

***i* CAPITAL CHINA FUND**
(A SUB-FUND OF *i* CAPITAL MASTER FUND)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2020

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MANAGEMENT AND ADMINISTRATION

Manager	Capital Dynamics Asset Management (HK) Private Limited Suite 701, 7th Floor, Chinachem Leighton Plaza 29 Leighton Road Causeway Bay Hong Kong
Directors of the Manager	Tan Teng Boo Wu Xiongwei Wu Chin-Shan, Richard (Resigned on 15 June 2020)
Solicitors	Deacons 5/F, Alexandra House, 18 Chater Road Central, Hong Kong
Trustee and Registrar	BOCI-Prudential Trustee Limited 12th & 25th Floor, Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong
Custodian	Bank of China (Hong Kong) Limited 14/F, Bank of China Tower 1 Garden Road Central Hong Kong
Auditor	PricewaterhouseCoopers 22/F, Prince Building Central Hong Kong

REPORT OF THE TRUSTEE

We hereby confirm that, in our opinion, the Manager, Capital Dynamics Asset Management (HK) Private Limited, has, in all material respects, managed *i* Capital China Fund (a sub-fund of *i* Capital Master Fund) in accordance with the provisions of the Trust Deed dated 17 July 2017, as amended, for the year ended 31 July 2020.

For and on behalf of
BOCI-Prudential Trustee Limited

Hong Kong, 4 November 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF i CAPITAL CHINA FUND
(A SUB-FUND OF i CAPITAL MASTER FUND)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of i Capital China Fund (the "Fund"), a sub-fund of i Capital Master Fund, set out on pages 6 to 25, which comprise:

- the statement of net assets as at 31 July 2020;
- 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 Fund as at 31 July 2020, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We 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 Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF i CAPITAL CHINA FUND
(A SUB-FUND OF i CAPITAL MASTER FUND) (CONTINUED)**

Other Information

The Trustee and the Manager (the "Management") of the Fund are 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.

Responsibilities of the Management for the Financial Statements

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

In addition, the Management of the 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 17 July 2017, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF i CAPITAL CHINA FUND
(A SUB-FUND OF i CAPITAL MASTER FUND) (CONTINUED)**

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

As part of an audit in accordance with HKSAs, 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 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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, 4 November 2020

STATEMENT OF NET ASSETS

AS AT 31 JULY 2020

	Note	2020 USD	2019 USD
ASSETS			
Current assets			
Financial assets at fair value through profit or loss	3.1, 3.4	5,489,307	4,035,357
Prepayments and other receivables		5,141	1,224
Accounts receivable from unitholders		9,999	-
Amount due from investment manager	3.4	152,578	68,509
Cash and cash equivalents	3.4, 7.6	381,457	984,601
Total assets		<u>6,038,482</u>	<u>5,089,691</u>
LIABILITIES			
Current liabilities			
Management fee payable	7.1	14,649	6,891
Trustee fee payable	7.3	5,667	5,333
Accrued expenses and other payables		209,446	203,874
Total liabilities		<u>229,762</u>	<u>216,098</u>
Equity			
Net assets attributable to unitholders	6	<u>5,808,720</u>	<u>4,873,593</u>

For and on behalf of
BOCI-Prudential Trustee Limited, Trustee

For and behalf of
Capital Dynamics Asset Management (HK)
Private Limited, Manager

Authorised Signatory

Authorised Signatory

Director

The notes on pages 10 to 25 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2020

	Note	2020 USD	2019 USD
Income			
Dividend income		154,934	162,300
Interest income	7.6	4,104	22,487
Net gain/(loss) on financial assets at fair value through profit or loss	5	489,816	(517,334)
Net foreign exchange (loss)/gain		(19,873)	24,310
Other income	7.8	83,394	68,432
Total investment income/(loss)		<u>712,375</u>	<u>(239,805)</u>
Expenses			
Management fee	7.1	76,657	71,967
Trustee fee	7.3	60,000	47,500
Custodian fee	7.6	1,598	3,107
Legal and professional fee		27,706	-
Transaction costs		1,612	5,399
Audit fee		21,300	18,170
Other operating expenses		5,164	5,314
Total operating expenses		<u>194,037</u>	<u>151,457</u>
Profit/(loss) before tax		518,338	(391,262)
Withholding taxes		(10,330)	(10,130)
Total comprehensive income/(loss)		<u><u>508,008</u></u>	<u><u>(401,392)</u></u>

The notes on pages 10 to 25 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE YEAR ENDED 31 JULY 2020

	2020 USD	2019 USD
Net assets attributable to unitholders at the beginning of the year	4,873,593	4,926,251
Subscription of units	721,407	363,603
Redemption of units	(294,288)	(14,869)
Net increase from transactions with unitholders	427,119	348,734
Total comprehensive income/(loss)	508,008	(401,392)
Net assets attributable to unitholders at the end of the year	<u>5,808,720</u>	<u>4,873,593</u>

The notes on pages 10 to 25 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2020

	2020 USD	2019 USD
Cash flows from operating activities		
Total comprehensive income/(loss)	508,008	(401,392)
Adjustments for:		
Interest income	(4,104)	(22,487)
Dividend income, net of withholding tax	(144,604)	(152,170)
Operating income/(loss) before working capital changes	359,300	(576,049)
Net increase in financial assets at fair value through profit or loss	(1,453,950)	(884,760)
Net increase in prepayments and other receivables	(4,393)	(2)
Net increase in amount due from investment manager	(84,069)	(68,509)
Net increase in management fee payable	7,758	193
Net increase in trustee fee payable	334	2,750
Net increase in accrued expenses and other payables	5,572	730
Cash used in operations	(1,169,448)	(1,525,647)
Interest income received	4,580	23,768
Dividend income received, net of withholding tax	144,604	152,068
Net cash used in operating activities	(1,020,264)	(1,349,811)
Cash flows from financing activities		
Proceeds from subscription of units	711,408	363,603
Payments on redemption of units	(294,288)	(14,869)
Net cash generated from financing activities	417,120	348,734
Net decrease in cash and cash equivalents	(603,144)	(1,001,077)
Cash and cash equivalents at the beginning of the year	984,601	1,985,678
Cash and cash equivalents at the end of the year	381,457	984,601
Cash and cash equivalents at the end of the year, represented by:		
Time deposits, with original maturities of 3 months or less	-	444,575
Cash at bank	381,457	540,026
	381,457	984,601

The notes on pages 10 to 25 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

i Capital China Fund (the “Fund”) is a sub-fund of i Capital Master Fund. i Capital Master Fund is an open-ended umbrella unit trust which is governed by its trust deed dated 17 July 2017, as amended (the “Trust Deed”), between Capital Dynamics Asset Management (HK) Private Limited (the “Manager”) and BOCI-Prudential Trustee Limited (the “Trustee”).

The Fund is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) under Section 104 of the Hong Kong Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds issued by the SFC (“SFC Code”).

The investment objective of the Fund is to achieve long-term capital appreciation by primarily investing in equity securities issued by companies listed in Hong Kong, Shanghai and/or Shenzhen.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires the Trustee and the Manager (the “Management”) to exercise their judgement in the process of applying the Fund’s accounting policies.

There are no standards, amendments to standards or interpretations that are effective for the annual periods beginning on or after 1 August 2019 that have a material effect on the financial statements of the Fund.

New standards and amendments to standards that are not yet effective and have not been early adopted by the Fund

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 August 2020, 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 Fund.

2.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the functional currency of the United States Dollar (“USD”), which reflects the fact that the issuance and redemption of units, performance measurement and reporting to the investors as well as settlement of fees and expenses are carried in USD.

The Fund has adopted USD as its presentation currency and the financial statements are presented in USD.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.2 Foreign currency translation (continued)

(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 exchange gain/(loss)”.

Foreign exchange gains and losses relating to financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within “net gain/(loss) on financial assets at fair value through profit or loss”.

2.3 Financial assets at fair value through profit or loss

(i) Classification

The Fund classifies its investments based on both 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 Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. Consequently, all investments are measured at fair value through profit or loss.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income within “net gain/(loss) on financial assets at fair value through profit or loss” in the period in which they arise.

(iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund was the last traded market price which falls within the bid-ask spread. In circumstances where the

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.3 Financial assets at fair value through profit or loss (Continued)

(iii) Fair value estimation (Continued)

last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets that are not listed on an exchange or are thinly traded are valued by using quotes from brokers or valuation technique.

Management may from time to time determine the prices or make adjustments to the fair values of investments at their discretion if they believe that an adjustment is required to arrive at the fair value of the position.

(iv) 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 period.

2.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of net assets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

2.5 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash at banks, deposits held with banks with original maturities of three months or less from the date of placement net of bank overdrafts, if any.

2.7 Income and expenses

Interest income is recognised on a time-proportionate basis using the effective interest method in the statement of comprehensive income for all interest bearing instruments. Other income is accounted on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.7 Income and expenses (Continued)

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 period. 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 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.

Dividend income is recorded on the ex-dividend date with the corresponding foreign withholding taxes recorded as an expense.

Expenses are accounted for on an accrual basis.

2.8 Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.9 Redeemable units

The Fund's redeemable units, which are redeemable at the holder's option, represents puttable financial instruments. Puttable financial instruments are classified as equity in accordance with HKAS 32 (Amendment), "Financial instruments: Presentation" if they 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;
- 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 Fund.

The Fund has only one class of redeemable units in issue and its redeemable units meet all of these conditions and are classified as equity.

2.10 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the fees and commissions paid to brokers. Transaction costs are expensed as incurred in the statement of comprehensive income.

2.11 Withholding taxes

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

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management

The Fund is exposed to a variety of risks including but not limited to market price risk, cash flow and fair value interest rate risk, currency risk, credit and counterparty risk and liquidity risk which are associated with the markets in which the Fund invests.

The following is a summary of the main risks and risk management policies.

3.1 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 (other than those arising from interest rate risk or currency risk), 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 manager moderates this risk through a diversified portfolio of investment and deliberate securities selection across different sectors in accordance with the investment objective of the Fund. The Fund will not invest in more than 10 per cent of the net asset value in the securities of a single issuer. The Manager monitors the risk on a regular basis and rebalances the portfolio of investment from time to time to reflect any change to the composition or the weighting.

The following table discloses the investments of the Fund by product type as at 31 July 2020 and 2019:

	2020 USD	2019 USD
Financial assets at fair value through profit or loss		
Listed equities in Mainland China	4,058,876	2,634,379
Listed equities in Hong Kong	534,171	717,870
Listed equities in Singapore	268,710	371,510
Listed equities in the US	627,550	311,598
	<u>5,489,307</u>	<u>4,035,357</u>

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.1 Market price risk (continued)

The following table discloses the investments of the Fund by industrial sectors as at 31 July 2020 and 2019:

	2020	
	Fair value of investment	% of net asset value
Financial assets at fair value through profit or loss	USD	
Listed equities		
Auto parts and equipment	648,408	11.16
Consumer products	1,680,129	28.93
Electronics	728,621	12.54
Industrial	1,156,268	19.91
Retail	982,369	16.91
Software	293,512	5.05
Total financial assets at fair value through profit or loss	5,489,307	94.50
	2019	
	Fair value of investment	% of net asset value
Financial assets at fair value through profit or loss	USD	
Listed equities		
Auto parts and equipment	189,791	3.89
Consumer products	887,732	18.21
Electronics	546,289	11.21
Industrial	1,311,765	26.92
Retail	845,493	17.35
Software	254,287	5.22
Total financial assets at fair value through profit or loss	4,035,357	82.80

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of unfavourable price movements. In seeking to achieve the long term capital appreciation investment objective of the Fund, the Manager adopts its value investing approach and will not be restricted by any particular benchmark index in the selection of securities and construction of the Fund's portfolio. The Fund's equity investments are publicly traded. The table below illustrates the effect of a 10% change in prices of investments to the net assets attributable to unitholders as at 31 July 2020 and 2019, with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.1 Market price risk (continued)

	2020 USD	2019 USD
Net assets attributable to unitholders	5,808,720	4,873,593
Investments	5,489,307	4,035,357
Effect of a 10% increase or decrease in prices of investments	548,931	403,536

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in prices of investments % are revised annually depending on Manager's current view of market volatility and other relevant factors. The Manager does not manage the market price risk with reference to any benchmark and/or market index.

3.2 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.

As the Fund has no significant interest-bearing financial assets apart from cash and cash equivalents, the Fund's income and operating cash flow are substantially independent of changes in market interest rates and Management currently considers the Fund's exposure to interest rate risk to be insignificant. All cash and cash equivalents are short-term with maturity less than three months. Receivables and payables are interest-free and have settlement date less than 1 year.

As at 31 July 2020, the Fund had cash and cash equivalents of USD381,457 (2019: USD984,601). If interest rates had been 10 basis points higher or lower with all other variables held constant, net assets attributable to unitholders would have been USD381 (2019: USD985) higher or lower as at 31 July 2020.

3.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund has assets and liabilities denominated in currencies other than USD, the Fund's functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

Apart from net financial assets of USD769,828 (2019: USD979,718) denominated in Hong Kong dollar ("HKD"), which is pegged to the USD that the Fund does not consider its currency risk to be significant, the Fund has financial assets of USD3,844,279 (2019: USD3,208,885) and USD276,731 (2019: USD389,592) denominated in Chinese Yuan ("CNY") and Singapore Dollar ("SGD"), respectively. At 31 July 2020, if USD had weakened/strengthened by 5% (2019: 5%) against CNY and SGD with all other variable held constant, the pre-tax profit for the period would have been approximately USD192,214 (2019: USD160,444) and USD13,837 (2019: USD19,480) higher/lower, respectively, mainly as a result of foreign exchange gains/losses on revaluation.

3.4 Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund.

The Fund is exposed to credit and counterparty risk on amount due from investment manager, cash and cash equivalents, and assets held with the custodian.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.4 Credit and counterparty risk (continued)

The Fund limits its exposure to credit risk by transacting the majority of its investments and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Trustee and the Manager consider to be well established.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 31 July 2020, all other receivables, amount due from investment manager, cash and short-term deposits are held with counterparties with a credit rating of A- or higher and/or are due to be settled within 1 week. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

All transactions in listed securities are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is made only when the custodian has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The table below summarises the exposures to the Fund's counterparty as at 31 July 2020 and 2019 together with its credit rating:

At 31 July 2020	USD	Credit rating	Source of credit rating
Financial assets at fair value through profit or loss			
Bank of China (Hong Kong) Limited	5,489,307	A+	Standard & Poor's
Amount due from investment manager			
Capital Dynamics Asset Management (HK) Private Limited	152,578	-	-
Cash and cash equivalents			
Bank of China (Hong Kong) Limited	381,457	A+	Standard & Poor's
At 31 July 2019	USD	Credit rating	Source of credit rating
Financial assets at fair value through profit or loss			
Bank of China (Hong Kong) Limited	4,035,357	A+	Standard & Poor's
Amount due from investment manager			
Capital Dynamics Asset Management (HK) Private Limited	68,509	-	-
Cash and cash equivalents			
Bank of China (Hong Kong) Limited	984,601	A+	Standard & Poor's

The maximum exposure to credit risk as at 31 July 2020 and 2019 is the carrying amount of the financial assets as shown on the statement of net assets. The Manager considers that none of these assets are impaired nor past due but not impaired.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.5 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to weekly cash redemption from unitholders. In accordance with the Explanatory Memorandum, with a view to protecting the interests of all unitholders, the Manager may, with the approval of the Trustee, limit the number of units redeemed on any redemption day (whether by sale to the Manager or by cancellation of units) to 10% of the total number of units in issue. The Fund has the ability to borrow up to 25% of net asset value to enhance their liquidity in meeting redemptions.

The Manager manages liquidity risk by maintaining sufficient cash and marketable securities to meet the normal operating commitments. Cash and cash equivalents have maturity of less than three months and the majority of the Fund's investments are traded in active markets and can be readily disposed of.

The table below analyses the 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.

	2020	2019
	Less than 3 months	Less than 3 months
	USD	USD
Management fee payable	14,649	6,891
Trustee fee payable	5,667	5,333
Accrued expenses and other payables	209,446	203,874
	<u>229,762</u>	<u>216,098</u>

As at 31 July 2020, the total assets of the Fund amounted to USD6,038,482 (2019: USD5,089,691). The Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 7 days or less.

At 31 July 2020 and 2019, there is no investor held more than 10% of the Fund's redeemable units.

3.6 Fair value estimation

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year end date. The Fund adopted HKFRS 13, 'Fair value measurement', and utilises the last traded market price for both financial assets and financial liabilities.

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 carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.6 Fair value estimation (continued)

HKFRS 13 requires the Fund to classify 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 (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, 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 Fund. The Manager 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.

The following tables analyse within the fair value hierarchy the Fund’s investments at 31 July 2020 and 2019:

As at 31 July 2020	Level 1	Level 2	Level 3	Total
Assets	USD	USD	USD	USD
Equities	5,489,307	-	-	5,489,307
Total	5,489,307	-	-	5,489,307
As at 31 July 2019	Level 1	Level 2	Level 3	Total
Assets	USD	USD	USD	USD
Equities	4,035,357	-	-	4,035,357
Total	4,035,357	-	-	4,035,357

The investments classified in level 1 were fair valued based on quoted market price in an active market.

Investments that trade in markets that are not considered to be active and are priced by the market maker supported by observable inputs are classified within level 2.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.6 Fair value estimation (continued)

Investments that trade in markets that are not considered to be active and are priced by the market maker based on unobservable inputs are classified within level 3.

The Fund did not invest in any level 2 or level 3 investments during the year ended 31 July 2020 and 2019.

There were no transfers between levels during the year ended 31 July 2020 and 2019.

The assets and liabilities included in the statement of net assets, other than financial assets and liabilities at fair value through profit or loss, are carried at amortised cost; their carrying values are a reasonable approximation of fair value. There are no other assets or liabilities not at fair value but for which fair value is disclosed.

3.7 Capital risk management

The Fund's capital is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly on a weekly basis, as the Fund is subject to weekly subscriptions and redemptions at the discretion of unitholders, as well as changes resulting from the Fund's performance. The Fund strives to invest the subscriptions in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

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

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

The Trustee and Manager monitor capital on the basis of the value of net assets attributable to unitholders.

4. Financial instruments by category

Financial assets

Apart from investments which are classified as assets at fair value through profit or loss, all other financial assets as disclosed in the statement of net assets, including other receivables, amount due from investment manager, and cash and cash equivalents, are categorised as "financial assets at amortised cost".

Financial liabilities

All financial liabilities as disclosed in the statement of financial position, including management fee payable, trustee fee payable and accrued expenses and other payables, are categorised as "financial liabilities at amortised cost".

NOTES TO THE FINANCIAL STATEMENTS

5. Net gain/(loss) on financial assets at fair value through profit or loss

	2020 USD	2019 USD
Net realised gain on sale of investments	-	24,101
Net change in unrealised gain/loss on investments	489,816	(541,435)
	<u>489,816</u>	<u>(517,334)</u>

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

Class A units are available for sale to the retail public. As at 31 July 2020 and 2019, the Fund had Class A units in issue.

The net assets attributable to unitholders per unit is calculated by dividing the net assets attributable to unitholders by the number of units in issue at the year end. The movement of the number of units in issue during the year and the net assets attributable to unitholders per unit as at year end are as follows:

	2020 Class A Units	2019 Class A Units
Number of units in issue at the beginning of year	5,866,891	5,460,080
Units issued	867,035	423,789
Units redeemed	(346,140)	(16,978)
Number of units in issue at the end of year	<u>6,387,786</u>	<u>5,866,891</u>

A reconciliation of the net assets attributable to unitholders as reported in the statement of net assets to the net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions is provided below:

	2020 USD	2019 USD
Net assets attributable to unitholders (calculated in accordance with Fund's Explanatory Memorandum)	5,893,032	4,999,131
Adjustment for preliminary expenses (note)	(84,312)	(125,538)
Net assets attributable to unitholders (calculated in accordance with HKFRS)	<u>5,808,720</u>	<u>4,873,593</u>

Note:

The net asset value per unit issued ("Unit price for subscription/redemption") 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 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.

NOTES TO THE FINANCIAL STATEMENTS

6. Number of units in issue and net assets attributable to unitholders per unit (Continued)

The following table details the net asset value per unit at 31 July 2020 and 2019:

	2020	
	Unit price per statement of net assets USD	Unit price for subscription / redemption USD
Class A		
Net assets value to unitholders per unit	0.9093	0.9225
	2019	
	Unit price per statement of net assets USD	Unit price for subscription / redemption USD
Class A		
Net assets value to unitholders per unit	0.8307	0.8521

7. Transactions with the Trustee, the Manager and their related parties/connected persons

The following is a summary of significant related party transactions or transactions entered into for the year ended 31 July 2020 and 2019 between the Fund and the Trustee, the Manager and their connected persons. Connected persons are those as defined in the SFC Code. All transactions entered into for the year ended 31 July 2020 and 2019 between the Fund and the Trustee, the Manager and their connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Fund did not have any other transactions with connected persons except for those disclosed below.

7.1 Management fee

The Manager is entitled to receive a management fee of 1.5% per annum of the net asset value of the Fund. The fee calculated and accrued on each valuation day and payable monthly in arrears.

Management fee charged for the year ended 31 July 2020 was USD76,657 (2019: USD71,967) of which USD14,649 (2019: USD6,891) was payable to the Manager as at 31 July 2020.

7.2 Performance fee

The Manager is entitled to receive a performance fee of 10% per annum of the net asset value per unit of the Fund in the excess of the higher of (i) the initial offer price of the units and (ii) the highest value for the net asset value per unit as at 31 July for any preceding year in which a performance fee was last calculated and paid (after payment of the performance fee).

The performance fee is calculated and accrued on each valuation day throughout a performance period and payable annually in arrears.

No performance fee was charged for the year ended 31 July 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

7. Transactions with the Trustee, the Manager and their related parties/connected persons (continued)

7.3 Trustee fee

The Trustee is entitled to receive a trustee fee of up to 0.15% per annum of the net asset value of the Fund. The trustee fee is subject to a minimum monthly fee of USD2,500 (equivalent to HKD20,000) for the first 12 months of the launch of the Fund and USD5,000 (equivalent to HKD40,000) thereafter. Currently, the Trustee is entitled to receive a fee of 0.15% per annum, subject to a minimum monthly fee of USD5,000 for January 2019 to July 2020 and USD2,500 for January 2018 to December 2018. The fee is calculated and accrued on each dealing day and payable monthly in arrears.

Trustee fee charged for the year ended 31 July 2020 was USD60,000 (2019: USD47,500) of which USD5,667 (2019: USD5,333) was payable to the Trustee as at 31 July 2020.

7.4 Registrar fee

The Trustee is entitled to receive a transaction fee of USD25 per subscription, redemption and transfer transaction.

The transaction fee charged for the year ended 31 July 2020 was USD1,150 (2019: USD1,750). All of the transaction fee was fully settled as of 31 July 2020.

7.5 FATCA services fee

The Trustee is entitled to receive a FATCA setup and maintenance fee of USD650 per half-year.

The FATCA setup and maintenance fee charged for the year ended 31 July 2020 was USD1,319 (2019: USD1,314) of which USD757 (2019: USD755) was payable to the Trustee as of 31 July 2020.

7.6 Custodian fee, bank balances and investment balances

The Custodian, an affiliate of the Trustee, is entitled to receive transaction charges at customary market rates and custody fees at different rates. Such charges and fees will be calculated monthly and payable monthly in arrears. The Custodian will be paid a custodian fee of up to 0.0275% per annum of the net asset value of the Fund. Custodian fee charged for the year ended 31 July 2020 was USD1,598 (2019: USD3,107). All of the custodian fee was fully settled as of 31 July 2020.

Bank balances at the year end amounted to USD381,457 (2019: USD984,601) held with Bank of China (Hong Kong) Limited. In addition, the Fund's investments are held at Bank of China (Hong Kong) Limited as custodian of the Fund.

Interest income earned from bank balance and the bank charge for the year ended 31 July 2020 was USD4,104 (2019: USD22,487) and USD874 (2019: USD441) respectively.

NOTES TO THE FINANCIAL STATEMENTS

7. Transactions with the Trustee, the Manager and their related parties/connected persons (continued)

7.7 Transaction fee

Investment transactions effected through the affiliate of the Trustee are set out below:

Name of company	Aggregate value of purchases and sales of investments USD	Commission paid USD	% of the total aggregate value of purchases and sales of investments in the year	Average commission Rate %
2020				
BOCI Securities Limited	245,429	368	25.46	0.15
2019				
BOCI Securities Limited	1,139,551	1,708	38.40	0.15

During the year, transaction fee, excluding commission, on investment transactions of USD75 (2019: USD225) was charged by the Trustee.

7.8 Other income received from the Manager

During the year, reimbursement income of USD83,394 (2019: USD68,432) was received from the Manager.

7.9 Investments in related parties

During the year ended 31 July 2020, the Fund did not hold any investments in related parties.

7.10 Manager's and its related parties' holding in the Fund

The Manager and its related parties held 100,016.59 (2019: 100,016.59) Class A units of the Fund which is 1.57% (2019: 1.70%) of the number of units in issue as at 31 July 2020.

NOTES TO THE FINANCIAL STATEMENTS

8. Taxation

Hong Kong profits tax

No provision for Hong Kong profits tax has been made for the Fund as it is 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 tax

The Fund invests in shares of companies in People's Republic of China listed on the Hong Kong Stock Exchange ("H-shares"). Under the PRC Corporate Income Tax Law, the Fund may be liable to pay PRC tax on the capital gains realised in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Manager believes that the Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the enforcement of China tax on capital gains is not probable.

The Fund invests in China A-shares and China B-Shares which are listed on the Stock Exchanges of Shanghai and Shenzhen. The Fund invests in A-Shares and B-Shares listed in the PRC and is subjected to 10% withholding tax on dividend income derived from A-Shares and B-Shares. Withholding tax was charged on dividend income received from A-Shares and B-Shares in the statement of comprehensive income during the year ended 31 July 2020 and 2019.

9. Soft commission arrangements

The Manager may enter into soft commission with some brokers, under which certain goods and services used to support investment decision making are obtained from third parties and are paid for by the brokers in consideration of transactions of the Fund directed to the brokers. These may include, for example, research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis and data and quotation services, computer hardware and software incidental to the above goods and services.

10. Subsequent events

After the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020, the Manager, the Trustee and the Custodian have all deployed business continuity arrangements to minimise interruption to business. As of the date of issuance of these financial statements, the extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and specific positions in which the Fund invests are uncertain. The Manager and the Trustee are closely monitoring, and responding to, the development of COVID-19 as appropriate.

11. Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 4 November 2020.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31 JULY 2020

	Holdings	Market Value	% of net asset
LISTED EQUITIES			
HONG KONG			
Carpenter Tan Holdings Limited	357,000	192,546	3.31
Parkson Retail Group Limited	3,992,500	162,273	2.79
Yangtze Optical Fibre and Cable Joint Stock Limited – H Shares	100,000	179,352	3.09
CHINA			
Anhui Conch Cement Co Limited – A Shares	90,000	792,134	13.65
Guangdong Provincial Expressway Development Co Limited – B Shares	400,000	249,802	4.30
Hangzhou Robam Appliances Co Limited – A Shares	100,000	549,269	9.46
Shanghai International Airport Co Ltd – A Shares	45,000	438,047	7.54
Xiamen Faratronic Co Limited – A Shares	74,902	648,408	11.16
Xiamen Meiya Pico Information Co Limited – A Shares	99,914	293,512	5.05
Jiangsu Yanghe Brewery Joint-stock Co Ltd – A Shares	32,000	619,285	10.66
Zhengzhou Yutong Bus Co Limited – A Shares	240,000	468,419	8.06
SINGAPORE			
China Sunsine Chemical Holdings Ltd	1,100,000	268,710	4.63
US			
Alibaba Group Holding Limited	2,500	627,550	10.80
Total listed investments		5,489,307	94.50
Other net assets		319,413	5.50
Total net assets as at 31 July 2020		5,808,720	100.00
Total investments, at cost		5,847,941	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

FOR THE YEAR ENDED 31 JULY 2020

	1 August 2019	Additions	Bonus/ Dividends	Disposals	31 July 2020
Alibaba Group Holding Limited	1,800	700	-	-	2,500
Anhui Conch Cement Co Limited – A Shares	90,000	-	-	-	90,000
Carpenter Tan Holdings Limited	357,000	-	-	-	357,000
China Sunshine Chemical Holdings Limited	450,000	200,000	450,000	-	1,100,000
Guangdong Provincial Expressway Development Co Limited – B Shares	400,000	-	-	-	400,000
Hangzhou Robam Appliances Co Limited – A Shares	100,000	-	-	-	100,000
Jiangsu Yanghe Brewery Joint-stock Co. Ltd – A Shares	-	32,000	-	-	32,000
Parkson Retail Group Limited	3,992,500	-	-	-	3,992,500
Shanghai International Airport Co Ltd – A Shares	45,000	-	-	-	45,000
Xiamen Faratronic Co Limited – A Shares	30,000	44,902	-	-	74,902
Xiamen Meiya Pico Information Co Limited – A Shares	99,914	-	-	-	99,914
Yangtze Optical Fibre and Cable Joint Stock Limited – H Shares	100,000	-	-	-	100,000
Zhengzhou Yutong Bus Co Limited – A Shares	240,000	-	-	-	240,000

PERFORMANCE TABLE (UNAUDITED)

FOR THE YEAR ENDED 31 JULY 2020

Net asset value
(Calculated in accordance with Fund's Explanatory Memorandum)

At the end of reporting year/period date	Class A	
	Net asset value	Net asset value per unit
	USD	USD
31 July 2020	5,893,032	0.9225
26 July 2019*	5,074,777	0.8650**
27 July 2018#	5,131,271	0.9398##

Highest and lowest net asset value per unit
(Calculated in accordance with Fund's Explanatory Memorandum)

Reporting year/period ended	Class A	
	Highest issue price per unit	Lowest redemption price per unit
	USD	USD
31 July 2020	0.9649	0.7843
31 July 2019	0.9204	0.7838
31 July 2018	1.0272	0.9225

*This is the last dealing day for the year ended 31 July 2019.

**This is the last published net asset value per unit for the year ended 31 July 2019.

#This is the last dealing day for the period from 2 January 2018 (date of commencement of operations) to 31 July 2018.

##This is the last published net asset value per unit for the period from 2 January 2018 (date of commencement of operations) to 31 July 2018.

NOTE



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