

i Capital China Fund

A Sub-Fund of *i* Capital Master Fund

Semi-Annual Report 2024

For the period ended 31 January 2024

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***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 July 2023 and 31 Jan 2024, the NAV of the *i* Capital China Fund decreased by 19.42% from USD 0.9356 to USD 0.7539. Both the Hong

Kong and China A-share markets plunged with sell-off across many sectors. Our fund performed relatively better as a few defensive stocks hold up very well.

MARKET REVIEW AND OUTLOOK

In the last six months, both Hong Kong and A-share markets were in a continuously down trend, and only stabilized around late January 2024. Previously expensive but high-quality stocks were selling at reasonable prices. Sentiment was very weak for both local and overseas investors with concerns on the weak property market.

On the other hand, we turned even more bullish on Chinese stocks because the valuation is turning much more attractive now. Both the Chinese economy and company earnings did not tumble as implied by the stock market performance.

The Chinese government has been very active in launching different kinds of supportive policies, which have resulted in a continued recovery albeit at an uneven pace. By the end of 2023, China's GDP reached RMB126.06 trillion, expanding by 5.2% year-on-year in real terms, up from 3% growth in 2022.

Another important indicator is the electricity consumption in China. It has maintained a stable growth over the year, up 6.7% year-on-year in 2023.

In December alone, China's power consumption went up 9.9% YoY. All these showed a very resilient Chinese economy.

The policy effects have gradually boosted corporate profit. Both the revenue and profit at China's industrial firms has rebounded continuously since September 2023.

China's annual Central Economic Work Conference held in December 2023 has set clear macro policies for 2024 which are to pursue progress while ensuring stability. The meeting pointed out the idea of "establishing the new before abolishing the old", which is a signal of active policy efforts aimed at improving the real estate sector in 2024. Subsequently, China's four biggest cities, Guangzhou, Shenzhen, Shanghai and Beijing have all eased their housing policies ahead of the Chinese New Year in 2024. On 20 Feb 2024, China announced a 25-basis-point cut to over-five-year loan prime rate (LPR) to 3.95%. As the LPR is the benchmark rate for mortgage, it serves as a strong support to the weak housing market. It is also the biggest ever LPR cut. Except for a few regions

that are still having their first-home mortgage rates above 4%, the majority of local home markets will be capable of enjoying a lending rate of below 4%.

The meeting also pointed out that departments should arrange for more policies that contribute to demand expansion, strengthen the coordination of various types of policies and form policy synergies. Such a coordination among macro policies is important to the market, which could stabilize market expectations and bolster confidence. One important observation following the meeting is the change of the CSRC's chairman in Feb 2024. Although CSRC is just a market regulator which has not much to say in macro policies, the political signal sent by the central government just before the Chinese New Year is striking. It shows the government's strong desire to drive a healthy stock market. Unlike previous CSRC leaders who were originally from large commercial banks, the new chairman, Mr. Wu Qin, has worked in CSRC for a long time with a lot of regulatory experience. More importantly, Mr. Wu has worked with prime minister Li Qiang in Shanghai before. So we expect more policy coordination under the leadership of the central government, which will further strengthen the stock market.

Overall, we see a big gap between fundamentals and valuation, and we believe there is more upside to Chinese equities than downside. No matter how pessimistic investors could be, the truth is that China is still the largest contributor to the global economy, and it will be absurd to completely ignore Chinese stocks. Value investors like us should become even

more rational and patient by continuously evaluating the potential payoff against the downside. In that sense, we think it's time to invest even more into the *i* Capital China Fund before the market starts a new bull run.

List of stocks ICCF is holding as at 31 Jan 2024

ANGEL YEAST CO LTD - A SHARES
AIA GROUP LTD
ALIBABA GROUP HLDG LTD
CHINA SUNSINE CHEMICAL HLDGS LTD
CONCORD NEW ENERGY GROUP LTD
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD - B SHARES
HAN'S LASER TECHNOLOGY INDUSTRY GROUP CO LTD - A SHARES
JIANGSU YANGHE BREWERY JOINT-STOCK CO LTD - A SHARES
PICO FAR EAST HLDGS LTD
PING AN INSURANCE GROUP CO OF CHINA LTD - H SHARES
XPENG INC

Best wishes.



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

7 March 2024

STATEMENT OF NET ASSETS (UNAUDITED)

As at 31 January 2024

	31 January 2024	31 July 2023
	US\$	US\$
Assets		
Financial assets at fair value through profit or loss	4,497,838	5,637,372
Prepayments and other receivables	658	715
Amount due from investment manager	48,795	44,352
Cash and cash equivalents	464,204	592,711
Total assets	5,011,495	6,275,150
Liabilities		
Management fee payable	6,902	7,625
Trustee fee payable	5,323	5,000
Accrued expenses and other payables	9,516	18,956
Total liabilities	21,741	31,581
Net assets attributable to the unitholders	4,989,754	6,243,569
Net asset value per unit	0.7539	0.9356
Based on 6,618,502 (2023: 6,673,679) units outstanding		

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31 January 2024

	For the financial period ended 31 January 2024	For the financial year ended 31 July 2023
	US\$	US\$
Income		
Dividend income	18,412	216,878
Interest income	398	583
Net loss on financial assets at fair value through profit or loss	(1,139,534)	(306,526)
Net foreign exchange loss	(1,735)	(14,994)
Other income	4,462	2,746
Total investment loss	(1,117,997)	(101,313)
Expenses		
Management fee	41,412	87,648
Trustee fee	30,000	60,000
Custodian Fee	869	1,910
Transaction costs (Note 1)	-	1,756
Transaction handling fee	-	60
Audit fee	10,175	18,000
Other operating expenses (Note 2)	2,143	4,589
Total operating expenses	84,599	173,963
Loss before tax	(1,202,596)	(275,276)

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) (Continued)

For the financial period ended 31 January 2024

	For the financial period ended 31 January 2024	For the financial year ended 31 July 2023
	US\$	US\$
Withholding tax	(1,074)	(11,259)
Total comprehensive loss	(1,203,670)	(286,535)

Note 1: During the period ended 31 January 2024 and the year ended 31 July 2023, the transaction costs paid to the Trustee and its Connected Person were as follows:

	31 January 2024	31 July 2023
	US\$	US\$
BOCI Securities		
-Broker Commission	-	202

Note 2: During the period ended 31 January 2024 and the year ended 31 July 2023, the other operating expenses paid to the Trustee and its Connected Person were as follows:

	31 January 2024	31 July 2023
	US\$	US\$
BOCI-Prudential Trustee Limited		
-FATCA services fee	655	1,300
-Registrar fee	400	1,525

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)

For the financial period ended 31 January 2024

	For the financial period ended 31 January 2024	For the financial year ended 31 July 2023
	US\$	US\$
Net assets attributable to unitholders at the beginning of the period/year	6,243,569	6,109,419
Subscription of units	45,624	450,288
Redemption of units	(95,769)	(29,603)
Net (decrease)/increase from transactions with unitholders	(50,145)	420,685
Total comprehensive loss	(1,203,670)	(286,535)
Net assets attributable to unitholders at the end of period/year	4,989,754	6,243,569

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)
(Continued)

For the financial period ended 31 January 2024

	For the financial period ended 31 January 2024	For the financial year ended 31 July 2023
Unit in issue at the beginning of the period / year		
Class A	6,673,679	6,233,814
Issue of units		
Class A	57,371	474,734
Redemption of units		
Class A	(112,548)	(34,869)
Unit in issue at the end of the period / year	<u>6,618,502</u>	<u>6,673,679</u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31 January 2024

	For the financial period ended 31 January 2024 US\$	For the financial year ended 31 July 2023 US\$
Cash flows from operating activities		
Total comprehensive loss	(1,203,670)	(286,535)
Adjustments for:		
Interest income	(398)	(583)
Dividend income, net of withholding tax	(17,338)	(205,619)
Operating loss before working capital changes	(1,221,406)	(492,737)
Net decrease in financial assets at fair value through profit or loss	1,139,534	22,772
Net decrease in prepayments and other receivables	57	19
Net increase in amount due from investment manager	(4,443)	(2,794)
Net decrease in management fee payable	(723)	(427)
Net increase in trustee fee payable	323	-
Net decrease in accrued expenses and other payables	(9,440)	(75)
Cash used in operations	(96,098)	(473,242)

STATEMENT OF CASH FLOWS (UNAUDITED) (Continued)

For the financial period ended 31 January 2024

	For the financial period ended 31 January 2024 US\$	For the financial year ended 31 July 2023 US\$
Interest income received	398	536
Dividend income received, net of withholding tax	17,338	205,619
Net cash used in operating activities	(78,362)	(267,087)
Cash flows from financing activities		
Proceeds from subscription of units	45,624	450,288
Payments on redemption of units	(95,769)	(29,603)
Net cash (used in)/generated from financing activities	(50,145)	420,685
Net (decrease)/increase in cash and cash equivalents	(128,507)	153,598
Cash and cash equivalents at the beginning of the period/year	592,711	439,113
Cash and cash equivalents at the end of the period/year	464,204	592,711
Cash and cash equivalents at the end of the period/year, represented by:		
Cash at bank	464,204	592,711
	464,204	592,711

INVESTMENT PORTFOLIO (UNAUDITED)

For the financial period ended 31 January 2024

	Holdings	Market Value US\$	% of net asset
LISTED EQUITIES			
CHINA			
Angel Yeast Co Limited – A Shares	55,000	236,018	4.73
Guangdong Provincial Expressway Development Co Limited – B Shares	1,000,000	783,966	15.71
Han's Laser Technology Industry Group Co Limited – A Shares	120,000	275,418	5.52
Jiangsu Yanghe Brewery Joint-Stock Co Limited – A Shares	32,000	406,439	8.15
HONG KONG			
AIA Group Limited	31,000	241,642	4.84
Alibaba Group Holding Limited	48,000	426,948	8.56
Concord New Energy Group Limited	10,590,000	880,331	17.64
Pico Far East Holdings Limited	1,300,000	251,048	5.03
Ping An Insurance Group Co of China Limited – H Shares	83,000	347,106	6.96
Xpeng Inc.	38,000	157,215	3.15
SINGAPORE			
China Sunsine Chemical Holdings Limited	1,668,000	491,707	9.85

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

For the financial period ended 31 January 2024

	Holdings	Market Value US\$	% of net asset
Total listed investments		4,497,838	90.14
Other net assets		491,916	9.86
Total net assets as at 31 January 2024 (Calculated in accordance with HKFRS)		4,989,754	100.00
Total investments, at cost		6,473,725	

Note : The net asset value per unit on page 3 is calculated in accordance with the Explanatory Memorandum of the Fund that preliminary expenses of the Fund will be amortised over the first five accounting periods while the net asset value per unit as reported in the statement of net assets on page 5 and the total net assets as reported above included an adjustment for the recognition of all preliminary expenses incurred in profit or loss for the period from 2 January 2018 (date of commencement of operations) to 31 July 2018.

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

For the financial period ended 31 January 2024

	1 August 2023	Additions	Bonus/ Dividends	Disposals	31 January 2024
AIA Group Limited	31,000	-	-	-	31,000
Alibaba Group Holding Limited	48,000	-	-	-	48,000
Angel Yeast Co Limited – A Shares	55,000	-	-	-	55,000
China Sunsine Chemical Holdings Ltd	1,668,000	-	-	-	1,668,000
Concord New Energy Group Limited	10,590,000	-	-	-	10,590,000
Guangdong Provincial Expressway Development Co Limited – B Shares	1,000,000	-	-	-	1,000,000
Han's Laser Technology Industry Group Co Limited – A Shares	120,000	-	-	-	120,000
Jiangsu Yanghe Brewery Joint-Stock Co Limited – A Shares	32,000	-	-	-	32,000
Pico Far East Holdings Limited	1,300,000	-	-	-	1,300,000
Ping An Insurance Group Co of China Limited – H Shares	83,000	-	-	-	83,000
Xpeng Inc.	38,000	-	-	-	38,000

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 Philosophies

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