

i Capital China Fund

A Sub-Fund of *i* Capital Master Fund

Semi-Annual Report 2024

For the period ended 31 July 2024

CONTENTS

1-2	<i>i</i> Capital China Fund at a glance
3	Performance Review
3-4	Market Review and Outlook
5-6	Fund Performance
6	Portfolio Information
7-9	Other Information

***i* CAPITAL CHINA FUND AT A GLANCE**

Investment Objective

To achieve long-term capital appreciation by primarily investing in equity securities issued by companies listed in Hong Kong, Shanghai and/or Shenzhen.

Investor Profile

Investors who are seeking to access capital growth over a long term investment horizon, and can tolerate short term volatility and fluctuations in returns.

Subscription Fee

Nil

Redemption Fee* (% of redemption amount)

5% for Units held for 1 year or less; Nil for Units held for more than 1 year

Management Fee*

1.5% (150 basis points)

Trustee Fee*

Up to 0.15% (15 basis points), subject to a minimum monthly fee of US\$5,000

Custodian Fee*

Up to 0.0275% (2.75 basis points)

Performance Fee*

10% (1000 basis points) of the outperformance of the Net Asset Value per Unit during a performance period over the High Water Mark

Inception Date

2 January 2018

Minimum Investment (USD)

\$1,000

Additional Investment (USD)

\$1,000

Additional subscription form can be downloaded from the Manager's website or obtained directly from the Manager.

i CAPITAL CHINA FUND AT A GLANCE (Continued)

Dealing frequency

Weekly (last Hong Kong Business Day of every week before 3:00pm)

Manager

Capital Dynamics Asset Management (HK) Private Limited
Suite 701, 7th Floor, Chinachem Leighton Plaza,
29 Leighton Road, Causeway Bay, Hong Kong
Tel. No. : (852) 2153 1455
Fax No. : (852) 2153 1451
Email: enquiries@capitaldynamics.hk
Website: <http://www.capitaldynamics.hk>

Directors of the Manager

Tan Teng Boo
Wu Xiongwei

Solicitors to the Manager

Deacons

Trustee and Registrar

BOCI-Prudential Trustee Limited

Custodian

Bank of China (Hong Kong) Limited

Auditors

PricewaterhouseCoopers

*For more details on the above fees, please refer to the Fees and Expenses under the latest Explanatory Memorandum.

This Semi-Annual Report shall not constitute an offer to sell or a solicitation of an offer to buy units in any of the funds. Subscriptions are to be made only on the basis of the information contained in the relevant explanatory memorandum (and the documents referred to within it), supplemented by the most recent financial report.

PERFORMANCE REVIEW

For the period between 31 January 2024 and 31 July 2024, the Net Assets Value (“NAV”) attributable to unitholders per unit of the *i Capital China Fund* (ICCF) increased by 5.7169% from USD0.7539 to USD0.7970.

MARKET REVIEW AND OUTLOOK

Despite facing various challenges, including a sluggish property sector and global economic uncertainties, China’s GDP expanded 5% for the first half of 2024, which aligns closely with the government’s annual target. The headline GDP number however does not tell the full story.

China’s economy is undergoing a major structural reform and transformation journey. Investors who do not look beyond these headline numbers are missing out on what is really happening in China. An excellent example is the automobile industry.

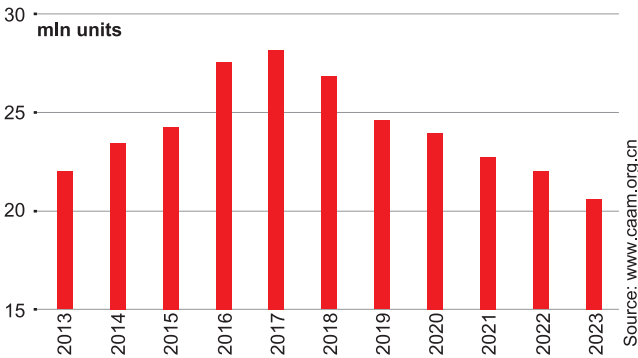
At the headline level, NHK Japan on 4th Oct 2024 reported this typical misleading news, headlined as “China car sales in September fall for 4th straight month”. It looks scary and in line with the pessimistic view of China’s economy. However, a deeper look at the breakdown tells a very different story.

Sales of the traditional internal combustion engine (ICE) vehicles have been falling for many years

The *i Capital China Fund*’s performance over this period was consistent with the overall market. After rebounding to a relatively high level in February, the fund experienced some fluctuations, but finally recovered by late July.

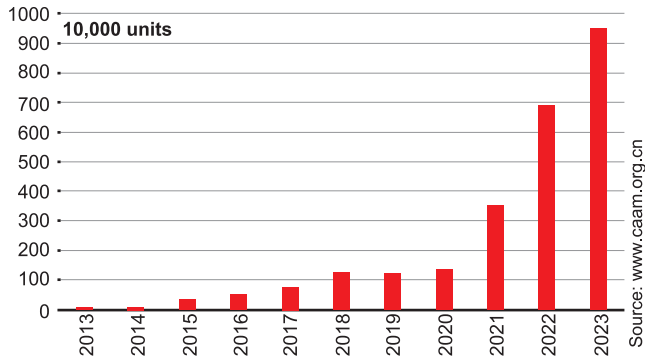
[figure 1]. Such a trend confirms the negative view that China has peaked.

Figure 1 China’s ICE Vehicle Sales



Then when one takes a look at the sales of new energy vehicles (NEV) in China, the trend is the complete opposite. Sales of NEV in China have been booming. By 2023, sales of NEV are nearly half the sales of ICE vehicles, up from almost zero in 2013.

Figure 2 China's New Energy Vehicle Sales



The huge automotive industry in China, the largest in the world, is undergoing a major transformation. This transformation is part of the Chinese government's efforts to promote high-quality development with massive global implications. Imagine the opposite situation. Imagine that in 2023, instead of selling more than 9 mln NEV, the Chinese consumers continue to buy the traditional polluting ICE vehicles. In 2023, there would have been more than 9 mln additional polluting vehicles on the road. If one adds up all the NEV sold from 2014 to 2023 in China, it would have totalled around 25 mln NEV. Imagine what adverse impact this would have had on the environment if the sales been the traditionally polluting ICE vehicles, which highly irresponsible ICE manufacturers like Toyota continues to do.

President Xi Jinping has been saying that China is pursuing high quality development and this is precisely what China is doing. To achieve a higher GDP number, it would have been very, very easy for China to continue with the conventional

but harmful economic policies and ensure that the Chinese consumers keep buying millions of polluting ICE vehicles. President Xi Jinping has instead taken a difficult but globally responsible path of transforming China's automotive industry to ensure that the environment is well protected while at the same time allowing China's economy to keep growing and developing. NHK Japan should have instead reported on 4th Oct 2024 that "China car sales in September continue to save the environment".

As long as China is able to manage and control the risks from this critical transition, her long-term growth and development journey remains stable and sustainable. The government has shown readiness to support the economy, as evidenced by the recent aggressive stimulus measures covering the entire economy. Even the stock market received unprecedented policy support. For the Chinese stock markets, the period from February to July 2024 could be seen as one of the most important transformations as we saw an increasing discrepancy between resilient fundamentals and low stock valuation, which is setting a solid foundation for a major market rally.

Best wishes.

陳鼎武

Tan Teng Boo
Managing Director
Capital Dynamics Asset Management
(HK) Private Limited

11th October 2024

FUND PERFORMANCE 1

Table 1 Top 3 Performing Stocks (in US\$) from 31 January 2024 to 31 July 2024

	Ending 31 July 2024 (% Changed)
HAN'S LASER TECHNOLOGY INDUSTRY GROUP CO LTD - A SHARES	32.72%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD - B SHARES	17.56%
PICO FAR EAST HLDGS LTD	14.01%

The table above represents the top 3 performing stocks your fund held at sometime within the referenced interim period. The stocks do not necessarily need to be bought at the start of the interim period (i.e. 31 January 2024), and held till the end of the interim period (i.e. 31 July 2024). Stock performance will only be measured over the specific period that your fund held the stock in the referenced interim period.

This means that, for example, if HAN'S LASER TECHNOLOGY INDUSTRY GROUP CO LTD-A was bought on 24 April 2024 and sold on 31 July 2024, its performance is only measured over 24 April 2024 to 31 July 2024 and not over the full interim period. Similarly, if it was bought on 31 January 2024 and sold on 12 July 2024, its performance is measured over the period 31 January 2024 to 12 July 2024.

FUND PERFORMANCE 2

Table 2 shows the percentage of unrealised gain or loss (in US\$) of each company held by your Fund as at 31 July 2024.

Table 2 Percentage of unrealised gain or loss (in US\$) arising as at 31 July 2024

	% Change
PICO FAR EAST HLDGS LTD	50.50%
CONCORD NEW ENERGY GROUP LTD	43.37%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD - B SHARES	33.63%
ESPRESSIF SYSTEMS SHANGHAI CO LTD	0.52%
SHANGHAI INTL AIRPORT CO LTD - A SHARES	-3.66%

	% Change
JIANGSU YANGHE BREWERY JOINT-STOCK CO LTD - A SHARES	-26.27%
ALIBABA GROUP HLDG LTD - H SHARES	-31.33%
CHINA SUNSINE CHEMICAL HLDGS LTD	-32.07%
AIA GROUP LTD	-44.22%
HAN'S LASER TECHNOLOGY INDUSTRY GROUP CO LTD - A SHARES	-44.53%
ANGEL YEAST CO LTD - A SHARES	-54.84%
PING AN INSURANCE GROUP CO OF CHINESE LTD - H SHARES	-59.42%
XPENG INC - H SHARES	-78.01%

Notes: The returns shown above are not adjusted to dividends and may not fully reflect the true returns.

PORTFOLIO INFORMATION

Table 3 Percentage of assets held as cash

	Cash	Equities	Other net assets	Total
End of Jan 2024	9.30%	90.14%	0.55%	100.00%
End of Jul 2024	8.65%	94.32%	-2.96%	100.00%

Table 4 Top 5 holdings as at end of Jul 2024

GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD - B SHARES	17.41%
CONCORD NEW ENERGY GROUP LTD	15.11%
ALIBABA GROUP HLDG LTD - H SHARES	8.97%
CHINA SUNSINE CHEMICAL HLDGS LTD	7.33%
HAN'S LASER TECHNOLOGY INDUSTRY GROUP CO LTD - A SHARES	6.91%

OTHER INFORMATION

About *i* Capital China Fund

i Capital China Fund is a fund constituted in the form of a unit trust under *i* Capital Master Fund, an umbrella unit trust established under the laws of Hong Kong.

The fund seeks to achieve long-term capital appreciation by primarily investing in equity securities issued by companies listed in Hong Kong, Shanghai and/or Shenzhen.

Investors should note that the fund's allocation between instruments in the mainland China and the Hong Kong markets may change significantly from time to time. This may result in the fund's investment portfolio becoming more concentrated on either the mainland China market or the Hong Kong market from time to time.

The fund's investment strategy is driven by the Manager's long term value investing philosophy. The Manager adapts its value investing approach by considering political and economic factors, and aims at drawing on the intrinsic value of a company having regard to the principle of margin of safety (the difference between the intrinsic value of a stock and its market price) as its core investment philosophy. The fund's investment horizon will not be restricted by sector or market cap.

The fund aims to invest predominantly in listed securities whilst maintaining a cash buffer on a temporary basis (pending suitable investment

opportunities and also for defensive purposes). The actual asset allocation is driven by the Manager's value investing philosophy which is based on two components: namely the valuation of a listed company AND its market price. When the Manager considers the market is undervalued and there are appropriate investment opportunities whereby listed companies are trading below their fair value, the fund may invest as much as 98% of its Net Asset Value in listed equity securities. In times of extreme market conditions such as when there are speculative bubbles in the mainland China and/or Hong Kong markets where the Manager considers that securities are overvalued and/or the mainland China or the Hong Kong economy is overheating, the fund's assets may invest up to 100% in cash/cash equivalent products on a temporary basis (such as money market instruments) in order to mitigate risk and/or maintain liquidity of the fund.

In seeking to achieve the long term capital appreciation investment objective of the fund, the Manager may consider a broad variety of factors and circumstances in the selection of securities and construction of the fund's portfolio. Such factors may include, but are not limited to, a company's profitability, debt, valuation, growth prospects, actual or future cash flows, volatility, availability and liquidity of securities, sector outlook or prospects, the overall economic, political, tax and regulatory environment affecting the relevant securities and markets in mainland China and/or Hong Kong.

OTHER INFORMATION (Continued)

About Capital Dynamics Group

Capital Dynamics is an independent global fund manager and investment adviser, not tied to any bank, insurer, stockbroker or political organization.

Having more than 30 years of investing experience, and with offices in Shanghai, Hong Kong, Sydney, Singapore and Kuala Lumpur, Capital Dynamics is the first Asian fund manager to go global. As a result of its research driven approach, Capital Dynamics has delivered strong long term returns for its clients over the last few decades.

Our managed funds and investment advisory services are all directly accessible by individual, corporate and institutional investors around the world, and we also offer individually managed accounts to professional investors. Our investment advisory service is provided via *i* Capital newsletter, a weekly publication, and www.icapital.biz. It is available in English and Chinese.

Capital Dynamics Asset Management (HK) Private Limited (CDHK) obtained the Type 9 (Asset Management) license issued by the Securities and Futures Commission Hong Kong (SFC) in January 2013. CDHK provides discretionary investment management service and the first client was onboarded in October 2015. CDHK manages the *i* Capital China Fund, a retail unit trust fund authorized by the SFC.

Capital Dynamics (S) Private Limited (CDPL), a global fund manager based in Singapore. CDPL commenced operations in June 2006. It manages the *i* Capital Global Fund, an open-end fund and discretionary accounts.

Capital Dynamics (Australia) Limited (CDAL) obtained its Australian Financial Services License (AFSL 326283) from the Australian Securities and Investments Commission in December 2008. This allows CDAL to provide fund management and financial advisory services to retail and wholesale investors. Based in Sydney, CDAL manages the *i* Capital International Value Fund, *i* Capital Asia-Pacific ex-Japan BTB Fund, *i* Capital ASEAN BTB Fund and individually managed accounts.

Capital Dynamics Asset Management Sdn Bhd (CDAM), based in Kuala Lumpur, manages icapital.biz Berhad, a closed-end fund listed on Bursa Malaysia and discretionary accounts.

For more information about Capital Dynamics, visit www.capitaldynamics.biz

OTHER INFORMATION (Continued)

Our Philosophy

Independence, intelligence and integrity drive all business and investment decisions at Capital Dynamics. Integrity is central to our corporate culture, and to our loyal clients of many years, our word has proven to be our bond. Capital Dynamics has some of the most stringent compliance policies in the industry.

As a global fund manager, our “Bamboo value investing” philosophy is unique, and has enabled Capital Dynamics to generate sustained superior returns. Based on long-term only investment principles, our value investing approach is given flexibility with the addition of macroeconomic factors and further investment intelligence from our team of fund managers and analysts. We go behind the commercial veneer of companies, travelling globally to research first hand.

Disclaimer: The information in this Report is not intended to provide advice. It has not been prepared taking into account any particular investor’s or class of investor’s investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance.



Capital Dynamics Asset Management (HK) Private Limited

Address Suite 701, 7th Floor, Chinachem Leighton Plaza,
29 Leighton Road, Causeway Bay, Hong Kong

Phone (852) 2153 1455

Fax (852) 2153 1451

Website <http://www.capitaldynamics.hk>

Email enquiries@capitaldynamics.hk