



**ABCI Investment Funds - ABCI  
Dynamic Income Fund**  
(A sub-fund of an open-ended trust established as  
an umbrella fund under the laws of Hong Kong)

31 December 2023

<b>CONTENTS</b>	<b>Pages</b>
Management and Administration	1
Report of the Trustee to the unitholders	2
Independent auditor's report	3 - 6
Audited financial statements	
- Statement of comprehensive income	7
- Statement of financial position	8
- Statement of changes in equity	9
- Statement of cash flows	10
- Notes to the financial statements	11 - 36
Statement of movement in portfolio (unaudited)	37 - 39
Performance table (unaudited)	40 - 41
Investment portfolio (unaudited)	42 - 43

## Management and Administration

### **DIRECTORS OF MANAGER**

Luo Pei  
Dr. Cao Yi  
Yang Xiuke

### **MANAGER**

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### **TRUSTEE AND REGISTRAR**

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### **CUSTODIAN**

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Hong Kong

### **LEGAL COUNSEL TO THE MANAGER**

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Hong Kong

### **AUDITOR**

KPMG  
8/F, Prince's Building  
10 Chater Road  
Central  
Hong Kong

## REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager, ABCI Asset Management Limited, has, in all material respects, managed ABCI Investment Funds - ABCI Dynamic Income Fund for the year ended 31 December 2023, in accordance with the provisions of the Trust Deed dated 27 November 2014 and its supplemental deeds dated 19 October 2016 and 23 December 2019.

On behalf of  
BOCI-Prudential Trustee Limited, the Trustee



26 APR 2024



# Independent auditor's report to the unitholders of ABCI Investment Funds - ABCI Dynamic Income Fund

*(a sub-fund of ABCI Investment Funds, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)*

## Report on the audit of financial statements

### Opinion

We have audited the financial statements of ABCI Dynamic Income Fund (a sub-fund of ABCI Investment Funds (the "Trust") and referred to as the "Sub-Fund") set out on pages 7 to 36, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Boards ("IASB").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Sub-Fund in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Hong Kong and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Independent auditor's report to the unitholders of ABCI Investment Funds - ABCI Dynamic Income Fund (continued)**

*(a sub-fund of ABCI investment Funds, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)*

### **Report on the audit of financial statements (continued)**

#### **Information other than the financial statements and auditor's report thereon**

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Manager and the Trustee of the Sub-Fund for the financial statements**

The Manager and the Trustee of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the Manager and the Trustee 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 Sub-Fund are responsible for assessing the Sub-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 Sub-Fund either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 27 November 2014 and supplemental deeds dated 19 October 2016 and 23 December 2019 (the "Trust Deed") 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.



# Independent auditor's report to the unitholders of ABCI Investment Funds - ABCI Dynamic Income Fund (continued)

*(a sub-fund of ABCI investment Funds, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)*

## **Report on the audit of financial statements (continued)**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 Sub-Fund have been properly prepared, in all material aspects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E to the SFC Code.

As part of an audit in accordance with ISAs, 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 Sub-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 Sub-Fund.



# Independent auditor's report to the unitholders of ABCI Investment Funds - ABCI Dynamic Income Fund (continued)

*(a sub-fund of ABCI investment Funds, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)*

## **Report on the audit of financial statements (continued)**

### **Auditor's responsibilities for the audit of the financial statements (continued)**

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

We communicate with the Manager and the Trustee of the Sub-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 disclosure provisions of the Trust Deed 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 disclosure provisions of the Trust Deed and the relevant disclosure provisions in Appendix E to the SFC Code.



Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

26 APR 2024



## Statement of comprehensive income for the year ended 31 December 2023

(Expressed in Renminbi)

	Notes	2023 RMB	2022 RMB
<b>INCOME</b>			
Interest income on financial assets at fair value through profit or loss		2,570,992	2,386,131
Interest income on bank deposits	10(a), 10(b)	260,860	2,367
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	5	5,733,096	(852,355)
Net foreign exchange (loss)/gain		(17,794)	354,043
		<u>8,547,154</u>	<u>1,890,186</u>
<b>EXPENSES</b>			
Management fee	10(d)	(396,003)	(372,377)
Trustee fee	10(e)	(478,710)	(478,709)
Custodian fee	10(f)	(15,936)	(15,542)
Auditor's remuneration		(122,022)	(102,959)
Legal and professional fee		(10,888)	(9,887)
Handling and transaction fee	10(g), 10(h)	(2,101)	(690)
Other expenses	10(a)	(10,967)	(558)
		<u>(1,036,627)</u>	<u>(980,722)</u>
<b>Increase in net assets attributable to unitholders from operations and total comprehensive income for the year</b>		<u>7,510,527</u>	<u>909,464</u>

The notes on pages 11 to 36 form part of these financial statements.

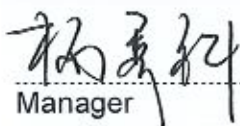
## Statement of financial position As at 31 December 2023

(Expressed in Renminbi, unless otherwise specified)

	Notes	2023 RMB	2022 RMB
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	5	66,010,623	68,523,123
Cash and bank balances	6	15,748,128	5,808,308
Interest receivable		693,280	598,706
Prepayments		11,216	10,948
<b>TOTAL ASSETS</b>		<u>82,463,247</u>	<u>74,941,085</u>
<b>LIABILITIES</b>			
Management fee payable	10(d)	32,699	30,867
Trustee fee payable	10(e)	37,419	38,710
Custodian fee payable	10(f)	1,180	1,267
Other payables		117,413	106,232
<b>TOTAL LIABILITES</b>		<u>188,711</u>	<u>177,076</u>
<b>EQUITY</b>			
Net assets attributable to unitholders	8	<u>82,274,536</u>	<u>74,764,009</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>82,463,247</u>	<u>74,941,085</u>
Number of units in issue	7	<u>1,150,000</u>	<u>1,150,000</u>
Net assets attributable to unitholders per unit - Class I (USD)	8	<u>USD10.05</u>	<u>USD9.39</u>

Approved and authorised for issue by the Manager and the Trustee on

26 APR 2024

  
.....  
Manager

  
.....  
Trustee

The notes on pages 11 to 36 form part of these financial statements.

**Statement of changes in equity**  
**for the year ended 31 December 2023**  
*(Expressed in Renminbi)*

	<i>Notes</i>	2023 RMB	2022 RMB
Net assets attributable to unitholders as at 1 January		74,764,009	73,854,545
Increase in net assets attributable to unitholders from operations and total comprehensive income for the year		<u>7,510,527</u>	<u>909,464</u>
Net assets attributable to unitholders as at 31 December		<u>82,274,536</u>	<u>74,764,009</u>

	<i>Notes</i>	<i>Number of Units</i>	
		2023	2022
<b>Class I (USD)</b>			
As at 1 January		1,150,000	1,150,000
Unit issued	7	<u>-</u>	<u>-</u>
As at 31 December		<u>1,150,000</u>	<u>1,150,000</u>

The notes on pages 11 to 36 form part of these financial statements.

**Statement of cash flow**  
**for the year ended 31 December 2023**  
*(Expressed in Renminbi)*

	Note	2023 RMB	2022 RMB
<b>Operating activities</b>			
Increase in net assets attributable to unitholders from operations and total comprehensive income for the year		7,510,527	909,464
Adjustments for:			
Interest income on financial assets at fair value through profit or loss		(2,570,992)	(2,386,131)
Interest income on bank deposits		(260,860)	(2,367)
Net (gain)/loss on financial assets and financial liabilities at fair value through profit or loss		(5,733,096)	852,355
<b>Operating loss before working capital changes</b>		(1,054,421)	(626,679)
Purchase of financial assets and financial liabilities at fair value through profit or loss		(16,784,772)	(9,500,917)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss		25,030,368	13,283,559
Increase in prepayments		(268)	(1,034)
Increase/(decrease) in management fee payable		1,832	(550)
Decrease in trustee fee payable		(1,291)	(1,290)
Decrease in custodian fee payable		(87)	(131)
Increase/(decrease) in other payables		11,181	(632)
<b>Cash generated from operations</b>		7,202,542	3,152,326
Interest received		2,737,278	2,355,192
<b>Net cash generated from operating activities</b>		9,939,820	5,507,518
<b>Net increase in cash and cash equivalents</b>		9,939,820	5,507,518
<b>Cash and cash equivalents at the beginning of the year</b>		5,808,308	300,790
<b>Cash and cash equivalents at end of the year</b>		15,748,128	5,808,308

The notes on pages 11 to 36 form part of these financial statements.



# Notes to the financial statements

## 31 December 2023

### 1 The Sub-Fund

ABC Investment Funds (the "Trust") was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to the Trust Deed dated 27 November 2014 and supplemental deeds dated 19 October 2016 and 23 December 2019 (the "Trust Deed") between ABCI Asset Management Limited (the "Manager") and BOCI - Prudential Trustee Limited (the "Trustee"). The Trust has been established as an umbrella fund and separate and distinct Sub-Funds may be established by the Manager and the Trustee within the Trust from time to time. The Trust currently consists of one sub-fund, which is the ABCI Dynamic Income Fund (the "Sub-Fund"). The Sub-Fund commenced its operation on 20 December 2016.

The "Sub-Fund" was constituted as a separate sub-fund of the Trust on 27 November 2014. The Sub-Fund is authorised by the Hong Kong Securities and Futures Commission (the "SFC") under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code"). Authorisation by the SFC does not imply official approval or recommendation.

The Sub-Fund is managed by ABCI Asset Management Limited (the "Manager"), a limited liability company incorporated in Hong Kong on 3 January 2011, and has appointed BOCI-Prudential Trustee Limited (the "Trustee") as the trustee of the Sub-Fund. The custodian is Bank of China (Hong Kong) Limited (the "Custodian").

Two classes of units, namely Class A units and Class I units, are created for the Sub-Fund. Class A units and Class I units are subject to different management fee. As at 31 December 2023, no unites in Class A were issued.

The investment objective of the Sub-Fund is to achieve long-term appreciation of the capital through an income stream from a portfolio of Renminbi ("RMB") and United States dollar ("USD") fixed income instruments and preferred stocks globally (except in the People Republic of China).

### 2.1 Statement of compliance and basis of preparation of the financial statements

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standard Board ("IASB"), the relevant disclosure provisions of the Trust Deed and its supplemental deeds, and the relevant disclosure provisions specified in Appendix E of the SFC Code.

The IASB has issued certain amendment to IFRSs that are first effective or available for early adoption for the current accounting year of the Sub-Funds. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Sub-Fund for the current and prior accounting years reflected in these financial statements.

## 2.1 Statement of compliance and basis of preparation of the financial statements (continued)

The financial statements have been prepared under the historical cost basis, except for financial assets and liabilities classified at fair value through profit or loss that have been measured at fair value as explained in the accounting policies set out below. The financial statements are presented in RMB and all values are rounded to the nearest RMB except where otherwise indicated.

## 2.2 Material accounting policies

Material accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently and are consistent with those used in the previous year, unless otherwise stated.

### (a) *Financial instruments*

#### Classification

In accordance with IFRS 9, the Sub-Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (i) It is acquired or incurred principally for the purpose of selling or repurchasing in the near term; or
- (ii) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (iii) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

#### Financial assets

The Sub-Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

## 2.2 Material accounting policies (continued)

### (a) Financial instruments (continued)

#### *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order 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 on the principal amount outstanding.

The Sub-Fund includes in this category:

- short-term non financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

#### *Financial assets measured at fair value through profit or loss*

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Sub-Fund includes in this category:

- Instruments held for trading includes debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

#### Financial liabilities

#### *Financial liabilities measured at fair value through profit or loss*

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading.

The Sub-Fund includes in this category: derivative contracts in a liability position since they are classified as held for trading.

#### *Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Sub-Fund includes in this category: management fee payable, trustee fee payable, custodian fee payable and other payables.



## 2.2 Material accounting policies (continued)

### (a) Financial instruments (continued)

#### Recognition

The Sub-Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the asset.

#### Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the profit or loss.

Financial assets and liabilities other than those classified as at fair value through profit or loss are stated at amortised cost. These financial instruments are initially measured at their fair value plus any directly attributable incremental costs of acquisition or issue.

#### Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in "Net gain/(loss) on financial assets and liabilities at fair value through profit or loss". Interest earned on these instruments is recorded separately in "Interest income on financial assets at fair value through profit or loss".

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest revenue or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where (i) the rights to receive cash flows from the asset have expired; or (ii) the Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either the Sub-Fund has transferred substantially all the risks and rewards of the asset, or the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## 2.2 Material accounting policies (continued)

### (a) Financial instruments (continued)

When the Sub-Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained.

The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

#### Transaction cost

Investment transaction costs are costs incurred to purchase or sale of investments at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

### (b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Sub-Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques, such as, recent arm's length market transactions, quotes from brokers and market makers, deemed to be appropriate in the circumstances.

## 2.2 Material accounting policies (continued)

### (b) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - Observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 - Input that is significant to the fair value measurement is unobservable

The Sub-Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

### (c) Impairment of financial assets

The Sub-Fund holds only receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for ECLs under IFRS 9 to all its receivables. Therefore, the Sub-Fund does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Sub-Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date. These include information about past events, current conditions and forecasts of future economic conditions.

The Sub-Fund uses the provision matrix as a practical expedient to measure ECLs on receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

### (d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 2.2 Material accounting policies (continued)

### (e) *Functional and presentation currency*

The Sub-Fund's functional and presentation currency is RMB, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance is evaluated and its liquidity is managed in RMB. Therefore, RMB is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

### (f) *Foreign currency transactions*

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at that date.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the statement of profit or loss and other comprehensive income as part of the "Net gain or loss on financial assets at fair value through profit or loss". Exchange differences are included in profit or loss in the statement of profit or loss and other comprehensive income as "Net foreign exchange differences".

### (g) *Net asset value attributable to unitholders*

Redeemable units are classified as an equity instrument when:

- (i) The redeemable units entitle the holder to a pro rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation.
- (ii) The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- (iii) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- (iv) The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Sub-Fund's net assets.
- (vi) The total expected cash flows attributable to the redeemable units over the life of the instrument 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 Sub-Fund over the life of the instrument.

## 2.2 Material accounting policies (continued)

### (g) Net asset value attributable to unitholders (continued)

In addition to the redeemable units having all the aforementioned features, the Sub-Fund must have no other financial instrument or contract that has:

- (a) Total cash flows 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 Sub-Fund.
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Fund's redeemable Class I units meet the definition of redeemable instruments classified as equity instruments under the revised *IAS 32 Financial Instruments: Presentation*.

The Sub-Fund continuously assess the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Sub-Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

Upon issuance of units, the consideration received is included in equity.

Transaction costs incurred by the Sub-Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Own equity instruments that are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Sub-Fund's policy is not to keep shares in treasury, but rather to cancel them once repurchased.

No gain or loss is recognised in the statement of profit or loss and comprehensive income on the purchase, sale, issuance or cancellation of the Sub-Fund's own equity instruments.

### (h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily fixed rate to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

## 2.2 Material accounting policies (continued)

### (f) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial statements or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### (g) Net gain or loss on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets at fair value through profit or loss and excludes interest income and expense.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as "at fair value through profit or loss" are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

### (k) Related parties

- (a) A person or a close member of that person's family, is related to the Sub-Fund if that person:
  - (i) has control or joint control over the Sub-Fund;
  - (ii) has significant influence over the Sub-Fund; or
  - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;
- (b) An entity is related to the Sub-Fund if any of the following conditions applies:
  - (i) the entity and the Sub-Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiaries 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 an entity related to the Sub-funds.;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);

## 2.2 Material accounting policies (continued)

### (k) Related parties (continued)

- (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); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-Fund or to the Sub-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.

## 2.3 Changes in accounting policies

The Sub-Fund adopted Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments required the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

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

## 3 Significant accounting judgement and estimates

The preparation of the Sub-Fund's financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts recognised in the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

## 4 Income tax

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



## 5 Financial assets and liabilities at fair value through profit or loss

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

	2023 RMB	2022 RMB
Debt instruments		
- quoted debt securities	66,010,623	68,523,123
Total financial assets at fair value through profit or loss	<u>66,010,623</u>	<u>68,523,123</u>

### Net changes in fair value of financial assets and liabilities through profit or loss

	2023 RMB	2022 RMB
Financial assets		
- realised gain/(loss)	1,559,938	(703,566)
- movement in unrealised gain/(loss)	4,173,158	(148,789)
Net changes in fair value	<u>5,733,096</u>	<u>(852,355)</u>

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and liabilities measured at fair value at 31 December 2023 and 2022.

#### At 31 December 2023

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Financial assets</b>				
Debt instruments				
- quoted debt securities	-	66,010,623	-	66,010,623

#### At 31 December 2022

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Financial assets</b>				
Debt instruments				
- quoted debt securities	-	68,523,123	-	68,523,123

During the years ended 31 December 2023 and 31 December 2022, there are no investments classified within Level 3 by the Sub-Fund, and there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3.

## 5 Financial assets and liabilities at fair value through profit or loss (continued)

### Valuation techniques

#### *Debt securities*

The Sub-Fund invests in debt securities and corporate bonds. In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Sub-Fund categorises these investments as Level 2.

## 6 Cash and bank balances

	2023 RMB	2022 RMB
Fixed deposit with a bank-within three months	15,595,503	-
Cash at banks	152,625	5,808,308
	<u>15,748,128</u>	<u>5,808,308</u>
Denominated in:		
RMB	4,313	8,201
USD	15,739,967	5,799,530
HKD	3,848	577
	<u>15,748,128</u>	<u>5,808,308</u>

The fixed deposit and cash at banks of the Sub-Fund is being held in Agricultural Bank of China, HK Branch, an affiliate company of the Manager, and Bank of China (Hong Kong) Limited, an affiliate company of the Trustee, respectively. Interest is earned at a floating rate based on daily bank deposit rates. The carrying amount of the cash at banks approximates to its fair value.

## 7 Redeemable units

At 31 December 2022, 1 January 2023 and 31 December 2023, the Number of Class I (USD) units is 1,150,000. There were no unit movement during 2023 and 2022.

Units may be subscribed during the initial offer period at the initial issue price of RMB 100 per unit in respect of RMB Class A and I units, USD10 per unit in respect of USD Class A and I units, and EUR10 per unit in respect of EUR Class A and I units. No part of the initial offer has been underwritten or guaranteed. Following the close of the relevant initial offer period, the subscription price will be the price per unit ascertained by dividing the NAV of the relevant class by the number of units of such Class in issue and rounded to 2 decimal places.

Units will be redeemable at the option of the unitholders on any business day ("Dealing Day") by submitting a redemption request to the Trustee via an authorised distributor or the Manager.

A completed redemption request must be received by no later than the 4:00pm (Hong Kong time) on the relevant Dealing Day ("Dealing Deadline"). Redemption requests received after this time will be held over until the next following Dealing Deadline and units will be redeemed at the relevant redemption price applicable on that Dealing Day.

## 8 Net assets attributable to unitholders

There was no difference between the net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions to the net assets attributable to unitholders as reported in the statement of financial position as at 31 December 2023 and 2022.

	2023		2022	
	<i>Unit price per financial statements</i>	<i>Published unit price</i>	<i>Unit price per financial statements</i>	<i>Published unit price</i>
Net assets attributable to unitholders of Class I (USD) per unit	<u>USD 10.05</u>	<u>USD 10.05</u>	<u>USD 9.39</u>	<u>USD 9.39</u>

## 9 Financial risk and management objective and policies

Investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The value of investments and the income from them fluctuate and therefore the value of the redeemable units can fall as well as rise.

The performance of the Sub-Fund will be affected by a number of risk factors including the following:

### (a) **Market risk**

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may only be indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments. Market movement may therefore result in substantial fluctuation in the net assets attributable to holders of redeemable units of the Sub-Fund.

The maximum risk resulting from financial instruments equals their fair value.

The Sub-Fund assumes market risk in trading activities. The Sub-Fund distinguishes market risk as follows:

- Interest rate risk
- Foreign exchange risk

#### *Interest rate risk*

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of interest-bearing assets and future cash flow.

As the Sub-Fund has mainly invested in debt securities whose values are driven significantly by changes in interest rates, the Sub-Fund is subject to interest rate risk. When interest rates rise, the value of previously acquired debt securities will normally fall because new debt securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired debt securities will normally rise. The Manager regularly assesses the economic condition, monitors changes in interest rates outlook and takes appropriate measures accordingly to control the impact of interest rate risk. In a rising interest rate environment, the Sub-Fund will acquire debts with a shorter maturity profile to minimise the negative impact to the portfolio.

## 9 Financial risk and management objective and policies (continued)

### (a) Market risk (continued)

As at 31 December 2023 and 2022, the debt securities held by the Sub-Fund are all fixed rate bonds investments.

#### As at 31 December 2023

	Up to 1 year RMB	1 - 5 years RMB	Over 5 years RMB	Non- interest bearing RMB	Total RMB
<b>Assets</b>					
Financial assets at fair value through profit or loss	-	45,818,566	20,192,057	-	66,010,623
Cash and bank balances	15,748,128	-	-	-	15,748,128
Interest receivables	-	-	-	693,280	693,280
Prepayments	-	-	-	11,216	11,216
<b>Total assets</b>	<u>15,748,128</u>	<u>45,818,566</u>	<u>20,192,057</u>	<u>704,496</u>	<u>82,463,247</u>
<b>Liabilities</b>					
Management fee payable	-	-	-	32,699	32,699
Trustee fee payable	-	-	-	37,419	37,419
Custodian fee payable	-	-	-	1,180	1,180
Other payables	-	-	-	117,413	117,413
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,711</u>	<u>188,711</u>
<b>Total interest sensitivity gap</b>	<u>15,748,128</u>	<u>45,818,566</u>	<u>20,192,057</u>		

## 9 Financial risk and management objective and policies (continued)

### (a) Market risk (continued)

As at 31 December 2022

	Up to 1 year RMB	1 - 5 years RMB	Over 5 years RMB	Non- interest bearing RMB	Total RMB
<b>Assets</b>					
Financial assets at fair value through profit or loss	3,821,057	39,373,756	25,328,310	-	68,523,123
Cash and bank balances	5,808,308	-	-	-	5,808,308
Interest receivables	-	-	-	598,706	598,706
Prepayments	-	-	-	10,948	10,948
<b>Total assets</b>	<b>9,629,365</b>	<b>39,373,756</b>	<b>25,328,310</b>	<b>609,654</b>	<b>74,941,085</b>
<b>Liabilities</b>					
Management fee payable	-	-	-	30,867	30,867
Trustee fee payable	-	-	-	38,710	38,710
Custodian fee payable	-	-	-	1,267	1,267
Other payables	-	-	-	106,232	106,232
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177,076</b>	<b>177,076</b>
<b>Total interest sensitivity gap</b>	<b>9,629,365</b>	<b>39,373,756</b>	<b>25,328,310</b>		

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the year to a reasonable possible change in interest rates, with all other variables held constant.

	Change in interest rate basis point	Change in fair value of investments RMB
<b>As at 31 December 2023</b>		
Debt securities	+100	(1,115,283)
	-100	1,115,283
<b>As at 31 December 2022</b>		
Debt securities	+100	(1,451,304)
	-100	1,451,304

## 9 Financial risk and management objective and policies (continued)

### (a) Market risk (continued)

#### Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The value of the Sub-Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore, the Sub-Fund will necessarily be subject to foreign currencies exchange risk.

The Sub-Fund's major exposure in foreign current exchange rates at the end of reporting periods are as follows:

	<i>Assets in RMB equivalent</i>	<i>Liabilities in RMB equivalent</i>	<i>Net exposure in RMB equivalent</i>
<b>As at 31 December 2023</b>			
USD	82,443,870	199	82,443,671
<b>As at 31 December 2022</b>			
USD	74,921,359	-	74,921,359

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

The following table indicates the approximated change in net assets attributable to unitholders in response to reasonably possible change in the USD to RMB exchange rate. The analysis assumes all other variables in particular interest rates remain constant.

	<i>Change in exchange rate %</i>	<i>Change in net assets attributable to unitholders RMB</i>
<b>As at 31 December 2023</b>		
In respect of net assets denominated in USD	+/-10%	+/-8,244,367
<b>As at 31 December 2022</b>		
In respect of net assets denominated in USD	+/-10%	+/-7,492,136



## 9 Financial risk and management objective and policies (continued)

### (b) Liquidity risk

Liquidity risk is defined as the risk that the Sub-Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Sub-Fund could be required to pay its liabilities or redeem its units earlier than expected. The Sub-Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Sub-Fund's net asset value per unit at the time of redemption, calculated in accordance with the explanatory memorandum of the Sub-Fund. Further details are described in note 7 to the financial statements.

The Sub-Fund manages its obligation to repurchase the units when required to do so and its overall liquidity risk by:

- Limiting the number of units redeemed on any Dealing Day to 10% of the total number of units in issue.
- Suspending the redemption of units or delaying the payment of redemption proceeds in respect of any redemption request received, during any period in which the determination of the net asset value is suspended.

The Sub-Fund mainly invested in the USD income instruments which are currently not listed on a stock exchange or a securities market where trading is conducted on a regular basis. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all USD income instruments. In the absence of an active secondary market, the Sub-Fund may need to hold the USD income instruments until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such instruments. Even if a secondary market is developed, the price at which the USD income instruments are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates.

Further, the bid and offer spread of the price of USD income instruments may be high and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments. The Manager seeks to control the liquidity risk of the investment portfolio by a series of internal management measures in order to meet unitholders' redemption requests.

#### *Financial assets*

Analysis of debt securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

## 9 Financial risk and management objective and policies (continued)

### (b) Liquidity risk (continued)

#### Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Sub-Fund can be required to pay.

The following table summarises the maturity profile of the Sub-Fund's financial liabilities based on contractual undiscounted cash flows. Balances due within one year equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Sub-Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Sub-Fund's contractual commitments and liquidity.

#### At 31 December 2023

	<i>On demand</i> RMB	<i>Less than</i> <i>1 month</i> RMB	<i>Less than</i> <i>1 year</i> RMB	<i>Total</i> RMB
<b><u>Financial liabilities</u></b>				
Management fee payable	-	32,699	-	32,699
Trustee fee payable	-	37,419	-	37,419
Custodian fee payable	-	1,180	-	1,180
Other payables	-	-	117,413	117,413
Total financial liabilities	-	71,298	117,413	188,711

#### At 31 December 2022

	<i>On demand</i> RMB	<i>Less than</i> <i>1 month</i> RMB	<i>Less than</i> <i>1 year</i> RMB	<i>Total</i> RMB
<b><u>Financial liabilities</u></b>				
Management fee payable	-	30,867	-	30,867
Trustee fee payable	-	38,710	-	38,710
Custodian fee payable	-	1,267	-	1,267
Other payables	-	-	106,232	106,232
Total financial liabilities	-	70,844	106,232	177,076

## 9 Financial risk and management objective and policies (continued)

### (b) Liquidity risk (continued)

The Fund manages its liquidity risk by investing predominantly in bonds that it expects to be able to liquidate within 1 year or less. The following table illustrates the remaining contractual maturities of assets held:

	Up to 1 year RMB	1 - 5 years RMB	Over 5 years RMB	Totals RMB
<b>31 December 2023</b>				
Financial assets at fair value through profit or loss	<u>-</u>	<u>45,818,566</u>	<u>20,192,057</u>	<u>66,010,623</u>
<b>31 December 2022</b>				
Financial assets at fair value through profit or loss	<u>3,821,057</u>	<u>39,373,756</u>	<u>25,328,310</u>	<u>68,523,123</u>

### (c) Credit and counterparty risk

The Sub-Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

#### *Financial assets subject to IFRS 9's impairment requirements*

The Sub-Fund's financial assets subject to the expected credit loss (ECL) model within IFRS 9 is the bank balance and interest receivable. At 31 December 2023 and 2022, no loss allowance had been provided. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

## 9 Financial risk and management objective and policies (continued)

### (c) Credit and counterparty risk (continued)

As only interest receivable is impacted by the IFRS 9 ECL model, the Sub-Fund has adopted the simplified approach. The loss allowance shown, if any, is based on lifetime ECL.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates.

#### *Financial assets not subject to IFRS 9's impairment requirements*

The Sub-Fund is exposed to credit risk mainly on debt instruments. This class of financial assets is not subject to IFRS 9's impairment requirements as they are measured at fair value through profit or loss. The carrying value of these assets, under IFRS 9 represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

The Sub-Fund's financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank deposits and investments held with the financial institutions as listed out below. The table below summarises the Sub-Fund's assets placed with banks and the custodian:

<b>As at 31 December 2023</b>	<b>RMB</b>	<b>Credit rating</b>	<b>Source of credit rating</b>
<u>Bank</u>			
Bank of China (Hong Kong) Limited	152,625	P-1	Moody's
Agricultural Bank of China, HK Branch	15,595,503	P-1	Moody's
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	66,010,623	P-1	Moody's
<b>As at 31 December 2022</b>			
<u>Bank</u>			
Bank of China (Hong Kong) Limited	5,808,308	P-1	Moody's
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	68,523,123	P-1	Moody's

**9 Financial risk and management objective and policies (continued)**

**(c) Credit and counterparty risk (continued)**

The Fund invested in debt securities with the following credit quality expressed as a percentage of debt securities per Moody's:

	<i>% of debt securities As of 31 December 2023</i>	<i>% of debt securities As of 31 December 2022</i>
Aaa	18%	-
Aa3	2%	-
Baa1	21%	23%
Baa2	15%	18%
Baa3	-	10%
Not rated	44%	49%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Capital management**

The Sub-Fund's objectives for managing capital are to invest the capital in investments in order to achieve its investment objective while maintaining sufficient liquidity to meet the expenses of the Sub-Fund, and to meet redemption requests as they arise.

**10 Transactions with manager and its connected persons**

The following is a summary of significant related party transaction or transactions entered into during the year between the Sub-Fund and the Manager, the Trustee and their Connected Persons. Connected Persons are those as defined in the SFC Code. All transactions entered into during the year between the Sub-Fund and the Manager, the Trustee and its connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the knowledge of the Manager and the Trustee, the Sub-Fund does not have any other transactions with Connected Persons except for what is disclosed below.

**(a) Bank deposits and investments held by the Trustee's affiliates**

The Sub-Fund's bank deposits and investments were held by the Trustee's affiliates, Bank of China (Hong Kong) Limited. Further details of the balances held are described in note 5 and 6 of the financial statements.

At 31 December 2023, bank balance with the Custodian was RMB152,625 (2022: RMB5,608,308). The interest income from the bank deposits was RMB5,767 (2022: RMB2,367) and the bank charge was RMB1,893 (2022: RMB1,429).

## 10 Transactions with manager and its connected persons (continued)

### (b) Fixed deposit held by the manager's affiliates

The Sub-Fund's fixed deposits were held by the manager's affiliates, Agricultural Bank of China, HK Branch ("ABCHK"). Further details of the balances held are described in note 6 of the financial statements.

At 31 December 2023, fixed deposit with ABCHK was RMB15,595,503 (2022: nil). The interest income from the fixed deposit was RMB255,093 (2022: nil).

### (c) Holdings in the Sub-Fund

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund. The holdings in the Sub-Fund by the Manager and its connected persons as at 31 December 2023 were as follows:

Units held by Victorious Base Limited, a fellow subsidiary of the Manager:

	2023 Class I (USD) units	2022 Class I (USD) units
Outstanding as at 1 January	1,150,000	1,150,000
Units subscribed	-	-
Outstanding as at 31 December	<u>1,150,000</u>	<u>1,150,000</u>

All transactions entered into during the year between the Sub-Fund and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms.

### (d) Management fee

The Manager is entitled to receive, on an annual basis, a management fee from the Sub-Fund, at a rate of 0.6% per annum for Class A units and 0.5% per annum for Class I units (up to maximum of 2% per annum for both Class A and Class I giving not less than one month's prior notice to the unitholders) with respect to the net assets attributable to unitholders of each class of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears.

For the year ended 31 December 2023, management fee incurred amounted to RMB396,003 (2022: RMB372,377), of which RMB32,699 (2022: RMB30,867) remain outstanding at 31 December 2023.

## **10 Transactions with manager and its connected persons (continued)**

### **(e) Trustee fee**

The Trustee is entitled to receive a trustee and administration fee from the Sub-Fund, at a rate up to of 0.15% per annum and accrued on each valuation day and is paid monthly in arrears.

For the year ended 31 December 2023, trustee fee incurred amounted to RMB478,710 (2022: RMB478,709), of which RMB37,419 (2022: RMB38,710) remain outstanding at 31 December 2023.

### **(f) Custodian fee**

The Custodian is entitled to receive, on an annual basis, a custodian fee from the Sub-Fund, at a rate of 0.1% per annum of the net asset value of the Sub-Fund calculated and accrued on each dealing day and is paid monthly in arrears.

For the year ended 31 December 2023, custodian fee incurred amounted to RMB15,936 (2022: RMB15,542), of which RMB1,180 (2022: RMB1,267) remain outstanding at 31 December 2023.

### **(g) Handling fee**

The Trustee is entitled to receive handling fee from the Sub-Fund. The fee is paid as incurred. For the year ended 31 December 2023, handling fee expense to the Trustee was RMB700 (2022: RMB400).

### **(h) Transaction fee**

The Custodian is entitled to receive transaction fee from the Sub-Fund. The fee is paid as incurred. For the year ended 31 December 2023, transaction fee expense to the Custodian was RMB1,401 (2022: RMB290).



## 11 Distribution

	2023 RMB	2022 RMB
Undistributed income at the beginning of the year	4,430,764	2,668,945
Total comprehensive income for the year	7,510,527	909,464
Add: Net loss/(gain) on financial assets and liabilities at fair value through profit or loss	(5,733,096)	852,355
Undistributed income before distribution	6,208,195	4,430,764
Less: Distribution	-	-
<b>Undistributed income as the end of the year</b>	<b>6,208,195</b>	<b>4,430,764</b>

The Undistributed income before distribution is the amount available for distribution which is the total net amount receivable by the Sub-Fund in respect of the relevant period ("Total Income") minus any expenses chargeable against income, subject to adjustments made in accordance with the Trust Deed. Total Income would include amount receivable by way of interests (e.g. generated from bank deposits and debt securities), or other receipts as determined by the Manager to be in the nature of income. Capital gains or losses, whether realised or unrealised, do not form part of Total Income and therefore would not impact on the amount available for distribution.

## 12 Soft commission arrangements

The Manager and its connected persons may enter into soft commission arrangements with brokers under which certain goods and services used to support investment decision making will be received. The Manager and its connected persons will not make direct payment for these services but will transact an agreed amount of business with the brokers on behalf of the Sub-Fund and commission will be paid on these transactions.

The goods and services must be of demonstrable benefit to the Sub-Fund and 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.

Neither the Manager nor any of its connected persons has entered into any soft commission arrangements with brokers or dealers in respect of the transactions for the account of the Sub-Fund.

**13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023**

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements.

**Of these developments, the following may be relevant to the Sub-funds' operations and financial statements:**

	<i>Effective for account periods beginning on or after</i>
<i>Amendments to IAS 1, Classification of Liabilities as Current or Non-current</i>	1 January 2024
<i>Amendments to IAS 21, Lack of Exchangeability</i>	1 January 2025

The Sub-Fund is in the process of making an assessment of what the impact of these amendments 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 Sub-Fund' results of operations and financial position.

## STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (unaudited) 31 December 2023

	<b>At 31 December 2022</b>	<b><u>Movements in holdings</u></b>		<b>At 31 December 2023</b>
		<b>Additions</b>	<b>Disposals</b>	
<b>LISTED DEBT SECURITIES</b>				
<b>Denominated in USD</b>				
<i>British Virgin Islands</i>				
BLUESTAR FINANCE HLDGS LTD 3.875% S/A PERP	1,000,000	-	(1,000,000)	-
CCTHK 2021 LTD 2% S/A 19JAN2025	1,000,000	-	-	1,000,000
CENTRAL INTL DEVELOPMENT BVI LTD 2.2% S/A 25AUG2024	1,000,000	-	(1,000,000)	-
CHANG DEVELOPMENT INTL LTD 4.3% S/A 09SEP2024	1,000,000	-	(1,000,000)	-
CHINA GREAT WALL INTL HLDGS V LTD 2.875% S/A 23NOV2026	900,000	-	-	900,000
HUAFA 2021 I CO LTD 4.25% S/A PERP	1,000,000	-	-	1,000,000
YUNDA HLDG INVESTMENT LTD 2.25% S/A 19AUG2025	1,000,000	-	-	1,000,000
	<u>6,900,000</u>	<u>-</u>	<u>(3,000,000)</u>	<u>3,900,000</u>
<i>Cayman</i>				
SPIC PREFERRED CO NO 2 LTD 3.45% S/A PERP	960,000	-	-	960,000



STATEMENT OF MOVEMENTS IN PORTFOLIO  
HOLDINGS (unaudited)  
31 December 2023 (continued)

	At 31 December 2022	Movements in holdings		At 31 December 2023
		Additions	Disposals	
<b>LISTED DEBT SECURITIES (continued)</b>				
<b>Denominated in USD (continued)</b>				
<i>China</i>				
EXPORT-IMPORT BANK OF CHINA 3.875% S/A 16MAY2026	-	500,000	-	500,000
GANSU PROVINCIAL HIGHWAY AVIATION TOURISM INVESTMENT GROUP CO LTD 3.25% S/A 03NOV2023	600,000	-	(600,000)	-
GUANGZHOU DEVELOPMENT DISTRICT HLDG GROUP CO LTD 2.85% S/A 19JAN2027	500,000	-	-	500,000
	<u>1,100,000</u>	<u>500,000</u>	<u>(600,000)</u>	<u>1,000,000</u>
<i>Hong Kong</i>				
BANK OF COMMUNICATIONS HONG KONG LTD 2.304% S/A 08JUL2031	1,000,000	-	-	1,000,000
FAR EAST HORIZON LTD 4.25% S/A 26OCT2026	1,000,000	-	-	1,000,000
HONG KONG GOVERNMENT INTL BOND 4.25% S/A 07JUN2026	-	200,000	-	200,000
	<u>2,000,000</u>	<u>200,000</u>	<u>-</u>	<u>2,200,000</u>

**STATEMENT OF MOVEMENTS IN PORTFOLIO  
HOLDINGS (unaudited)  
31 December 2023 (continued)**

	<i>At 31 December 2022</i>	<u><i>Movements in holdings</i></u>		<i>At 31 December 2023</i>
		<i>Additions</i>	<i>Disposals</i>	
<b>LISTED DEBT SECURITIES (continued)</b>				
<b>Denominated in USD (continued)</b>				
<i>United States</i>				
US TREASURY N/B 4.625% S/A 28FEB2025	-	700,000	-	700,000
US TREASURY N/B 3.875% S/A 31MAR2025	-	1,000,000	-	1,000,000
	-	1,700,000	-	1,700,000
<b>Total Listed Debt Securities</b>	<u>10,960,000</u>	<u>2,400,000</u>	<u>(3,600,000)</u>	<u>9,760,000</u>

## PERFORMANCE TABLE (unaudited) 31 December 2023

### PERFORMANCE TABLE (Unaudited)

Published net assets attributable to unitholders  
(calculated in accordance with the Sub-Fund's Trust Deed)

	<i>Net asset value per unit Class I (RMB) (in RMB)</i>	<i>Total net asset value (in RMB)</i>
As at 31 December 2023	-	-
As at 31 December 2022	-	-
As at 31 December 2021	-	-
As at 31 December 2020	103.26	71,341,992
As at 31 December 2019	102.14	102,141,534
As at 31 December 2018	97.41	97,409,575
	<i>Net asset value per unit Class I (USD) (in USD)</i>	<i>Total net asset value (in RMB)</i>
As at 31 December 2023	10.05	82,274,536
As at 31 December 2022	9.39	74,764,009
As at 31 December 2021	10.11	73,854,545
As at 31 December 2020	-	-
As at 31 December 2019	-	-
As at 31 December 2018	-	-

## PERFORMANCE TABLE (unaudited) 31 December 2023 (continued)

### PERFORMANCE TABLE (Unaudited) (continued)

Highest issue price and lowest redemption price per unit

	<i>Highest issue price per unit Class I (RMB) (in RMB)</i>	<i>Lowest Redemption price per unit (in RMB)</i>
Year ended 31 December 2023	-	-
Year ended 31 December 2022	-	-
Year ended 31 December 2021	104.69	103.53
Year ended 31 December 2020	103.26	100.43
Year ended 31 December 2019	103.85	97.45
Year ended 31 December 2018	97.41	90.32
Year ended 31 December 2017	100.02	94.10
Period from 20 December 2016 <sup>1</sup>	100.06	99.99
	<i>Highest issue price per unit Class I (USD) (in USD)</i>	<i>Lowest Redemption price per unit (in USD)</i>
Year ended 31 December 2023	10.05	9.42
Year ended 31 December 2022	10.12	8.98
Year ended 31 December 2021	10.11	9.99
Year ended 31 December 2020	-	-
Year ended 31 December 2019	-	-
Year ended 31 December 2018	-	-
Year ended 31 December 2017	-	-
Period from 20 December 2016 <sup>1</sup>	-	-

<sup>1</sup> Period from 20 December 2016 (date of commencement of operation) to 31 December 2016.



## INVESTMENT PORTFOLIO (unaudited) 31 December 2023

### LISTED DEBT SECURITIES

	<i>Holdings</i>	<i>Fair Value (in RMB)</i>	<i>Accrual Interest (in RMB)</i>	<i>% of Net Assets</i>
<b>Denominated in USD</b>				
<i>British Virgin Islands</i>				
CCTHK 2021 LTD 2% S/A 19JAN2025	1,000,000	6,868,804	63,697	8.35
CHINA GREAT WALL INTL HLDGS V LTD 2.875% S/A 23NOV2026	900,000	5,742,633	18,938	6.98
HUAFA 2021 I CO LTD 4.25% S/A PERP	1,000,000	6,970,782	110,975	8.47
YUNDA HLDG INVESTMENT LTD 2.25% S/A 19AUG2025	1,000,000	6,533,671	58,307	7.94
	<u>3,900,000</u>	<u>26,115,890</u>	<u>251,917</u>	<u>31.74</u>
<i>Cayman</i>				
SPIC PREFERRED CO NO 2 LTD 3.45% S/A PERP	960,000	6,625,363	11,138	8.05
<i>China</i>				
EXPORT-IMPORT BANK OF CHINA 3.875% S/A 16MAY2026	500,000	3,513,734	16,864	4.27
GUANGZHOU DEVELOPMENT DISTRICT HLDG GROUP CO LTD 2.85% S/A 19JAN2027	500,000	3,238,386	45,384	3.94
	<u>1,000,000</u>	<u>6,752,120</u>	<u>62,248</u>	<u>8.21</u>



## INVESTMENT PORTFOLIO (unaudited) 31 December 2023 (continued)

### LISTED DEBT SECURITIES (continued)

	<i>Holdings</i>	<i>Fair Value (in RMB)</i>	<i>Accrual Interest (in RMB)</i>	<i>% of Net Assets</i>
<b>Denominated in USD (continued)</b>				
<i>Hong Kong</i>				
BANK OF COMMUNICATIONS				
HONG KONG LTD 2.304% S/A 08JUL2031	1,000,000	6,595,912	78,392	8.01
FAR EAST HORIZON LTD 4.25% S/A 26OCT2026	1,000,000	6,456,902	53,806	7.85
HONG KONG GOVERNMENT INTL BOND 4.25% S/A 07JUN2026	200,000	1,421,175	3,867	1.73
	<u>2,200,000</u>	<u>14,473,989</u>	<u>136,065</u>	<u>17.59</u>
<i>United States</i>				
US TREASURY N/B 4.625% S/A 28FEB2025	700,000	4,982,643	76,641	6.06
US TREASURY N/B 3.875% S/A 31MAR2025	1,000,000	7,060,618	68,612	8.58
	<u>1,700,000</u>	<u>12,043,261</u>	<u>145,253</u>	<u>14.64</u>
Total Debt Securities	<u>9,760,000</u>	<u>66,010,623</u>	<u>606,621</u>	<u>80.23</u>
<b>TOTAL NET ASSETS</b>				
<b>Denominated in RMB</b>				
Total debt securities (cost: RMB63,536,989)		<u>66,010,623</u>		<u>80.23</u>
Total investment portfolio		66,010,623		80.23
Interest receivable on debt securities		606,621		0.74
Other net assets		<u>15,657,292</u>		<u>19.03</u>
Total net assets		<u>82,274,536</u>		<u>100.00</u>

Note: Investments are accounted for on a trade-date basis.