

# ICBC CREDIT SUISSE RMB CASH FUND

a Sub-Fund of

# ICBC CREDIT SUISSE RENMINBI SERIES

## **ANNUAL REPORT**

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For the year ended 31 December 2019

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## Annual Report For the year ended 31 December 2019

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# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## MANAGEMENT AND ADMINISTRATION

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### Manager and RQFII Holder

ICBC Credit Suisse Asset Management (International)  
Company Limited  
Suite 801, 8/F, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

### Trustee and Registrar

HSBC Institutional Trust Services (Asia)  
Limited  
1 Queen's Road Central  
Hong Kong

### Directors of the Manager

Ms. Guo Tehua (resigned on 18 October 2019)  
Mr. Tang Richard Hua (resigned on 10 June 2019)  
Mr. Wang Qingren (resigned on 4 March 2020)  
Mr. Hao Wei  
Mr. Du Haitao  
Ms. Lu Ling (resigned on 21 January 2020)  
Ms. Wang Hailu (appointed on 18 October 2019)  
Ms. Cao Jiaqi (appointed on 8 November 2019)  
Mr. Peng Shulin (appointed on 4 March 2020)

### Investment Adviser

ICBC Credit Suisse Asset Management  
Company Limited  
6-9/F, Xincheng Building, A  
No. 5 Financial Street  
Xicheng District  
Beijing, 100033  
China

### Custodian

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

### PRC Custodian

HSBC Bank (China) Company Limited  
33/F, HSBC Building  
Shanghai ifc  
8 Century Avenue  
Pudong, Shanghai 200120  
China

### Solicitors to the Manager

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

### Auditor

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

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## REPORT OF THE MANAGER TO THE UNITHOLDERS

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### Market Review

China's economic growth continued to slow slightly in 2019. Exports came under considerable downward pressure amid global economic slowdown and trade conflicts between the world's two largest economies. However, a horizontal comparison shows that China's exports were better than expected, and its share of global exports increased. Although growth in retail sales further decelerated, fixed asset investment (FAI) demonstrated a certain level of resilience, mainly underpinned by robust real estate FAI. Sentiment index fluctuated in a relatively narrow band in 2019. Prices showed mixed trends, with CPI increasing on higher pork prices and PPI declining sharply. Monetary policy remained accommodative, with a total of three RRR cuts in 2019. Interbank liquidity remained moderately ample, and the cost of capital declined.

In 2019, China's bond market saw narrowing term spreads and narrowing spreads between medium-grade and high-grade credit-bonds, underpinned by loose liquidity. For the full year, long-term bonds underperformed, with the 10-year treasury yield down by 9 bps to 3.14% and the yield for 10-year bonds issued by China Development Bank (CDB) down by 7 bps to 3.57%. For five-year bonds, the yield on treasury bonds and bonds issued by CDB fell 8 bps and 13 bps to 2.89% and 3.37%, respectively; the yield on AAA-grade and AA+-grade credit-bonds dropped 34 bps to 3.71% and 4.01%, respectively; AA-grade credit-bonds performed relatively well, with the yield down by 61 bps to 4.42%. For three-year bonds, the yield on treasury bonds and bonds issued by CDB fell 14 bps and 32 bps to 2.73% and 2.92%, respectively; the yield on AAA-grade credit-bonds dropped 38 bps, compared with a decrease of 50 bps and 65 bps, respectively in the yield of AA+-grade credit-bonds (3.55%) and AA-grade credit-bonds (3.79%). The yield on one-year AAA-grade CD fell nearly 40 bps to 2.99%.

### Market Outlook

In the medium term, China's economic growth will face downward pressures, given an ageing population, a cyclical real estate market, high-leverage, reverse globalization and China-US trade conflicts. Moreover, counter-cyclical policies are constrained by a number of factors, and their effectiveness will be rather limited, meaning interest rates are set to decline in the medium- and long-term. The unexpected virus outbreak brought an abrupt end to the stabilizing trend in the Chinese economy seen since the fourth quarter of 2019. The economy will face downward pressures in the near term, while inflationary pressure has eased. Monetary policy will remain accommodative until the economy starts to recover. Despite the relatively high bond valuations, we remain bullish about China's bond market, given the still-steep term spreads and medium- to long-term considerations.

## **ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND**

### **REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

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We hereby confirm that, in our opinion, the Manager of the Sub-Fund has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 16 September 2014, as amended, for the year ended 31 December 2019.

HSBC Institutional Trust Services (Asia) Limited  
28 April 2020

**INDEPENDENT AUDITOR’S REPORT  
TO THE UNITHOLDERS OF ICBC CREDIT SUISSE RMB CASH FUND**  
(A sub-fund of ICBC Credit Suisse Renminbi Series)

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**Report on the Audit of the Financial Statements**

**Opinion**

*What we have audited*

The financial statements of ICBC Credit Suisse RMB Cash Fund (the “Sub-Fund”), a sub-fund of ICBC Credit Suisse Renminbi Series (the “Fund”), set out on pages 7 to 31, which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2019, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

**Basis for Opinion**

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

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

*Independence*

We are independent of the Sub-Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Other Information**

The Trustee and the Manager (the “Management”) of the Sub-Fund is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor’s report thereon.

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 ICBC CREDIT SUISSE RMB CASH FUND**  
(A sub-fund of ICBC Credit Suisse Renminbi Series)

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**Responsibilities of the Management for the Financial Statements**

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Sub-Fund is responsible for assessing the Sub-Fund ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 16 September 2014, as amended ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ICBC CREDIT SUISSE RMB CASH FUND  
(A sub-fund of ICBC Credit Suisse Renminbi Series)**

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

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

**Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and 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 disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 28 April 2020

**ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2019**

	Note	2019 RMB	2018 RMB
<b>Current Assets</b>			
Investments	4(b)	21,058,318	8,960,192
Interest receivable		7,223	70,102
Other receivables		6,692	7,740
Cash and cash equivalents	8(c)	2,998,579	12,547,924
<b>Total Assets</b>		<u>24,070,812</u>	<u>21,585,958</u>
<b>Current Liabilities</b>			
Management fees Payables		1,785	2,788
Other payables		178,200	77,356
<b>Total Liabilities (2019: excluding net assets attributable to unitholders)</b>		<u>179,985</u>	<u>80,144</u>
<b>Net assets attributable to unitholders</b>	3	<u>23,890,827</u>	<u>21,505,814</u>

On behalf of  
HSBC Institutional Trust Services  
(Asia) Limited  
as the Trustee

On behalf of  
ICBC Credit Suisse Asset  
Management (International) Company  
Limited  
as the Manager

ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RMB	2018 RMB
<b>Income</b>			
Interest on bank deposits		119,263	171,576
Interest on investments		478,518	644,387
Net gains on investments	6	7,017	16,099
Net foreign currency losses		(2)	-
Other income	8(f)	440,472	537,334
<b>Total investment income</b>		<u>1,045,268</u>	<u>1,369,396</u>
<b>Expenses</b>			
Management fee	8(a)	1,785	2,788
Trustee fee	8(b)	480,000	480,000
Registrar fees	8(b)	18,600	18,600
Audit fee		96,000	85,779
Other expenses		63,642	70,240
<b>Total operating expenses</b>		<u>660,027</u>	<u>657,407</u>
<b>Profit before tax</b>		385,241	711,989
Tax expense	7	(228)	(249)
<b>Total comprehensive income</b>		<u>385,013</u>	<u>711,740</u>

The notes on pages 11 to 31 are an integral part of these financial statements.

**ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS****For the year ended 31 December 2019**

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	Note	2019 RMB	2018 RMB
<b>Net assets attributable to unitholders at the beginning of the year</b>		21,505,814	20,820,134
		-----	-----
Issue of units	3	2,006,700	10,007,700
Redemption of units	3	(6,700)	(10,033,760)
		-----	-----
Net increase/(decrease) from unit transactions		2,000,000	(26,060)
		-----	-----
Total comprehensive income		385,013	711,740
		-----	-----
<b>Net assets attributable to unitholders at the end of the year</b>		23,890,827	21,505,814
		=====	=====

The notes on pages 11 to 31 are an integral part of these financial statements.

ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

STATEMENT OF CASH FLOWS  
For the year ended 31 December 2019

	2019 RMB	2018 RMB
<b>Cash flows from operating activities</b>		
Total comprehensive income	385,013	711,740
Adjustment for:		
Interest on investments	(478,518)	(644,387)
Interest on bank deposits	(119,263)	(171,576)
Withholding tax on interest income	228	249
Operating loss before working capital changes	(212,540)	(103,974)
Net (increase)/decrease in investments	(12,098,126)	11,479,248
Net decrease/(increase) in other receivables	1,048	(223)
Net increase/(decrease) in other payables	100,844	(94,063)
Net (decrease)/increase in management fee payables	(1,003)	2,788
Cash (used in)/generated from operations	(12,209,777)	11,283,776
Interest on investments received	478,518	644,387
Interest on bank deposits received	182,142	101,475
Tax paid	(228)	(249)
<b>Net cash (used in)/generated from operating activities</b>	(11,549,345)	12,029,389
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	2,006,700	10,007,700
Payments on redemption of units	(6,700)	10,033,760
<b>Net cash generated from/(used in) financing activities</b>	2,000,000	(26,060)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(9,549,345)	12,003,329
Cash and cash equivalents at the beginning of the year	12,547,924	544,595
<b>Cash and cash equivalents at the end of the year</b>	2,998,579	12,547,924
<b>Analysis of balance of cash and cash equivalents</b>		
Cash at banks	2,998,579	12,547,924

The notes on pages 11 to 31 are an integral part of these financial statements.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 1. General Information

ICBC Credit Suisse Renminbi Series (the “Fund”) is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 16 September 2014, as amended, (the “Trust Deed”) between ICBC Credit Suisse Asset Management (International) Company Limited as Manager (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited as Trustee (the “Trustee”).

The Fund and the Sub-Fund are authorised by the Securities and Futures Commission in Hong Kong under Section 104 of the Hong Kong Securities and Futures Ordinance.

The investment objective of the Sub-Fund is to provide investors with daily liquidity together with a higher investment return comparable to normal RMB denominated money market interest rates.

The Manager has obtained Renminbi Qualified Foreign Institutional Investor (“RQFII”) status from the China Securities Regulatory Commission (“CSRC”) and has been granted RQFII quota by the State Administration of Foreign Exchange (“SAFE”) of the PRC pursuant to the RQFII Regulations. The Sub-Fund utilises RQFII quota granted by SAFE to the Manager. The total amount of RQFII quota available to the Manager for use by public fund products under the Manager’s management is limited at any given time. The Manager has the flexibility to allocate such RQFII quota across different open-ended fund products under the Manager’s management from time to time. As such the Sub-Fund does not have exclusive use of and must rely on the Manager’s management and allocation of such RQFII quota. There can be no assurance that the Manager can obtain or allocate sufficient RQFII quota to the Sub-Fund to fully satisfy subscription requests.

### 2. Summary of significant accounting policies

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

#### (a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (collectively the “Management”) to exercise their judgement in the process of applying the Sub-Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

#### New and amended standards adopted by the sub-fund

The following amendment to standards has been adopted by the sub-funds for the first time for the financial year beginning on or after 1 January 2019:

IFRS 16	Leases
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The sub-fund has assessed the effect of applying the new standards and the new standards are not expected to have material impact on the financial statements.

#### New standards and interpretations not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the sub-fund.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 2. Summary of significant accounting policies (Continued)

#### (b) Investments

##### Classification

##### (i) Assets

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Sub-Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund business model's objective. Consequently, all investments are measured at fair value through profit or loss.

##### (ii) Liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

As such, the Sub-Fund classifies all of its investment portfolio as financial assets or liabilities at fair value through profit or loss.

##### (iii) Recognition, derecognition and measurement

Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are included in the statement of comprehensive income in the year in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

##### (iv) Fair value estimation

Investments are fair valued based on quoted market prices using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt makers at the close of trading on the reporting date.

Investments which are traded in the interbank markets (for example, unlisted debt securities) are valued by using the valuation provided by China Central Depository & Clearing Co., Ltd., a company jointly established by People's Bank of China and Ministry of Finance to undertake the function of centralised depository and settlement for the interbank bond market.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 2. Summary of significant accounting policies (Continued)

#### (b) Investments (Continued)

##### (v) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year.

#### (c) Income and expenses

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

Other income and expenses are accounted for on an accrual basis.

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

#### (d) Foreign currency translation

##### (i) Functional and presentation currencies

Items included in the Sub-Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The performance of the Sub-Fund is measured and reported to unitholders in Chinese Yuan Renminbi ("RMB"). The Manager considers RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Sub-Fund's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within "net foreign currency losses".

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "net gains on investments".

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 2. Summary of significant accounting policies (Continued)

#### (e) Redeemable units

The Sub-Fund has issued Class R, Class X and Class I redeemable units which are redeemable at the holder's option represents puttable financial instruments of the Sub-Fund. As at 31 December 2018, the Sub-Fund only issues Class X redeemable units and classifies its puttable financial instruments as equity in accordance with IAS 32 (Amendment), "Financial instruments: Presentation" as those puttable financial instruments meet all the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net asset value;
- the puttable financial instruments are the most subordinated units in issue and unit features are identical, for respective classes of units;
- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, there are no contractual obligations to deliver cash or another financial asset; and
- the total expected cash flows from the puttable financial instrument over its life are based substantially on the profit or loss of the Sub-Fund.

As at 31 December 2019, the Sub-Fund issues Class I and Class X units, which are redeemable at the holder's option and do not have identical rights. These units are classified as financial liabilities.

Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit of the relevant class at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

In accordance with the Explanatory Memorandum of the Sub-Fund, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit of the relevant class for creations and redemptions of the Sub-Fund's units.

#### (f) Amounts receivable from/payable to brokers

Amounts receivable from/payable to brokers represent receivables from investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered on the year end date respectively.

#### (g) Cash and cash equivalents

Cash and cash equivalents includes cash at banks and deposits held with banks with original maturities of three months or less.

#### (h) Taxation

The Sub-Fund incurs withholding taxes imposed by the People's Republic of China on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are recorded separately and included as taxation in the statement of comprehensive income.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 2. Summary of significant accounting policies (Continued)

#### (i) Distribution to unitholders

Distributions to unitholders are recognised when they are approved by the Manager.

### 3. Number of units in issue and net assets attributable to unitholders per unit

The Sub-Fund's capital is represented by net assets attributable to unitholders in the statement of financial position. Subscriptions and redemptions of units during the year are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies and risk management policies as outlined in note 4, whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. During the year ended 31 December 2019, one class (2018: two classes) was issued and fully redeemed: Class R (2018: Class R and Class P). As at year ended 31 December 2019, the Sub-Fund has two classes (2018: one class) of units: Class X and Class I (2018: Class X).

The movements of the redeemable units are as follows:

	<b>Class I</b>	<b>Class R</b>	<b>Class X</b>	
	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
Units in issue at the beginning of year	-	-	20,067,870	20,067,870
Issue of units	2,000,000	6,700	-	-
Reinvestment of units	-	-	-	-
Redemption of units	-	(6,700)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Units in issue at the end of year	2,000,000	-	20,067,870	20,067,870
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Net asset value per unit as at 31 December	1.01	-	1.09	1.07
	<hr/>	<hr/>	<hr/>	<hr/>

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 4. Financial risk management

#### (a) Financial risk factors

The investment objective of the Sub-Fund is to provide investors with daily liquidity together with a higher investment return comparable to normal RMB denominated money market interest rates.

The Sub-Fund seeks to achieve its investment objective by investing not less than 80% of its net asset value in a broad range of short term high liquidity RMB denominated and settled short term debt instruments including bonds (which can be fixed or floating rate), certificate of deposits, commercial paper, treasury bills and other short term bills and notes issued or distributed within mainland China by Chinese government (including state, provincial and local governments), quasi-government organizations (including policy banks), banks, financial institutions and other corporation which are traded on the interbank bond market and/or the exchange traded bond markets in mainland China, through the RQFII quota of the Manager.

The Sub-Fund may invest up to 100% of its net asset value in RMB denominated and settled short term debt instruments issued or distributed within mainland China by Chinese government (including state, provincial and local governments), quasi-government organizations (including policy banks), banks, financial institutions and other corporation which are traded on the interbank bond market and/or the exchange traded bond markets in mainland China, through the RQFII quota of the Manager.

The Sub-Fund may also invest up to 60% of its net asset value in RMB denominated and settled short term debt instruments and/or RMB denominated cash and cash equivalents issued outside mainland China.

The Sub-Fund is exposed to market price risk, cash flow and fair value interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Sub-Fund to manage these risks are discussed below.

#### (b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All investments present a risk of loss of capital. The Sub-Fund's market price risk is managed through deliberate securities or monetary assets selection and diversification of the investment portfolio.

At the end of the reporting date, the overall market exposures were as follows:

	2019		2018	
	Fair value RMB	Cost RMB	Fair value RMB	Cost RMB
Debt securities	21,058,318	21,058,318	8,960,192	8,938,357

As the Sub-Fund mainly invests in debt securities, the sensitivity analysis of market price risk is disclosed in the interest rate sensitivity analysis in note 4(c) below.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 4. Financial risk management (Continued)

#### (b) Market price risk (Continued)

##### Net market exposures

The following table shows the net market exposure the Sub-Fund has to the market, incorporating the underlying market risk through all financial assets and liabilities held by the Sub-Fund. Market below represents where the holding company/head office of the issuer predominately domiciles/operates.

Markets exposed to	2019 RMB equivalent	2018 RMB equivalent
China	21,058,318	8,960,192

The following table shows the net exposures to sectors as at 31 December:

Sectors exposed to	2019 % of net asset value	2018 % of net asset value
Financial Services	88.14	41.66
	88.14	41.66

As at 31 December 2019, the Sub-Fund had five (2018: two) concentrated positions of the Sub-Fund's net asset value. These positions represent 16.70%, 17.13%, 20.85%, 16.73% and 16.73% of the Sub-Fund's net asset value respectively (2018: 23.13% and 18.53%).

#### (c) Cash flow and fair value interest rate risk

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

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of interest-bearing assets and liabilities and future cash flow. The Sub-Fund holds bonds that expose the Sub-Fund to fair value interest rate risk. The Sub-Fund also holds cash and cash equivalents that expose the Sub-Fund to cash flow interest rate risk.

ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Financial risk management (Continued)

(c) Cash flow and fair value interest rate risk (Continued)

The table below summarises the Sub-Fund's exposure to interest rate risks. It includes the Sub-Fund's financial assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

At 31 December 2019

	Up to 1 year RMB	1-5 years RMB	Over 5 years RMB	Non- interest bearing RMB	Total RMB
<b>Assets</b>					
Investments	21,058,318	-	-	-	21,058,318
Other assets	-	-	-	13,915	13,915
Cash and cash equivalents	2,998,579	-	-	-	2,998,579
	<u>24,056,897</u>	<u>-</u>	<u>-</u>	<u>13,915</u>	<u>24,070,812</u>
<b>Liabilities</b>					
Management fee payables	-	-	-	1,785	1,785
Other liabilities	-	-	-	178,200	178,200
Net assets attributable to unitholders	-	-	-	23,890,827	23,890,827
	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,070,812</u>	<u>24,070,812</u>
<b>Total interest sensitivity gap</b>	<u>24,056,897</u>	<u>-</u>	<u>-</u>		

At 31 December 2018

	Up to 1 year RMB	1-5 years RMB	Over 5 years RMB	Non- interest bearing RMB	Total RMB
<b>Assets</b>					
Investments	8,960,192	-	-	-	8,960,192
Other assets	-	-	-	77,842	77,842
Cash and cash equivalents	12,547,924	-	-	-	12,547,924
	<u>21,508,116</u>	<u>-</u>	<u>-</u>	<u>77,842</u>	<u>21,585,958</u>
<b>Liabilities</b>					
Management fee payables	-	-	-	2,788	2,788
Other liabilities	-	-	-	77,356	77,356
	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,144</u>	<u>80,144</u>
<b>Total interest sensitivity gap</b>	<u>21,508,116</u>	<u>-</u>	<u>-</u>		

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 4. Financial risk management (Continued)

#### (c) Cash flow and fair value interest rate risk (Continued)

The majority of the Sub-Fund's interest rate exposure on debt instruments are RMB denominated. Interest rate exposures are expressed in terms of rate of weighted modified duration. The Manager monitors the interest rate risks by quantifying market exposure in duration terms. Beta adjusted weighted modified duration is the modified duration multiplied by the allocation of net asset value and a sensitivity factor (beta).

At 31 December 2019, should interest rates have lowered/risen by 25 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately RMB3,947 (2018:RMB2,151), arising substantially from the increase/decrease in market values of debt securities.

#### (d) Credit and custody risk

The Sub-Fund is exposed to credit risk which is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Sub-Fund's financial assets which are potentially subject to concentration of credit risk consist of cash and cash equivalents and assets held with custodian and its delegate. The table below summarises the net exposure to the Sub-Fund's counterparties as at 31 December 2019 and 31 December 2018 together with their credit ratings:

#### At 31 December 2019

	RMB	Credit rating	Source of credit rating
<u>Investments</u>			
HSBC Bank (China) Company Limited	21,058,318	A1	Moody's
<u>Cash and cash equivalents</u>			
HSBC Bank (China) Company Limited	887,045	A1	Moody's
The Hongkong and Shanghai Banking Corporation Limited	111,534	Aa3	Moody's
Shanghai Commercial Bank Limited	2,000,000	P-1	Moody's

ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Financial risk management (Continued)

(d) Credit and custody risk (Continued)

At 31 December 2018

	RMB	Credit rating	Source of credit rating
<u>Investments</u>			
HSBC Bank (China) Company Limited	8,960,192	A1	Moody's
<u>Cash and cash equivalents</u>			
HSBC Bank (China) Company Limited	373,517	A1	Moody's
The Hongkong and Shanghai Banking Corporation Limited	88,403	A-1	S&P
ANZ Bank, Hong Kong	4,000,000	A-1+	S&P
China Construction Bank (Asia) Corporation Limited, Hong Kong	2,011,125	A-1	S&P
Shanghai Commercial Bank Limited	6,074,879	P-1	Moody's

As the Sub-Fund holds debt securities, it is also exposed to risk that the issuers may not be able to repay the principal amount at maturity and interest. The credit risk is mitigated as the debt securities held are subject to the requirements of (i) maximum holding of 10% of net asset value for any single issuer except where the issuer is a substantial financial institution (as defined in SFC Code) and the total holding does not exceed 10% of the issuer's share capital and non-distributable capital reserves, the limit may be increased to 25% and/or (ii) maximum holding of 30% of net asset value for Government and other public securities of the same issue.

The table below summarises the credit rating of the investment portfolio categorised by the rating agencies:

Portfolio by rating category of bonds:

Rating	2019 % of net asset value	2018 % of net asset value
China Chengxin Security Rating Co., Ltd AAA	88.14%	18.53%
Dagong Global Credit Rating Co., Ltd AAA	-	23.13%
<b>Total</b>	<b>88.14%</b>	<b>41.66%</b>

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 4. Financial risk management (Continued)

#### (d) Credit and custody risk (Continued)

None of the assets is impaired nor past due but not impaired. The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the statement of financial position.

The Sub-Fund is exposed to the credit risk of issuers of the RMB denominated short term debt instruments it invests in as an unsecured creditor. Such securities are typically unsecured obligations and are not supported by collateral. The Sub-Fund's investment is also subject to the risk that issuers may not make timely payments on principal and/or interests of the debt instruments they issue and the Sub-Fund may encounter difficulties or delays in liquidating its position or enforcing its rights against such issuer as they may be incorporated outside Hong Kong.

The Sub-Fund applies the IFRS 9 general model for interest receivables and other receivables to measure expected credit losses. On that basis, the loss allowance for interest receivables and other receivables is immaterial as at 31 December 2019 and 2018.

Cash and cash equivalents and deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

#### (e) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations as they fall due, including a redemption request.

The Sub-Fund is exposed to daily cash redemptions of units in the Sub-Fund. The Sub-Fund may invest in debt instruments which are not listed. Even if the debt instruments are listed, the market for such securities may be inactive. The Sub-Fund is therefore subject to liquidity risks and may suffer losses in trading such instruments.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Financial risk management (Continued)

#### (e) Liquidity risk (Continued)

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

	<b>Less than 1 month RMB</b>	<b>1-3 months RMB</b>	<b>Over 3 months RMB</b>
<b>At 31 December 2019</b>			
Management fees payables	1,785	-	-
Other payables	-	21,200	157,000
Net assets attributable to unitholders	23,890,827	-	-
	<u>23,892,612</u>	<u>21,200</u>	<u>157,000</u>
<b>Contractual cash outflow</b>	<b><u>23,892,612</u></b>	<b><u>21,200</u></b>	<b><u>157,000</u></b>
	<b>Less than 1 month RMB</b>	<b>1-3 months RMB</b>	<b>Over 3 months RMB</b>
<b>At 31 December 2018</b>			
Management fees payables	2,788	-	-
Other payables	95	16,262	60,999
	<u>2,883</u>	<u>16,262</u>	<u>60,999</u>
<b>Contractual cash outflow</b>	<b><u>2,883</u></b>	<b><u>16,262</u></b>	<b><u>60,999</u></b>

Units are redeemed on demand at the unitholders' option. As at 31 December 2019, there was one (2018: one) unitholder holding more than 10% of the Sub-Fund's units.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Financial risk management (Continued)

#### (e) Liquidity risk (Continued)

The Sub-Fund manages its liquidity risk by investing predominantly in debt securities that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of the current assets held:

	<b>Less than 7 days RMB</b>	<b>7 days to less than 1 month RMB</b>	<b>1-12 months RMB</b>
<b>At 31 December 2019</b>			
<b>Total current assets</b>	22,056,897	2,007,223	6,692
	<b>Less than 7 days RMB</b>	<b>7 days to less than 1 month RMB</b>	<b>1-12 months RMB</b>
<b>At 31 December 2018</b>			
<b>Total current assets</b>	9,422,112	8,086,090	4,077,756

#### (f) Currency risk

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

The Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are denominated in Renminbi, the Fund's functional and presentation currency.

The Sub-Fund holds monetary assets and liabilities which are mainly denominated in RMB. The Manager considers that there is no significant exposure to currency risk and hence sensitivity analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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**4. Financial risk management (Continued)**

**(g) Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The Sub-Fund used the last traded market price as its fair valuation inputs for both financial assets and financial liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Inputs for the asset or liability that are unobservable inputs (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

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

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Financial risk management (Continued)

#### (g) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Sub-Fund's investments (by class) measured at fair value as at 31 December 2019 and 31 December 2018:

##### At 31 December 2019

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	21,058,318	-	21,058,318
<b>Total assets</b>	-	21,058,318	-	21,058,318

##### At 31 December 2018

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	8,960,192	-	8,960,192
<b>Total assets</b>	-	8,960,192	-	8,960,192

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed debt securities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2, such as unlisted bonds and inactive listed bonds. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 31 December 2019 and 2018, the Sub-Fund did not hold any investments classified in level 3.

For the year ended 31 December 2019 and 2018, there were no transfers between levels.

Assets and liabilities included in the statement of financial position, except for investments, are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 4. Financial risk management (Continued)

#### (h) Financial instruments by category

Apart from investments as disclosed in the statement of financial position which are classified as financial assets at fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including interest receivable, cash and cash equivalents and other receivables, are categorised as “financial assets at amortised cost”.

All liabilities as disclosed in the statement of financial position is categorised as “other financial liabilities at amortised cost”.

#### (i) Capital risk management

The capital of the Sub-Fund is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Sub-Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Sub-Fund’s objective when managing capital is to safeguard the Sub-Fund’s ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Sub-Fund.

In order to maintain or adjust the capital structure, the Sub-Fund’s policy is to perform the following:

- monitor the level of daily subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the Trust Deed of the Sub-Fund.

The Manager monitors capital on the basis of the value of net assets attributable to unitholders.

### 5. Critical accounting estimates and judgements

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

#### People’s Republic of China (“PRC”) tax provision

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

#### Withholding Income Tax (“WIT”)

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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5. Critical accounting estimates and judgements (Continued)

People's Republic of China ("PRC") taxation (Continued)

Value Added Tax ("VAT") and surtaxes

According to the notice Caishui [2016] No.36 ("Circular 36"), VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities starting from 1 May 2016. In addition, if VAT is applicable, local surtaxes including Urban Maintenance and Construction Tax (currently at the rate ranging from 1% to 7%), Education Surcharge (currently at the rate of 3%) and Local Education Surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities (the "VAT related taxes"). The gains derived by QFIIs/RQFIIs and through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from trading of marketable securities (including A-shares and other PRC listed securities) are exempted from VAT in the PRC under Circular 36 and other prevailing VAT regulations. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

Exemption of PRC WIT and VAT effective from 7 November 2018

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

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

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

During the year ended 31 December 2019 and 2018, the Sub-Fund invests in PRC Investments through the RQFII program. The Manager considers that the enforcement of PRC tax on gains derived from the PRC Investments is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing whether the Sub-Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events.

The Manager considered that the WIT policy for QFIIs/RQFII's investment in debt securities has not been clarified in the "Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII" (the "Notice").

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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5. Critical accounting estimates and judgements (Continued)

People's Republic of China ("PRC") taxation (Continued)

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

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

(b) Interest income on PRC Investments

The Management considers that the PRC WIT treatment on accrued interest arising from PRC non-government bonds from 15 January 2016 (date of inception) to 6 November 2018 and the enforcement of VAT and the VAT related taxes from 1 May 2016 to 6 November 2018 is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

PRC WIT

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

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

PRC VAT and related taxes

As at 31 December 2019 and 2018, the Manager estimates that the Sub-Fund's accumulated interest income from PRC non-government bonds since 1 May 2016 to 6 Nov 2018 of RMB1,313,452 would be exposed to VAT and surtaxes amounting to approximately RMB88,264.

As at 31 December 2019 and 2018, the Manager did not consider that the potential PRC VAT exposure arising from the Sub-Fund's accumulated interest income received from PRC non-government debt securities from 1 May 2016 to 6 November 2018 to be material.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 6. Net gains/(losses) on investments

	2019 RMB	2018 RMB
Change in unrealised gains/losses on investments	(21,835)	(70,432)
Realised gain on investments	28,852	86,531
	<u>7,017</u>	<u>16,099</u>

### 7. Taxation

#### Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

#### PRC Withholding Tax

For the year ended 31 December 2019 and 31 December 2018, the Sub-Fund had invested in RMB denominated debt securities in the PRC. Withholding tax was charged on interest income received from banks during the year. Refer to note 5 for details.

The taxation of the Sub-Fund for the year ended 31 December 2019 and 31 December 2018 represents:

	2019 RMB	2018 RMB
Withholding tax on interest income from banks	228	249
Tax expense	<u>228</u>	<u>249</u>

### 8. Transactions with related parties including Trustee and its affiliates and the Manager and its Connected Persons

The following is a summary of significant related party transactions/transactions entered into during the year between the Sub-Fund and the Trustee and its affiliates and the Manager and its Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong. All transactions entered into during the year ended 31 December 2019 and 2018 between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other significant transactions with related parties except for those disclosed below.

#### (a) Management fee

The Manager is entitled to receive a management fee of 0.4% per annum for Class R shares and 0.25% for Class I shares, calculated and accrued based on the net asset value of the Sub-Fund on each dealing day and payable monthly in arrears. In respect of the Sub-Fund, the Manager currently charges a rate of 0.4% and 0.25% respectively per annum for Class R and Class I. Unitholders of Classes X shares are subject to a separate management fee payable to the Manager or its affiliate under the relevant investment management agreement between such Unitholder and the Manager or its affiliate.

For the year ended 31 December 2019, the Manager was entitled to management fees of RMB1,785 (2018: RMB2,788). At 31 December 2019, a management fees of RMB1,785 (2018: RMB2,788) was payable to the Manager.

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 8. Transactions with related parties including Trustee and its affiliates and the Manager and its Connected Persons (Continued)

#### (b) Trustee fee

HSBC Institutional Trust Services (Asia) Limited, the Trustee, is entitled to receive a trustee fee, which is accrued at each valuation day, payable monthly in arrears. The trustee fee is calculated as a percentage per annum of the net asset value of the Sub-Fund, at the rate as follows, subject to a monthly minimum of RMB40,000 and maximum of 2% per annum:

	<b>Trustee fee % per annum</b>
For first RMB2 billion	0.175%
For next RMB6 billion	0.155%
For next RMB6 billion	0.1325%
For next RMB6 billion	0.10%
For next RMB10 billion	0.08%
Thereafter	0.06%

The Trustee fee is inclusive of fees payable to the Custodian and the PRC Custodian.

The Trustee is also entitled to receive a fee for acting as Registrar. It is also entitled to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by it in the performance of its duties.

For the year ended 31 December 2019, the Sub-Fund was obliged to pay a trustee fee of RMB480,000 (2018: RMB480,000), of which RMB39,528 (2018: RMB38,353) is borne by the Sub-Fund and the remaining is subsidised by the Manager. At 31 December 2019, a trustee fee of RMB3,663 (2018: RMB5,961) was payable to the Trustee.

For the year ended 31 December 2019 and, the Registrar was entitled to registrar fees of RMB18,600 (2018: RMB18,600). At 31 December 2019, a registrar fees of RMB1,630 (2018: RMB3,108) was payable to the Registrar.

#### (c) Bank balances and investment balances

The following bank and investment balances of the Sub-Fund were held with the PRC Custodian and its delegate which are related parties of the Trustee. Refer to note 4(d).

	<b>2019 RMB</b>	<b>2018 RMB</b>
<u>Bank balances with:</u>		
HSBC Bank (China) Company Limited	887,045	373,517
The HongKong and Shanghai Banking Corporation Limited	111,534	88,403
	<hr/> 998,579	<hr/> 461,920
<u>Investment balances with:</u>		
HSBC Bank (China) Company Limited	21,058,318	8,960,192
	<hr/> 21,058,318	<hr/> 8,960,192

# ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 8. Transactions with related parties including Trustee and its affiliates and the Manager and its Connected Persons (Continued)

#### (d) Interest Income

During the year ended 31 December 2019 and 31 December 2018, the interest income derived from bank balances are as follows:

	<b>2019</b>	<b>2018</b>
	<b>RMB</b>	<b>RMB</b>
HSBC Bank (China) Company Limited	2,275	2,487
The HongKong and Shanghai Banking Corporation Limited	443	505
	<u>2,718</u>	<u>2,992</u>

#### (e) Other fees

Transaction handling fees on purchases and sales of investments, valuation fees and fees for the preparation of annual and interim reports were charged by the Trustee, amounting to RMB44,511 (2018: RMB45,955) for the year ended 31 December 2019, of which RMB34,682 (2018: RMB26,388) was outstanding at year end.

#### (f) Other income

For the year ended 31 December 2019, the Manager subsidised the Sub-Fund a trustee fee of RMB440,472 (2018:RMB441,647), and nil audit fee (2018:RMB95,687) in the interest of the unitholders.

#### (g) Unitholders

As at 31 December 2019, all units of Class X being 20,067,870 (2018:20,067,870) were held by the Manager.

#### (h) Establishment costs

The establishment costs of the Sub-Fund have been borne by the Manager.

### 9. Soft commission arrangements

The Manager confirms that there were no soft commission arrangements existing during the year ended 31 December 2019 and 31 December 2018 in relation to directing transactions of the Sub-Fund through a broker or dealer.

### 10. Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 28 April 2020.

**ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND**

**INVESTMENT PORTFOLIO (UNAUDITED)**

**As at 31 December 2019**

	<b>Nominal Value RMB</b>	<b>Fair Value RMB</b>	<b>% of Net Assets</b>
<b>Money market instruments quoted in the China interbank bond market</b>			
CHINA EVERBRIGHT BANK SER NCD (REG) 0% CD 02FEB2020	4,000,000	3,989,879	16.70
CHINA GUANGFA BANK SER NCD (REG) 0% CD 23JAN2020	4,100,000	4,093,026	17.13
INDUSTRIAL BANK 0% CD 13FEB2020	5,000,000	4,981,931	20.85
PING AN BANK CO LTD SER NCD (REG) 0% CD 12JAN2020	4,000,000	3,996,741	16.73
SHANGHAI PUDONG DEV BANK SER NCD (REG) 0% CD 12JAN2020	4,000,000	3,996,741	16.73
		<hr/>	<hr/>
<b>TOTAL INVESTMENTS AT FAIR VALUE*</b>		<u>21,058,318</u>	<u>88.14</u>
<b>TOTAL INVESTMENTS, AT PURCHASE COST*</b>		<u>21,058,318</u>	

\* Investments are accounted for on a trade date basis.

ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2019

	Nominal Value (RMB)			
	1 January 2019	Additions	Deductions	31 December 2019
<b>Money market instruments quoted in the China interbank bond market</b>				
AGRICULTURAL BANK OF CHINA SER NCD (REG) 0% CD 18OCT2019	-	4,000,000	4,000,000	-
BANK OF BEIJ 0% CD 20AUG2019	-	4,100,000	4,100,000	-
BANK OF COMMUNICATIONS SER NCD (REG) 0% CD 14FEB2019	4,000,000	-	4,000,000	-
BANK OF COMMUNICATIONS SER NCD (REG) 0% CD 16APR2019	-	5,000,000	5,000,000	-
CHINA CITIC BANK CORP SER NCD (REG) 0% CD 17OCT2019	-	4,000,000	4,000,000	-
CHINA CONSTRUCTION BANK SER NCD (REG) 0% CD 19SEP2019	-	4,000,000	4,000,000	-
CHINA EVERBRIGHT 0% CD 23JUL2019	-	4,000,000	4,000,000	-
CHINA EVERBRIGHT BANK SER NCD (REG) 0% CD 02FEB2020	-	4,000,000	-	4,000,000
CHINA GUANGFA BANK SER NCD (REG) 0% CD 23JAN2020	-	4,100,000	-	4,100,000
CHINA GUANGFA BANK SER NCD (REG) 0% CD 25JUN2019	-	4,000,000	4,000,000	-
CHINA MINSHENG 0% CD 01NOV2019	-	4,100,000	4,100,000	-
CHINA MINSHENG BKG CORP SER NCD (REG) 0% CD 08APR2019	-	4,000,000	4,000,000	-
CHINA MINSHENG BKG CORP SER NCD (REG) 0% CD 21JUN2019	-	5,000,000	5,000,000	-
HUAXIA BANK 0% CD 04SEP2019	-	5,000,000	5,000,000	-
HUAXIA BANK CO LTD SER NCD (REG) 0% CD 12DEC2019	-	4,000,000	4,000,000	-
INDUSTRIAL BANK 0% CD 13FEB2020	-	5,000,000	-	5,000,000
INDUSTRIAL BANK CO LTD 0% CD 23MAY2019	-	2,000,000	2,000,000	-
INDUSTRIAL BANK CO LTD SER NCD (REG) 0% CD 22NOV2019	-	5,000,000	5,000,000	-
PING AN BANK CO LTD SER NCD (REG) 0% CD 12JAN2020	-	4,000,000	-	4,000,000
SHANGHAI 0% CD 01AUG2019	-	4,000,000	4,000,000	-
SHANGHAI PUDO 0% CD 28FEB2019	5,000,000	-	5,000,000	-
SHANGHAI PUDONG DEV BANK SER NCD (REG) 0% CD 12JAN2020	-	4,000,000	-	4,000,000
SHANGHAI PUDONG DEV BANK SER NCD (REG) 0% CD 20MAY2019	-	4,000,000	4,000,000	-

**ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND**

**PERFORMANCE TABLE (UNAUDITED)**

**For the year ended 31 December 2019**

**Net asset value**

	<b>Total net asset value RMB</b>	<b>Net asset value per unit RMB Class I</b>	<b>Net asset value per unit RMB Class X</b>
At the end of financial year/period dated			
- 31 December 2019	23,890,827	1.01	1.09
- 31 December 2018	21,505,814	N/A	1.07
- 31 December 2017	20,820,134	N/A	1.04

**Highest and lowest net asset value per unit since inception**

	<b>Highest issue price per unit RMB</b>	<b>Lowest redemption price per unit RMB</b>
<b>Class X</b>		
Financial year/period ended		
- 31 December 2019	1.09	1.07
- 31 December 2018	1.07	1.04
- 31 December 2017	1.04	1.01
- 31 December 2016 (since inception)	1.01	1.00

**Highest and lowest net asset value per unit since inception**

	<b>Highest issue price per unit RMB</b>	<b>Lowest redemption price per unit RMB</b>
<b>Class I</b>		
Financial year/period ended		
- 31 December 2019 (since inception)	1.01	1.00

**Highest and lowest net asset value per unit since inception**

	<b>Highest issue price per unit RMB</b>	<b>Lowest redemption price per unit RMB</b>
<b>Class R</b>		
Financial year/period ended		
- 31 December 2019	1.00	1.00
-31 December 2018 (since inception)	1.01	1.00

## ICBC CREDIT SUISSE RENMINBI SERIES - ICBC CREDIT SUISSE RMB CASH FUND

### PERFORMANCE TABLE (UNAUDITED)

For the year ended 31 December 2019

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#### Highest and lowest net asset value per unit since inception

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
<b>Class P</b>		
Financial year/period ended		
- 31 December 2018 (since inception)	1.00	1.00

#### Highest and lowest net asset value per unit since inception

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
<b>Class Z</b>		
Financial year/period ended		
- 31 December 2016 (since inception)	1.00	1.00