

# ChinaAMC Leveraged/Inverse Series

**CHINAAMC DIREXION NASDAQ-100 DAILY (2x)  
LEVERAGED PRODUCT (Stock Code: 7261)**

**CHINAAMC DIREXION NASDAQ-100 DAILY (-1x)  
INVERSE PRODUCT (Stock Code: 7331)**

**CHINAAMC DIREXION HANG SENG INDEX DAILY (2x)  
LEVERAGED PRODUCT (Stock Code: 7221)**

**CHINAAMC DIREXION HANG SENG INDEX DAILY (-1x)  
INVERSE PRODUCT (Stock Code: 7321)**

**CHINAAMC DIREXION HANG SENG CHINA ENTERPRISES  
INDEX DAILY (2x) LEVERAGED PRODUCT  
(Stock Code: 7267)**

**CHINAAMC DIREXION HANG SENG CHINA ENTERPRISES  
INDEX DAILY (-1x) INVERSE PRODUCT (Stock Code: 7341)**

## Annual Report

For the year ended 31 December 2018



**ANNUAL REPORT**

CHINAAMC DIREXION NASDAQ-100 DAILY (2x) LEVERAGED PRODUCT  
(Stock Code: 7261)

CHINAAMC DIREXION NASDAQ-100 DAILY (-1x) INVERSE PRODUCT  
(Stock Code: 7331)

CHINAAMC DIREXION HANG SENG INDEX DAILY (2x) LEVERAGED  
PRODUCT (Stock Code: 7221)

CHINAAMC DIREXION HANG SENG INDEX DAILY (-1x) INVERSE PRODUCT  
(Stock Code: 7321)

CHINAAMC DIREXION HANG SENG CHINA ENTERPRISES INDEX DAILY  
(2x) LEVERAGED PRODUCT (Stock Code: 7267)

CHINAAMC DIREXION HANG SENG CHINA ENTERPRISES INDEX DAILY  
(-1x) INVERSE PRODUCT (Stock Code: 7341)

FOR THE YEAR ENDED 31 DECEMBER 2018

(PRODUCTS OF CHINAAMC LEVERAGED/INVERSE SERIES)

## CHINAAMC LEVERAGED/INVERSE SERIES

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#### IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about the products of the ChinaAMC Leveraged/Inverse Series, please refer to the prospectus of the ChinaAMC Leveraged/Inverse Series which is available at our website:

[http://www.chinaamc.com.hk/en/products.html?linkage\\_id=990351](http://www.chinaamc.com.hk/en/products.html?linkage_id=990351)

Investors should not rely on the information contained in this report for their investment decisions.

## CHINAAMC LEVERAGED/INVERSE SERIES

### MANAGEMENT AND ADMINISTRATION

#### Manager

China Asset Management (Hong Kong) Limited  
37/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

#### Directors of the Manager

Yang Minghui  
Zhang Xiaoling  
Gan Tian  
Tang Xiaodong (appointed on 10 January 2018 and  
resigned on 27 April 2018)  
Li Yimei (appointed on 18 May 2018)  
Li Min (appointed on 18 May 2018)

#### Trustee and Registrar

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

#### Investment Adviser

Rafferty Asset Management LLC  
1301 Avenue of the Americas  
28/F New York, NY 10019  
United States of America

#### Service Agent

HK Conversion Agency Services Limited  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

#### Legal Counsel to the Manager

Simmons & Simmons  
13/F, One Pacific Place  
88 Queensway, Hong Kong

#### Auditor

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Hong Kong

#### Listing Agent

China International Capital Corporation Hong  
Kong Securities Limited  
29/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

#### Participating Dealers for:

- **ChinaAMC Direxion NASDAQ-100 Daily (2X)  
Leveraged Product**  
- **ChinaAMC Direxion NASDAQ-100 Daily (-1x)  
Inverse Product**

ABN AMRO Clearing Hong Kong Limited  
70/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

BNP Paribas Securities Services  
21/F, PCCW Tower  
Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

China International Capital Corporation Hong Kong  
Securities Limited  
29/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

Citigroup Global Markets Asia Limited  
50/F, Champion Tower  
Three Garden Road  
Central, Hong Kong

Deutsche Securities Asia Limited  
Level 52, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road  
Central, Hong Kong

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

KGI Securities (Hong Kong) Limited  
41/F Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

Merrill Lynch Far East Limited  
55/F, Cheung Kong center  
2 Queen's Road Central  
Central, Hong Kong

Morgan Stanley Hong Kong Securities Limited  
46th Floor, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

## CHINAAMC LEVERAGED/INVERSE SERIES

### MANAGEMENT AND ADMINISTRATION (continued)

#### Participating Dealers for

- ChinaAMC Direxion Hang Seng Index Daily (2x)  
Leveraged Product
- ChinaAMC Direxion Hang Seng Index Daily (-1x)  
Inverse Product
- ChinaAMC Direxion Hang Seng China Enterprises  
Index Daily (2x) Leveraged Product
- ChinaAMC Direxion Hang Seng China Enterprises  
Index Daily (-1x) Inverse Product

ABN AMRO Clearing Hong Kong Limited  
70/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

BNP Paribas Securities Services  
21/F, PCCW Tower  
Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

China International Capital Corporation Hong Kong  
Securities Limited  
29/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

China Merchants Securities (HK) Co., Limited  
48/F, One Exchange Square  
Central, Hong Kong

Citibank N.A.  
Champion Tower  
Three Garden Road  
Central, Hong Kong

Credit Suisse Securities (Hong Kong) Limited  
Level 88, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

Deutsche Securities Asia Limited  
Level 52, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road  
Central, Hong Kong

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

KGI Securities (Hong Kong) Ltd  
41/F Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

Merril Lynch Far East Limited  
55/F, Cheung Kong center  
2 Queen's Road Central  
Central, Hong Kong

Morgan Stanley Hong Kong Securities Limited  
46th Floor, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

UBS Securities Hong Kong Limited  
46-52/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

Yue Kun Research Limited  
17th Floor, China Building  
29 Queen's Road  
Central, Hong Kong

## CHINAAMC LEVERAGED/INVERSE SERIES

### REPORT OF THE MANAGER TO THE UNITHOLDERS

#### 1. ChinaAMC Direxion NASDAQ-100 Daily (2X) Leveraged Product

---a product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product ("NDL") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of NDL are traded on The Stock Exchange of Hong Kong Limited ("SEHK") like stocks. It is a futures-based product which invests directly in the E-Mini NASDAQ 100 futures ("E-mini NASDAQ 100 Futures") which are traded on the Chicago Mercantile Exchange ("CME") so as to give NDL twice the daily performance of the NASDAQ-100 Index ("NAS100"). NDL is denominated in United States dollars ("US\$"). Creations and redemptions are in US\$ only.

The investment adviser, Rafferty Asset Management LLC (the "Investment Adviser"), intends to adopt a futures-based replication investment strategy to achieve the investment objective of NDL, through directly investing in the nearest quarter E-mini NASDAQ 100 Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the NAS100. NDL's exposure to E-mini NASDAQ 100 Futures will be 200% of its Net Asset Value ("NAV"), except under extreme circumstances as described below. In entering the nearest quarter E-mini NASDAQ 100 Futures, it is anticipated that no more than 40% of the NAV of NDL from time to time will be used as margin to acquire the E-mini NASDAQ 100 Futures.

Under normal circumstances, at least 60% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (US\$) and other US\$ denominated investment products, such as deposits with banks in Hong Kong and Securities and Futures Commission ("SFC") authorised money market funds in accordance with the requirements of the Code on Unit Trusts and Mutual Funds (the "SFC Code"). NDL will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

At or around the close of the trading on the NASDAQ on each business day, NDL will seek to rebalance its portfolio, by increasing exposure in response to the NAS100's daily gains or reducing exposure in response to the NAS100's daily losses, so that its daily leverage exposure ratio to the NAS100 is consistent with NDL's investment objectives.

##### Performance of NDL

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the NAS100. NDL does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of the NDL is as below (total returns in respective currency<sup>1,2,3</sup>):

	1-Month	3-Month	Since Launch <sup>4</sup>
The NAS100	-8.83%	-16.76%	33.15%
NDL (NAV-to-NAV)	-18.54%	-34.10%	45.39%
NDL (Market-to-Market)	-17.18%	-33.62%	47.17%

##### Activities of NDL

According to Bloomberg, the average daily trading volume of NDL was approximately 14,387 units from 1 January 2018 to 31 December 2018. As of 31 December 2018, there were 2,300,000 units outstanding.

<sup>1</sup> Source: Bloomberg, as of 31 December 2018.

<sup>2</sup> Past performance figures are not indicative of the future performance of NDL.

<sup>3</sup> NDL seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of NDL may not correspond to two times the return of the underlying index over a one-year period or any period beyond one day.

<sup>4</sup> Calculated since 28 September 2016.

## CHINAAMC LEVERAGED/INVERSE SERIES

### REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

#### 2. ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product

---a product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product ("NDI") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of NDI are traded on the SEHK like stocks. It is a futures-based product which invests directly in the E-Mini NASDAQ 100 Futures which are traded on the CME so as to give NDI the inverse of the daily performance of the NAS100. NDI is denominated in US\$. Creations and redemptions are in US\$ only.

The Investment Adviser intends to adopt a futures-based replication investment strategy to achieve the investment objective of NDI, through directly investing in the nearest quarter E-mini NASDAQ 100 Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the NAS100. In entering the nearest quarter E-mini NASDAQ 100 Futures, it is anticipated that no more than 20% of the NAV of NDI from time to time will be used as margin to acquire the E-mini NASDAQ 100 Futures. The remaining 80% of the NAV of NDI will be invested in cash (US\$) and other US\$ denominated investment products, such as deposits with banks in Hong Kong and SFC authorised money market funds in accordance with the requirements of the SFC Code. NDI will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

At or around the close of the trading on the NASDAQ on each business day, NDI will seek to rebalance its portfolio, by decreasing inverse exposure in response to the NAS100's daily gains or increasing inverse exposure in response to the NAS100's daily losses, so that its daily inverse exposure ratio to the NAS100 is consistent with NDI's investment objectives.

##### Performance of NDI

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the NAS100. NDI does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of NDI is as below (total returns in respective currency<sup>5,6,7</sup>):

	1-Month	3-Month	Since Launch <sup>8</sup>
The NAS100	-8.83%	-16.76%	33.15%
NDI (NAV-to-NAV)	8.78%	17.66%	-29.93%
NDI (Market-to-Market)	8.07%	17.94%	-29.07%

##### Activities of NDI

According to Bloomberg, the average daily trading volume of NDI was approximately 217,489 units from 1 January 2018 to 31 December 2018. As of 31 December 2018, there were 19,600,000 units outstanding.

<sup>5</sup> Source: Bloomberg, as of 31 December 2018.

<sup>6</sup> Past performance figures are not indicative of the future performance of NDI.

<sup>7</sup> NDI seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of NDI may not correspond to the opposite return of the underlying index over a one-year period or any period beyond one day.

<sup>8</sup> Calculated since 28 September 2016.

## CHINAAMC LEVERAGED/INVERSE SERIES

### REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

#### 3. ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product

---a product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product ("HSIL") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of HSIL are traded on the SEHK like stocks. It is a futures-based product which invests directly in Hang Seng Index futures contracts ("HSI Futures") which are traded on the Hong Kong Futures Exchange Limited (the "HKFE") so as to give HSIL twice the daily performance of the Hang Seng Index ("HSI"). HSIL is denominated in Hong Kong dollars ("HK\$"). Creations and redemptions are in HK\$ only.

The manager, China Asset Management (Hong Kong) Limited (the "Manager") and the Investment Adviser intend to adopt a futures-based replication investment strategy to achieve the investment objective of HSIL, through directly investing in the spot month HSI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the HSI. HSIL's exposure to HSI Futures will be 200% of its NAV. In entering the spot month HSI Futures, it is anticipated that no more than 20% of the NAV of HSIL from time to time will be used as margin to acquire the HSI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 80% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (HK\$ or US\$) such as deposits with banks in Hong Kong, and HK\$ or US\$ denominated investment products, of which up to 50% of the NAV may be invested in SFC authorised money market funds and other money market funds (either recognised jurisdiction money market funds or non-recognised jurisdiction money market funds) in accordance with the requirements of the SFC Code, as amended by the SFC from time to time. HSIL will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions

At or around the close of the trading of the underlying futures market on each business day, HSIL will seek to rebalance its portfolio, by increasing exposure in response to the HSI's daily gains or reducing exposure in response to the HSI's daily losses, so that its daily leverage exposure ratio to the HSI is consistent with HSIL's investment objectives.

##### Performance of HSIL

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the HSI. HSIL does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of HSIL is as below (total returns in respective currency<sup>9,10,11</sup>):

	1-Month	3-Month	Since Launch <sup>12,13</sup>
The HSI	-2.48%	-6.73%	16.13%
HSIL (NAV-to-NAV)	-5.75%	-15.93%	18.53%
HSIL (Market-to-Market)	-6.06%	-15.02%	18.13%

##### Activities of HSIL

According to Bloomberg, the average daily trading volume of HSIL was approximately 655,127 units from 1 January 2018 to 31 December 2018. As of 31 December 2018, there were 5,900,000 units outstanding.

<sup>9</sup> Source: Bloomberg, as of 31 December 2018.

<sup>10</sup> Past performance figures are not indicative of the future performance of HSIL.

<sup>11</sup> HSIL seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of HSIL may not correspond to two times the return of the underlying index over a one-year period or any period beyond one day.

<sup>12</sup> Calculated since 14 March 2017.

<sup>13</sup> With effect from 28 August 2017, investment strategy of HSIL was changed. Performance information for periods prior to 28 August 2017 does not reflect the current investment objective.



## CHINAAMC LEVERAGED/INVERSE SERIES

### REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

#### 4. ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product

---a product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product ("HSII") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of HSII are traded on the SEHK like stocks. It is a futures-based product which invests directly in HSI Futures which are traded on the HKFE so as to give HSII the inverse of the daily performance of the HSI. HSII is denominated in HK\$. Creations and redemptions are in HK\$ only.

The Manager and the Investment Adviser intend to adopt a futures-based replication investment strategy to achieve the investment objective of HSII, through directly investing in the spot month HSI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the HSI. In entering the spot month HSI Futures, it is anticipated that no more than 10% of the NAV of HSII from time to time will be used as margin to acquire the HSI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 90% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (HK\$ or US\$) such as deposits with banks in Hong Kong, and HK\$ or US\$ denominated investment products, of which up to 60% of the NAV may be invested in SFC authorised money market funds and other money market funds (either recognised jurisdiction money market funds or non-recognised jurisdiction money market funds) in accordance with the requirements of the SFC Code, as amended by the SFC from time to time. HSII will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

At or around the close of the trading of the underlying futures market on each business day, HSII will seek to rebalance its portfolio, by decreasing inverse exposure in response to the HSI's daily gains or increasing inverse exposure in response to the HSI's daily losses, so that its daily inverse exposure ratio to the HSI is consistent with HSII's investment objectives.

##### Performance of HSII

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the HSI. HSII does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of HSII is as below (total returns in respective currency<sup>14,15,16</sup>):

	1-Month	3-Month	Since Launch <sup>17,18</sup>
The HSI	-2.48%	-6.73%	16.13%
HSII (NAV-to-NAV)	2.39%	6.28%	-17.93%
HSII (Market-to-Market)	2.18%	5.65%	-18.13%

##### Activities of HSII

According to Bloomberg, the average daily trading volume of HSII was approximately 747,305 units from 1 January 2018 to 31 December 2018. As of 31 December 2018, there were 22,700,000 units outstanding.

<sup>14</sup> Source: Bloomberg, as of 31 December 2018.

<sup>15</sup> Past performance figures are not indicative of the future performance of HSII.

<sup>16</sup> HSII seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of HSII may not correspond to the opposite return of the underlying index over a one-year period or any period beyond one day.

<sup>17</sup> Calculated since 14 March 2017.

<sup>18</sup> With effect from 28 August 2017, investment strategy of HSII was changed. Performance information for periods prior to 28 August 2017 does not reflect the current investment objective.

## CHINAAMC LEVERAGED/INVERSE SERIES

### REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

#### 5. ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product

---a product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product ("HSCEIL") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of HSCEIL are traded on the SEHK like stocks. It is a futures-based product which invests directly in Hang Seng China Enterprises Index futures contracts ("HSCEI Futures") which are traded on the HKFE so as to give HSCEIL twice the daily performance of the Hang Seng China Enterprises Index ("HSCEI"). HSCEIL is denominated in HK\$. Creations and redemptions are in HK\$ only.

The Manager and the Investment Adviser intend to adopt a futures-based replication investment strategy to achieve the investment objective of HSCEIL, through directly investing in the spot month HSCEI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the HSCEI. HSCEIL's exposure to HSCEI Futures will be 200% of its NAV. In entering the spot month HSCEI Futures, it is anticipated that no more than 20% of the NAV of HSCEIL from time to time will be used as margin to acquire the HSCEI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 80% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (HK\$ or US\$) such as deposits with banks in Hong Kong, and HK\$ or US\$ denominated investment products, of which up to 50% of the NAV may be invested in SFC authorised money market funds and other money market funds (either recognised jurisdiction money market funds or non-recognised jurisdiction money market funds) in accordance with the requirements of the SFC Code, as amended by the SFC from time to time. HSCEIL will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

At or around the close of the trading of the underlying futures market on each business day, HSCEIL will seek to rebalance its portfolio, by increasing exposure in response to the HSCEI's daily gains or reducing exposure in response to the HSCEI's daily losses, so that its daily leverage exposure ratio to HSCEI is consistent with HSCEIL's investment objectives.

##### Performance of HSCEIL

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the HSCEI. HSCEIL does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of HSCEIL is as below (total returns in respective currency<sup>19,20,21</sup>):

	1-Month	3-Month	Since Launch <sup>22,23</sup>
The HSCEI	-4.68%	-8.09%	6.26%
HSCEIL (NAV-to-NAV)	-10.49%	-18.83%	-3.99%
HSCEIL (Market-to-Market)	-10.38%	-17.60%	-3.84%

##### Activities of HSCEIL

According to Bloomberg, the average daily trading volume of HSCEIL was approximately 709,518 units from 1 January 2018 to 31 December 2018. As of 31 December 2018, there were 6,900,000 units outstanding.

<sup>19</sup> Source: Bloomberg, as of 31 December 2018.

<sup>20</sup> Past performance figures are not indicative of the future performance of HSCEIL.

<sup>21</sup> HSCEIL seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of HSCEIL may not correspond to two times the return of the underlying index over a one-year period or any period beyond one day.

<sup>22</sup> Calculated since 14 March 2017.

<sup>23</sup> With effect from 28 August 2017, investment strategy of HSCEIL was changed. Performance information for periods prior to 28 August 2017 does not reflect the current investment objective.

## CHINAAMC LEVERAGED/INVERSE SERIES

### REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

#### 6. ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product

---a product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product ("HSCEII") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of HSCEII are traded on the SEHK like stocks. It is a futures-based product which invests directly in HSCEI Futures which are traded on the HKFE so as to give HSCEII the inverse of the daily performance of the HSCEI. HSCEII is denominated in HK\$. Creations and redemptions are in HK\$ only.

The Manager and the Investment Adviser intend to adopt a futures-based replication investment strategy to achieve the investment objective of HSCEII, through directly investing in the spot month HSCEI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the HSCEII. In entering the spot month HSCEI Futures, it is anticipated that no more than 10% of the NAV of HSCEII from time to time will be used as margin to acquire the HSCEI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 90% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (HK\$ or US\$) such as deposits with banks in Hong Kong, and HK\$ or US\$ denominated investment products, of which up to 60% of the NAV may be invested in SFC authorised money market funds and other money market funds (either recognised jurisdiction money market funds or non-recognised jurisdiction money market funds) in accordance with the requirements of the SFC Code, as amended by the SFC from time to time. HSCEII will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

At or around the close of the trading of the underlying futures market on each business day, HSCEII will seek to rebalance its portfolio, by decreasing inverse exposure in response to the HSCEI's daily gains or increasing inverse exposure in response to the HSCEI's daily losses, so that its daily inverse exposure ratio to the HSCEI is consistent with HSCEII's investment objectives.

##### Performance of HSCEII

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the HSCEI. HSCEII does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of HSCEII is as below (total returns in respective currency<sup>24,25,26</sup>):

	1-Month	3-Month	Since Launch <sup>27,28</sup>
The HSCEI	-4.68%	-8.09%	6.26%
HSCEII (NAV-to-NAV)	5.01%	8.22%	-11.40%
HSCEII (Market-to-Market)	5.07%	6.99%	-11.67%

<sup>24</sup> Source: Bloomberg, as of 31 December 2018.

<sup>25</sup> Past performance figures are not indicative of the future performance of HSCEII.

<sup>26</sup> HSCEII seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of HSCEII may not correspond to the opposite return of the underlying index over a one-year period or any period beyond one day.

<sup>27</sup> Calculated since 14 March 2017.

<sup>28</sup> With effect from 28 August 2017, investment strategy of HSCEII was changed. Performance information for periods prior to 28 August 2017 does not reflect the current investment objective.

## **CHINAAMC LEVERAGED/INVERSE SERIES**

### **REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)**

#### **6. ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product (continued)**

---a product of ChinaAMC Leveraged/Inverse Series

##### **Activities of HSCEII**

According to Bloomberg, the average daily trading volume of HSCEII was approximately 652,673 units from 1 January 2018 to 31 December 2018. As of 31 December 2018, there were 10,700,000 units outstanding.

China Asset Management (Hong Kong) Limited  
24 April 2019

## **CHINAAMC LEVERAGED/INVERSE SERIES**

### **REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

To the unitholders of

ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product  
ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product  
ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product  
ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product  
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product  
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product  
(collectively referred to as the "Products" of ChinaAMC Leveraged/Inverse Series)

We hereby confirm that, in our opinion, China Asset Management (Hong Kong) Limited, the manager of the ChinaAMC Leveraged/Inverse Series has, in all material respects, managed the Products, in accordance with the provisions of the Trust Deed dated 13 September 2016, as amended or supplemented from time to time for the year ended 31 December 2018.

For and on behalf of

**HSBC Institutional Trust Services (Asia) Limited**

24 April 2019

## **CHINAAMC LEVERAGED/INVERSE SERIES**

### **STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

#### **Manager's responsibilities**

China Asset Management (Hong Kong) Limited (the "Manager"), the manager of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product ("NDL"), ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product ("NDI"), ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product ("HSIL"), ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product ("HSII"), ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product ("HSCEIL") and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product ("HSCEII") (collectively referred to as the "Products"), the products of ChinaAMC Leveraged/Inverse Series (the "Trust"), is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code") and the trust deed dated 13 September 2016, as amended or supplemented from time to time (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Products at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Products will continue in operation unless it is inappropriate to assume this.

The Manager is also required to manage each of the Products in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

The Trust is an umbrella unit trust governed by its Trust Deed. As at 31 December 2018, the Trust has established with six products.

#### **Trustee's responsibilities**

The Trustee of the Products is required to:

- ensure that the Products are managed in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Products and rights attaching thereto; and
- report to the unitholders for each annual accounting on the conduct of the Manager in the management of the Products.

## **Independent auditor's report**

**To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Products")**

(An umbrella unit trust established under the laws of Hong Kong)

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product (collectively, the "Products") set out on pages 18 to 71, which comprise the statements of financial position as at 31 December 2018, and the statements of comprehensive income, the statements of changes in net assets attributable to unitholders and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial disposition of the Products as at 31 December 2018, and of their financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 Products in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

**Independent auditor's report** (continued)

**To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Products")**

(An umbrella unit trust established under the laws of Hong Kong)

**Key Audit Matters** (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>								
<i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i>									
Refer to disclosures on fair values of financial instruments in note 13 – 15 to the financial statements.	We obtained independent confirmation from the custodians of the investment portfolio held at 31 December 2018, and agreed the quantities held to the accounting records. We tested the design and operating effectiveness of controls for the valuation of financial instruments. In addition, we checked the valuation of the financial assets and financial liabilities at fair value through profit or loss that are quoted in active markets by independently agreeing the valuation to third party vendor sources such as Reuters or Bloomberg at 31 December 2018.								
As at 31 December 2018, the investments held by each of the Products mainly comprised exchange traded futures traded on Hong Kong Futures Exchange Limited and an investment fund, namely UBS (Irl) Select Money Market Fund ("Money Market Fund") in their respective financial statements, which were valued at:									
<table border="1" style="width: 100%;"> <tr> <td style="width: 40%;">ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product</td> <td>Exchange traded futures: (US\$299,005)</td> </tr> <tr> <td>ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product</td> <td>Exchange traded futures: US\$311,163</td> </tr> <tr> <td>ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product</td> <td>Exchange traded futures: HK\$1,630,231</td> </tr> <tr> <td></td> <td>Money Market Fund: HK\$11,368,011</td> </tr> </table>		ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product	Exchange traded futures: (US\$299,005)	ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product	Exchange traded futures: US\$311,163	ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$1,630,231		Money Market Fund: HK\$11,368,011
ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product		Exchange traded futures: (US\$299,005)							
ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product	Exchange traded futures: US\$311,163								
ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$1,630,231								
	Money Market Fund: HK\$11,368,011								



**Independent auditor's report** (continued)

**To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Products")**

(An umbrella unit trust established under the laws of Hong Kong)

**Key Audit Matters** (continued)

<b>Key audit matter</b>		<b>How our audit addressed the key audit matter</b>
<i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i>		
ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product	Exchange traded futures: (HK\$1,577,197)  Money Market Fund: HK\$41,099,563	In addition, we evaluated the reasonableness of the assumptions made by management and we reviewed the financial statement disclosures regarding the fair value hierarchy as set out in notes 13 – 15 to the financial statements.
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$826,689  Money Market Fund: HK\$14,865,579	
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product	Exchange traded futures: (HK\$451,027)  Money Market Fund: HK\$20,935,666	
We focused on this area because the financial assets and financial liabilities at fair value through profit or loss represented the principal element of the financial statements.		

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

The Manager and the Trustee of the Products are responsible for the other information. The other information comprises the information included in the annual report (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.

## **Independent auditor's report** (continued)

**To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Products")**

(An umbrella unit trust established under the laws of Hong Kong)

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Manager and the Trustee for the Financial Statements**

The Manager and the Trustee of the Products are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, 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 Products are responsible for assessing the Products' 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 either intend to liquidate the Products or to cease operations or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Products are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 13 September 2016, as amended or supplemented from time to time (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 Securities and Futures Commission of Hong Kong.

## **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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **Independent auditor's report** (continued)

**To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Products")**

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## **Auditor's Responsibilities for the Audit of the Financial Statements** (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Products have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of 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 Products' 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.
- 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 Products' abilities 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 Products to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Independent auditor's report** (continued)

**To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Products")**

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

We communicate with the Manager and the Trustee 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.

We also provide the Manager and the Trustee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager and the Trustee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on matters under the relevant 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 provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Wong Sui Yan.

Certified Public Accountants  
Hong Kong  
24 April 2019

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Notes	NDL		NDI		HSIL	
		2018 US\$	2017 US\$	2018 US\$	2017 US\$	2018 HK\$	2017 HK\$
<b>ASSETS</b>							
Financial assets at fair value through profit or loss	13, 14	-	147,329	311,163	-	12,998,242	71,777,846
Cash and cash equivalents	7(g)	4,773,243	8,244,966	25,229,562	4,419,701	34,306,686	142,056,608
Amounts due from brokers	8	2,217,771	1,457,950	1,877,577	688,780	8,931,299	34,164,236
Prepayments and other receivables		-	4,139	-	4,139	-	11,425
<b>TOTAL ASSETS</b>		<b>6,991,014</b>	<b>9,854,384</b>	<b>27,418,302</b>	<b>5,112,620</b>	<b>56,236,227</b>	<b>248,010,115</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	13, 14	299,005	-	-	36,177	-	-
Amount due to broker	8	-	-	-	-	-	-
Auditor's remuneration payable		10,000	10,000	10,000	10,000	79,830	80,454
Management fee payable	7(a)	6,038	9,249	23,694	4,313	47,807	211,812
Trustee fee payable	7(b)	3,032	1,121	3,059	523	23,654	25,674
Other payables and accruals		56,661	52,041	55,608	49,166	620,101	515,872
<b>TOTAL LIABILITIES</b>		<b>374,736</b>	<b>72,411</b>	<b>92,361</b>	<b>100,179</b>	<b>771,392</b>	<b>833,812</b>
<b>EQUITY</b>							
Net assets attributable to unitholders	5(a)	<b>6,616,278</b>	<b>9,781,973</b>	<b>27,325,941</b>	<b>5,012,441</b>	<b>55,464,835</b>	<b>247,176,303</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,991,014</b>	<b>9,854,384</b>	<b>27,418,302</b>	<b>5,112,620</b>	<b>56,236,227</b>	<b>248,010,115</b>
Number of units in issue	5(b)	<b>2,300,000</b>	<b>3,000,000</b>	<b>19,600,000</b>	<b>3,500,000</b>	<b>5,900,000</b>	<b>19,200,000</b>
Net asset value per unit	5(b)	<b>2.8766</b>	<b>3.2607</b>	<b>1.3942</b>	<b>1.4321</b>	<b>9.4008</b>	<b>12.8738</b>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF FINANCIAL POSITION (continued)

As at 31 December 2018

	Notes	HSII		HSCEIL		HSCEII	
		2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
<b>ASSETS</b>							
Financial assets at fair value through profit or loss	13, 14	41,099,563	47,772,347	15,692,268	48,840,903	20,935,666	42,284,080
Cash and cash equivalents	7(g)	96,246,324	109,051,838	29,267,703	83,218,271	49,283,765	96,592,697
Amounts due from brokers	8	13,942,400	15,197,707	8,847,398	29,484,885	6,134,289	13,035,648
Prepayments and other receivables		-	11,425	-	11,425	200	11,425
<b>TOTAL ASSETS</b>		<b>151,288,287</b>	<b>172,033,317</b>	<b>53,807,369</b>	<b>161,555,484</b>	<b>76,353,920</b>	<b>151,923,850</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	13, 14	1,577,197	2,352,851	-	-	451,027	1,239,161
Amount due to broker	8	-	21,158	-	-	-	4,292
Auditor's remuneration payable		79,830	80,454	79,830	80,453	79,830	80,453
Management fee payable	7(a)	127,913	156,487	47,180	139,114	65,616	148,122
Trustee fee payable	7(b)	23,654	18,968	23,654	16,862	23,654	17,954
Other payables and accruals		579,630	450,556	525,417	449,558	569,377	477,075
<b>TOTAL LIABILITIES</b>		<b>2,388,224</b>	<b>3,080,474</b>	<b>676,081</b>	<b>685,987</b>	<b>1,189,504</b>	<b>1,967,057</b>
<b>EQUITY</b>							
Net assets attributable to unitholders	5(a)	148,900,063	168,952,843	53,131,288	160,869,497	75,164,416	149,956,793
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>151,288,287</b>	<b>172,033,317</b>	<b>53,807,369</b>	<b>161,555,484</b>	<b>76,353,920</b>	<b>151,923,850</b>
Number of units in issue	5(b)	22,700,000	27,800,000	6,900,000	15,100,000	10,700,000	22,800,000
Net asset value per unit	5(b)	6.5595	6.0774	7.7002	10.6536	7.0247	6.5771

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	NDL		NDI		HSIL	
		For the year ended	For the period from	For the year ended	For the period from	For the year ended	For the period from
		31 December	28 September 2016	31 December	28 September 2016	31 December	14 March 2017
		(date of inception) to	(date of inception) to	(date of inception) to	(date of inception) to	(date of inception) to	
		31 December	31 December	31 December	31 December	31 December	31 December
		2018	2017	2018	2017	2018	2017
		US\$	US\$	US\$	US\$	HK\$	HK\$
<b>INCOME</b>							
Interest income		48,434	9,550	65,266	6,477	129,532	19,152
		<u>48,434</u>	<u>9,550</u>	<u>65,266</u>	<u>6,477</u>	<u>129,532</u>	<u>19,152</u>
<b>EXPENSES</b>							
Management fee	7(a)	(99,471)	(197,797)	(99,564)	(152,199)	(1,402,346)	(2,894,321)
Trustee fee	7(b)	(30,092)	(23,976)	(29,219)	(18,448)	(277,602)	(350,827)
Accounting and professional fees	7(c)	(9,183)	(9,000)	(9,183)	(9,000)	(70,216)	(69,000)
Auditor's remuneration		(10,368)	(10,000)	(10,368)	(10,000)	(81,433)	(80,000)
Legal fees		-	-	-	-	(26,598)	(4,658)
Safe custody and bank charges	7(d)	-	-	-	-	(10,134)	(1,888)
Brokerage and other transaction fees	7(e)(i)	(8,385)	(16,817)	(8,426)	(8,833)	(263,526)	(580,601)
Formation costs	7(f)(i)	-	(166,176)	-	(166,176)	-	(537,336)
Other operating expenses		(39,337)	(81,627)	(42,033)	(79,298)	(264,794)	(565,231)
		<u>(196,836)</u>	<u>(505,393)</u>	<u>(198,793)</u>	<u>(443,954)</u>	<u>(2,396,649)</u>	<u>(5,083,862)</u>
<b>LOSSES BEFORE INVESTMENT (LOSSES)/GAINS AND EXCHANGE DIFFERENCES</b>		(148,402)	(495,843)	(133,527)	(437,477)	(2,267,117)	(5,064,710)
<b>INVESTMENT (LOSSES)/GAINS AND EXCHANGE DIFFERENCES</b>							
Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss	6	315,129	8,118,068	1,294,747	(3,485,674)	(20,979,892)	174,303,212
Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss	6	(446,334)	147,329	347,340	(36,177)	(5,254,612)	7,130,546
Foreign exchange gains/(losses)		502	629	90	229	74,593	(18,685)
		<u>(130,703)</u>	<u>8,266,026</u>	<u>1,642,177</u>	<u>(3,521,622)</u>	<u>(26,159,911)</u>	<u>181,415,073</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>(279,105)</u>	<u>7,770,183</u>	<u>1,508,650</u>	<u>(3,959,099)</u>	<u>(28,427,028)</u>	<u>176,350,363</u>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF COMPREHENSIVE INCOME (continued)

Year ended 31 December 2018

	Notes	HSII		HSCEIL		HSCEII	
		For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
<b>INCOME</b>							
Interest income		65,650	13,150	76,443	10,419	67,641	10,343
		<u>65,650</u>	<u>13,150</u>	<u>76,443</u>	<u>10,419</u>	<u>67,641</u>	<u>10,343</u>
<b>EXPENSES</b>							
Management fee	7(a)	(1,622,038)	(2,138,579)	(1,051,276)	(2,069,385)	(1,216,686)	(2,412,765)
Trustee fee	7(b)	(261,524)	(259,222)	(260,850)	(250,834)	(256,630)	(292,456)
Accounting and professional fees	7(c)	(70,216)	(69,000)	(70,216)	(69,000)	(70,216)	(69,000)
Auditor's remuneration		(81,434)	(80,000)	(81,888)	(80,000)	(81,433)	(80,000)
Legal fees		(29,538)	(4,658)	(45,481)	(4,658)	(45,322)	(4,658)
Safe custody and bank charges	7(d)	(10,844)	(1,076)	(7,439)	(1,125)	(8,576)	(1,196)
Brokerage and other transaction fees	7(e)(i)	(179,255)	(238,972)	(478,720)	(1,041,934)	(313,650)	(649,454)
Formation costs	7(f)(i)	-	(537,336)	-	(537,330)	-	(537,330)
Other operating expenses		(283,237)	(502,648)	(197,980)	(497,994)	(250,636)	(525,857)
		<u>(2,538,086)</u>	<u>(3,831,491)</u>	<u>(2,193,850)</u>	<u>(4,552,260)</u>	<u>(2,243,149)</u>	<u>(4,572,716)</u>
<b>LOSSES BEFORE INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES</b>		<b>(2,472,436)</b>	<b>(3,818,341)</b>	<b>(2,117,407)</b>	<b>(4,541,841)</b>	<b>(2,175,508)</b>	<b>(4,562,373)</b>
<b>INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES</b>							
Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss	6	14,830,717	(68,218,752)	(20,253,860)	80,335,422	8,489,483	(53,365,374)
Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss	6	1,501,805	(2,165,994)	(1,661,565)	2,821,555	1,090,473	(1,074,566)
Foreign exchange gains/(losses)		9,154	(17,850)	3,573	(13,479)	38,355	(15,364)
		<u>16,341,676</u>	<u>(70,402,596)</u>	<u>(21,911,852)</u>	<u>83,143,498</u>	<u>9,618,311</u>	<u>(54,455,304)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>13,869,240</u></b>	<b><u>(74,220,937)</u></b>	<b><u>(24,029,259)</u></b>	<b><u>78,601,657</u></b>	<b><u>7,442,803</u></b>	<b><u>(59,017,677)</u></b>

The accompanying notes are an integral part of these financial statements.



## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2018

	<u>NDL</u>		<u>NDI</u>		<u>HSIL</u>	
	For the year ended 31 December 2018 US\$	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$	For the year ended 31 December 2018 US\$	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
Net assets attributable to unitholders at the beginning of the year/period	9,781,973	-	5,012,441	-	247,176,303	-
Issue of units	401,500	17,801,920	46,137,590	18,226,960	8,994,800	407,741,520
Redemption of units	(3,288,090)	(15,790,130)	(25,332,740)	(9,255,420)	(172,279,240)	(336,915,580)
Total comprehensive income	<u>(279,105)</u>	<u>7,770,183</u>	<u>1,508,650</u>	<u>(3,959,099)</u>	<u>(28,427,028)</u>	<u>176,350,363</u>
Net assets attributable to unitholders at 31 December 2018	<u>6,616,278</u>	<u>9,781,973</u>	<u>27,325,941</u>	<u>5,012,441</u>	<u>55,464,835</u>	<u>247,176,303</u>

  

	<u>HSII</u>		<u>HSCEIL</u>		<u>HSCEII</u>	
	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
Net assets attributable to unitholders at the beginning of the year/period	168,952,843	-	160,869,497	-	149,956,793	-
Issue of units	62,422,150	369,036,840	15,947,090	349,153,030	19,254,810	435,066,150
Redemption of units	(96,344,170)	(125,863,060)	(99,656,040)	(266,885,190)	(101,489,990)	(226,091,680)
Total comprehensive income	<u>13,869,240</u>	<u>(74,220,937)</u>	<u>(24,029,259)</u>	<u>78,601,657</u>	<u>7,442,803</u>	<u>(59,017,677)</u>
Net assets attributable to unitholders at 31 December 2018	<u>148,900,063</u>	<u>168,952,843</u>	<u>53,131,288</u>	<u>160,869,497</u>	<u>75,164,416</u>	<u>149,956,793</u>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS

Year ended 31 December 2018

#### NDL

	Note	For the year ended 31 December 2018 US\$	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		(279,105)	7,770,183
Adjustment for:			
Interest income		(48,434)	(9,550)
Operating (loss)/gain before changes in working capital		<u>(327,539)</u>	<u>7,760,633</u>
Decrease/(increase) in financial assets at fair value through profit or loss		147,329	(147,329)
Decrease/(increase) in prepayments and other receivables		4,139	(4,139)
Increase in amount due from brokers		(759,821)	(1,457,950)
Increase in financial liabilities at fair value through profit or loss		299,005	-
Increase in auditor's remuneration payable		-	10,000
(Decrease)/increase in management fee payable		(3,211)	9,249
Increase in trustee fee payable		1,911	1,121
Increase in other payables and accruals		4,620	52,041
Net cash flows (used in)/generated from operations		<u>(633,567)</u>	<u>6,223,626</u>
Interest received		48,434	9,550
Net cash flows (used in)/generated from operating activities		<u>(585,133)</u>	<u>6,233,176</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of units		401,500	17,801,920
Payments on redemption of units		(3,288,090)	(15,790,130)
Net cash flows (used in)/generated from financing activities		<u>(2,886,590)</u>	<u>2,011,790</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>(3,471,723)</b>	<b>8,244,966</b>
Cash and cash equivalents at the beginning of the year/period		<u>8,244,966</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>		<b><u>4,773,243</u></b>	<b><u>8,244,966</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7(g)	<u>4,773,243</u>	<u>8,244,966</u>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

#### NDI

	For the year ended 31 December 2018 US\$	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$
Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total comprehensive income	1,508,650	(3,959,099)
Adjustment for:		
Interest income	(65,266)	(6,477)
Operating gain/(loss) before changes in working capital	<u>1,443,384</u>	<u>(3,965,576)</u>
Increase in financial assets at fair value through profit or loss	(311,163)	-
Decrease/(increase) in prepayments and other receivables	4,139	(4,139)
Increase in amount due from brokers	(1,188,797)	(688,780)
(Decrease)/increase in financial liabilities at fair value through profit or loss	(36,177)	36,177
Increase in auditor's remuneration payable	-	10,000
Increase in management fee payable	19,381	4,313
Increase in trustee fee payable	2,536	523
Increase in other payables and accruals	6,442	49,166
Net cash flows used in operations	<u>(60,255)</u>	<u>(4,558,316)</u>
Interest received	<u>65,266</u>	<u>6,477</u>
Net cash flows generated from/(used in) operating activities	<u>5,011</u>	<u>(4,551,839)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of units	46,137,590	18,226,960
Payments on redemption of units	(25,332,740)	(9,255,420)
Net cash flows generated from financing activities	<u>20,804,850</u>	<u>8,971,540</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the year/period	<u>4,419,701</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>	<u>25,229,562</u>	<u>4,419,701</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash at bank	7(g) <u>25,229,562</u>	<u>4,419,701</u>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

#### HSIL

	Note	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		(28,427,028)	176,350,363
Adjustment for:			
Interest income		(129,532)	(19,152)
Operating (loss)/gain before changes in working capital		<u>(28,556,560)</u>	<u>176,331,211</u>
Decrease/(increase) in financial assets at fair value through profit or loss		58,779,604	(71,777,846)
Decrease/(increase) in prepayments and other receivables		11,425	(11,425)
Decrease/(increase) in amount due from brokers		25,232,937	(34,164,236)
(Decrease)/increase in auditor's remuneration payable		(624)	80,454
(Decrease)/increase in management fee payable		(164,005)	211,812
(Decrease)/increase in trustee fee payable		(2,020)	25,674
Increase in other payables and accruals		104,229	515,872
Net cash flows generated from operations		<u>55,404,986</u>	<u>71,211,516</u>
Interest received		129,532	19,152
Net cash flows generated from operating activities		<u>55,534,518</u>	<u>71,230,668</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		8,994,800	407,741,520
Payments on redemption of units		(172,279,240)	(336,915,580)
Net cash flows (used in)/generated from financing activities		<u>(163,284,440)</u>	<u>70,825,940</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>(107,749,922)</b>	<b>142,056,608</b>
Cash and cash equivalents at the beginning of the year/period		<u>142,056,608</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>		<b><u>34,306,686</u></b>	<b><u>142,056,608</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7(g)	<u>34,306,686</u>	<u>142,056,608</u>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

#### HSII

	Note	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		13,869,240	(74,220,937)
Adjustment for:			
Interest income		<u>(65,650)</u>	<u>(13,150)</u>
Operating gain/(loss) before changes in working capital		13,803,590	(74,234,087)
Decrease/(increase) in financial assets at fair value through profit or loss		6,672,784	(47,772,347)
Decrease/(increase) in prepayments and other receivables		11,425	(11,425)
Decrease/(increase) in amount due from brokers		1,255,307	(15,197,707)
(Decrease)/increase in financial liabilities at fair value through profit or loss		(775,654)	2,352,851
(Decrease)/increase in amounts due to broker		(21,158)	21,158
(Decrease)/increase in auditor's remuneration payable		(624)	80,454
(Decrease)/increase in management fee payable		(28,574)	156,487
Increase in trustee fee payable		4,686	18,968
Increase in other payables and accruals		<u>129,074</u>	<u>450,556</u>
Net cash flows generated from/(used in) operations		<u>21,050,856</u>	<u>(134,135,092)</u>
Interest received		65,650	13,150
Net cash flows generated from/(used in) operating activities		<u>21,116,506</u>	<u>(134,121,942)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		62,422,150	369,036,840
Payments on redemption of units		<u>(96,344,170)</u>	<u>(125,863,060)</u>
Net cash flows (used in)/generated from financing activities		<u>(33,922,020)</u>	<u>243,173,780</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS		(12,805,514)	109,051,838
Cash and cash equivalents at the beginning of the year/period		<u>109,051,838</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		<u>96,246,324</u>	<u>109,051,838</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7(g)	<u>96,246,324</u>	<u>109,051,838</u>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

#### HSCEIL

	Note	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		(24,029,259)	78,601,657
Adjustment for:			
Interest income		(76,443)	(10,419)
Operating (loss)/gain before changes in working capital		<u>(24,105,702)</u>	<u>78,591,238</u>
Decrease/(increase) in financial assets at fair value through profit or loss		33,148,635	(48,840,903)
Decrease/(increase) in prepayments and other receivables		11,425	(11,425)
Decrease/(increase) in amount due from brokers		20,637,487	(29,484,885)
(Decrease)/increase in auditor's remuneration payable		(623)	80,453
(Decrease)/increase in management fee payable		(91,934)	139,114
Increase in trustee fee payable		6,792	16,862
Increase in other payables and accruals		75,859	449,558
Net cash flows generated from operations		<u>29,681,939</u>	<u>940,012</u>
Interest received		76,443	10,419
Net cash flows generated from operating activities		<u>29,758,382</u>	<u>950,431</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		15,947,090	349,153,030
Payments on redemption of units		(99,656,040)	(266,885,190)
Net cash flows (used in)/generated from financing activities		<u>(83,708,950)</u>	<u>82,267,840</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS		(53,950,568)	83,218,271
Cash and cash equivalents at the beginning of the year/period		<u>83,218,271</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		<u><u>29,267,703</u></u>	<u><u>83,218,271</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7(g)	<u><u>29,267,703</u></u>	<u><u>83,218,271</u></u>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

#### HSCEII

	Note	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		7,442,803	(59,017,677)
Adjustment for:			
Interest income		<u>(67,641)</u>	<u>(10,343)</u>
Operating gain/(loss) before changes in working capital		7,375,162	(59,028,020)
Decrease/(increase) in financial assets at fair value through profit or loss		21,348,414	(42,284,080)
Decrease/(increase) in prepayments and other receivables		11,225	(11,425)
Decrease/(increase) in amount due from brokers		6,901,359	(13,035,648)
(Decrease)/increase in financial liabilities at fair value through profit or loss		(788,134)	1,239,161
(Decrease)/increase in amount due to broker		(4,292)	4,292
(Decrease)/increase in auditor's remuneration payable		(623)	80,453
(Decrease)/increase in management fee payable		(82,506)	148,122
Increase in trustee fee payable		5,700	17,954
Increase in other payables and accruals		<u>92,302</u>	<u>477,075</u>
Net cash flows generated from/(used in) operations		<u>34,858,607</u>	<u>(112,392,116)</u>
Interest received		67,641	10,343
Net cash flows generated from/(used in) operating activities		<u>34,926,248</u>	<u>(112,381,773)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		19,254,810	435,066,150
Payments on redemption of units		<u>(101,489,990)</u>	<u>(226,091,680)</u>
Net cash flows (used in)/generated from financing activities		<u>(82,235,180)</u>	<u>208,974,470</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>		<u>(47,308,932)</u>	<u>96,592,697</u>
Cash and cash equivalents at the beginning of the year/period		<u>96,592,697</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>		<u><u>49,283,765</u></u>	<u><u>96,592,697</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7(g)	<u><u>49,283,765</u></u>	<u><u>96,592,697</u></u>

The accompanying notes are an integral part of these financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 1. THE TRUST

ChinaAMC Leveraged/Inverse Series (the "Trust") is an umbrella unit trust governed by its trust deed dated 13 September 2016, as amended or supplemented from time to time (the "Trust Deed") between China Asset Management (Hong Kong) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee" and "Registrar"). The Trust Deed is governed by Hong Kong law.

As at 31 December 2018, the Trust has established six products which are authorised by the Securities and Futures Commission of Hong Kong (the "SFC") pursuant to section 104(1) of the Securities and Futures Ordinance of Hong Kong. The products are listed on the Stock Exchange of Hong Kong Limited ("SEHK") and the listing dates are as follows:

<u>Name of products</u>	<u>Date of inception and listing date on the SEHK</u>	<u>Listing codes</u>
ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product ("NDL")	28 September 2016	7261
ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product ("NDI")	28 September 2016	7331
ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product ("HSIL")	14 March 2017	7221
ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product ("HSII")	14 March 2017	7321
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product ("HSCEIL")	14 March 2017	7267
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product ("HSCEII")	14 March 2017	7341

These financial statements relate to the above-mentioned products (the "Products"). The Manager and the Trustee (collectively, the "Management") are responsible for the preparation of the financial statements.

#### NDL

The investment objective of NDL (Stock code: 07261) is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the NASDAQ-100 Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

#### NDI

The investment objective of NDI (Stock code: 07331) is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the NASDAQ-100 Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

#### HSIL

The investment objective of HSIL (Stock code: 07221) is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the Hang Seng Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. THE TRUST (continued)

HSII

The investment objective of HSII (Stock code: 07321) is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the Hang Seng Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

HSCEIL

The investment objective of HSCEIL (Stock code: 07267) is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the Hang Seng China Enterprises Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

HSCEII

The investment objective of HSCEII (Stock code: 07341) is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the Hang Seng China Enterprises Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

2.1 BASIS OF PREPARATION

The financial statements of the Products have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the SFC (the "SFC Code").

The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities classified as at fair value through profit or loss ("FVPL") that have been measured at fair value. The financial statements are presented in United States dollars ("US\$") for NDL and NDI and Hong Kong dollars ("HK\$") for HSIL, HSII, HSCEIL and HSCEII, and all values are rounded to the nearest US\$ and HK\$ respectively except where otherwise indicated.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Products applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>

The nature and the impact of these new standards and amendments are described below:

##### IFRS 9 *Financial Instruments*

The Products adopted IFRS 9 *Financial Instruments* on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

##### (a) Classification and measurement

The Products have assessed the classification of financial instruments as at the date of initial application and have applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value continue to be measured at fair value.
- Equity instruments are acquired for the purpose of generating short-term profit. Therefore, they meet the held-for-trading criteria and are required to be measured at FVPL.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest ("SPPI"). Thus, such instruments continue to be measured at amortised cost under IFRS 9.
- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Products have not designated any financial liabilities at FVPL. Therefore, this requirement does not have any impact on the Products.

##### (b) Impairment

For financial assets carried at amortised cost, including other receivables and amounts due from brokers, the expected credit loss ("ECL") is based on the 12-month ECL. This represents the portion of lifetime ECL that results from default events on the financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Manager has closely monitored the credit qualities and the collectability of other financial assets at amortised cost and considers that the ECL is immaterial.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Hedge accounting

The Products have not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

#### Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Products have chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the measurement categories under IFRS 9 for the Products' financial assets and financial liabilities as at 1 January 2018.

#### Financial assets

1 January 2018	IAS 39 classification	IAS 39 measurement US\$ '000	IFRS 9 classification	IFRS 9 measurement US\$ '000
<u>NDL</u>				
Derivative financial instruments	Held for trading at FVPL	147	FVPL	147
Amounts due from brokers	Loans and receivables	1,458	Amortised cost	1,458
Cash and cash equivalents	Loans and receivables	8,245	Amortised cost	8,245
<u>NDI</u>				
Amounts due from brokers	Loans and receivables	689	Amortised cost	689
Cash and cash equivalents	Loans and receivables	4,420	Amortised cost	4,420
		HK\$ '000		HK\$ '000
<u>HSIL</u>				
Derivative financial instruments	Held for trading at FVPL	6,868	FVPL	6,868
Money market fund	Held for trading at FVPL	64,910	FVPL	64,910
Amounts due from brokers	Loans and receivables	34,164	Amortised cost	34,164
Cash and cash equivalents	Loans and receivables	142,057	Amortised cost	142,057
<u>HSII</u>				
Money market fund	Held for trading at FVPL	47,772	FVPL	47,772
Amounts due from brokers	Loans and receivables	15,198	Amortised cost	15,198
Cash and cash equivalents	Loans and receivables	109,052	Amortised cost	109,052
<u>HSCEIL</u>				
Derivative financial instruments	Held for trading at FVPL	2,642	FVPL	2,642
Money market fund	Held for trading at FVPL	46,199	FVPL	46,199
Amounts due from brokers	Loans and receivables	29,485	Amortised cost	29,485
Cash and cash equivalents	Loans and receivables	83,218	Amortised cost	83,218
<u>HSCEII</u>				
Money market fund	Held for trading at FVPL	42,284	FVPL	42,284
Amounts due from brokers	Loans and receivables	13,036	Amortised cost	13,036
Cash and cash equivalents	Loans and receivables	96,593	Amortised cost	96,593

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

##### Impact of adoption of IFRS 9 (continued)

##### *Financial liabilities*

1 January 2018	IAS 39 classification	IAS 39 measurement US\$ '000	IFRS 9 classification	IFRS 9 measurement US\$ '000
<u>NDL</u>				
Auditor's remuneration payable	Other financial liabilities	10	Amortised cost	10
Management fee payable	Other financial liabilities	9	Amortised cost	9
Trustee fee payable	Other financial liabilities	1	Amortised cost	1
Other payables and accruals	Other financial liabilities	52	Amortised cost	52
<u>NDI</u>				
Derivative financial instruments	Held for trading at FVPL	36	FVPL	36
Auditor's remuneration payable	Other financial liabilities	10	Amortised cost	10
Management fee payable	Other financial liabilities	4	Amortised cost	4
Trustee fee payable	Other financial liabilities	1	Amortised cost	1
Other payables and accruals	Other financial liabilities	49	Amortised cost	49
		<b>HK\$ '000</b>		<b>HK\$ '000</b>
<u>HSIL</u>				
Auditor's remuneration payable	Other financial liabilities	80	Amortised cost	80
Management fee payable	Other financial liabilities	212	Amortised cost	212
Trustee fee payable	Other financial liabilities	26	Amortised cost	26
Other payables and accruals	Other financial liabilities	516	Amortised cost	516
<u>HSII</u>				
Derivative financial instruments	Held for trading at FVPL	2,353	FVPL	2,353
Amount due to broker	Other financial liabilities	21	Amortised cost	21
Auditor's remuneration payable	Other financial liabilities	80	Amortised cost	80
Management fee payable	Other financial liabilities	156	Amortised cost	156
Trustee fee payable	Other financial liabilities	19	Amortised cost	19
Other payables and accruals	Other financial liabilities	451	Amortised cost	451
<u>HSCEIL</u>				
Auditor's remuneration payable	Other financial liabilities	80	Amortised cost	80
Management fee payable	Other financial liabilities	139	Amortised cost	139
Trustee fee payable	Other financial liabilities	17	Amortised cost	17
Other payables and accruals	Other financial liabilities	450	Amortised cost	450
<u>HSCEII</u>				
Derivative financial instruments	Held for trading at FVPL	1,239	FVPL	1,239
Amount due to broker	Other financial liabilities	4	Amortised cost	4
Auditor's remuneration payable	Other financial liabilities	81	Amortised cost	81
Management fee payable	Other financial liabilities	148	Amortised cost	148
Trustee fee payable	Other financial liabilities	18	Amortised cost	18
Other payables and accruals	Other financial liabilities	477	Amortised cost	477

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

##### **Impact of adoption of IFRS 9 (continued)**

In line with the characteristics of the Products' financial instruments as well as their approach to their management, the Products neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Products' financial instruments due to changes in measurement categories. All financial assets that were classified as FVPL under IAS 39 are still classified as FVPL under IFRS 9. All financial assets that were previously classified as loans and receivables and are continued to be measured at amortised cost.

In addition, the application of the ECL mode under IFRS 9 has not significantly changed the carrying amounts of the Products' financial assets at amortised cost. No ECL allowance has been recorded against the Products' other receivables and amounts due to brokers both under IFRS 9 and IAS 39.

The carrying amounts of instruments at amortised cost are continued to approximate to these instruments' fair values on the date of transition after transitioning to IFRS 9.

##### IFRS 15 Revenue from contracts with customers

The Products adopted IFRS 15 *Revenue from contracts with customers* on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 *Revenue* and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Products.

#### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Products have not early applied any of the new and revised IFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2018 in these financial statements. Among the new and revised IFRSs, the following is expected to be relevant to the Products' financial statements upon becoming effective:

Amendments to IAS 1 and IAS 8                      *Definition of Material*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Products expect to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Products' financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Financial instruments

In the current period the Products have adopted IFRS 9 *Financial Instruments*. See section 2.2 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

##### (a) Classification

##### (i) Policy effective from 1 January 2018 (IFRS 9)

In accordance with IFRS 9, the Products classify their 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:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- 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
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

##### Financial assets

The Products classify their financial assets as subsequently measured at amortised cost or measured at profit or loss on the basis of both:

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

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

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Products include in this category short-term non-financing receivables including other receivables and amounts due from brokers.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Financial instruments (continued)

##### (a) Classification (continued)

##### (i) Policy effective from 1 January 2018 (IFRS 9) (continued)

###### *Financial assets measured at FVPL*

A financial asset is measured at FVPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are SPPI 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 FVPL 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.

This category includes equity 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 amortised cost*

The Products includes in this category management fee payable, trustee fee payable, amounts due to brokers, auditor's remuneration payable and other payables and accruals.

###### *Financial liabilities measured at FVPL*

A financial liability is measured at FVPL if it meets the definition of held for trading.

This category includes derivative contracts in a liability position since they are classified as held for trading.

##### (ii) Policy effective before 1 January 2018 (IAS 39)

The Products classify its financial assets and liabilities into the following categories, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

###### *Financial assets at FVPL*

Financial assets designated as at FVPL upon initial recognition: these include equity securities and derivative contracts. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Products.

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Products include in this category amounts relating to cash and cash equivalents, amounts due from brokers, prepayment and other receivables.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Financial instruments (continued)

###### (a) Classification (continued)

###### (ii) Policy effective from 1 January 2018 (IAS 39) (continued)

###### *Financial liabilities*

This category includes all financial liabilities. The Products include in this category amounts relating to amount due to broker, auditor's remuneration payable, management fee payable, trustee fee payable and other payables and accruals.

###### (b) Recognition (under IFRS9 and IAS39)

The Products recognise 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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Products commit to purchase or sell the financial asset.

###### (c) Initial measurement (under IFRS9 and IAS39)

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

Financial assets and liabilities (other than those designated as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

###### (d) Subsequent measurement (under IFRS9 and IAS39)

After initial measurement, the Products measure financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in "net change in unrealised gains/losses on financial assets/liabilities at FVPL" in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Other receivables and amounts due from brokers, other than those classified as at FVPL, are measured at amortised cost using the effective interest method ("EIR") less any allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the EIR. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Financial instruments (continued)

##### (d) Subsequent measurement (under IFRS9 and IAS39) (continued)

The EIR is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss 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 asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

When calculating the effective interest rate, the Products estimate cash flows considering all contractual terms of the financial instruments, but do not consider ECLs. 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.

##### (e) Derecognition (under IFRS9 and IAS39)

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Products have transferred its rights to receive cash flows from the asset, or have assumed an obligation to pay the received cash flows in without material delay to a third party under a pass-through arrangement and the Products have:

- Transferred substantially all the risks and rewards of the asset, or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Products have transferred their rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset transferred control of the asset, the asset is recognised to the extent of the Products' continuing involvement in the asset. In that case, the Products also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Products have retained. The Products derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

##### Impairment of financial assets

##### (a) Policy effective from 1 January 2018 (IFRS 9)

For financial assets measured at amortised cost, impairment allowances are recognised under the general approach where ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Products are required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there have been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Impairment of financial assets (continued)

###### (a) Policy effective from 1 January 2018 (IFRS 9) (continued)

The Products' 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 about past events, current conditions and forecasts of future economic conditions.

The Products use the provision matrix as a practical expedient to measuring ECLs on other receivables and amounts due from brokers, 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.

###### (b) Policy effective before 1 January 2018 (IAS 39)

The Products assess at the end of each reporting period whether a financial asset or a group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as "credit loss expense".

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Products. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to profit or loss.

Interest revenue on impaired financial assets is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

##### Fair value measurement

The Sub-Fund measures its investments in financial instruments, such as derivatives, at fair value at each reporting date.

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 Products.

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.

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 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Products determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

##### Derivative financial instruments

Derivative financial instruments are recorded on a mark-to-market basis. Fair values are determined by using quoted market prices for futures contracts or calculated by reference to changes in specified prices of an underlying asset or otherwise determined notional amount for swap contracts. All derivatives are carried as assets when amounts are receivable by the Products and as liabilities when amounts are payable by the Products.

Unrealised gains and losses arising from change in fair value, and realised gains and losses are recognised in profit or loss.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Cash and cash equivalents

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

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as cash and cash equivalents.

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.

##### Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Products operate. The performance of the Products is measured and reported to the unitholders in US\$ for NDL and NDI and in HK\$ for HSIL, HSII, HSCEIL and HSCEII.

The Management considers US\$ and HK\$ as the currencies that most faithfully represent the economic effects of the underlying transactions, events and conditions. The financial statements of the Products are presented in the US\$ for NDL and NDI and in the HK\$ for HSIL, HSII, HSCEIL and HSCEII, which are the Products' functional and presentation currencies.

##### Foreign currency translations

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign currency transaction gains and losses on financial instruments classified as at FVPL are included in profit or loss in the statement of comprehensive income.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Redeemable units

Redeemable units are classified as an equity instrument when:

- (a) The redeemable units entitle the holder to a *pro-rata* share of the Products' net assets in the event of the Products' liquidation.
- (b) The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- (c) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- (d) 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 Products' net assets.
- (e) The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on 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 Products over the life of the instrument.

In addition to the redeemable units having all the above features, the Products must have no other financial instruments or contracts that have:

- (a) Total cash flows based substantially on 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 Products, and
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Products' redeemable units meet the definition of puttable instruments classified as equity instruments under the revised IAS 32 and are classified as equity.

The Products 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 Products 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 Products 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 redeemable units, the consideration received is included in equity. Transaction costs incurred by the Products in issuing or acquiring their 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.

The Products' 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.

No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Products' own equity instruments.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Interest income

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

##### Formation costs

Formation costs are recognised as an expense in the period in which it is incurred.

##### Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss

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

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

##### Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss

Realised gains and losses on disposal of financial instruments classified as at fair value through profit or loss are calculated using the first-in-first-out method for derivative financial instruments and weighted average method for money market fund. For the former, it represents the difference between an instrument's initial carrying amount and disposal amount. For the latter, it represents the difference between an instrument's average cost and disposal amount.

##### Taxes

In some jurisdictions, dividend income, interest income and capital gains are subject to withholding tax deducted at the source of the income. The Products present the withholding tax separately from the gross investment gains in the statement of comprehensive income.

For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

##### Distributions to unitholders

Distributions are at the discretion of the Manager. Distributions will not be paid out of capital or effectively out of capital of the Products.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Related parties

A party is considered to be related to the Products if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Products;
  - (ii) has significant influence over the Products; or
  - (iii) is a member of the key management personnel of the Products or of a parent of the Products;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Products are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Products 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 Products or an entity related to the Products;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Products or to the parent of the Products.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

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#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGES IN ACCOUNTING ESTIMATES

The preparation of the Products' financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, 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 future periods.

##### Going concern

The Manager has made an assessment of the Products' ability to continue as a going concern and is satisfied that the Products have the intention and resources to continue in business for the next 12 months after the period end date. Furthermore, the Manager is not aware of any material uncertainties that may cast significant doubt upon the Products' ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

##### Taxation

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

#### 5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS

##### (a) Net assets attributable to unitholders

The creation and redemption of units of the Products can only be facilitated by or through participating dealers. Investors other than the participating dealers make a request to create or redeem units through a participating dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a participating dealer.

The Trustee shall receive subscription proceeds or index securities constituting baskets plus remaining subscription proceeds from the participating dealers for the creation of units and pay redemption proceeds or index securities constituting baskets plus remaining redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed. Subscriptions and redemptions of units during the year are shown on the statement of changes in net assets attributable to unitholders.

Units are denominated in base currency and no fractions of a unit shall be created or issued by the Trustee. Units of the Products are offered and issued at their dealing net asset value ("NAV") only in aggregations of a specified number of application units (the "Application Unit"). Units are redeemable only in an Application Unit or the multiple thereof at the dealing NAV. Currently, creation and redemption of units will be effected in securities and/or cash.



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

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#### 5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS (continued)

##### (a) Net assets attributable to unitholders (continued)

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

	<u>NDL</u>		<u>NDI</u>		<u>HSIL</u>	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$	2018 HK\$	2017 HK\$
Published net assets attributable to unitholders (Note)	6,706,641	9,905,317	27,416,304	5,135,785	55,799,143	247,615,260
Recognition of formation costs	<u>(90,363)</u>	<u>(123,344)</u>	<u>(90,363)</u>	<u>(123,344)</u>	<u>(334,308)</u>	<u>(438,957)</u>
Net assets attributable to unitholders (per financial statements)	<u>6,616,278</u>	<u>9,781,973</u>	<u>27,325,941</u>	<u>5,012,441</u>	<u>55,464,835</u>	<u>247,176,303</u>
	<u>HSII</u>		<u>HSCEIL</u>		<u>HSCEII</u>	
	2018 HK	2017 HK\$	2018 HK	2017 HK\$	2018 HK	2017 HK\$
Published net assets attributable to unitholders (Note)	149,234,371	169,391,800	53,465,596	161,308,454	75,498,724	150,395,750
Recognition of formation costs	<u>(334,308)</u>	<u>(438,957)</u>	<u>(334,308)</u>	<u>(438,957)</u>	<u>(334,308)</u>	<u>(438,957)</u>
Net assets attributable to unitholders (per financial statements)	<u>148,900,063</u>	<u>168,952,843</u>	<u>53,131,288</u>	<u>160,869,497</u>	<u>75,164,416</u>	<u>149,956,793</u>

Note:

The published net assets attributable to unitholders are calculated in accordance with the prospectus where formation costs are capitalised and to be amortised over the first five years of the operation of the Products, while for the net assets as reported in the audited financial statements, the formation costs are expensed as incurred as required under IFRSs.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

#### 31 December 2018

#### 5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS (continued)

##### (b) Movement of units

The table below summarises the movement of units for the year ended 31 December 2018 and periods ended 31 December 2017, and the accounting NAV per unit calculated in accordance with IFRSs ("Accounting NAV") and the dealing NAV per unit calculated in accordance with the prospectus ("Dealing NAV") for each of the Products as at 31 December 2018 and 2017.

As at 31 December 2018	Number of units				Net assets attributable to unitholders	
	Units in issue at beginning of the year	Creation during the year	Redemption during the year	Units in issue at end of year	Accounting	Dealing
					NAV	NAV
					Per unit at year end	Per unit at year end
NDL	3,000,000	100,000	800,000	2,300,000	US\$2.8766	US\$2.9159
NDI	3,500,000	35,300,000	19,200,000	19,600,000	US\$1.3942	US\$1.3988
HSIL	19,200,000	800,000	14,100,000	5,900,000	HK\$9.4008	HK\$9.4575
HSII	27,800,000	10,200,000	15,300,000	22,700,000	HK\$6.5595	HK\$6.5742
HSCEIL	15,100,000	1,600,000	9,800,000	6,900,000	HK\$7.7002	HK\$7.7486
HSCEII	22,800,000	3,000,000	15,100,000	10,700,000	HK\$7.0247	HK\$7.0560

As at 31 December 2017	Number of units				Net assets attributable to unitholders	
	Units in issue at beginning of the period	Creation during the period	Redemption during the period	Units in issue at end of period	Accounting	Dealing NAV
					NAV	
					Per unit at period end	Per unit at period end
NDL <sup>1</sup>	-	8,900,000	5,900,000	3,000,000	US\$3.2607	US\$3.3018
NDI <sup>1</sup>	-	9,100,000	5,600,000	3,500,000	US\$1.4321	US\$1.4674
HSIL <sup>2</sup>	-	50,800,000	31,600,000	19,200,000	HK\$12.8738	HK\$12.8966
HSII <sup>2</sup>	-	46,300,000	18,500,000	27,800,000	HK\$6.0774	HK\$6.0932
HSCEIL <sup>2</sup>	-	43,300,000	28,200,000	15,100,000	HK\$10.6536	HK\$10.6827
HSCEII <sup>2</sup>	-	54,900,000	32,100,000	22,800,000	HK\$6.5771	HK\$6.5963

<sup>1</sup> Period from 28 September 2016 (date of inception) to 31 December 2017

<sup>2</sup> Period from 14 March 2017 (date of inception) to 31 December 2017

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 6. NET GAINS/(LOSSES) ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is a breakdown of net gains/(losses) on financial assets/liabilities at fair value through profit or loss:

	<u>NDL</u>		<u>NDI</u>		<u>HSIL</u>	
	For the year ended 31 December 2018 US\$	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$	For the year ended 31 December 2018 US\$	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
Net realised gains/(losses) on sale of financial assets/liabilities at fair value through profit or loss	315,129	8,118,068	1,294,747	(3,485,674)	(20,979,892)	174,303,212
Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss	(446,334)	147,329	347,340	(36,177)	(5,254,612)	7,130,546
	<u>(131,205)</u>	<u>8,265,397</u>	<u>1,642,087</u>	<u>(3,521,851)</u>	<u>(26,234,504)</u>	<u>181,433,758</u>
	<u>HSII</u>		<u>HSCEIL</u>		<u>HSCEII</u>	
	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
Net realised gains/(losses) on sale of financial assets/liabilities at fair value through profit or loss	14,830,717	(68,218,752)	(20,253,860)	80,335,422	8,489,483	(53,365,374)
Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss	1,501,805	(2,165,994)	(1,661,565)	2,821,555	1,090,473	(1,074,566)
	<u>16,332,522</u>	<u>(70,384,746)</u>	<u>(21,915,425)</u>	<u>83,156,977</u>	<u>9,579,956</u>	<u>(54,439,940)</u>

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

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#### 7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND THEIR CONNECTED PERSONS

The following is a summary of significant related party transactions entered into during the year between the connected persons of the Products, as defined in the SFC Code, including the Trustee, the Manager and their connected persons. All transactions entered into during the year between the Products, the Trustee, the Manager and their connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Products do not have any other transactions with connected persons except for those disclosed below.

##### (a) Management fee

The Manager is entitled to receive a management fee of up to 1.5% per year of the net assets of each Products. Currently, the management fee is accrued daily and calculated at an annual rate of 0.99% (2017: 0.99% per annum) on the NAV of the Products as at each dealing day during the reporting period and payable monthly in arrears for all Products.

##### (b) Trustee fees and Registrar fees

The Trustee receives out of the assets of each product a monthly trustee's fee, payable in arrears, accrued daily and calculated as at each dealing day of up to the greater of 0.12% (2017: 0.12%) per year of the net assets of the Products or the applicable monthly minimum for all Products.

In respect of NDL and NDI, the Trustee acting as the Registrar, is also entitled to receive a registrar fee of US\$15 per participating dealer per transaction for updating the register record of the Products and an administration transaction fee of up to US\$500 per participating dealer per transaction for handling any cash creation and redemption of units of the Products.

In respect of HSIL, HSII, HSCEIL and HSCEII, the Trustee acting as the Registrar, is also entitled to receive a registrar fee of HK\$115 per participating dealer per transaction for updating the register record of the Products and an administration transaction fee of up to HK\$3,900 per participating dealer per transaction, which is borne by the Manager, for handling any cash creation and redemption of units of the Products.

##### (c) Accounting and professional fee

In respect of NDL and NDI, the Trustee is entitled to receive an accounting fee of US\$9,000 each from the Products for preparing the interim and year-end financial statements.

In respect of HSIL, HSII, HSCEIL and HSCEII, the Trustee is entitled to receive an accounting fee of HK\$69,000 each from the Products for preparing the interim and year-end financial statements.

##### (d) Safe custody and bank charges

In respect of HSIL, HSII, HSCEIL and HSCEII, the Trustee is entitled to receive custodian fees calculated at a current rate of 0.025% per annum on the assets under custody for listed mutual funds as at month end and is paid monthly in arrears for all Products.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND THEIR CONNECTED PERSONS (continued)

##### (e) Brokerage and other transaction fee

###### *Transaction fee*

In respect of NDL and NDI, the Trustee is entitled to receive transaction fees of US\$15 on each open and closed futures position and US\$15 on each listed mutual fund transaction.

In respect of HSIL, HSII, HSCEIL and HSCEII, the Trustee is entitled to receive transaction fees of HK\$115 on each open and closed futures position and HK\$115 on each listed mutual fund transaction.

Total transaction fees incurred during the year ended 31 December 2018 and the periods ended 31 December 2017 are as follows:

	2018	2017
	US\$	US\$
<u>NDL</u>	2,610	3,255
<u>NDI</u>	2,370	2,925
	HK\$	HK\$
<u>HSIL</u>	25,673	21,521
<u>HSII</u>	24,965	19,102
<u>HSCEIL</u>	28,082	23,359
<u>HSCEII</u>	27,965	22,784

##### (f) Other expenses

###### *Formation costs*

No formation cost was incurred during the year ended 31 December 2018.

During the periods ended 31 December 2017, the formation costs for establishing NDL, NDI, HSIL, HSII, HSCEIL and HSCEII were payable to the Manager.

##### (g) Cash and cash equivalents and certain financial assets at fair value through profit or loss held by the Trustee's related company

###### *Cash and cash equivalents*

	2018	2017
	US\$	US\$
<u>NDL</u>	4,773,243	8,244,966
<u>NDI</u>	25,229,562	4,419,701
	HK\$	HK\$
<u>HSIL</u>	34,306,686	142,056,608
<u>HSII</u>	96,246,324	109,051,838
<u>HSCEIL</u>	29,267,703	83,218,271
<u>HSCEII</u>	49,283,765	96,592,697

Note: As at 31 December 2018 and 31 December 2017, these bank balances were held with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), a related company of the Trustee.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND THEIR CONNECTED PERSONS  
(continued)

- (g) Cash and cash equivalents and certain financial assets at fair value through profit or loss held by the Trustee's related company (continued)

*Cash and cash equivalents* (continued)

The carrying accounts of the cash and cash equivalents approximate to their fair values. Interest income was earned on these cash and cash equivalents during the year ended 31 December 2018 and during the periods ended 31 December 2017.

Bank charges of the Products for the year ended 31 December 2018 and for the periods ended 31 December 2017 were charged by HSBC.

*Financial assets at fair value through profit or loss*

	2018 HK\$	2017 HK\$
<u>HSIL</u>	11,368,011	64,910,088
<u>HSII</u>	41,099,563	47,772,347
<u>HSCEIL</u>	14,865,579	46,198,905
<u>HSCEII</u>	20,935,666	42,284,080

Note: As at 31 December 2018 and 31 December 2017, these financial assets at fair value through profit or loss were held with HSBC.

8. AMOUNTS DUE FROM AND DUE TO BROKERS

As at 31 December 2018 and 31 December 2017, the Products have amounts due from and amounts due to brokers, which represent receivables and payables for securities sold/purchased that have been contracted for, but not yet delivered on the reporting date respectively. Amounts due from brokers also include cash held at the brokers.

	Note	2018 US\$	2017 US\$
<u>NDL</u>			
<i>Amount due from brokers</i>			
- Margin deposit	i	2,217,771	1,456,907
- Receivables for securities sold, but not yet delivered		-	1,043
		<u>2,217,771</u>	<u>1,457,950</u>
<u>NDI</u>			
<i>Amount due from brokers</i>			
- Margin deposit	i	<u>1,877,577</u>	<u>688,780</u>
		HK\$	HK\$
<u>HSIL</u>			
<i>Amount due from brokers</i>			
- Margin deposit	i	8,931,299	34,164,236

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 8. AMOUNTS DUE FROM AND DUE TO BROKERS (continued)

	Note	2018 HK\$	2017 HK\$
<u>HSII</u>			
<i>Amount due from brokers</i>			
- Margin deposit	i	<u>13,942,400</u>	<u>15,197,707</u>
<i>Amount due to broker</i>			
- Payables for securities purchased, but not yet delivered		<u>-</u>	<u>21,158</u>
<u>HSCEIL</u>			
<i>Amount due from brokers</i>			
- Margin deposit	i	<u>8,847,398</u>	<u>29,484,885</u>
<u>HSCEII</u>			
<i>Amount due from brokers</i>			
- Margin deposit	i	<u>6,134,289</u>	<u>13,035,648</u>
<i>Amount due to broker</i>			
- Payables for securities purchased, but not yet delivered		<u>-</u>	<u>4,292</u>

Note:

(i) The amounts due from brokers represented cash collateral for derivative margin.

#### 9. SOFT COMMISSION ARRANGEMENTS

The Manager and its connected persons have not received any soft dollar commissions or entered into any soft dollar arrangements in respect of the management of the Products for the year ended 31 December 2018 (for the periods ended 31 December 2017: Nil). The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

#### 10. TAXATION

No provision for Hong Kong profits tax has been made for the Products as they are authorised as collective investment schemes under section 104 of the Hong Kong Securities and Futures Ordinance and are therefore exempt from Hong Kong Profits Tax under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

#### 11. DISTRIBUTIONS TO UNITHOLDERS

The Manager may in its absolute discretion distribute income to unitholders at such time or times as it may determine in each financial year or determine that no distribution shall be made in any financial year. The amount to be distributed to unitholders, if any, will be derived from the net income of the Products.

The Manager did not intend to pay or make any distributions or dividends during the year ended 31 December 2018 (during the periods ended 31 December 2017: Nil).

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 12. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

According to Chapter 8.6(h) of the SFC Code, the value of a Product's holding in securities issued by any single issuer may not exceed 10% of its total NAV. Relief to this limitation was given in Appendix I of the SFC Code as the strategy to hold securities from single issuer for more than 10% of NAV is clearly disclosed in the prospectus of the Products.

The prospectus stated that up to 50% of the NAV for HSIL and HSCEIL or 60% of the NAV for HSII and HSCEII may be invested in SFC authorised money market funds and other money market funds (either recognised jurisdiction money market funds or non-recognised jurisdiction money market funds) in accordance with the requirements of the SFC Code.

There was a money market fund that individually accounted for more than 10% of the NAV of the Products as at 31 December 2018 and 31 December 2017 as follows:

	Respective weighting in the Product's NAV 2018	Respective weighting in the Product's NAV 2017
<i>UBS (IRL) Select Money Market Fund</i>		
<u>HSIL</u>	20.50%	26.26%
<u>HSII</u>	27.60%	28.28%
<u>HSCEIL</u>	27.98%	28.72%
<u>HSCEII</u>	27.85%	28.20%

As per Chapter 8.4A(e) of the SFC Code, the Products with investments in futures may not hold open positions in any futures contract month for which the combined margin requirement represents 5% or more of the NAV of the Products.

As the Manager expects that no more than 40% of the NAV for NDL, 20% of the NAV for NDI, HSIL and HSCEIL and 10% of the NAV for HSII and HSCEII will be used as margin to acquire the futures contracts, the Manager has applied a waiver to the SFC, and was granted, in respect of the Products from the requirement under Chapter 8.4A(e) of the SFC Code, subject to certain conditions as stated in the prospectus of the Products.

Details of the Products' margin requirements as at 31 December 2018 and 31 December 2017 are disclosed below:

	<u>2018</u>		<u>2017</u>	
<i>Initial margin requirement</i>	US\$	% of NAV	US\$	% of NAV
<u>NDL</u>	514,800	7.78%	762,300	7.79%
<u>NDI</u>	1,079,100	3.95%	193,050	3.85%
	HK\$	% of NAV	HK\$	% of NAV
<u>HSIL</u>	8,427,920	15.20%	32,720,160	13.24%
<u>HSII</u>	11,699,936	7.86%	11,105,024	6.57%
<u>HSCEIL</u>	8,200,115	15.43%	21,540,015	13.39%
<u>HSCEII</u>	5,924,485	7.88%	10,044,160	6.70%



CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

12. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (continued)

	<u>2018</u>		<u>2017</u>	
<i>Aggregate margin deposit</i>	US\$	% of NAV	US\$	% of NAV
<u>NDL</u>	2,217,771	33.52%	1,456,907	14.89%
<u>NDI</u>	1,877,577	6.87%	688,780	13.74%
	HK\$	% of NAV	HK\$	% of NAV
<u>HSIL</u>	8,931,299	16.10%	34,164,236	13.82%
<u>HSII</u>	13,942,400	9.36%	15,197,707	9.00%
<u>HSCEIL</u>	8,847,398	16.65%	29,484,885	18.33%
<u>HSCEII</u>	6,134,289	8.16%	13,035,648	8.69%

13. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2018 US\$	2017 US\$
<u>NDL</u>			
<b>Financial assets designated as at fair value through profit or loss:</b>			
Futures contracts	14	<u>-</u>	<u>147,329</u>
<b>Financial liabilities designated as at fair value through profit or loss:</b>			
Futures contracts	14	<u>299,005</u>	<u>-</u>
<u>NDI</u>			
<b>Financial assets designated as at fair value through profit or loss:</b>			
Futures contracts	14	<u>311,163</u>	<u>-</u>
<b>Financial liabilities designated as at fair value through profit or loss:</b>			
Futures contracts	14	<u>-</u>	<u>36,177</u>

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

13. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS  
(continued)

	Note	2018 HK\$	2017 HK\$
<u>HSIL</u>			
<b>Financial assets designated as at fair value through profit or loss:</b>			
Futures contracts	14	1,630,231	6,867,758
Money market fund		11,368,011	64,910,088
		<u>12,998,242</u>	<u>71,777,846</u>
<u>HSII</u>			
<b>Financial assets designated as at fair value through profit or loss:</b>			
Money market fund		41,099,563	47,772,347
<b>Financial liabilities designated as at fair value through profit or loss:</b>			
Futures contracts	14	1,577,197	2,352,851
<u>HSCEIL</u>			
<b>Financial assets designated as at fair value through profit or loss:</b>			
Futures contracts	14	826,689	2,641,998
Money market fund		14,865,579	46,198,905
		<u>15,692,268</u>	<u>48,840,903</u>
<u>HSCEII</u>			
<b>Financial assets designated as at fair value through profit or loss:</b>			
Money market fund		20,935,666	42,284,080
<b>Financial liabilities designated as at fair value through profit or loss:</b>			
Futures contracts	14	451,027	1,239,161

14. DERIVATIVE FINANCIAL INSTRUMENTS

Futures contracts are a commitment to make or take future delivery of various commodities, currencies or financial instruments at a specified time and place. These commitments can be discharged by making or taking delivery of an approved grade of commodity, currency and financial instrument by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same (or a linked) exchange prior to the designated date of delivery.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following derivative contracts were unsettled as at 31 December 2018 and 31 December 2017.

##### NDL

As at 31 December 2018

Type of contract	Initial margin requirement per contract	Expiration	Nominal amount	Fair value
	US\$		US\$	US\$
Futures	4,950	15 March 2019	13,173,160	(299,005)

As at 31 December 2017

Futures	4,950	16 March 2018	19,738,950	147,329
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##### NDI

As at 31 December 2018

Type of contract	Initial margin requirement per contract	Expiration	Nominal amount	Fair value
	US\$		US\$	US\$
Futures	4,950	15 March 2019	(27,612,970)	311,163

As at 31 December 2017

Futures	4,950	16 March 2018	(4,998,825)	(36,177)
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##### HSIL

As at 31 December 2018

Type of contract	Initial margin requirement per contract	Expiration	Nominal amount	Fair value
	HK\$		HK\$	HK\$
Futures	99,152	30 January 2019	109,879,500	1,630,231

As at 31 December 2017

Futures	99,152	30 January 2018	494,142,000	6,867,758
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##### HSII

As at 31 December 2018

Type of contract	Initial margin requirement per contract	Expiration	Nominal amount	Fair value
	HK\$		HK\$	HK\$
Futures	99,152	30 January 2019	(152,538,600)	(1,577,197)

As at 31 December 2017

Futures	99,152	30 January 2018	(167,708,800)	(2,352,851)
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## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

##### HSCEIL

As at 31 December 2018

Type of contract	Initial margin requirement per contact HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
Futures	39,235	30 January 2019	105,565,900	826,689

As at 31 December 2017

Type of contract	Initial margin requirement per contact HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
Futures	39,235	30 January 2018	321,988,500	2,641,998

##### HSCEII

As at 31 December 2018

Type of contract	Initial margin requirement per contact HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
Futures	39,235	30 January 2019	(76,270,100)	(451,027)

As at 31 December 2017

Type of contract	Initial margin requirement per contact HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
Futures	39,235	30 January 2018	(150,144,000)	(1,239,161)

#### 15. FAIR VALUE OF FINANCIAL INVESTMENTS

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the close of trading on the period end date. The Products used last traded market prices as their fair valuation inputs for financial assets.

An active market is a market in which transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 requires the Products to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the assets or liabilities.

The determination of what constitutes "observable" requires significant judgement by the Products. The Products consider observable data as market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant markets.

#### Financial assets and financial liabilities carried at fair value

The following tables analyse within the fair value hierarchy the Products' financial assets and financial liabilities (by class) measured at fair value as at 31 December 2018 and 31 December 2017:

#### NDL

As at 31 December 2018

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial liabilities at fair value through profit or loss</b>				
Futures	<u>299,005</u>	<u>-</u>	<u>-</u>	<u>299,005</u>

As at 31 December 2017

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

Futures	<u>147,329</u>	<u>-</u>	<u>-</u>	<u>147,329</u>
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#### NDI

As at 31 December 2018

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets at fair value through profit or loss:</b>				
Futures	<u>311,163</u>	<u>-</u>	<u>-</u>	<u>311,163</u>

As at 31 December 2017

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

Futures	<u>36,177</u>	<u>-</u>	<u>-</u>	<u>36,177</u>
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CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

HSIL

As at 31 December 2018

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Financial assets at fair value through profit or loss:</b>				
Futures	1,630,231	-	-	1,630,231
Money market fund	-	11,368,011	-	11,368,011
	<u>1,630,231</u>	<u>11,368,011</u>	<u>-</u>	<u>12,998,242</u>

As at 31 December 2017

<b>Financial assets at fair value through profit or loss:</b>				
Futures	6,867,758	-	-	6,867,758
Money market fund	-	64,910,088	-	64,910,088
	<u>6,867,758</u>	<u>64,910,088</u>	<u>-</u>	<u>71,777,846</u>

HSII

As at 31 December 2018

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Financial assets at fair value through profit or loss:</b>				
Money market fund	-	41,099,563	-	41,099,563
	<u>-</u>	<u>41,099,563</u>	<u>-</u>	<u>41,099,563</u>
<b>Financial liabilities at fair value through profit or loss:</b>				
Futures	1,577,197	-	-	1,577,197
	<u>1,577,197</u>	<u>-</u>	<u>-</u>	<u>1,577,197</u>

As at 31 December 2017

<b>Financial assets at fair value through profit or loss:</b>				
Money market fund	-	47,772,347	-	47,772,347
	<u>-</u>	<u>47,772,347</u>	<u>-</u>	<u>47,772,347</u>
<b>Financial liabilities at fair value through profit or loss:</b>				
Futures	2,352,851	-	-	2,352,851
	<u>2,352,851</u>	<u>-</u>	<u>-</u>	<u>2,352,851</u>

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

HSCEIL

As at 31 December 2018

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Financial assets at fair value through profit or loss:</b>				
Futures	826,689	-	-	826,689
Money market fund	-	14,865,579	-	14,865,579
	<u>826,689</u>	<u>14,865,579</u>	<u>-</u>	<u>15,692,268</u>

As at 31 December 2017

<b>Financial assets at fair value through profit or loss:</b>				
Futures	2,641,998	-	-	2,641,998
Money market fund	-	46,198,905	-	46,198,905
	<u>2,641,998</u>	<u>46,198,905</u>	<u>-</u>	<u>48,840,903</u>

HSCEII

As at 31 December 2018

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Financial assets at fair value through profit or loss:</b>				
Money market fund	-	20,935,666	-	20,935,666
<b>Financial liabilities at fair value through profit or loss:</b>				
Futures	451,027	-	-	451,027

As at 31 December 2017

<b>Financial assets at fair value through profit or loss:</b>				
Money market fund	-	42,284,080	-	42,284,080
<b>Financial liabilities at fair value through profit or loss:</b>				
Futures	1,239,161	-	-	1,239,161

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities. The Products do not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently.

During year ended 31 December 2018 and the periods ended 31 December 2017, there were no transfers between levels.

#### Other financial assets and financial liabilities

The Management has assessed that the fair values of the amounts due from brokers, cash and cash equivalents, amounts due to brokers, management fee payable, trustee fee payable and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

#### 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### (a) Strategy in using financial instruments

#### Investment objectives and investment policies

The investment objectives of the Products are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) of or twice (2x) the daily performance of the underlying index relevant to the respective Products. The Products will rebalance their position at or around the close of trading of the underlying market, by increasing exposure in response to the relevant index's daily gains or reducing exposure in response to the relevant index's daily losses, so that their daily inverse or leverage exposure ratio to the relevant index is consistent with the Products' investment objectives.

The Products themselves are subject to various risks. The main risks associated with the investments, assets and liabilities of the Products are set out below:



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### (b) Market risk

###### (i) *Market price risk*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Products are designated to track the performance of their respective indices, and therefore the exposures to market risk in the Products will be substantially the same as the tracked indices. The Manager manages the Products' exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked indices.

##### Sensitivity analysis in the event of a possible change in the tracked indices by sensitivity threshold as estimated by the Manager

As at 31 December 2018 and 31 December 2017, if the tracked indices of the Products would increase by the 5% with all other variables held constant, this would impact the net assets of the Products by the amounts stated in the following table. Conversely, if the tracked index would decrease by 5%, this would inversely impact the net assets of the Products by approximately equal amounts.

##### As at 31 December 2018

	Futures fair value	% of net assets	Underlying index	Index movement	Impact on net assets
	US\$			%	US\$
<u>NDL</u>	(299,005)	(4.52)	NASDAQ-100 Index	5/(5)	(14,950)/14,950
<u>NDI</u>	311,163	1.14	NASDAQ-100 Index	5/(5)	15,558/(15,558)
	HK\$				HK\$
<u>HSIL</u>	1,630,231	2.94	Hang Seng Index	5/(5)	81,512/(81,512)
<u>HSII</u>	(1,577,197)	(1.06)	Hang Seng Index	5/(5)	(78,860)/78,860
<u>HSCEIL</u>	826,689	1.56	Hang Seng China Enterprises Index	5/(5)	41,334/(41,334)
<u>HSCEII</u>	(451,027)	(0.60)	Hang Seng China Enterprises Index	5/(5)	(22,551)/22,551

##### As at 31 December 2017

	Futures fair value	% of net assets	Underlying index	Index movement	Impact on net assets
	US\$			%	US\$
<u>NDL</u>	147,329	1.51	NASDAQ-100 Index	5/(5)	7,366/(7,366)
<u>NDI</u>	(36,177)	(0.72)	NASDAQ-100 Index	5/(5)	(1,809)/1,809
	HK\$				HK\$
<u>HSIL</u>	6,867,758	2.78	Hang Seng Index	5/(5)	343,388/(343,388)
<u>HSII</u>	(2,352,851)	(1.39)	Hang Seng Index	5/(5)	(117,643)/117,643
<u>HSCEIL</u>	2,641,998	1.64	Hang Seng China Enterprises Index	5/(5)	132,100/(132,100)
<u>HSCEII</u>	(1,239,161)	(0.83)	Hang Seng China Enterprises Index	5/(5)	(61,958)/61,958

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### (b) Market risk (continued)

###### (ii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates.

The majority financial assets and liabilities of NDL and NDI are non-interest-bearing and do not subject to significant interest rate risks.

The money market funds of HSIL, HSII, HSCEIL and HSCEII are subject to interest rate risks of 1.97% per annum as at 31 December 2018 (2017: annualised return of 0.44%). There was insignificant impact on net assets due to changes in market interest rates.

###### (iii) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

All Products' assets and liabilities are denominated in their functional currency, US\$ and HK\$. As a result, the Products were not exposed to significant currency risk as at 31 December 2018 and 31 December 2017.

##### (c) Credit risk

Credit risk is the risk of loss to the Products that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Products' financial assets which are potentially subject to credit risk consist principally of securities and cash and cash equivalents. The Products limit their exposure to credit risk by transacting with well-established broker-dealers and banks with high credit ratings.

All transactions in securities are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal as delivery of securities sold is 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.

The Manager's policy is to closely monitor the creditworthiness of the Products' counterparties (e.g., brokers, custodians and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

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

The Products' financial assets subject to the expected credit loss model within IFRS 9 are cash and cash equivalents and amounts due from brokers. As at 31 December 2018 and 31 December 2017, no loss allowance had been provided on cash and cash equivalents, amounts due from brokers and other receivables. It is considered that there is no concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the year.

For financial assets measured at amortised cost, the Products apply the general approach for impairment, there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. The financial assets therefore are still classified at stage 1 and presented in gross carrying amount.

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. All the Products' cash and cash equivalents are held in major financial institutions located in Hong Kong, which the Manager believes are of high credit quality. The Manager considers the Products are not exposed to significant credit risk and no loss allowance has been made.

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

The Products are exposed to credit risk on money market funds and derivatives assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under both IAS 39 (2017) and IFRS 9 (2018) represents the Products' 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.

**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2018**

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

**Financial assets not subject to IFRS 9's impairment requirements** (continued)

The Products' financial assets which are potentially subject to concentrations of counterparty risk consist principally of assets held with the Custodians. The tables below summarise the Products' assets placed with the Custodians and their related credit ratings from Moody's:

	<u>NDL</u>		<u>NDI</u>		<u>HSIL</u>	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$	2018 HK\$	2017 HK\$
<b><u>Custodians</u></b>						
<b>HSBC Institutional Trust Services (Asia) Limited</b>	-	-	-	-	11,368,011	64,910,088
Rating	-	-	-	-	A2	A2
Source of rating	-	-	-	-	Moody's	Moody's
<b>ADM Investor Services, Inc.</b>	-	147,329	311,163	-	-	-
Rating	-	A2	A2	-	-	-
Source of rating	-	Moody's	Moody's	-	-	-
<b>Morgan Stanley &amp; Co. Int'l plc.</b>	-	-	-	-	-	6,867,758
Rating	-	-	-	-	-	A1
Source of rating	-	-	-	-	-	Moody's
<b>UBS &amp; Co. Int'l plc.</b>	-	-	-	-	1,630,231	-
Rating	-	-	-	-	A3	-
Source of rating	-	-	-	-	Moody's	-

**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2018**

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

**Financial assets not subject to IFRS 9's impairment requirements (continued)**

	<u>HSII</u>		<u>HSCEIL</u>		<u>HSCEII</u>	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
<b><u>Custodians</u></b>						
<b>HSBC Institutional Trust Services (Asia) Limited</b>	41,099,563	47,772,347	14,865,579	46,198,905	20,935,666	42,284,080
Rating	A2	A2	A2	A2	A2	A2
Source of rating	Moody's	Moody's	Moody's	Moody's	Moody's	Moody's
<b>Morgan Stanley &amp; Co. Int'l plc.</b>	-	-	-	2,641,998	-	-
Rating	-	-	-	A1	-	-
Source of rating	-	-	-	Moody's	-	-
<b>UBS &amp; Co. Int'l plc.</b>	-	-	826,689	-	-	-
Rating	-	-	A3	-	-	-
Source of rating	-	-	Moody's	-	-	-

Accordingly, the Products have no significant credit risk. None of these financial assets is impaired nor past due but not impaired as at 31 December 2018.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

#### 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### (d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The Products invest the majority of their assets in investments that are traded in an active market and can be readily disposed of. The Products' securities are considered readily realisable, as they are listed. It is the intent of the Manager to monitor the Products' liquidity positions on a daily basis.

The expected liquidity of all financial assets held as at 31 December 2018 and 31 December 2017 and the contractual undiscounted cash-flow projection of all financial liabilities are within three months or less. The Products manage their liquidity risk by investing in securities that they expect to be able to liquidate within three months or less. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

##### (e) Capital risk management

The Products' capitals are represented by the net assets attributable to unitholders. The Products' objectives are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse of or twice the daily performance of the underlying index relevant to each product. The Manager may:

- redeem and issue new units in accordance with the constitutive documents of the Products; or
- suspend the creation and redemption of units under certain circumstance stipulated in the Trust Deed.

##### (f) Offsetting and amounts subject to master netting arrangements and similar agreements

The Products present the fair value of its derivative assets and liabilities on a gross basis, no such assets or liabilities have been offset in the statement of financial position. Certain derivative financial instruments are subject to enforceable master netting arrangements.

The arrangements allow for offsetting following an event of default, but not in the ordinary course of business, and the Products do not intend to settle these transactions on a net basis or settle the assets and liabilities on a simultaneous basis.

The tables below set out the carrying amounts of recognised financial assets and liabilities that are subject to the above arrangement, together with collateral held or pledged against these assets and liabilities as at 31 December 2018 and 31 December 2017:

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Offsetting and amounts subject to master netting arrangements and similar agreements (continued)

NDL

31 December 2018

	Gross carrying amounts before offsetting US\$	Amount offset in accordance with offsetting criteria US\$	Net amount presented in statement of financial position US\$	Effect of remaining rights of set-off that do not meet criteria for offsetting in the statement of financial position – cash and non-cash held as collateral US\$	Net exposure US\$
<b>Financial assets</b>					
Amount due from brokers	2,217,771	-	2,217,771	(299,005)	1,918,766
<b>Total</b>	<b>2,217,771</b>	<b>-</b>	<b>2,217,771</b>	<b>(299,005)</b>	<b>1,918,766</b>
<b>Financial liabilities</b>					
Derivatives	(299,005)	-	(299,005)	299,005	-
<b>Total</b>	<b>(299,005)</b>	<b>-</b>	<b>(299,005)</b>	<b>299,005</b>	<b>-</b>

31 December 2017

	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>					
Derivatives	147,329	-	147,329	-	147,329
Amount due from brokers	1,456,907	-	1,456,907	-	1,456,907
<b>Total</b>	<b>1,604,236</b>	<b>-</b>	<b>1,604,236</b>	<b>-</b>	<b>1,604,236</b>

NDI

31 December 2018

<b>Financial assets</b>					
Derivatives	311,163	-	311,163	-	311,163
Amount due from brokers	1,877,577	-	1,877,577	-	1,877,577
<b>Total</b>	<b>2,188,740</b>	<b>-</b>	<b>2,188,740</b>	<b>-</b>	<b>2,188,740</b>

31 December 2017

<b>Financial assets</b>					
Amount due from brokers	688,780	-	688,780	(36,177)	652,603
<b>Total</b>	<b>688,780</b>	<b>-</b>	<b>688,780</b>	<b>(36,177)</b>	<b>652,603</b>
<b>Financial liabilities</b>					
Derivatives	(36,177)	-	(36,177)	36,177	-
<b>Total</b>	<b>(36,177)</b>	<b>-</b>	<b>(36,177)</b>	<b>36,177</b>	<b>-</b>

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2018

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Offsetting and amounts subject to master netting arrangements and similar agreements (continued)

HSIL

31 December 2018

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off that do not meet criteria for offsetting in the statement of financial position – cash and non-cash held as collateral	Net exposure
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Financial assets</b>					
Derivatives	1,630,231	-	1,630,231	-	1,630,231
Amount due from brokers	8,931,299	-	8,931,299	-	8,931,299
<b>Total</b>	<b>10,561,530</b>	<b>-</b>	<b>10,561,530</b>	<b>-</b>	<b>10,561,530</b>

31 December 2017

<b>Financial assets</b>					
Derivatives	6,867,758	-	6,867,758	-	6,867,758
Amount due from brokers	34,164,236	-	34,164,236	-	34,164,236
<b>Total</b>	<b>41,031,994</b>	<b>-</b>	<b>41,031,994</b>	<b>-</b>	<b>41,031,994</b>

HSII

31 December 2018

<b>Financial assets</b>					
Amount due from brokers	13,942,400	-	13,942,400	(1,577,197)	12,365,203
<b>Total</b>	<b>13,942,400</b>	<b>-</b>	<b>13,942,400</b>	<b>(1,577,197)</b>	<b>12,365,203</b>

**Financial  
liabilities**

Derivatives	(1,577,197)	-	(1,577,197)	1,577,197	-
<b>Total</b>	<b>(1,577,197)</b>	<b>-</b>	<b>(1,577,197)</b>	<b>1,577,197</b>	<b>-</b>

31 December 2017

<b>Financial assets</b>					
Amount due from brokers	15,197,707	-	15,197,707	(2,352,851)	12,844,856
<b>Total</b>	<b>15,197,707</b>	<b>-</b>	<b>15,197,707</b>	<b>(2,352,851)</b>	<b>12,844,856</b>

**Financial  
liabilities**

Derivatives	(2,352,851)	-	(2,352,851)	2,352,851	-
<b>Total</b>	<b>(2,352,851)</b>	<b>-</b>	<b>(2,352,851)</b>	<b>2,352,851</b>	<b>-</b>



**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2018**

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Offsetting and amounts subject to master netting arrangements and similar agreements (continued)

HSCEIL

31 December 2018

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off that do not meet criteria for offsetting in the statement of financial position – cash and non-cash held as collateral	Net exposure
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Financial assets</b>					
Derivatives	826,689	-	826,689	-	826,689
Amount due from brokers	8,847,398	-	8,847,398	-	8,847,398
<b>Total</b>	<b>9,674,087</b>	<b>-</b>	<b>9,674,087</b>	<b>-</b>	<b>9,674,087</b>

31 December 2017

**Financial assets**

Derivatives	2,641,998	-	2,641,998	-	2,641,998
Amount due from brokers	29,484,885	-	29,484,885	-	29,484,885
<b>Total</b>	<b>32,126,883</b>	<b>-</b>	<b>32,126,883</b>	<b>-</b>	<b>32,126,883</b>

HSCEII

31 December 2018

**Financial assets**

Amount due from brokers	6,134,289	-	6,134,289	(451,027)	5,683,262
<b>Total</b>	<b>6,134,289</b>	<b>-</b>	<b>6,134,289</b>	<b>(451,027)</b>	<b>5,683,262</b>

**Financial  
liabilities**

Derivatives	(451,027)	-	(451,027)	451,027	-
<b>Total</b>	<b>(451,027)</b>	<b>-</b>	<b>(451,027)</b>	<b>451,027</b>	<b>-</b>

31 December 2017

**Financial assets**

Amount due from brokers	13,035,648	-	13,035,648	(1,239,161)	11,796,487
<b>Total</b>	<b>13,035,648</b>	<b>-</b>	<b>13,035,648</b>	<b>(1,239,161)</b>	<b>11,796,487</b>

**Financial  
liabilities**

Derivatives	(1,239,161)	-	(1,239,161)	1,239,161	-
<b>Total</b>	<b>(1,239,161)</b>	<b>-</b>	<b>(1,239,161)</b>	<b>1,239,161</b>	<b>-</b>

## **CHINAAMC LEVERAGED/INVERSE SERIES**

### **NOTES TO FINANCIAL STATEMENTS**

**31 December 2018**

#### **17. SEGMENT INFORMATION**

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

The Manager considers that each product have a single operating segment which is investing in futures as the Manager adopts a futures-based replication investment strategy to achieve the investment objectives of the respective Products' segment. The objectives of the Products are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse of or twice the daily performance of the underlying index relevant to each product.

The internal financial information used by the Manager for the Products' assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

There were no changes in the reportable segment during the year.

The Products are domiciled in Hong Kong. All of the Products' income is derived from investments in financial assets and financial liabilities at fair value through profit or loss. The Products have no assets or liabilities classified as non-current.

#### **18. EVENTS AFTER THE REPORTING PERIOD**

During the period between the year ended 31 December 2018 and date of authorisation of these financial statements, there were subscriptions of 15,100,000 units of NDI, 17,000,000 units of HSIL and nil for NDL, HSII, HSCEIL and HSCEII. No redemption of all the Products.

#### **19. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Manager and the Trustee on 24 April 2019.

## CHINAAMC LEVERAGED/INVERSE SERIES

### INVESTMENT PORTFOLIO

As at 31 December 2018

NDL

	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u> US\$	<u>% of NAV</u>
<b>Futures contracts</b>				
NASDAQ 100 E-MINI MAR 15/03/2019	15 March 2019	104	(299,005)	(4.52)
<b>Total future contracts</b>			<u>(299,005)</u>	<u>(4.52)</u>
<b>Total derivative financial instruments, at fair value (Total investments, at cost: Nil)</b>			(299,005)	(4.52)
<b>Other net assets</b>			6,915,283	104.52
<b>Net asset attributable to unitholders</b>			<u>6,616,278</u>	<u>100.00</u>

NDI

	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u> US\$	<u>% of NAV</u>
<b>Futures contracts</b>				
NASDAQ 100 E-MINI MAR 15/03/2019	15 March 2019	(218)	311,163	1.14
<b>Total future contracts</b>			<u>311,163</u>	<u>1.14</u>
<b>Total derivative financial instruments, at fair value (Total investments, at cost: Nil)</b>			311,163	1.14
<b>Other net assets</b>			27,014,778	98.86
<b>Net asset attributable to unitholders</b>			<u>27,325,941</u>	<u>100.00</u>

HSIL

		<u>Holdings</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
<b>Money market instrument</b>				
UBS (IRL) SELECT MONEY MARKET FUND		14,186	11,368,011	20.50
<b>Total money market instrument</b>			<u>11,368,011</u>	<u>20.50</u>
<b>Futures contracts</b>				
HANG SENG IDX FUT JAN 30/01/2019	30 January 2019	85	1,630,231	2.94
<b>Total future contracts</b>			<u>1,630,231</u>	<u>2.94</u>
<b>Total derivative financial instruments, at fair value (Total investments, at cost: HK\$11,122,308)</b>			1,630,231	2.94
<b>Other net assets</b>			42,466,593	76.56
<b>Net asset attributable to unitholders</b>			<u>55,464,835</u>	<u>100.00</u>

## CHINAAMC LEVERAGED/INVERSE SERIES

### INVESTMENT PORTFOLIO (continued)

As at 31 December 2018

#### HSII

		<u>Holding</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
<b>Money market instrument</b>				
UBS (IRL) SELECT MONEY MARKET FUND		51,287	41,099,563	27.60
<b>Total money market instrument</b>			<u>41,099,563</u>	<u>27.60</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
<b>Futures contracts</b>				
HANG SENG IDX FUT JAN 30/01/2019	30 January 2019	(118)	(1,577,197)	(1.06)
<b>Total future contracts</b>			<u>(1,577,197)</u>	<u>(1.06)</u>
<b>Total derivative financial instruments, at fair value</b>			(1,577,197)	(1.06)
<b>(Total investments, at cost: HK\$40,186,555)</b>				
<b>Other net assets</b>			109,377,697	73.46
<b>Net asset attributable to unitholders</b>			<u>148,900,063</u>	<u>100.00</u>

#### HSCEIL

		<u>Holding</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
<b>Money market instrument</b>				
UBS (IRL) SELECT MONEY MARKET FUND		18,551	14,865,579	27.98
<b>Total money market instrument</b>			<u>14,865,579</u>	<u>27.98</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
<b>Futures contracts</b>				
HSCEI FUT JAN 30/01/2019	30 January 2019	209	826,689	1.56
<b>Total future contracts</b>			<u>826,689</u>	<u>1.56</u>
<b>Total derivative financial instruments, at fair value</b>			826,689	1.56
<b>(Total investments, at cost: HK\$14,532,278)</b>				
<b>Other net assets</b>			37,439,020	70.46
<b>Net asset attributable to unitholders</b>			<u>53,131,288</u>	<u>100.00</u>

**CHINAAMC LEVERAGED/INVERSE SERIES**

**INVESTMENT PORTFOLIO (continued)**

As at 31 December 2018

HSCEI

		<u> Holding </u>	<u> Fair value </u> <u> HK\$ </u>	<u> % of NAV </u>
<b>Money market instrument</b>				
UBS (IRL) SELECT MONEY MARKET FUND		26,125	20,935,666	27.85
<b>Total money market instrument</b>			<u>20,935,666</u>	<u>27.85</u>
	<u> Expiration date </u>	<u> Contracts </u>	<u> Fair value </u>	<u> % of NAV </u>
<b>Futures contracts</b>				
HSCEI FUT JAN 30/01/2019	30 January 2019	(151)	(451,027)	(0.60)
<b>Total future contracts</b>			<u>(451,027)</u>	<u>(0.60)</u>
<b>Total derivative financial instruments, at fair value</b>			(451,027)	(0.60)
<b>(Total investments, at cost: HK\$20,468,732)</b>				
<b>Other net assets</b>			<u>54,679,777</u>	<u>72.75</u>
<b>Net asset attributable to unitholders</b>			<u>75,164,416</u>	<u>100.00</u>

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO

Year ended 31 December 2018

#### NDL

Investments	Holdings as at 1 January 2018	Additions	Disposals	Holdings as at 31 December 2018
<b>Future contracts</b>				
NASDAQ 100 E-MINI FUT MAR 16/03/2018	154	47	(201)	-
NASDAQ 100 E-MINI FUT JUN 15/06/2018	-	198	(198)	-
NASDAQ 100 E-MINI FUT SEP 21/09/2018	-	194	(194)	-
NASDAQ 100 E-MINI FUT DEC 21/12/2018	-	190	(190)	-
NASDAQ 100 E-MINI MAR 15/03/2019	-	116	(12)	104

#### NDI

Investments	Holdings as at 1 January 2018	Additions	Disposals	Holdings as at 31 December 2018
<b>Future contracts</b>				
NASDAQ 100 E-MINI FUT MAR 16/03/2018	(39)	198	(159)	-
NASDAQ 100 E-MINI FUT JUN 15/06/2018	-	50	(50)	-
NASDAQ 100 E-MINI FUT SEP18 21/09/2018	-	54	(54)	-
NASDAQ 100 E-MINI FUT DEC 21/12/2018	-	346	(346)	-
NASDAQ 100 E-MINI MAR 15/03/2019	-	70	(288)	(218)

#### HSIL

Investments	Holdings as at 1 January 2018	Additions	Disposals	Holdings as at 31 December 2018
<b>Money Market Instrument</b>				
UBS (IRL) SELECT MONEY MARKET FUND	82,739	3,447	(72,000)	14,186
<b>Futures contracts</b>				
HANG SENG IDX FUT JAN 30/01/2018	330	31	(361)	-
HANG SENG IDX FUT FEB 27/02/2018	-	325	(325)	-
HANG SENG IDX FUT MAR 28/03/2018	-	569	(569)	-
HANG SENG IDX FUT APR 27/04/2018	-	280	(280)	-
HANG SENG IDX FUT MAY 30/05/2018	-	279	(279)	-
HANG SENG IDX FUT JUN 28/06/2018	-	258	(258)	-
HANG SENG IDX FUT JUL 30/07/2018	-	244	(244)	-
HANG SENG IDX FUT AUG 30/08/2018	-	217	(217)	-
HANG SENG IDX FUT SEP 27/09/2018	-	116	(116)	-
HANG SENG IDX FUT OCT 30/10/2018	-	113	(113)	-
HANG SENG IDX FUT NOV 29/11/2018	-	97	(97)	-
HANG SENG IDX FUT DEC 28/12/2018	-	96	(96)	-
HANG SENG IDX FUT JAN 30/01/2019	-	86	(1)	85

**CHINAAMC LEVERAGED/INVERSE SERIES**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (continued)**

**Year ended 31 December 2018**

**HSII**

<b>Investments</b>	<b>Holdings as at 1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Holdings as at 31 December 2018</b>
<b>Money Market Instrument</b>				
UBS (IRL) SELECT MONEY MARKET FUND	60,894	6,893	(16,500)	51,287
<b>Futures contracts</b>				
HANG SENG IDX FUT JAN 30/01/2018	(112)	114	(2)	-
HANG SENG IDX FUT FEB 27/02/2018	-	128	(128)	-
HANG SENG IDX FUT MAR 28/03/2018	-	238	(238)	-
HANG SENG IDX FUT APR 27/04/2018	-	138	(138)	-
HANG SENG IDX FUT MAY 30/05/2018	-	136	(136)	-
HANG SENG IDX FUT JUN 28/06/2018	-	125	(125)	-
HANG SENG IDX FUT JUL 30/07/2018	-	127	(127)	-
HANG SENG IDX FUT AUG 30/08/2018	-	156	(156)	-
HANG SENG IDX FUT SEP 27/09/2018	-	141	(141)	-
HANG SENG IDX FUT OCT 30/10/2018	-	169	(169)	-
HANG SENG IDX FUT NOV 29/11/2018	-	169	(169)	-
HANG SENG IDX FUT DEC 28/12/2018	-	142	(142)	-
HANG SENG IDX FUT JAN 30/01/2019	-	2	(120)	(118)

**HSCEIL**

<b>Investments</b>	<b>Holdings as at 1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Holdings as at 31 December 2018</b>
<b>Money Market Instrument</b>				
UBS (IRL) SELECT MONEY MARKET FUND	58,889	2,462	(42,800)	18,551
<b>Futures contracts</b>				
H-SHARES IDX FUT JAN 30/01/2018	549	79	(628)	-
H-SHARES IDX FUT FEB 27/02/2018	-	565	(565)	-
HSCEI FUT MAR 28/03/2018	-	1,027	(1,027)	-
HSCEI FUT APR 27/04/2018	-	523	(523)	-
HSCEI FUT MAY 30/05/2018	-	512	(512)	-
HSCEI FUT JUN 28/06/2018	-	461	(461)	-
HSCEI FUT JUL 30/07/2018	-	393	(393)	-
HSCEI FUT AUG 30/08/2018	-	421	(421)	-
HSCEI FUT SEP 27/09/2018	-	258	(258)	-
HSCEI FUT OCT 30/10/2018	-	256	(256)	-
HSCEI FUT NOV 29/11/2018	-	245	(245)	-
HSCEI FUT DEC 28/12/2018	-	240	(240)	-
HSCEI FUT JAN 30/01/2019	-	211	(2)	209

**CHINAAMC LEVERAGED/INVERSE SERIES**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (continued)**

**Year ended 31 December 2018**

**HSCEII**

Investments	Holdings as at 1 January 2018	Additions	Disposals	Holdings as at 31 December 2018
<b>Money Market Instrument</b>				
UBS (IRL) SELECT MONEY MARKET FUND	53,899	4,726	(32,500)	26,125
<b>Futures contracts</b>				
H-SHARES IDX FUT JAN 30/01/2018	(256)	264	(8)	-
H-SHARES IDX FUT FEB 27/02/2018	-	285	(285)	-
HSCEI FUT MAR 28/03/2018	-	517	(517)	-
HSCEI FUT APR 27/04/2018	-	296	(296)	-
HSCEI FUT MAY 30/05/2018	-	288	(288)	-
HSCEI FUT JUN 28/06/2018	-	267	(267)	-
HSCEI FUT JUL 30/07/2018	-	293	(293)	-
HSCEI FUT AUG 30/08/2018	-	293	(293)	-
HSCEI FUT SEP 27/09/2018	-	213	(213)	-
HSCEI FUT OCT 30/10/2018	-	246	(246)	-
HSCEI FUT NOV 29/11/2018	-	234	(234)	-
HSCEI FUT DEC 28/12/2018	-	192	(192)	-
HSCEI FUT JAN 30/01/2019	-	2	(153)	(151)



## CHINAAMC LEVERAGED/INVERSE SERIES

### PERFORMANCE RECORD

#### NET ASSET VALUE (calculated in accordance with the prospectus)

		<u>2018</u>		<u>2017</u>	
		Net asset value	Net asset value per unit	Net asset value	Net asset value per unit
NDL	US\$	6,706,641	2.9159	9,905,317	3.3018
NDI	US\$	27,416,304	1.3988	5,135,785	1.4674
HSIL	HK\$	55,799,143	9.4575	247,615,260	12.8966
HSII	HK\$	149,234,371	6.5742	169,391,800	6.0932
HSCEIL	HK\$	53,465,596	7.7486	161,308,454	10.6827
HSCEII	HK\$	75,498,724	7.0560	150,395,750	6.5963

#### HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT\*

		<u>2018</u>		<u>2017</u>	
		Highest issue price per unit	Lowest redemption price per unit	Highest issue price per unit	Lowest redemption price per unit
NDL <sup>1</sup>	US\$	4.4870	2.5395	3.4340	1.9860
NDI <sup>1</sup>	US\$	1.5106	1.1871	1.9815	1.4407
HSIL <sup>2</sup>	HK\$	15.7585	8.7090	13.1018	7.9711
HSII <sup>2</sup>	HK\$	6.9712	5.4940	8.0125	6.0728
HSCEIL <sup>2</sup>	HK\$	14.6426	7.6066	11.2303	7.4430
HSCEII <sup>2</sup>	HK\$	7.1872	5.5933	8.2265	6.4798

#### COMPARISON OF THE PRODUCTS PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE\*

	<u>2018</u>		<u>2017</u>	
	Index performance (%)	Product performance (%)	Index performance (%)	Product performance (%)
NDL <sup>1</sup> **	0.04%	-12.26%	33.11%	67.74%
NDI <sup>1</sup> ***	0.04%	-3.35%	33.11%	-26.61%
HSIL <sup>2</sup> **	-10.55%	-26.86%	29.83%	61.50%
HSII <sup>2</sup> ***	-10.55%	-7.73%	29.83%	-24.00%
HSCEIL <sup>2</sup> **	-10.00%	-27.25%	18.06%	32.18%
HSCEII <sup>2</sup> ***	-10.00%	6.67%	18.06%	-17.19%

\*Past performance figures shown are not indicative of the future performance of the Products.

\*\*These leveraged products seek to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of the leveraged products may not correspond to two times the return of the underlying index over a one-year or any year beyond one day.

\*\*\*These inverse products seek to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of the inverse products may not correspond to the opposite return of the underlying index over a one-year or any year beyond one day.

<sup>1</sup> Period from 28 September 2016 (date of inception) to 31 December 2017

<sup>2</sup> Period from 14 March 2017 (date of inception) to 31 December 2017

