas Co Ltd	106,000	1,717,200	3.63
Hang Seng Bank Ltd	10,000	1,758,000	3.71
HSBC Holdings PLC	47,200	3,058,560	6.46
China Mobile Ltd	13,000	979,550	2.07
CNOOC Ltd	136,000	1,645,600	3.48
CLP Holdings Ltd	8,500	752,250	1.59
MTR Corp Ltd	15,500	638,600	1.35
China Shenhua Energyco Ltd	48,500	832,260	1.76
China Life Insurance Co - H	50,000	832,000	1.76
China Resources Land Ltd	36,000	1,083,600	2.29
United States of America			
Tencent Music Entertainment	3	310	0.00
Derivative financial instrument			
Hang Seng Index Futures Jan 2019	4	(10,400)	(0.02)
Other net assets		<u>\$ 13,133,588</u>	<u>27.74</u>
Total net assets		<u><u>\$ 47,338,933</u></u>	<u><u>100.00</u></u>

Statement of movements in portfolio holdings (Unaudited)
for the period from 30 November 2017(date of inception) to
31 December 2018
(Expressed in Hong Kong dollars)

	<i>% of net asset value 2018</i>
Equity securities	
Equity investments	72.28
Derivative financial instruments	
Index futures	(0.02)
Total investments	72.26
Other net assets	27.74
Total net assets	100.00

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

Price record (dealing net asset value per unit)

		<i>"Class - I" unit</i>			
		<i>Bid</i>		<i>Offer</i>	
<i>2018</i>		<i>Lowest</i>	<i>Highest</i>	<i>Lowest</i>	<i>Highest</i>
"Class – I" unit	HK\$	8.31	11.07	8.31	11.07
					<i>2018</i>
Total dealing net asset value					
"Class - I" unit				\$	47,640,496
Dealing net asset value per unit					
"Class - I" unit				\$	8.50

Administration

Manager

China Everbright Securities (HK) Limited
24/F Lee Garden One, 33 Hysan Avenue,
Causeway Bay
Hong Kong

Directors of the Manager

Li Bingtao	
Sun Yi	
Tai Yiu Kuen, Kevin	
Wong King Chung	(Appointed on 16 October 2018)
Mak Yun Ching Mica	(Resigned on 13 October 2018)

Trustee

ICBC (Asia) Trustee Company Limited
33/F, ICBC Tower
3 Garden Road, Central
Hong Kong

Registrar and transfer agent

RBC Investor Services Trust Hong Kong Limited
51/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

Custodian

Industrial and Commercial Bank of China (Asia) Limited
33/F, ICBC Tower
3 Garden Road, Central
Hong Kong

Administration (continued)

Solicitors to the Manager

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

Auditors

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