

Haitong Middle Kingdom Fund

30 June 2020

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Management and administration

Manager

Haitong International Investment Managers Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central,
Hong Kong

Directors of the Manager

Chen Xuan (resigned on 18 December 2019)
Lo Wai Ho (resigned on 18 December 2019)
Luk Wai Yin (appointed on 18 December 2019)
Poon Mo Yiu
Sun Tong
Yang Jianxin

Trustee and Registrar

HSBC Trustee (Cayman) Limited
Strathvale House
90 North Church Street
George Town
Grand Cayman KY1-1102
Cayman Islands

Trustee's and Registrar's Agent

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

Solicitors

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central, Central
Hong Kong

Auditors

KPMG
PO Box 493
SIX Cricket Square
Grand Cayman KY1-1106
Cayman Islands

Report of the Manager

Performance and Market Review

During the year under review, Haitong Middle Kingdom Fund recorded a 6.51% loss on a year-over-year basis. Hong Kong stock market was volatile in this accounting year driven by several market uncertainties.

First of all, entering the second half of 2019, protests began in HK in opposition to a proposed extradition law, the demonstration quickly escalated into a much wider anti-government movement that resulted in increasingly violent clashes across the city. Local economy was hit strongly especially the consumption sector, given the drastic drop in the number of tourist arrivals. Stock market fluctuated down in the first couple of months of social instability. However, it was not always the bad news. Market sentiment was raised afterwards by progress made on the long-lasting US-China trade negotiations, as President Trump announced that both sides agreed in principle for reaching the first phase of a trade deal in October 2019. Stock market kept climbing towards the end of 2019 to welcome the landing of this overhanging uncertainty in spite that the next round of trade deal could be more difficult to resolve. In January 2020, just before the Chinese New Year, there was official news about the outbreak of a novel coronavirus (later known as COVID-19 Virus) in China. Wuhan, a city with more than 11 million population in central China, was completely lockdown as a containment measure. Business activities around China were halted in order to contain the virus from further spreading. Risk-off sentiment was triggered in response to the pandemic, which led the stock market to tumble in March, as it was hard to gauge the economic impact in early stage of the outbreak. In April 2020, the economy started to recover as pandemic was broadly under control in China, together with the economic stimulus brought by Chinese authorities, stock market oscillated up towards the end of the second quarter. Nonetheless, the performance of Hang Seng Index remained weak, recording a 14.42% loss during the year under review.

Market Outlook and Strategy

Looking forward, we are cautiously positive on the Hong Kong market. We expect that the coronavirus outbreak would be a near-term drag to China's economy, a concerted policy response from the Chinese authorities may assist a recovery in the coming quarters. Besides, geopolitical tensions between the US and China would continue to send jitters to the stock market.



Haitong International Investment Managers Limited

27 October 2020

Trustee's report to the unitholders of Haitong Middle Kingdom Fund (the "Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund for the year ended 30 June 2020 in accordance with the provisions of the Trust Deed dated 18 April 1989, as amended.

A handwritten signature in black ink, appearing to read 'Blum Kennedy', followed by a vertical stamp or mark.

For and on behalf of
HSBC Trustee (Cayman) Limited
Trustee

27 October 2020



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Independent Auditors' Report to the Unitholders

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Haitong Middle Kingdom Fund (the "Fund") set out on pages 13 to 31, which comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other Than the Financial Statements and Auditors' Report Thereon

The Manager and the Trustee of the Fund are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditors' 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.



Independent Auditors' Report to the Unitholders (continued)

Report on the Audit of Financial Statements (continued)

Information Other Than the Financial Statements and Auditors' Report Thereon (continued)

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 Manager and the Trustee of the Fund for the Financial Statements

The Manager and the Trustee of the Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the Manager and the Trustee of the Fund determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee of the Fund are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee of the Fund either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Independent Auditors' Report to the Unitholders (continued)

Report on the Audit of Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Fund.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.



Independent Auditors' Report to the Unitholders (continued)

Report on the Audit of Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

Report on matters under the relevant provisions of the Trust Deed, as amended, and the relevant disclosure provisions of Appendix E of the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed, as amended, and the relevant disclosure provisions of Appendix E of the SFC Code.

KPMG

27 October 2020

Statement of comprehensive income for the year ended 30 June 2020

(Expressed in Hong Kong dollars)

	Note	2020	2019
Income			
Net loss on financial assets at fair value through profit or loss	4	\$ (12,236,951)	\$ (10,579,100)
Dividend income		4,608,596	4,928,980
Interest income	11(d)	5,745	21,986
Net foreign exchange gain		2,163	408
		<u>\$ (7,620,447)</u>	<u>\$ (5,627,726)</u>
Expenses			
Management fee	11(a)	\$ 2,789,580	\$ 3,043,392
Trustee fee	11(c)	478,214	521,724
Transaction costs	11(d)	258,638	484,277
Auditors' remuneration		182,693	173,600
Safe custody and bank charges	11(d)	-	15,034
Legal and other professional fee		136,614	215,023
Miscellaneous expenses		132,702	91,687
		<u>\$ 3,978,441</u>	<u>\$ 4,544,737</u>
Loss attributable to unitholders before taxation		\$ (11,598,888)	\$ (10,172,463)
Withholding tax expenses	5	(165,987)	(173,602)
Loss attributable to unitholders and total comprehensive income for the year		<u>\$ (11,764,875)</u>	<u>\$ (10,346,065)</u>

The notes on pages 13 to 31 form part of these financial statements.

Statement of financial position at 30 June 2020

(Expressed in Hong Kong dollars)

	Note	2020	2019
Assets			
Financial assets at fair value through profit or loss	6, 11(d)	\$ 149,923,363	\$ 165,784,240
Amount due from broker		1,606,451	-
Prepayments and other receivables		19,631	24,708
Dividends receivable		1,292,043	1,239,172
Cash and cash equivalents	7, 11(d)	11,110,009	14,100,617
Total assets		<u>\$ 163,951,497</u>	<u>\$ 181,148,737</u>
Liabilities			
Accrued expenses and other payables	11(a), 11(c), 11(d)	\$ 494,452	\$ 481,877
Amounts due to unitholders		3,553,299	-
Total liabilities		<u>\$ 4,047,751</u>	<u>\$ 481,877</u>
Net assets attributable to unitholders			
Equity	9	<u>\$ 159,903,746</u>	<u>\$ 180,666,860</u>
Total number of units in issue	9, 11(b)	<u>2,384,738</u>	<u>2,519,014</u>
Net asset value per unit		<u>\$ 67.05</u>	<u>\$ 71.72</u>

Approved and authorised for issue by the Trustee and the Manager on 27 October 2020



) For and on behalf of
) HSBC Trustee (Cayman)
) Limited, Trustee



) For and on behalf of
) Haitong International Investment
) Managers Limited, Manager

The notes on pages 13 to 31 form part of these financial statements.

Statement of changes in equity
 for the year ended 30 June 2020
 (Expressed in Hong Kong dollars)

	2020	2019
Balance at the beginning of the year	\$ 180,666,860	\$ 197,496,772
Issuance of units	\$ 9,556,947	\$ 3,388,426
Redemption of units	(18,555,186)	(9,872,273)
Total transactions with unitholders	<u>\$ (8,998,239)</u>	<u>\$ (6,483,847)</u>
Loss attributable to unitholders and total comprehensive income for the year	\$ 171,668,621	\$ 191,012,925
	<u>(11,764,875)</u>	<u>(10,346,065)</u>
Balance at the end of the year	<u>\$ 159,903,746</u>	<u>\$ 180,666,860</u>

The notes on pages 13 to 31 form part of these financial statements.

Cash flow statement for the year ended 30 June 2020 (Expressed in Hong Kong dollars)

	2020	2019
Operating activities		
Loss attributable to unitholders before taxation	\$ (11,598,888)	\$ (10,172,463)
Adjustments for:		
Net loss on financial assets at fair value through profit or loss	12,236,951	10,579,100
Dividend income	(4,608,596)	(4,928,980)
Interest income	(5,745)	(21,986)
	<hr/>	<hr/>
Operating losses before changes in working capital	\$ (3,976,278)	\$ (4,544,329)
Proceeds from sale of financial assets at fair value through profit or loss	63,513,204	123,924,786
Purchase of financial assets at fair value through profit or loss	(61,495,729)	(122,674,173)
Decrease/(increase) in prepayments and other receivables	5,077	(4,775)
Increase/(decrease) in accrued expenses and other payables	12,575	(54,032)
Dividends received, net of withholding tax	4,389,738	4,458,467
Interests received	5,745	21,986
	<hr/>	<hr/>
Net cash generated from operating activities	\$ 2,454,332	\$ 1,127,930
Financing activities		
Proceeds from issuance of units	\$ 9,556,947	\$ 3,422,414
Payments on redemption of units, net of redemptions payable	(15,001,887)	(9,872,273)
	<hr/>	<hr/>
Net cash used in financing activities	\$ (5,444,940)	\$ (6,449,859)

Cash flow statement
for the year ended 30 June 2020 (continued)
(Expressed in Hong Kong dollars)

	2020	2019
Net decrease in cash and cash equivalents	\$ (2,990,608)	\$ (5,321,929)
Cash and cash equivalents at the beginning of the year	<u>14,100,617</u>	<u>19,422,546</u>
Cash and cash equivalents at the end of the year	<u>\$ 11,110,009</u>	<u>\$ 14,100,617</u>

The notes on pages 13 to 31 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Background

Haitong Middle Kingdom Fund (the “Fund”) is a unit trust which is governed by its trust deed dated 18 April 1989, as amended (the “Trust Deed, as amended”). The Fund was established in the Cayman Islands and registered under the Mutual Funds Law of the Cayman Islands on 22 January 1998. The Fund is authorised by the Hong Kong Securities and Futures Commission under Section 104(1) of the Hong Kong Securities and Futures Ordinance, and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds (the “SFC Code”).

The objective of the Fund is to achieve capital growth through investing in a portfolio of publicly quoted equity or equity-linked securities of companies within the Pacific region whose business relates substantially or in part to the People’s Republic of China (the “PRC”). It is envisaged that the majority of such investments will be made in Hong Kong companies or companies listed on The Stock Exchange of Hong Kong Limited but investment in the PRC itself as well as Taiwan, Singapore, Japan and other countries will be considered if deemed appropriate by the Manager.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure provisions of the SFC Code issued by the Hong Kong Securities and Futures Commission. Summary of the significant accounting policies adopted by the Fund are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial assets at fair value through profit or loss which are measured at fair value as explained in the accounting policies set out below.

2 Significant accounting policies (continued)

The financial statements are presented in Hong Kong dollars and rounded to the nearest dollar.

The Fund's units are issued in Hong Kong dollars as the units are marketed to investors who are more familiar with Hong Kong dollars than the local currency of the Cayman Islands. Consequently, the functional and presentation currency for the financial statements is Hong Kong dollars and not the local currency of the Cayman Islands, reflecting the fact that the units of the Fund are issued and redeemed in Hong Kong dollars.

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

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

The accounting policies have been applied consistently by the Fund and are consistent with those used in the previous year.

(c) *Financial instruments*

(i) Classification

On initial recognition, the Fund classifies financial assets as measured at amortised cost or fair value through profit or loss ("FVTPL").

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

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

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

2 Significant accounting policies (continued)

Business model assessment

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

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sales of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the Manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

The Fund has determined that they have two business models.

- Held-to-collect business model: this includes dividend receivables, amount due from broker, prepayments and other receivables and cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes equity instruments. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

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

2 Significant accounting policies (continued)

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

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

The Fund classifies their investments based on the business model and contractual cash flows assessment. Accordingly, the Fund classifies all their equity instruments into financial assets at FVTPL category. Financial assets measured at amortised cost include dividend receivables, amount receivable from broker, prepayments and other receivables and cash and cash equivalents.

Reclassifications

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

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date they become a party to the contractual provisions of the instrument.

Purchases of financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs of financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in fair value recognised in the statement of comprehensive income.

2 Significant accounting policies (continued)

Financial assets, other than those measured at fair value through profit or loss, are carried at amortised cost using the effective interest rate method, less allowance for expected credit losses (“ECLs”), if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) Fair value measurement principles

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

(v) Amortised cost measurement

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

(vi) Impairment

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

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

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

2 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

2 Significant accounting policies (continued)

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

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

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

(vii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

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

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

(viii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Fund has a legally enforceable right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(d) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and demand deposits with banks and other financial institutions that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2 Significant accounting policies (continued)

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised in the statement of comprehensive income as follows:

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income is presented gross of any non-recoverable withholding taxes, which are separately disclosed in the statement of comprehensive income.
- Interest income is recognised as it accrues, using the original effective interest method. Interest income on bank deposits is separately disclosed in the statement of comprehensive income.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(g) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period.

Foreign currency exchange differences relating to financial assets at fair value through profit or loss are included in net gain or loss on financial assets at fair value through profit or loss. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the statement of comprehensive income.

(h) Related parties

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
 - (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund.

2 Significant accounting policies (continued)

- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Fund or to the Fund's parent.

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

(i) **Units in issue**

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

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

- it entitles the holder to a pro rata share of the Fund's net assets in the event of Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and

2 Significant accounting policies (continued)

- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund has only one class of units in issue and they are the most subordinate class of financial instruments in the Fund. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

The Fund's units meet all the criteria for equity classification and are classified as equity.

3 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund. None of these standards or amendments impact on the accounting policies of the Fund.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 13)

4 Net loss on financial assets at fair value through profit or loss

	2020	2019
Net unrealised loss on financial assets at fair value through profit or loss	\$ (5,032,473)	\$ (6,795,945)
Net realised loss on sale of financial assets at fair value through profit or loss	<u>(7,204,478)</u>	<u>(3,783,155)</u>
	<u>\$ (12,236,951)</u>	<u>\$ (10,579,100)</u>

5 Taxation

There are no taxes on income or gains in the Cayman Islands and the Fund has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes for a period of 50 years from the creation of the Fund. Accordingly, no provision for Cayman Islands taxes is included in these financial statements.

5 Taxation (continued)

No provision for Hong Kong Profits Tax has been made in the financial statements as the income of the Fund is exempt from taxation under S26A (1A) of the Hong Kong Inland Revenue Ordinance.

Overseas withholding tax was charged on certain dividend income received during the year. Dividend income is recorded gross of such tax.

Foreign Account Tax Compliance Act

On 18 March 2010, the Hiring Incentives to Restore Employment Act of 2010 added chapter 4 to Subtitle A (“Chapter 4”) of the US Internal Revenue Code (“the Code”). The provisions in Chapter 4 are commonly referred to as the Foreign Account Tax Compliance Act (“FATCA”). US Treasury regulations providing guidance on the due diligence, reporting, and withholding obligations under FATCA were passed and came into effect in January 2013 (“the Regulations”).

The Regulations require foreign financial institution (“FFI”) to provide the Internal Revenue Service (“IRS”) with information on certain U.S. persons invested in accounts outside of the U.S. and for certain non U.S. entities to provide information about any U.S. owners. The obligations of an FFI under FATCA may be modified by an Intergovernmental Agreement (“IGA”) between the US and the FFI’s country of organization. The Cayman Islands entered into a Model 1 IGA on 29 November 2013, which provides for reporting and enforcement by FFIs to be facilitated by local authorities. The Cayman Islands also entered into a similar IGA with the United Kingdom. Therefore, all Cayman Islands domiciled “financial institutions” are subject to domestic legislation and regulations that implement both the Foreign Account Tax Compliance Act (“US FATCA”) and its UK equivalent (“UK FATCA” and together, “FATCA”). The due diligence and reporting regimes introduced by the domestic legislation and regulations apply to all such financial institutions irrespective of whether they have US or UK based account holders and/or have US or UK assets or source income.

The Fund has registered for a Global Intermediary Identification Number (“GIIN”) for US FATCA purposes and the Fund’s GIIN is KM6F5D.99999.SL.136.

6 Financial assets at fair value through profit or loss

	2020	2019
Equities		
- Listed in Hong Kong	\$ 149,923,363	\$ 165,784,240
Financial assets at fair value through profit or loss	<u>\$ 149,923,363</u>	<u>\$ 165,784,240</u>

7 Cash and cash equivalents

	2020	2019
Cash at bank	<u>\$ 11,110,009</u>	<u>\$ 14,100,617</u>

8 Financial instruments and associated risks

The Fund maintains positions in a variety of financial instruments as dictated by its investment management strategy. The Fund's investment portfolio comprises of equity securities listed in Hong Kong Stock Exchange.

The nature and extent of the financial instruments outstanding at the end of the reporting period and the risk management policies employed by the Fund are discussed below.

(a) Market risk

Market risk embodies the potential for both gains and losses and includes currency risk, interest rate risk and price risk.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective as stated in note 1. The Fund's overall market positions are monitored regularly by the Manager and the Trustee.

(i) Currency risk

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollars, the presentation currency.

The following table details the Fund's exposure at the end of reporting period to currency risk arising from recognised assets denominated in a currency other than the Fund's functional currency of Hong Kong dollars. For presentation purposes, the amounts of the exposure are expressed in Hong Kong dollars.

	2020	
	Chinese yuan	United States Dollars
Prepayments and other receivables	\$ -	\$ 16,625
Dividends receivable	501,091	-
Accrued expenses and other payables	-	(10,347)
	<u>501,091</u>	<u>(10,347)</u>
Net exposure to currency risk	<u>\$ 501,091</u>	<u>\$ 6,278</u>
	2019	
	Chinese yuan	United States Dollars
Prepayments and other receivables	\$ -	\$ 21,589
Dividends receivable	189,448	21,862
Accrued expenses and other payables	-	(10,228)
	<u>189,448</u>	<u>(10,228)</u>
Net exposure to currency risk	<u>\$ 189,448</u>	<u>\$ 33,223</u>

8 Financial instruments and associated risks (continued)

Sensitivity analysis

As at 30 June 2020, had the HKD strengthened (or weakened) by 10% (2019: 10%) in relation to all currencies, with all other variables held constant, the NAV of the Fund would have decreased (or increased) and the loss and total comprehensive income for the year as recorded in the statement of comprehensive income would have increased (or decreased) by HKD 50,109 (2019: 18,945). The analysis was performed on the same basis for 2019. It is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

(ii) Interest rate risk

The Fund has negligible interest-bearing financial assets and therefore minimal exposure to interest rate risk. Consequently, changes in interest rates would have insignificant impact on the Fund's profit attributable to unitholders.

(iii) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net profit.

The Fund is exposed to price risk arising from changes in market price. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

The investment manager monitors the concentration of risk for equity securities based on counterparties and industries. The Fund's equity investments are concentrated in the following industries.

	2020	2019
	%	%
Energy	0.8	-
Industrials	5.7	14.9
Materials	5.2	4.4
Real Estate	17.7	31.5
Technology, Media and Telecom	15.6	6.1
Utilities	1.8	5.1
Financial and insurance	25.6	25.8
Consumer Discretionary	19.8	12.2
Consumer Staples and Health Care	7.8	-
	100.0	100.0
	100.0	100.0

8 Financial instruments and associated risks (continued)

Price sensitivity

Financial assets at fair value through profit or loss held by the Fund are shown in the investment portfolio. The impact of 10% increase in value of financial assets at fair value through profit or loss at 30 June 2020 and 2019, with all other variables held constant, would have increased the net assets attributable to unitholders and the profit attributable to unitholders per the statement of comprehensive income by \$14,992,336 (2019: \$16,578,424); an equal change in the opposite direction would have had an equal but opposite effect.

(b) Credit risk

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

As at 30 June 2020 and 2019, all of the Fund's financial assets were exposed to credit risk. These include all financial assets at fair value through profit or loss and cash placed with the Hongkong and Shanghai Banking Corporation Limited ("the Custodian") which has a credit rating of AA- (Standard and Poor's). Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to the financial assets at fair value through profit or loss and cash held by the Custodian to be delayed or limited. The Fund monitors the credit rating and financial position of the Custodian to mitigate this risk.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting period. As at 30 June 2020 and 2019, there were no significant concentrations of credit risk to counterparties except to the Custodian.

(c) Liquidity risk

The Fund's financial instruments include investments in listed equity securities, which are considered to be readily realisable as they are all listed on a major stock exchange.

The Fund is exposed to daily cash redemptions of units in accordance with its Explanatory Memorandum and all the financial liabilities of the Fund mature within three months. It therefore invests its assets in investments that are traded in active markets and can be readily disposed of.

(d) Fair values of financial instruments

The Fund's financial instruments are measured at fair value on the date of the statement of financial position. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including amount due from broker, prepayments and other receivables, dividend receivables, amount due to unitholders and accrued expenses and other payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

8 Financial instruments and associated risks (continued)

Financial instruments measured at fair value

The Fund's accounting policy on fair value measurements is detailed in accounting policy in note 2(c)(iv).

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

When fair values of listed and quoted investments at the reporting date are based on quoted market prices or binding dealer price quotations in an active market, without any deduction for transactions costs, the instruments are included within Level 1 of the hierarchy. As at the reporting date, all of the Fund's investments are categorised in Level 1 of the hierarchy.

Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

8 Financial instruments and associated risks (continued)

As at 30 June 2020

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ -	\$ 11,110,009	\$ -	\$ 11,110,009
Amount due from broker	-	1,606,451	-	1,606,451
Prepayments and other receivables	-	19,631	-	19,631
Dividends receivable	-	1,292,043	-	1,292,043
	<u>\$ -</u>	<u>\$ 14,028,134</u>	<u>\$ -</u>	<u>\$ 14,028,134</u>
Financial liabilities				
Amount due to unitholders	\$ -	\$ 3,553,299	\$ -	\$ 3,553,299
Accrued expenses and other payables	-	494,452	-	494,452
	<u>\$ -</u>	<u>\$ 4,047,751</u>	<u>\$ -</u>	<u>\$ 4,047,751</u>

As at 30 June 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ -	\$ 14,100,617	\$ -	\$ 14,100,617
Prepayments and other receivables	-	24,708	-	24,708
Dividends receivable	-	1,239,172	-	1,239,172
	<u>\$ -</u>	<u>\$ 15,364,497</u>	<u>\$ -</u>	<u>\$ 15,364,497</u>
Financial liability				
Accrued expenses and other payables	\$ -	\$ 481,877	\$ -	\$ 481,877
	<u>\$ -</u>	<u>\$ 481,877</u>	<u>\$ -</u>	<u>\$ 481,877</u>

During the year ended 30 June 2020 and 2019, there were no transfers between levels.

9 Units in issue

	2020	2019
Balance at the beginning of the year	2,519,014	2,615,820
Issue of units	145,802	50,683
Redemption of units	(280,078)	(147,489)
	<u>2,384,738</u>	<u>2,519,014</u>

9 Units in issue (continued)

The capital of the Fund is represented by the net assets attributable to unitholders which are subject to subscriptions and redemptions of units. The Fund does not have any externally imposed capital requirements.

Units may be acquired on any valuation date at the unit value determined on that day. The valuation date is every business day in Hong Kong except Saturday. The minimum initial investment amount for the Fund is HK\$5,000, with subsequent minimum investments of no less than HK\$5,000.

Units may be redeemed on any valuation date, at the redemption price applicable as at the close of business in Hong Kong on such day. The minimum amount which can be redeemed at any one time is HK\$5,000, and a unitholder may not make a partial redemption if this would result in his holding being less than the minimum holding of HK\$5,000.

10 Soft commission

During the year, the Manager has soft commission arrangements in place with brokers, under which certain goods and services which are of demonstrable benefit to the Fund could be received. The goods and services that could be received may include 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, clearing and custodian services and investment-related publications. The Manager does not make direct payment for these services but transacts business with the brokers on behalf of the Fund and commission is paid on these transactions. During the year, no such goods and services under soft commission arrangements were received.

11 Transactions with the Trustee, the Manager and connected persons

Connected persons are those as defined in the SFC Code. All transactions entered into during the year between the Fund and the Trustee, the Manager and connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's and the Trustee's knowledge, the Fund does not have any other transactions with connected persons except those disclosed below.

(a) *Manager*

Haitong International Investment Managers Limited is the Manager of the Fund. The Manager is entitled under the Trust Deed, as amended, of the Fund to a management fee at a maximum rate of 2.5% per annum of the net asset value of the Fund. During the year, the Manager received a management fee at a rate of 1.75% (2019: 1.75%) per annum of the net asset value of the Fund.

11 Transactions with the Trustee, the Manager and connected persons (continued)

The management fee is calculated and accrued daily and is payable monthly in arrears. During the year, the total management fee and the outstanding balances included in accrued expenses and other payables at the year end date are as follows:

	<i>Management fee</i>		<i>Management fee payable</i>	
	2020	2019	2020	2019
Haitong International Investment Managers Limited	\$ 2,789,580	\$ 3,043,392	\$ 249,238	\$ 251,714

(b) Connected persons of the Manager

As at 30 June 2020, West Ridge Investment Company Limited, an affiliate of the Manager held 698,414.93 units (2019: 882,718.42 units) of the Fund.

(c) Trustee

HSBC Trustee (Cayman) Limited is the Trustee of the Fund. The Trustee is entitled under the Trust Deed, as amended, of the Fund to a trustee fee at a maximum rate of 0.5% per annum of the net asset value of the Fund. During the year, the Trustee received a trustee fee of 0.3% (2019: 0.3%) per annum of the net asset value of the Fund, subject to a minimum annual charge of \$125,000.

Trustee fee is calculated and accrued daily and is payable monthly in arrears. During the year, the total trustee fee was \$ 478,214 (2019: \$521,724). Included in accrued expenses and other payables at 30 June 2020 is the trustee fee payable of \$ 42,726 (2019: \$43,151).

(d) Connected persons of the Trustee

During the year, the transaction handling fees charged by HSBC Institutional Trust Services (Asia) Limited in its capacity as Custodian, an affiliate of the Trustee, on purchases and sales of financial assets at fair value through profit or loss were \$10,362 (2019: \$12,158). Included in accrued expenses and other payables at 30 June 2020 is the transaction handling fee payable of \$10,153 (2019: \$10,228).

The Custodian of the Fund is the immediate holding company of the Trustee. At 30 June 2020, the cash balances and financial assets at fair value through profit or loss balances held in the Custodian amounted to \$11,110,009 (2019: \$14,100,617) and \$149,923,363 (2019: \$165,784,240) respectively. During the year, interest income on the cash balances held in the Custodian was \$5,745 (2019: \$21,986). During the year, there was no safe custody and bank charges charged by the Custodian (2019: \$15,034).

12 Segment reporting

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

The Manager considers that the Fund has a single operating segment which is investing in a diversified portfolio of equity securities with the objective as stated in the Explanatory Memorandum of the Fund.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and the statement of financial position.

13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 1, <i>Presentation of financial statements and HKAS 8, Accounting policies, changes in accounting estimates and errors "Definition of material"</i>	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, <i>Interest Rate Benchmark Reform</i>	1 January 2020
Annual Improvement to HKFRSs 2019-2020 cycle	1 January 2022

The Manager and the Trustee are in the process of making an assessment of what the impact of these amendments, new standard and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's financial statements.

14 Subsequent events

The Manager and the Trustee have evaluated subsequent events occurring through 27 October 2020, the date that these financial statements were available to be issued. There were no significant events subsequent to the year end which require disclosure in the financial statements.

Investment portfolio as at 30 June 2020 (unaudited)

(Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value</i>	<i>% of total net assets</i>
Listed investments			
<i>Equities (93.76%)</i>			
<i>Hong Kong (93.76%)</i>			
AIA Group Ltd	82,800	\$ 5,986,440	3.74
Anhui Conch Cement Co Ltd	150,000	7,830,000	4.90
Anta Sports Products Ltd	35,000	2,394,000	1.50
China Construction Bank Corp	1,145,000	7,179,150	4.49
China Merchants Bank Co Ltd	200,000	7,130,000	4.46
China Resources Land Ltd	150,000	4,402,500	2.75
China Vanke Co Ltd	185,300	4,539,850	2.84
CNOOC Ltd	140,000	1,206,800	0.76
Country Garden Holdings Company Ltd	550,000	5,236,000	3.28
CSPC Pharmaceutical Group Ltd	403,200	5,902,848	3.69
Geely Automobile Holdings Ltd	383,000	4,672,600	2.92
Hang Seng Bank Ltd	44,000	5,724,400	3.58
Hong Kong & China Gas	224,700	2,696,400	1.69
HSBC Holdings PLC	28,000	1,013,600	0.63
Industrial and Commercial Bank of China Ltd	1,136,000	5,339,200	3.34
Kingboard Laminates Holdings Ltd	568,500	4,428,615	2.77
Longfor Group Holdings Ltd	172,000	6,338,200	3.96
Meituan Dianping	66,300	11,396,970	7.13
Ping An Insurance (Group) Co of China Ltd	77,000	5,967,500	3.73
Sands China Ltd	132,000	4,012,800	2.51
Shenzhou International Group	77,000	7,191,800	4.50
Sino Biopharmaceutical Ltd	398,000	5,810,800	3.63
Sunac China Holdings Ltd	185,000	6,003,250	3.75
Sunny Optical Technology Group Co Ltd	40,900	5,071,600	3.17
Tencent Holdings Ltd	27,900	13,910,940	8.70
Zoomlion Heavy Industry Science and Technology Co Ltd	1,430,000	8,537,100	5.34
Total equities		\$ 149,923,363	93.76
Total investments		\$ 149,923,363	93.76
Other net assets		9,980,383	6.24
Net assets attributable to unitholders		\$ 159,903,746	100.00
Total investments, at cost		\$ 130,318,892	

Statement of movements in investment portfolio
as at 30 June 2020 (unaudited)
(Expressed in number of shares)

	<i>Holdings</i>			<i>Balance at 30 June 2020</i>
	<i>Balance at 1 July 2019</i>	<i>Additions</i>	<i>Disposals</i>	
Listed investments				
Equities				
<i>Hong Kong</i>				
AIA Group Ltd	120,000	-	37,200	82,800
Anhui Conch Cement Co Ltd	150,000	-	-	150,000
Anta Sports Products Ltd	132,000	35,000	132,000	35,000
China Construction Bank Corp	-	1,145,000	-	1,145,000
China Merchants Bank Co Ltd	200,000	-	-	200,000
China Resources Land Ltd	200,000	-	50,000	150,000
China Vanke Co Ltd	242,000	-	56,700	185,300
CNOOC Ltd	-	140,000	-	140,000
Country Garden Holdings Company Ltd	550,000	-	-	550,000
CSPC Pharmaceutical Group Ltd	-	403,200	-	403,200
Geely Automobile Holdings Ltd	-	383,000	-	383,000
Hang Seng Bank Ltd	50,000	-	6,000	44,000
Henderson Land Development Co Ltd	145,200	-	145,200	-
Hong Kong & China Gas	484,000	10,700	270,000	224,700
Hong Kong Exchanges and Clearing Ltd	22,000	-	22,000	-
HSBC Holdings PLC	28,000	-	-	28,000
Huaneng Power International Inc	-	414,000	414,000	-
Industrial and Commercial Bank of China Ltd	-	1,136,000	-	1,136,000
Jiangsu Expressway Co Ltd	220,000	-	220,000	-
Kingboard Holdings Ltd	110,000	-	110,000	-
Kingboard Laminates Holdings Ltd	-	568,500	-	568,500
Longfor Group Holdings Ltd	-	220,000	48,000	172,000
Meituan Dianping	-	66,300	-	66,300

Statement of movements in investment portfolio
as at 30 June 2020 (unaudited) (continued)
(Expressed in number of shares)

	<i>Holdings</i>			<i>Balance at 30 June 2020</i>
	<i>Balance at 1 July 2019</i>	<i>Additions</i>	<i>Disposals</i>	
Listed investments (continued)				
<i>Equities (continued)</i>				
<i>Hong Kong (continued)</i>				
MTR Corp Ltd	130,000	-	130,000	-
Ping An Insurance (Group) Co of China Ltd	77,000	-	-	77,000
Sands China Ltd	132,000	-	-	132,000
Shenzhou International Group	77,000	-	-	77,000
Sino Biopharmaceutical Ltd	-	398,000	-	398,000
Sun Hung Kai Properties Ltd	33,000	-	33,000	-
Sunac China Holdings Ltd	185,000	-	-	185,000
Sunny Optical Technology Group Co Ltd	-	40,900	-	40,900
Swire Pacific Ltd	69,000	-	69,000	-
Tencent Holdings Ltd	22,000	9,200	3,300	27,900
Weichai Power Co Ltd	550,000	-	550,000	-
Wheelock and Co Ltd	132,000	-	132,000	-
Zoomlion Heavy Industry Science and Technology Co Ltd	1,580,000	-	150,000	1,430,000

Performance table (unaudited)

(Expressed in Hong Kong dollars)

(a) Net asset value:

At 30 June 2020	\$ 159,903,746
At 30 June 2019	\$ 180,666,860
At 30 June 2018	\$ 197,496,772
At 30 June 2017	\$ 184,168,899
At 30 June 2016	\$ 154,666,555

(b) Net asset value per unit:

At 30 June 2020	\$ 67.05
At 30 June 2019	\$ 71.72
At 30 June 2018	\$ 75.50
At 30 June 2017	\$ 64.48
At 30 June 2016	\$ 52.59

(c) Performance record

<i>Financial year ended</i>	<i>Highest price per unit</i>	<i>Lowest price per unit</i>
30 June 2020	\$ 74.72	\$ 55.54
30 June 2019	\$ 75.38	\$ 59.81
30 June 2018	\$ 83.15	\$ 63.45
30 June 2017	\$ 64.94	\$ 51.64
30 June 2016	\$ 65.18	\$ 46.40
30 June 2015	\$ 72.86	\$ 54.42
30 June 2014	\$ 69.18	\$ 51.31
30 June 2013	\$ 66.87	\$ 45.94
30 June 2012	\$ 62.87	\$ 42.64
30 June 2011	\$ 72.83	\$ 51.91
30 June 2010	\$ 66.37	\$ 49.92
30 June 2009	\$ 57.31	\$ 24.54
30 June 2008	\$ 95.92	\$ 52.87