



# HSBC China Dragon Fund

## Interim Report 2024

# Contents

	Page(s)
Review report to the Manager of HSBC China Dragon Fund	1
Interim statement of assets and liabilities (unaudited)	2
Interim statement of comprehensive income (unaudited)	3
Interim statement of changes in equity (unaudited)	4
Interim cash flow statement (unaudited)	5
Notes to the unaudited interim financial report	6
Investment portfolio (unaudited)	23
Statement of movements in portfolio holdings (unaudited)	25
Performance table (unaudited)	26
Administration and management	28

# Review report to the Manager of HSBC China Dragon Fund (“the Fund”)

## Introduction

We have reviewed the interim financial report of the Fund set out on pages 2 to 22 which comprises the interim statement of assets and liabilities of the Fund as of 30 September 2024 and the related interim statement of comprehensive income, the interim statement of changes in equity and the interim cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Manager is responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

Certified Public Accountants  
8th Floor, Prince’s Building  
10 Chater Road  
Central, Hong Kong  
29 November 2024

# Interim statement of assets and liabilities (unaudited)

As at 30 September 2024

	Notes	30 September 2024 (Unaudited) HK\$	31 March 2024 (Audited) HK\$
<b>Assets</b>			
Financial assets at fair value through profit or loss	8,12,13	426,035,564	463,933,205
Interest receivables		2	3
Amounts receivable on sales of investments		2,170,567	–
Cash and cash equivalents	10(d)	7,974,688	199,463
<b>Total assets</b>		<u>436,180,821</u>	<u>464,132,671</u>
<b>Liabilities</b>			
Bank overdraft	10(d)	–	117
Amounts payable on purchases of investments		9,899,203	–
Accrued expenses and other payables		2,103,621	963,633
<b>Total liabilities</b>		<u>12,002,824</u>	<u>963,750</u>
<b>Net assets attributable to unitholders</b>		<u>424,177,997</u>	<u>463,168,921</u>
Representing:			
<b>Total equity</b>		<u>424,177,997</u>	<u>463,168,921</u>
<b>Number of units in issue</b>	10(f), 15, 16	<u>22,528,663</u>	<u>28,160,756</u>
<b>Net asset value per unit</b>	15	<u>18.83</u>	<u>16.45</u>

The notes on pages 6 to 22 form part of these financial statements.

# Interim statement of comprehensive income (unaudited)

For the six months ended 30 September 2024

	Notes	Six months ended	
		30 September 2024 (Unaudited) HK\$	30 September 2023 (Unaudited) HK\$
Dividend income	4	13,689,727	12,450,397
Interest income on deposits	5	79,670	3,826
Net gains/(losses) from financial assets at fair value through profit or loss	6	47,975,517	(70,309,744)
Net foreign exchange losses		(100,288)	(124,430)
Other income		112,641	7,077
<b>Total investment income/(loss)</b>		<u>61,757,267</u>	<u>(57,972,874)</u>
Management fees	10(a)	(3,196,630)	(3,693,071)
Transaction costs	9,10(e)	(993,580)	(1,262,068)
Trustee's fees	10(b)	(149,176)	(172,343)
Custodian and administrative fees	10(c)	(316,388)	(348,551)
Auditor's remuneration		(157,001)	(155,934)
Legal and professional fees		(1,685,629)	(931,357)
Other operating expenses		(118,262)	(71,521)
<b>Total operating expenses</b>		<u>(6,616,666)</u>	<u>(6,634,845)</u>
<b>Profit/(loss) before taxation</b>		55,140,601	(64,607,719)
Withholding tax	4,7	(1,368,968)	(1,245,040)
<b>Increase/(decrease) in net assets attributable to unitholders and total comprehensive profit/(loss) for the period</b>		<u>53,771,633</u>	<u>(65,852,759)</u>

The notes on pages 6 to 22 form part of these financial statements.

## Interim statement of changes in equity (unaudited)

For the six months ended 30 September 2024

	Notes	Six months ended	
		30 September 2024 (Unaudited) HK\$	30 September 2023 (Unaudited) HK\$
<b>Balance at the beginning of the period</b>		463,168,921	529,390,097
Increase/(decrease) in net assets attributable to unitholders and total comprehensive profit/(loss) for the period		53,771,633	(65,852,759)
Redemption of units during the period	16	<u>(92,762,557)</u>	<u>–</u>
<b>Balance at the end of the period</b>		<u>424,177,997</u>	<u>463,537,338</u>
		<b>Units</b>	<b>Units</b>
Number of units in issue brought forward	15	28,160,756	28,160,756
Redemption of units during the period		<u>(5,632,093)</u>	<u>–</u>
Number of units in issue carried forward	15	<u>22,528,663</u>	<u>28,160,756</u>

The notes on pages 6 to 22 form part of these financial statements.

# Interim statement of changes in equity (unaudited)

For the six months ended 30 September 2024

	Six months ended	
	30 September 2024	30 September 2023
	(Unaudited) HK\$	(Unaudited) HK\$
<b>Operating activities</b>		
Interest income received	79,671	3,941
Dividend income received	12,320,759	11,205,357
Management fees paid	(3,269,297)	(3,807,043)
Trustee's fees paid	(152,567)	(177,662)
Transaction cost paid	(993,580)	(1,262,068)
Proceeds from sales of investments	520,899,849	524,479,000
Payments for purchases of investments	(427,298,055)	(529,898,768)
Other operating expenses paid	(1,221,859)	(2,076,794)
	<u>100,364,921</u>	<u>(1,534,037)</u>
<b>Net cash generated from/(used in) operating activities</b>	-----	-----
<b>Financing activity</b>		
Payments on redemption of units	(92,762,557)	-
	<u>(92,762,557)</u>	<u>-</u>
<b>Cash used in financing activity</b>	-----	-----
<b>Net increase/(decrease) in cash and cash equivalents</b>	7,602,364	(1,534,037)
<b>Cash and cash equivalents at the beginning of the period</b>	199,346	2,025,079
<b>Effect of foreign exchange rates changes</b>	172,978	47,579
	<u>7,974,688</u>	<u>538,621</u>
<b>Cash and cash equivalents at the end of the period</b>	=====	=====
Cash at Bank	7,974,688	728,403
Bank overdraft	-	(189,782)
	<u>7,974,688</u>	<u>538,621</u>
<b>Cash and cash equivalents at the cash flow statement</b>	=====	=====

The notes on pages 6 to 22 form part of these financial statements.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 1 Background

HSBC China Dragon Fund (“the Fund”) is a closed-ended unit trust governed by its Trust Deed dated 20 June 2007, as amended (“the Trust Deed”) made between HSBC Investment Funds (Hong Kong) Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”). The Fund is authorised by the Hong Kong Securities and Futures Commission (“the SFC”) under Section 104 (1) of the Hong Kong Securities and Futures Ordinance (“HKSF”). The Fund is also listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (a subsidiary of the Hong Kong Exchanges and Clearing Limited). The period fixed for the duration of the Fund is eighty years after the date of inception.

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in A Shares directly through (i) the qualified foreign institutional investor (“QFII”) investment quota of the Manager and (ii) Shenzhen-Hong Kong Stock Connect and any other similar stock connect programme between another city of the People’s Republic of China (“PRC”) and Hong Kong (“Stock Connect”); and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A Shares (such as CAAPs (including A Share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in exchange-traded funds (“ETFs”) (including synthetic ETFs) authorised by the SFC with exposure to A Shares; provided that the Fund’s investment in a Chinese A Share access product, being a security linked to A Shares or portfolios of A Shares which aim to replicate synthetically the economic benefit of the relevant A Shares or portfolio of A Shares (“CAAPs”) and ETFs (including synthetic ETFs) authorized by the SFC with exposure to A Shares will not exceed 50% in the aggregate of its net asset value.

The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer and the Fund’s aggregate investment in (i) CAAPs shall not be more than 40% of its net asset value and (ii) A Shares through the Stock Connect shall not be more than 30% of the Fund’s net asset value.

Under the prevailing regulations in the (“PRC”), foreign investors can invest in the PRC A Share market through institutions that have obtained QFII status in the PRC. The Fund itself is not a QFII, but may invest directly in A Shares via the US\$200 million QFII investment quota obtained by the Manager.

## 2 Material accounting policies

### (a) Statement of compliance

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the relevant disclosure provisions of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC (“the SFC Code”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2024, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ended 31 March 2025. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Manager is included on pages 1 and 2.



# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 2 Material accounting policies (continued)

### (a) Statement of compliance (continued)

The financial information relating to the financial year ended 31 March 2024 that is included in the interim financial report as comparative information does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements. The auditor has expressed an unqualified opinion on the financial statements for the year ended 31 March 2024 in their report dated 31 July 2024.

### (b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is the Hong Kong dollar ("HKD") reflecting the fact that the units of the Fund are issued in Hong Kong dollars.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("HKFRSs") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 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 estimate is 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.

### (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.

#### *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 sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 2 Material accounting policies (continued)

### (c) Financial instruments (continued)

#### (i) Classification (continued)

- 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

Transfer 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 it has two business models.

- Held-to-collect business model: this includes amounts receivable on sales of investments, interest receivables and cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes listed equities. 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.

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 its investments based on the business model and contractual cash flows assessment. Accordingly, the Fund classifies all its investments, including equities and equity-linked instruments, into financial assets at FVTPL category. Financial assets measured at amortised cost include amounts receivable on sales of investments, interest receivables and cash and cash equivalents. Financial liabilities that are not classified at fair value through profit or loss include bank overdraft, amounts payable on purchases of investments and accrued expenses and other payables.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 2 Material accounting policies (continued)

### (c) Financial instruments (continued)

#### (i) Classification (continued)

##### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its 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 it becomes a party to the contractual provisions of the instruments.

A regular way purchase or sale of financial assets and financial liabilities is 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 not exempted from the scope of HKFRS 9.

#### (iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at FVTPL are expensed immediately, while on other financial instruments they are amortised.

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

Financial assets measured at amortised cost are carried at amortised cost using the effective interest method less impairment loss, if any.

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

#### (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 applicable, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument provided such price is within the bid-ask spread. 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. In circumstances where the quoted price is not within the bid-ask spread, the Manager will determine the points within the bid-ask spread that are most representative of the fair value.

When there is no quoted price in an active market, 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 financial instrument.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 2 Material accounting policies (continued)

### (c) Financial instruments (continued)

#### (iv) Fair value measurement principles (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Fund measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

#### (v) Impairment

At each reporting date, the Fund assesses whether credit risk for financial assets held at amortised cost has increased significantly since initial recognition. If there is a significant increase in credit risk since initial recognition or it is considered as credit impaired, then the Fund measures the loss allowances on financial assets at an amount equal to the lifetime expected credit losses. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowances on financial assets at an amount equal to the expected credit losses for the later of 12 months or the period to maturity, if the amount is material. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered as credit impaired.

#### (vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

Assets held for trading that are sold are derecognised and corresponding receivables from the brokers are recognised as of the date the Fund commits to sell the assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Fund uses the weighted average method to determine realised gains and losses to be recognised in the statement of comprehensive income on derecognition.

#### (vii) Offsetting

Financial assets and 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 the transactions are intended to be settled on a net basis, or simultaneously, e.g. through a market clearing mechanism.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 2 Material accounting policies (continued)

### (d) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### (e) Revenue recognition

Revenue is recognised in the statement of comprehensive income as follows:

#### *Interest income*

Interest income is recognised in the statement of comprehensive income as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to gross carrying amount of the financial asset. Interest income on bank deposits is disclosed separately in the statement of comprehensive income.

#### *Dividend income*

Dividend income from equities is recognised when the share price of the investment goes ex-dividend. Dividends from other investments are recognised in the statement of comprehensive income on the date on which the unconditional right to receive payment is established.

In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividends with the corresponding debit treated as an additional investment.

### (f) Expenses

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

### (g) Income tax and withholding tax

Income tax for the period comprises current tax during period. Current tax and movements are recognized in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are shown as a separate item in the statement of comprehensive income.

### (h) Foreign exchange gains or losses

Foreign currency transactions during the periods are translated into Hong Kong dollar at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of the statement of assets and liabilities. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the statement of comprehensive income line item, "Net foreign exchange losses" is net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at Fair value through profit or loss.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 2 Material accounting policies (continued)

### (i) *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.
- (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 note 2 (i)(a);
  - (vii) A person identified in note 2 (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); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group'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.

### (j) *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.

The Fund has one class of units in issue which is not redeemable by the unitholders. Upon termination of the Fund, the unitholders are entitled to all net cash proceeds derived from the sale or realisation of the assets of the Fund less any liabilities, in accordance with their proportionate interest in the Fund at the date of termination. The units are classified as equity in accordance with HKAS 32.

### (k) *Segment reporting*

An operating segment is a component of the Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Fund's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Fund is identified as the Manager.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 2 Material accounting policies (continued)

### (i) Transaction costs

Transactions costs are costs incurred to acquire/dispose financial assets or liabilities at FVTPL. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in statement of comprehensive income as an expense.

## 3 Changes in accounting policies

The HKICPA has issued certain new amendments to HKFRSs that are first effective for the current accounting period of the Fund. None of these developments have had a material effect on how the Fund's result and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 17).

## 4 Dividend income

The amounts of dividend income and net dividend income, which was net of any non-recoverable withholding taxes, earned by the Fund during the periods are shown as follows.

	Six months ended	
	30 September 2024 (unaudited) HK\$	30 September 2023 (unaudited) HK\$
Dividend income	13,689,727	12,450,397
Withholding taxes	(1,368,968)	(1,245,040)
	<u>12,320,759</u>	<u>11,205,357</u>

## 5 Interest income on deposits

The Fund earned all its interest income from the deposits with banks which are classified as cash and cash equivalents in the statement of assets and liabilities.

## 6 Net gains/(losses) from financial assets at fair value through profit or loss

	Six months ended	
	30 September 2024 (unaudited) HK\$	30 September 2023 (unaudited) HK\$
Realised losses on sale of investments	(6,619,378)	(19,657,204)
Change in unrealised gains/(losses) in value of investments	54,594,895	(50,652,540)
	<u>47,975,517</u>	<u>(70,309,744)</u>

Gains and losses presented above exclude dividend income.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 7 Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Fund is exempted from taxation under section 26A (1A) of the Hong Kong Inland Revenue Ordinance.

Under the current general provisions of the PRC Corporate Income Tax Law ("CIT") and published tax circulars, the Fund would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including capital gains realised on the sale of PRC A Shares, B Shares and H Shares listed companies, dividend income derived from PRC A Shares, B Shares and H Shares listed companies and interest income earned in respect of PRC bank deposits and corporate bonds. This withholding taxation basis should apply as it is intended that the Fund would be managed and operated in such a manner that it would not be considered a tax resident enterprise in China or otherwise as having a taxable permanent establishment in the PRC. The 10% withholding tax rate may be further reduced under an applicable tax treaty, which the PRC has entered into with the jurisdiction in which the beneficial owner of the relevant income is a resident.

The Offering Circular of the Fund gives the Manager the right to provide for withholding tax on such gains or income and withhold the tax for the account of the Fund. On the basis of the available information, the Manager has determined that it is appropriate to provide for PRC taxation at the withholding tax rate of 10% on dividend income from A Shares, B Shares and H Shares and interest income from PRC bank deposits and corporate bonds in the financial statements.

Before 17 November 2014, The Manager had also determined that it was appropriate to provide for PRC taxation at the withholding tax rate of 10% on realised gains on A shares.

The Manager had determined that it was also appropriate to provide for PRC taxation at the withholding tax rate of 10% on unrealised gains on A Shares with effect from 26 July 2013.

On 14 November 2014, the Ministry of Finance, the State Administration of Taxation ("SAT") and the China Securities Regulatory Commission have jointly promulgated the Circular Concerning the Temporary Exemption of the Corporate Income Tax for Gains Earned by Qualified Foreign Institutional Investors and Renminbi Qualified Foreign Institutional Investors from the Transfer of Domestic Shares and Other Equity Interest Investment in China ("the Circular").

According to the Circular, QFIs have been granted a temporary PRC CIT exemption on capital gains deriving from PRC A Shares and other equity interest investments in PRC enterprises on or after 17 November 2014. Realised capital gains generated by QFIs prior to 17 November 2014 would remain subject to the 10% withholding tax – unless otherwise exempt under the applicable double tax treaty.

As a result of the announcement of the Circular, the most significant change for the Fund was the cessation of withholding 10% of unrealised gains on its investments in A Shares as deferred tax liabilities as at 17 November 2014. The deferred tax liabilities in respect of unrealised gains recognised on A Shares amounted to \$22,547,473 as at 14 November 2014 have been released to the Fund. The Fund also ceased withholding 10% of realised gains on its investments in A Shares with effect from 17 November 2014.

Taxation in the interim statement of comprehensive income represents:

	<b>Six months ended</b>	
	<b>30 September 2024 (unaudited) HK\$</b>	<b>30 September 2023 (unaudited) HK\$</b>
Withholding tax arise from dividend income in PRC	1,368,968	1,245,040



# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 8 Financial assets at fair value through profit or loss

	30 September 2024 (unaudited) HK\$	31 March 2024 (audited) HK\$
Listed equities		
– Hong Kong	–	8,200,006
– Outside Hong Kong	426,035,564	455,733,199
	<u>426,035,564</u>	<u>455,733,199</u>
Total financial assets at fair value through profit or loss	<u>426,035,564</u>	<u>463,933,205</u>

## 9 Transaction costs

Transaction costs are costs incurred to acquire/dispose financial assets or liabilities at FVTPL. They include fees and commissions paid to agents, advisers, brokers and dealers.

## 10 Related party transactions

The following is a summary of significant related party transactions or transactions entered into during the period between the Fund and the Trustee, the Manager and their Connected Persons. Connected Persons are those as defined in the SFC Code, representing any members of the group of which that the Trust forms part. The Connected Persons here including bank, brokers and custodian. All transactions during the period between the Fund and the Trustee, the Manager and their Connected Persons were entered into in the ordinary course of business and under 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.

The Fund has invested directly in A Shares via the US\$200 million QFII investment quota obtained by the Manager.

### (a) Management fees

For the period during 30 September 2024, the fee payable to the Manager is calculated at the rate of 1.5% (for the period from 1 April 2023 to 30 September 2023: 1.5%) per annum of the net asset value of the Fund payable monthly in arrears. The management fee charged to the Fund in respect of the period and payable at the end of the period amounted to \$3,196,630 (for the period from 1 April 2023 to 30 September 2023: \$3,693,071) and \$453,406 (as at 31 March 2024: \$526,073) respectively.

### (b) Trustee's fees

For the period during 30 September 2024, the fee payable to the Trustee is calculated at the rate of 0.07% (for the period from 1 April 2023 to 30 September 2023: 0.07%) per annum on the net asset value of the Fund. In addition, the Trustee provides valuation services to the Fund in return for a daily fee. The daily valuation fee is US\$50 for each valuation per unit class. The valuation fee is waived since 1 April 2019. The Trustee's fees charged to the Fund in respect of the period and payable at the end of the period of 30 September 2024 amounted to \$149,176 (for the period from 1 April 2023 to 30 September 2023: \$172,343) and \$21,159 (as at 31 March 2024: \$24,550) respectively.

The Trustee is entitled to receive a financial reporting service fee of US\$5,000 per set of financial statements. The financial reporting fee charged to the Fund during the period and payable at the end of the period of 30 September 2024 is \$39,178 (for the period from 1 April 2023 to 30 September 2023: \$39,053) and \$10,752 (as at 31 March 2024: \$5,000) respectively. The Trustee is also entitled to an SFC fund data reporting fee of US\$125 per report. The SFC fund data reporting fee during the period of 30 September 2024 is \$15,223 (for the period from 1 April 2023 to 30 September 2023: \$15,427).

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 10 Related party transactions (continued)

### (c) Custodian fee and administrative fees

The custodian fee paid to the Bank of Communications Co. Ltd (the "QFII Custodian") is calculated at the rate of 0.01% (for the period from 1 April 2023 to 30 September 2023: 0.1%) per annum of the net asset value of the assets held by the QFII custodian as determined by the QFII custodian (based on the actual number of calendar days in a year). The custodian fee charged to the Fund in respect of the period amounted to \$140,862 (for the period from 1 April 2023 to 30 September 2023: \$191,957). No custodian fee payable at the end of the reporting period (as at 31 March 2024: \$Nil).

The administrative fee charged to the Fund by The Hongkong and Shanghai Banking Corporation Limited ("HSBC Hong Kong") on purchases and sales of investments and sub-custody of investments during the period of 30 September 2024 is amounted to \$175,526 (for the period from 1 April 2023 to 30 September 2023: \$156,594) and the corresponding payable at the end of the period is \$23,535 (as at 31 March 2024: \$31,541).

### (d) Bank balances

Bank accounts are maintained with HSBC Hong Kong, which is a member of the HSBC Group, and Bank of Communication Co Ltd, the QFII custodian of the Fund. The bank balances held as at 30 September 2024 amounted to \$67,223 and \$7,907,465 respectively (balances held as at 31 March 2024: \$28,466 and \$170,880 respectively). During the period of 30 September 2024, interest earned from HSBC Hong Kong and Bank of Communications Co. Ltd. amounted to \$36,426 and \$2,520 respectively (for the period from 1 April 2023 to 30 September 2023: \$1,820 and \$2,006 respectively).

### (e) Transaction costs

During the periods ended 30 September 2024 and 2023, the Fund did not utilise the brokerage services of The Hongkong and Shanghai Banking Corporation Limited, and no commission was paid to the entity.

### (f) Holding of units

As at 30 September 2024, HSBC Hong Kong held 12,973 units (as at 31 March 2024: 12,973 units) of the Fund. As at 30 September 2024, HSBC International Trustee Limited held 22,807 units (as at 31 March 2024: 64,168 units) of the Fund for its clients on a discretionary basis. HSBC International Trustee Limited redeemed 41,361 units of the Fund during the period ended 30 September 2024 (for the period from 1 April 2023 to 30 September 2023: Nil). Both entities are members of the HSBC Group.

## 11 Soft dollar practices

The Manager may enter into soft commission arrangements for the provision to the Manager or Connected Persons of goods and services which are of demonstrable benefit to the Unitholders provided that (i) the brokerage rates do not exceed customary institutional full service brokerage rates and the execution of transactions for a Fund is consistent with best execution standards, (ii) periodic disclosure is made in the annual report of the Fund or the relevant Fund in the form of a statement describing the soft dollar policies and practices of the Manager, including a description of goods and services received by it, and (iii) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

During the period ended 30 September 2024, no soft commission arrangements were entered into with brokers. During the year ended 31 March 2024, the Manager had entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. During the period ended 30 September 2023, the Manager did not obtain any services through soft commission arrangements on transactions and no commission is paid from the Fund.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 12 Financial instruments and associated risks

The Fund maintains its investment portfolio in a variety of financial instruments as dictated by its investment management strategy.

The risk exposures inherent in the Fund as at 30 September 2024 and 31 March 2024 are summarized below. Details of such investments held as at 30 September 2024 are shown in the investment portfolio.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

Investors should note that additional information in respect of risks associated with investment in the Fund can be found in the Fund's offering document.

During the periods ended 30 September 2024 and 2023, the Fund invested in financial instruments which the Manager considered are commensurate with the risk level of the Fund in accordance with its investment objective.

The nature and extent of the financial instruments outstanding at the date of the statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

### (a) Market risk

#### (i) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Fund is exposed to price risk arising from changes in the market prices of its investment assets. Price risk is managed by a diversified portfolio of investments across different industries in accordance with the investment objective of the Fund.

#### Price sensitivity

The impact on a 6% (31 March 2024: 6%) increase in value of the investments as at 30 September 2024, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net assets attributable to unitholders by an approximately equal but opposite amount.

	30 September 2024 (unaudited)			31 March 2024 (audited)		
	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$
<b>Investment</b>						
Listed equities:						
Hong Kong	–	6	–	1.77	6	492,000
Outside Hong Kong	100.44	6	25,562,134	98.40	6	27,343,992
	<u>100.44</u>	6	<u>25,562,134</u>	<u>100.17</u>	6	<u>27,835,992</u>

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 12 Financial instruments and associated risks (continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk

Interest rate risk arises from changes in interest rates which may affect the value of debt instruments and therefore result in potential gains or losses to the Fund. As at the end of the reporting period, the Fund's exposure to interest rate risk is considered relatively low as the Fund's financial instruments were predominantly non-interest bearing. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

Except for the bank deposits and bank overdraft, the Fund did not hold any interest-bearing assets and liabilities as at 30 September 2024 and 31 March 2024, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for the periods ended 30 September 2024 and 31 March 2024.

#### (iii) Currency risk

The Fund may invest in financial investments 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 functional 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 HKD.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments.

In accordance with the Fund's policy, the Manager monitors the Fund's currency exposure on an ongoing basis.

At the date of statement of assets and liabilities the Fund had the following exposure (in Hong Kong dollars equivalent):

	<b>Assets HK\$</b>	<b>Liabilities HK\$</b>	<b>Net exposure HK\$</b>
<b>30 September 2024 (unaudited)</b>			
Renminbi	436,113,596	9,899,203	426,214,393
<b>31 March 2024 (audited)</b>			
Renminbi	464,104,085	–	464,104,085

Amounts in the above table are based on the carrying value of the assets and liabilities.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 12 Financial instruments and associated risks (continued)

### (a) Market risk (continued)

(iii) Currency risk (continued)

#### Currency sensitivity

As the HKD is pegged to the United States dollar ("USD"), the Fund does not expect any significant movements in USD/HKD exchange rate. During the period ended 30 September 2024, the HKD strengthened in relation to the Renminbi by approximately 2% (as at 31 March 2024: strengthened by approximately 5%). At 30 September 2024, had the HKD further strengthened in relation to the Renminbi by 2% (as at 31 March 2024: strengthened by 5%), with all other variables held constant, net assets attributable to unitholders would have increased by the amounts shown in the following table.

	HK\$
<b>30 September 2024 (unaudited)</b>	
Renminbi	<u>9,532,280</u>
<b>31 March 2024 (audited)</b>	
Renminbi	<u>23,205,204</u>

A 2% weakening of the HKD (as at 31 March 2024: weakening by 5%) against the above currency would have resulted in an approximately equal but opposite effect on the basis that all other variables remain constant. The analysis is performed on the same basis for 31 March 2024.

### (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 on an ongoing basis. At 30 September 2024, all of the Fund's financial assets were exposed to credit risk.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

The Fund invests in A Shares via the QFII investment quota obtained by the Manager. These investments are held in a segregated account with Bank of Communications Co. Ltd (the "QFII custodian") on behalf of the Fund. Substantially all of the assets of the Fund are held by the Trustee or the QFII custodian. Bankruptcy or insolvency of the Trustee or the QFII custodian may cause the Fund's rights with respect to securities held by the Trustee or the QFII custodian to be delayed or limited. There were no investments in debt securities held by the Fund as at 30 September 2024 and 31 March 2024.

The majority of the cash held by the Fund is deposited with Bank of Communications Co., Ltd. and The Hongkong and Shanghai Banking Corporation Limited (the "banks"), with credit rating as A2 and Aa2 (2023: A2 and Aa2) respectively sourced from Moody's.

Bankruptcy or insolvency of the banks may cause the Fund's rights with respect to the cash held by the banks to be delayed or limited. The Fund monitors the credit rating of the banks on an ongoing basis.

Substantially all the assets of the Fund are held by QFII custodian where its credit rating is A2 (2023: A2) as sourced from Moody's.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 12 Financial instruments and associated risks (continued)

### (b) Credit risk

The carrying amounts of financial assets best represent the maximum credit risk exposure at the date of the statement of assets and liabilities.

As at 30 September 2024 and 31 March 2024, there were no significant concentrations of credit risk to counterparties except to the Trustee, the QFII custodian and the banks.

The Manager considers that none of these assets are impaired nor past due at the end of the reporting period.

Amounts arising from ECLs

Impairment on interest receivables, amount receivable on sales of investments, and cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Funds consider that these exposures have low credit risk based on the external credit ratings and/or review result of the counterparties.

The Fund monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties and/or performed ongoing review of the counterparties.

The Manager considers the probability of default to be minimal as the counterparties have a strong capacity to meet their contractual obligations in the near term. There is no impairment allowance recognised on interest receivables, amounts receivable on sales of investments and cash and cash equivalents. The amount of the loss allowance did not change during the periods ended 30 September 2024 and 2023.

### (c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund's policy to manage liquidity is to have sufficient liquidity to meet its liability without incurring undue losses or risking damage to the Fund's reputation.

As at 30 September 2024 and 31 March 2024, the Fund's listed equity investments are considered to be readily realisable under normal market conditions as they are all listed on stock exchanges in Hong Kong and PRC.

The Fund has one class of units in issue which is not redeemable by the unitholders. All financial liabilities have contractual maturities of less than three months. At both 30 September 2024 and 31 March 2024, there were no significant exposures to liquidity risk for the Fund.

### (d) Capital management

At 30 September 2024, the Fund had \$424,177,997 (as at 31 March 2024: \$463,168,921) of capital classified as equity.

The Fund's objective in managing the capital is to ensure a stable and strong base to maximise returns to all investors. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives and policies stated in the Trust Deed.

There were no changes in the policies and procedures during the period with respect to the Fund's approach to its capital management.

The Fund is not subject to externally imposed capital requirements.

During the periods ended 30 September 2024 and 2023, no distributions were made to the unitholders of the Fund.

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 13 Fair value information

The Fund's financial instruments are measured at fair value on the date of statement of assets and liabilities. 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 interest receivables and accrued expenses and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

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

### Valuation of financial instruments

The Fund measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Valuation techniques based on observable inputs, 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 where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs.

The fair values of financial assets and financial liabilities that are traded in active markets, such as equities, bonds and warrants which are listed on recognised stock exchanges or have daily quoted prices are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair value using valuation techniques.

The Fund uses widely recognised valuation models for determining the fair value of financial instruments which do not have quoted market prices in an active market. Valuation techniques include comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The following analyses financial instruments measured at fair value at the date of the statement of assets and liabilities by the level in the fair value hierarchy into which the fair value measurement is categorised.

	30 September 2024 (unaudited)			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Listed equities	426,035,564	–	–	426,035,564
	<u>426,035,564</u>	<u>–</u>	<u>–</u>	<u>426,035,564</u>
31 March 2024 (audited)				
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Listed equities	463,933,205	–	–	463,933,205
	<u>463,933,205</u>	<u>–</u>	<u>–</u>	<u>463,933,205</u>

# Notes to the unaudited interim financial report

For the six months ended 30 September 2024

## 13 Fair value information (continued)

### *Valuation of financial instruments (continued)*

For all other financial instruments, their carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

During the period/year ended 30 September 2024 and 31 March 2024, there were no transfers between levels.

## 14 Segment information

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

The Manager's asset allocation decisions are based on one single and integrated investment strategy and the Fund's performance is evaluated on an overall basis. Accordingly, the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the offering circular of the Fund. There were no changes in the operating segment during the period.

The segment information provided to the Manager is the same as that disclosed in the interim statement of comprehensive income and statement of assets and liabilities. The Fund is domiciled in Hong Kong.

## 15 Units in issue and NAV per unit

As at 30 September 2024, units in issue were 22,528,663 units (as at 31 March 2024: 28,160,756 units) and NAV per unit was \$18.83 (as at 31 March 2024: \$16.45).

## 16 Redemption of units under the Recurring Redemption Offer

For the periods ended 30 September 2024, the Manager offered a right to the unitholders to redeem the whole or a part of their units on a recurring redemption basis (for the period from 1 April 2023 to 30 September 2023: nil).

On 2 July 2024, 5,632,093 units, representing 20% of the total outstanding number of units, were redeemed at a total amount of HKD92,762,557. A redemption levy of 0.12% per unit was charged and deducted from the redemption price and retained by the Fund. The redeemed units were then cancelled.

## 17 Possible impact of amendments issued and effective for the six months ended 30 September 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments which are issued and effective for the period ended 30 September 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Fund.

**Effective for  
accounting periods  
beginning on or after**

Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*

1 January 2025

The Fund is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption is unlikely to have a significant impact on the Fund's financial statements.



## Investment portfolio (unaudited)

As at 30 September 2024

(Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Equities</b>			
<b>Listed investments</b>			
<i>The People's Republic of China</i>			
Aima Technology Group Co	8,600	357,929	0.08
Aima Technology Group Co Ltd	50,100	2,079,958	0.49
Anhui Anli Material Technology Co Ltd	383,100	7,468,906	1.76
Avic Heavy Machinery Co Ltd – A Share	174,200	3,901,481	0.92
Bank of Jiangsu Co Ltd	1,313,000	12,226,441	2.88
Bank of Ningbo Co Ltd – A Share	86,500	2,460,173	0.58
Beijing New Building Mater – A Share	73,600	2,693,170	0.64
Beijing New Building Materials PLC- A Share	74,700	2,726,623	0.64
Chifeng Gold – A Share	46,200	1,031,141	0.24
China Merchants Bank Company Limited	98,000	4,090,688	0.96
China Merchants Bank Company Limited – A Share	288,500	12,012,534	2.83
China Merchants Energy – A Share	479,700	4,269,837	1.01
China National Chemical Engineering Co Ltd – A Share	369,600	3,371,667	0.79
China Pacific Insurance Group Co Ltd – A Share	177,100	7,664,251	1.81
China Petroleum and Chemical Corporation – A Share	953,000	7,343,238	1.73
CMOC Group Limited	990,300	9,538,312	2.25
CMOC Group Ltd	149,500	1,443,535	0.34
Cnhct Jinan Truck Co Ltd	192,200	3,707,406	0.87
Cnhct Jinan Truck Co Ltd – A Share	331,900	6,386,200	1.51
Contemporary Ampere Technology Co Ltd	19,420	5,429,091	1.28
Contemporary Ampere Technology Co Ltd – A Share	45,003	12,549,831	2.96
Daqin Railways Co Ltd – A Share	951,300	7,224,821	1.70
Fengfan Stock Ltd Co	84,000	2,241,206	0.53
Gree Electric Appliances Inc – A Share	143,800	7,632,490	1.80
Guangshen Railway Co Ltd	1,064,800	4,456,002	1.05
Guangshen Railway Co Ltd	305,500	1,281,652	0.30
Guotai Junan Securities Co – A Share	180,000	2,927,385	0.69
Haier Smart Home Co Ltd	52,100	1,853,250	0.44
Haier Smart Home Co Ltd	16,100	574,121	0.14
Hangzhou Hikvision Digital	80,300	2,877,734	0.68
Hangzhou Hikvision Digital Technology Co Ltd – A Share	89,100	3,185,160	0.75
Henan Pinggao Electric Co – A Share	290,800	6,741,501	1.59
Hisense Visual Technology Co Ltd – A Share	212,900	5,272,628	1.24
Huatai Securities Co Ltd	87,500	1,709,180	0.40
Huatai Securities Co Ltd – A Share	454,200	8,850,041	2.09
Huayu Automotive Systems Co Ltd – A Share	208,100	4,128,531	0.97
Hubei Yihua Chemical Industry	166,600	2,652,280	0.63
Industrial Bank Co Ltd	115,700	2,474,469	0.58
Industrial Bank Co Ltd – A Share	461,800	9,851,926	2.32
Jcet Group Co Ltd – A Share	184,600	7,218,349	1.70
Jiangsu Changshu Automotive Trim Group Co Ltd	654,200	10,892,909	2.57

## Investment portfolio (unaudited)

As at 30 September 2024

(Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Equities (continued)</b>			
<b>Listed investments (continued)</b>			
<i>The People's Republic of China (continued)</i>			
Kweichow Moutai Co Ltd	2,200	4,268,041	1.01
Kweichow Moutai Co Ltd – A Share	7,000	13,546,356	3.19
Luxshare Precision Industry Co Ltd – A Share	424,437	20,416,839	4.81
Midea Group Co Ltd	231,848	19,531,178	4.60
Ningbo Orient Wires & Cables	51,100	3,120,546	0.74
Ningxia Baofeng Energy Group	177,400	3,407,960	0.81
Petrochina Co Ltd	401,700	4,016,924	0.95
Petrochina Co Ltd – A Share	643,100	6,414,884	1.51
Rayhoo Motor Dies Co Ltd	87,300	3,227,128	0.76
Sany Heavy Industry Co Ltd – A Share	591,300	12,359,342	2.91
Shanghai Jinjiang International Hotels Co Ltd	177,400	6,151,214	1.45
STO Express Co Ltd	464,600	5,925,393	1.40
Sungrow Power Supply Co Ltd – A Share	50,300	5,544,750	1.31
Tongkun Group Co Ltd – A Share	561,500	8,410,718	1.98
Tsingtao Brewery Co Ltd – A Share	90,800	7,875,079	1.86
Union Semiconductor Hefei	139,219	1,307,013	0.31
Wanhua Chemical Group Co Ltd	33,500	3,394,925	0.80
Wanhua Chemical Group Co Ltd – A Share	29,100	2,941,689	0.69
Weichai Power Co Ltd – A Share	339,800	5,981,272	1.41
Xcmg Construction Machin – A Share	908,500	7,804,986	1.84
Youcare Pharmaceutical Group	155,792	3,516,298	0.83
Yto Express Group Co Ltd	386,700	7,633,277	1.80
Yunnan Aluminium Co Ltd – A Share	1,174,700	19,254,007	4.54
Zhejiang IDC Fluid Control – A Share	273,200	3,493,013	0.82
Zhengzhou Coal Mining Machinery Group Co Ltd – A Share	265,300	4,135,475	0.98
Zhongji Innolight Co Ltd – A Share	48,760	8,359,657	1.97
Zijin Mining Group Co Ltd	92,100	1,853,209	0.44
Zijin Mining Group Co Ltd – A Share	895,500	17,974,172	4.24
Zte Corp – A Share	29,100	1,006,046	0.24
Zte Corp A Shares	184,600	6,366,126	1.50
		<u>426,035,564</u>	<u>100.44</u>
<b>Total investments (Total cost of investments: \$359,984,135)</b>		426,035,564	100.44
<b>Other net liabilities</b>		<u>(1,857,567)</u>	<u>(0.44)</u>
<b>Total net assets attributable to unitholders</b>		<u>424,177,997</u>	<u>100.00</u>

## Statement of movements in portfolio holdings (unaudited)

For the period ended 30 September 2024

	<b>% of total net asset attributable to unitholders</b>	
	<b>30 September 2024</b>	<b>31 March 2024</b>
<b>Listed investments</b>		
Equities	100.44	100.17
	<hr/>	<hr/>
	100.44	100.17
	<hr/>	<hr/>
<b>Total investments</b>	100.44	100.17
<b>Other net liabilities</b>	(0.44)	(0.17)
	<hr/>	<hr/>
<b>Net assets attributable to unitholders</b>	100.00	100.00
	<hr/> <hr/>	<hr/> <hr/>

## Performance table (unaudited)

**For the period ended 30 September 2024**

**(Expressed in Hong Kong dollars)**

**(a) Total net asset value (at bid prices)**

*Year/period end*

31 March 2022	HK\$672,917,594
30 September 2022	HK\$466,070,304
31 March 2023	HK\$529,390,097
30 September 2023	HK\$463,537,338
31 March 2024	HK\$463,168,921
30 September 2024	HK\$424,177,997

**(b) Total net asset value per unit (at bid prices)**

*Year/period end*

31 March 2022	HK\$19.12
30 September 2022	HK\$16.55
31 March 2023	HK\$18.80
30 September 2023	HK\$16.46
31 March 2024	HK\$16.45
30 September 2024	HK\$18.83

## Performance table (unaudited)

**For the period ended 30 September 2024**

**(Expressed in Hong Kong dollars)**

### **(c) Price record (Dealing NAV)**

The Fund is a closed-ended fund listed on The Stock Exchange of Hong Kong Limited and no unitholders may demand redemption of their units. In general, closed-ended funds may trade on the exchange at a discount or at a premium to their net asset value. There is no assurance that the units will be traded at a price that is equal to the net asset value. As the market price of the units may be determined by factors such as the net asset value and market supply and demand for the units, there is a risk that the units will be traded at a discount to its net asset value. In times of market disruption or when there is an insufficient number of buyers and/or sellers of the units, the bid/ask spread of the market price of the units may widen significantly. During the year ended 31 March 2013, the Manager offered a right to the unitholders to redeem not more than 40% of the aggregate number of units in issue. For the six months ended 30 September 2016, 2018, 2021, 2022 and 2024, the Manager offered a right to the unitholders to redeem not more than 20% of the aggregate number of units in issue.

<b>Year/period</b>	<b>Lowest HK\$</b>	<b>Highest HK\$</b>
1 April 2014 to 31 March 2015	7.39	13.69
1 April 2015 to 30 September 2015	9.75	18.36
1 April 2015 to 31 March 2016	9.27	18.36
1 April 2016 to 30 September 2016	9.69	11.41
1 April 2016 to 31 March 2017	9.89	11.58
1 April 2017 to 30 September 2017	11.08	13.29
1 April 2017 to 31 March 2018	11.08	15.22
1 April 2018 to 30 September 2018	10.13	13.97
1 April 2018 to 31 March 2019	9.42	13.97
1 April 2019 to 30 September 2019	10.71	13.15
1 April 2019 to 31 March 2020	10.71	13.79
1 April 2020 to 30 September 2020	11.07	16.83
1 April 2020 to 31 March 2021	11.07	24.40
1 April 2021 to 30 September 2021	19.12	21.94
1 April 2021 to 31 March 2022	17.85	22.85
1 April 2022 to 30 September 2022	16.35	19.50
1 April 2022 to 31 March 2023	15.37	19.50
1 April 2023 to 30 September 2023	16.23	19.39
1 April 2023 to 31 March 2024	14.45	19.39
1 April 2024 to 30 September 2024	15.02	18.83

## Administration and management

### **Directors of the Manager**

#### *Executive Directors:*

TAM Chun Pong Stephen

HO Wai Fun

MOREAU Nicolas Jean Marie Denis

TO Kok Wing

### **Trustee**

HSBC Institutional Trust Services (Asia) Limited

HSBC Main Building

1 Queen's Road Central

Hong Kong

### **Registrar and Processing Agent**

Computershare Hong Kong Investor Services Limited

Shop 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

### **Manager**

HSBC Global Asset Management (Hong Kong) Limited

HSBC Main Building

1 Queen's Road Central

Hong Kong

### **QFI Custodian**

Bank of Communications Co., Ltd.

188, Yin Cheng Zhong Road

Shanghai 200120

The People's Republic of China

### **Auditors**

KPMG

Public Interest Entity Auditor registered in accordance

with the Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road

Central Hong Kong

Issued by HSBC Global Asset Management (Hong Kong) Limited