

## **ChinaAMC Leveraged/Inverse Series**

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

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

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

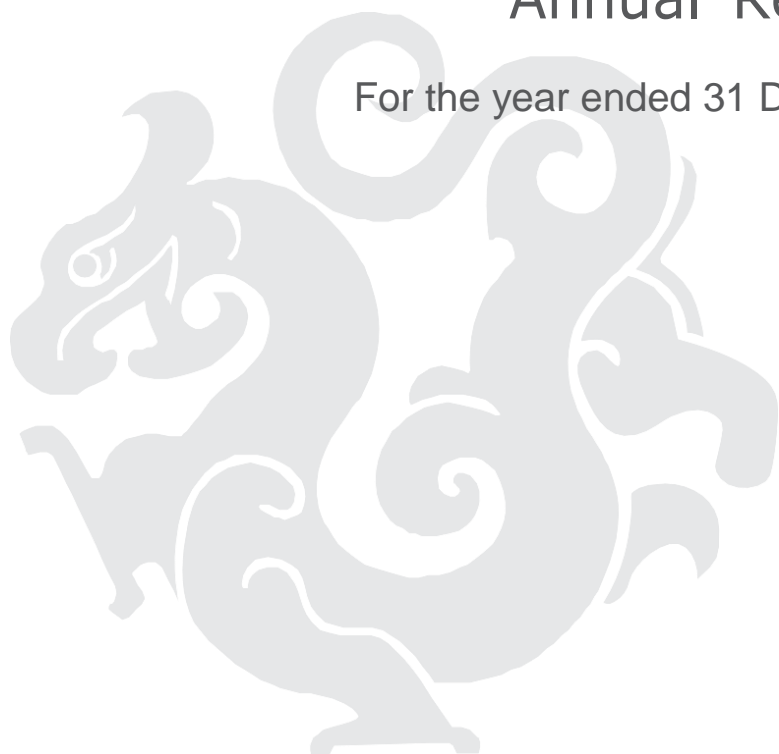
**CHINAAMC DIREXION HANG SENG INDEX DAILY (-1x)  
INVERSE PRODUCT (Stock Code: 7321)**

**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 2019



**华夏基金**  
**ChinaAMC**

## **ANNUAL REPORT**

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

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

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 2019

(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  
Li Yimei  
Li Fung Ming (name changed from Li Min  
on 5 December 2019)

#### 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, NY10019  
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  
30/F, One Taikoo Place  
979 King's Road, 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 Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product)**
- **ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product (formerly known as 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

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

## 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.  
50/F, 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 Asia 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 Index Daily (2X) Leveraged Product

---a product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product) (the "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 (the "SEHK") like stocks. It is a futures-based product which invests directly in the E-Mini NASDAQ 100 futures (the "E-mini NASDAQ 100 Futures") which are traded on the Chicago Mercantile Exchange (the "CME") so as to give NDL twice the daily performance of the NASDAQ100 Index (the "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 (the "NAV"), except under extreme circumstances. 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) will be invested in cash (US\$) and other US\$ denominated investment products, such as deposits with banks in Hong Kong and money market funds authorised by the Securities and Futures Commission (the "SFC") 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 in below (total returns in respective currency<sup>1,2,3</sup>):

	1-Month	3-Month	Since Launch <sup>4</sup>
The NAS100	3.99%	12.99%	85.69%
NDL (NAV-to-NAV)	7.08%	24.83%	157.89%
NDL (Market-to-Market)	6.23%	24.53%	157.71%

##### Activities of NDL

According to Bloomberg, the average daily trading volume of NDL was approximately 8,550.41 units from 1 January 2019 to 31 December 2019. As of 31 December 2019, there were 2,000,000 units outstanding.

<sup>1</sup> Source: Bloomberg, as of 31 December 2019.

<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 Index Daily (-1x) Inverse Product

--- a product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product) (the "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 money market funds authorised by the SFC 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 in below (total returns in respective currency<sup>5,6,7</sup>):

	1-Month	3-Month	Since Launch <sup>8</sup>
The NAS100	3.99%	12.99%	85.69%
NDI (NAV-to-NAV)	-3.20%	-11.39%	-50.18%
NDI (Market-to-Market)	-4.70%	-12.40%	-50.26%

##### Activities of NDI

According to Bloomberg, the average daily trading volume of NDI was approximately 244,590.14 units from 1 January 2019 to 31 December 2019. As of 31 December 2019, there were 30,900,000 units outstanding.

<sup>5</sup> Source: Bloomberg, as of 31 December 2019.

<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 (the "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 (the "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 (the "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 money market funds authorised by the SFC 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 in below (total returns in respective currency<sup>9,10,11</sup>):

	1-Month	3-Month	Since Launch <sup>12,13</sup>
The HSI	7.02%	8.35%	31.25%
HSIL (NAV-to-NAV)	13.69%	14.66%	38.02%
HSIL (Market-to-Market)	13.29%	15.06%	37.50%

##### Activities of HSIL

According to Bloomberg, the average daily trading volume of HSIL was approximately 14,769.59 units from 1 January 2019 to 31 December 2019. As of 31 December 2019, there were 3,200,000 units outstanding.

<sup>9</sup> Source: Bloomberg, as of 31 December 2019.

<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 (the "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 money market funds authorised by the SFC 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 HSIL is in below (total returns in respective currency<sup>14,15,16</sup>):

	1-Month	3-Month	Since Launch <sup>17,18</sup>
The HSI	7.02%	8.35%	31.25%
HSIL (NAV-to-NAV)	-7.07%	-8.56%	-28.66%
HSIL (Market-to-Market)	-7.17%	-8.65%	-28.75%

##### Activities of HSII

According to Bloomberg, the average daily trading volume of HSII was approximately 118,887.98 units from 1 January 2019 to 31 December 2019. As of 31 December 2019, there were 13,200,000 units outstanding.

<sup>14</sup> Source: Bloomberg, as of 31 December 2019.

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

<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 (the "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 (the "HSCEI Futures") which are traded on the HKFE so as to give HSCEIL twice the daily performance of the Hang Seng China Enterprises Index (the "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 money market funds authorised by the SFC 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 in below (total returns in respective currency<sup>19,20,21</sup>):

	1-Month	3-Month	Since Launch <sup>22,23</sup>
The HSCEI	8.43%	9.51%	21.67%
HSCEIL (NAV-to-NAV)	16.98%	16.98%	14.81%
HSCEIL (Market-to-Market)	16.23%	16.96%	14.36%

##### Activities of HSCEIL

According to Bloomberg, the average daily trading volume of HSCEIL was approximately 9,840.00 units from 1 January 2019 to 31 December 2019. As of 31 December 2019, there were 5,500,000 units outstanding.

<sup>19</sup> Source: Bloomberg, as of 31 December 2019.

<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 (the "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 money market funds authorised by the SFC 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 in below (total returns in respective currency<sup>24,25,26</sup>):

	1-Month	3-Month	Since Launch <sup>27,28</sup>
The HSCEI	8.43%	9.51%	21.67%
HSCEIL (NAV-to-NAV)	-8.57%	-9.75%	-24.82%
HSCEIL (Market-to-Market)	-8.42%	-10.08%	-24.97%

<sup>24</sup> Source: Bloomberg, as of 31 December 2019.

<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 22,103.56 units from 1 January 2019 to 31 December 2019. As of 31 December 2019, there were 4,600,000 units outstanding.

China Asset Management (Hong Kong) Limited  
9 April 2020

## **CHINAAMC LEVERAGED/INVERSE SERIES**

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

To the unitholders of

ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product)

ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product (formerly known as 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 2019.

For and on behalf of

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

9 April 2020

## 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 Index Daily (2x) Leveraged Product ("NDL") (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product), ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product ("NDI") (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product), 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 2019, the Trust has established with seven 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 Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product), ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product (formerly known as 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 Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product), ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product (formerly known as 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 73 which comprise the statements of financial position as at 31 December 2019, 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 2019, 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 Index Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Index 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.

Key audit matter	How our audit addressed the key audit matter				
<i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i>					
As at 31 December 2019, the investments held by each of the Products mainly comprised exchange traded futures traded on Hong Kong Futures Exchange Limited and investment funds, namely UBS (Irl) Select Money Market Fund and ChinaAMC Select Money Market Fund ("Money Market Funds") in their respective financial statements, which were valued at:	We obtained independent confirmation from the brokers and custodian of each of the investment portfolio held at 31 December 2019, and agreed the quantities held to the Products' accounting records. We evaluated the design and tested the operating effectiveness of financial instrument valuation controls. In addition, we tested 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 at 31 December 2019.				
<table border="1"> <tr> <td>ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product</td> <td>Exchange traded futures: US\$525,481</td> </tr> <tr> <td></td> <td>Money Market Funds: US\$3,773,341</td> </tr> </table>		ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product	Exchange traded futures: US\$525,481		Money Market Funds: US\$3,773,341
ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product		Exchange traded futures: US\$525,481			
		Money Market Funds: US\$3,773,341			
<table border="1"> <tr> <td>ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product</td> <td>Exchange traded futures: (US\$792,183)</td> </tr> <tr> <td></td> <td>Money Market Funds: US\$11,503,379</td> </tr> </table>	ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product	Exchange traded futures: (US\$792,183)		Money Market Funds: US\$11,503,379	
ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product	Exchange traded futures: (US\$792,183)				
	Money Market Funds: US\$11,503,379				
<table border="1"> <tr> <td>ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product</td> <td>Exchange traded futures: HK\$630,842</td> </tr> <tr> <td></td> <td>Money Market Funds: HK\$13,263,121</td> </tr> </table>	ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$630,842		Money Market Funds: HK\$13,263,121	
ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$630,842				
	Money Market Funds: HK\$13,263,121				



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

**To the unitholders of ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Index 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)

Key audit matter		How our audit addressed the key audit matter
<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\$714,974)  Money Market Funds: HK\$28,154,706	In addition, we evaluated the reasonableness of the fair value hierarchy by checking whether active markets and quoted prices exist for the financial assets and liabilities.  Moreover, we assessed the adequacy of disclosures relating to the fair value of financial instruments, as set out in notes 14 to 16 to the financial statements, against the requirements of IFRS.
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$1,156,665  Money Market Funds: HK\$18,136,739	
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product	Exchange traded futures: (HK\$299,770)  Money Market Funds: HK\$10,287,437	
<p>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.</p> <p>Refer to disclosures on fair values of financial instruments in notes 14 to 16 to the financial statements.</p>		

**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 Index Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Index 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 Index Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Index 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)

## **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 skepticism 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 Index Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Index 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)

**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 Man Kin.

Certified Public Accountants  
Hong Kong  
9 April 2020

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		<u>NDL</u>		<u>NDI</u>		<u>HSIL</u>	
	Notes	2019 US\$	2018 US\$	2019 US\$	2018 US\$	2019 HK\$	2018 HK\$
<b>ASSETS</b>							
Financial assets at fair value through profit or loss	14, 15	4,298,822	-	11,503,379	311,163	13,893,963	12,998,242
Cash and cash equivalents	7	4,893,634	4,773,243	17,287,137	25,229,562	16,161,532	34,306,686
Amounts due from brokers	8	1,137,929	2,217,771	2,760,058	1,877,577	5,335,704	8,931,299
Prepayments and other receivables		15,343	-	4,659	-	13,271	-
<b>TOTAL ASSETS</b>		<u>10,345,728</u>	<u>6,991,014</u>	<u>31,555,233</u>	<u>27,418,302</u>	<u>35,404,470</u>	<u>56,236,227</u>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	14, 15	-	299,005	792,183	-	-	-
Amounts due to brokers	8	-	-	4,590	-	-	-
Auditor's remuneration payable		10,000	10,000	10,000	10,000	80,000	79,830
Management fee payable	6(a)	9,112	6,038	27,290	23,694	37,169	47,807
Trustee fee payable	6(b)	3,156	3,032	3,308	3,059	12,099	23,654
Other payables and accruals		37,748	56,661	40,826	55,608	261,802	620,101
<b>TOTAL LIABILITIES</b>		<u>60,016</u>	<u>374,736</u>	<u>878,197</u>	<u>92,361</u>	<u>391,070</u>	<u>771,392</u>
<b>EQUITY</b>							
Net assets attributable to unitholders	5	<u>10,285,712</u>	<u>6,616,278</u>	<u>30,677,036</u>	<u>27,325,941</u>	<u>35,013,400</u>	<u>55,464,835</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>10,345,728</u>	<u>6,991,014</u>	<u>31,555,233</u>	<u>27,418,302</u>	<u>35,404,470</u>	<u>56,236,227</u>
Number of units in issue	5	<u>2,000,000</u>	<u>2,300,000</u>	<u>30,900,000</u>	<u>19,600,000</u>	<u>3,200,000</u>	<u>5,900,000</u>
Net asset value per unit	5	<u>5.1429</u>	<u>2.8766</u>	<u>0.9928</u>	<u>1.3942</u>	<u>10.9417</u>	<u>9.4008</u>

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF FINANCIAL POSITION (continued)

As at 31 December 2019

		<u>HSII</u>		<u>HSCEIL</u>		<u>HSCEII</u>	
	Notes	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$
<b>ASSETS</b>							
Financial assets at fair value through profit or loss	14, 15	28,154,706	41,099,563	19,293,404	15,692,268	10,287,437	20,935,666
Cash and cash equivalents	7	41,573,550	96,246,324	25,586,583	29,267,703	15,263,802	49,283,765
Amounts due from brokers	8	6,635,051	13,942,400	6,223,825	8,847,398	2,438,055	6,134,289
Prepayments and other receivables		15,303	-	13,616	-	13,704	200
<b>TOTAL ASSETS</b>		<u>76,378,610</u>	<u>151,288,287</u>	<u>51,117,428</u>	<u>53,807,369</u>	<u>28,002,998</u>	<u>76,353,920</u>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	14, 15	714,974	1,577,197	-	-	299,770	451,027
Amounts due to brokers	8	20,488	-	-	-	-	-
Auditor's remuneration payable		80,000	79,830	80,000	79,830	80,000	79,830
Management fee payable	6(a)	87,679	127,913	41,355	47,180	38,724	65,616
Trustee fee payable	6(b)	12,284	23,654	12,098	23,654	12,098	23,654
Other payables and accruals		265,103	579,630	259,873	525,417	262,373	569,377
<b>TOTAL LIABILITIES</b>		<u>1,180,528</u>	<u>2,388,224</u>	<u>393,326</u>	<u>676,081</u>	<u>692,965</u>	<u>1,189,504</u>
<b>EQUITY</b>							
Net assets attributable to unitholders	5	<u>75,198,082</u>	<u>148,900,063</u>	<u>50,724,102</u>	<u>53,131,288</u>	<u>27,310,033</u>	<u>75,164,416</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>76,378,610</u>	<u>151,288,287</u>	<u>51,117,428</u>	<u>53,807,369</u>	<u>28,002,998</u>	<u>76,353,920</u>
Number of units in issue	5	<u>13,200,000</u>	<u>22,700,000</u>	<u>5,500,000</u>	<u>6,900,000</u>	<u>4,600,000</u>	<u>10,700,000</u>
Net asset value per unit	5	<u>5.6968</u>	<u>6.5595</u>	<u>9.2226</u>	<u>7.7002</u>	<u>5.9370</u>	<u>7.0247</u>

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	<u>NDL</u>		<u>NDI</u>		<u>HSIL</u>	
		2019 US\$	2018 US\$	2019 US\$	2018 US\$	2019 HK\$	2018 HK\$
<b>INCOME</b>							
Interest income		44,904	48,434	237,213	65,266	102,445	129,532
		<u>44,904</u>	<u>48,434</u>	<u>237,213</u>	<u>65,266</u>	<u>102,445</u>	<u>129,532</u>
<b>EXPENSES</b>							
Management fee	6(a)	(92,571)	(99,471)	(374,907)	(99,564)	(584,890)	(1,402,346)
Trustee fee	6(b)	(36,000)	(30,092)	(45,468)	(29,219)	(165,716)	(277,602)
Accounting and professional fees	6(c)	(9,000)	(9,183)	(9,000)	(9,183)	(69,001)	(70,216)
Auditor's remuneration		(10,000)	(10,368)	(10,000)	(10,368)	(80,000)	(81,433)
Legal fees		(2,578)	-	(2,578)	-	(20,100)	(26,598)
Safe custody and bank charges	6(d)	(552)	-	(2,314)	-	(3,459)	(10,134)
Brokerage and other transaction fees	6(e), 12	(7,038)	(8,385)	(15,350)	(8,426)	(115,116)	(263,526)
Other operating expenses		(50,249)	(39,337)	(78,504)	(42,033)	(560,765)	(264,794)
		<u>(207,988)</u>	<u>(196,836)</u>	<u>(538,121)</u>	<u>(198,793)</u>	<u>(1,599,047)</u>	<u>(2,396,649)</u>
<b>LOSSES BEFORE INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES</b>		(163,084)	(148,402)	(300,908)	(133,527)	(1,496,602)	(2,267,117)
<b>INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES</b>							
Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss		4,426,283	315,129	(11,032,712)	1,294,747	10,502,559	(20,979,892)
Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss		870,614	(446,334)	(921,440)	347,340	(1,073,857)	(5,254,612)
Foreign exchange gains/(losses)		(229)	502	(1,015)	90	(48,215)	74,593
		<u>5,296,668</u>	<u>(130,703)</u>	<u>(11,955,167)</u>	<u>1,642,177</u>	<u>9,380,487</u>	<u>(26,159,911)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>5,133,584</u>	<u>(279,105)</u>	<u>(12,256,075)</u>	<u>1,508,650</u>	<u>7,883,885</u>	<u>(28,427,028)</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 2019

	Notes	<u>HSII</u>		<u>HSCEIL</u>		<u>HSCEII</u>	
		2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$
<b>INCOME</b>							
Interest income		<u>180,596</u>	<u>65,650</u>	<u>65,269</u>	<u>76,443</u>	<u>111,394</u>	<u>67,641</u>
		<u>180,596</u>	<u>65,650</u>	<u>65,269</u>	<u>76,443</u>	<u>111,394</u>	<u>67,641</u>
<b>EXPENSES</b>							
Management fee	6(a)	(1,333,832)	(1,622,038)	(562,481)	(1,051,276)	(632,602)	(1,216,686)
Trustee fee	6(b)	(185,237)	(261,524)	(165,716)	(260,850)	(165,716)	(256,630)
Accounting and professional fees	6(c)	(69,000)	(70,216)	(69,000)	(70,216)	(69,000)	(70,216)
Auditor's remuneration		(80,000)	(81,434)	(80,000)	(81,888)	(80,000)	(81,433)
Legal fees		(20,100)	(29,538)	(20,100)	(45,481)	(20,100)	(45,322)
Safe custody and bank charges	6(d)	(9,942)	(10,844)	(4,229)	(7,439)	(4,887)	(8,576)
Brokerage and other transaction fees	6(e), 12	(143,298)	(179,255)	(268,927)	(478,720)	(170,270)	(313,650)
Other operating expenses		<u>(604,772)</u>	<u>(283,237)</u>	<u>(642,201)</u>	<u>(197,980)</u>	<u>(601,348)</u>	<u>(250,636)</u>
		<u>(2,446,181)</u>	<u>(2,538,086)</u>	<u>(1,812,654)</u>	<u>(2,193,850)</u>	<u>(1,743,923)</u>	<u>(2,243,149)</u>
<b>LOSSES BEFORE INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES</b>							
		(2,265,585)	(2,472,436)	(1,747,385)	(2,117,407)	(1,632,529)	(2,175,508)
<b>INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES</b>							
Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss		(15,291,642)	14,830,717	10,636,870	(20,253,860)	(8,048,810)	8,489,483
Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss		756,251	1,501,805	422,961	(1,661,565)	(19,482)	1,090,473
Foreign exchange gains/(losses)		<u>(100,205)</u>	<u>9,154</u>	<u>(22,682)</u>	<u>3,573</u>	<u>(44,832)</u>	<u>38,355</u>
		<u>(14,635,596)</u>	<u>16,341,676</u>	<u>11,037,149</u>	<u>(21,911,852)</u>	<u>(8,113,124)</u>	<u>9,618,311</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>(16,901,181)</u>	<u>13,869,240</u>	<u>9,289,764</u>	<u>(24,029,259)</u>	<u>(9,745,653)</u>	<u>7,442,803</u>

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 2019

	<u>NDL</u>		<u>NDI</u>		<u>HSIL</u>	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$	2019 HK\$	2018 HK\$
Net assets attributable to unitholders at the beginning of the year	6,616,278	9,781,973	27,325,941	5,012,441	55,464,835	247,176,303
Issue of units	-	401,500	19,947,230	46,137,590	-	8,994,800
Redemption of units	(1,464,150)	(3,288,090)	(4,340,060)	(25,332,740)	(28,335,320)	(172,279,240)
Total comprehensive income	<u>5,133,584</u>	<u>(279,105)</u>	<u>(12,256,075)</u>	<u>1,508,650</u>	<u>7,883,885</u>	<u>(28,427,028)</u>
Net assets attributable to unitholders at the end of the year	<u>10,285,712</u>	<u>6,616,278</u>	<u>30,677,036</u>	<u>27,325,941</u>	<u>35,013,400</u>	<u>55,464,835</u>
Number of units in issue at the beginning of the year	2,300,000	3,000,000	19,600,000	3,500,000	5,900,000	19,200,000
Number of units issued during the year	-	100,000	15,100,000	35,300,000	-	800,000
Number of units redeemed during the year	<u>(300,000)</u>	<u>(800,000)</u>	<u>(3,800,000)</u>	<u>(19,200,000)</u>	<u>(2,700,000)</u>	<u>(14,100,000)</u>
Number of units in issue at the end of the year	<u>2,000,000</u>	<u>2,300,000</u>	<u>30,900,000</u>	<u>19,600,000</u>	<u>3,200,000</u>	<u>5,900,000</u>

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

**CHINAAMC LEVERAGED/INVERSE SERIES**

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)**

Year ended 31 December 2019

	<u>HSII</u>		<u>HSCEIL</u>		<u>HSCEII</u>	
	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$
Net assets attributable to unitholders at the beginning of the year	148,900,063	168,952,843	53,131,288	160,869,497	75,164,416	149,956,793
Issue of units	9,803,820	62,422,150	-	15,947,090	-	19,254,810
Redemption of units	(66,604,620)	(96,344,170)	(11,696,950)	(99,656,040)	(38,108,730)	(101,489,990)
Total comprehensive income	<u>(16,901,181)</u>	<u>13,869,240</u>	<u>9,289,764</u>	<u>(24,029,259)</u>	<u>(9,745,653)</u>	<u>7,442,803</u>
Net assets attributable to unitholders at the end of the year	<u>75,198,082</u>	<u>148,900,063</u>	<u>50,724,102</u>	<u>53,131,288</u>	<u>27,310,033</u>	<u>75,164,416</u>
Number of units in issue at the beginning of the year	22,700,000	27,800,000	6,900,000	15,100,000	10,700,000	22,800,000
Number of units issued during the year	1,700,000	10,200,000	-	1,600,000	-	3,000,000
Number of units redeemed during the year	<u>(11,200,000)</u>	<u>(15,300,000)</u>	<u>(1,400,000)</u>	<u>(9,800,000)</u>	<u>(6,100,000)</u>	<u>(15,100,000)</u>
Number of units in issue at the end of the year	<u>13,200,000</u>	<u>22,700,000</u>	<u>5,500,000</u>	<u>6,900,000</u>	<u>4,600,000</u>	<u>10,700,000</u>

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS

Year ended 31 December 2019

#### NDL

	Notes	2019 US\$	2018 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		5,133,584	(279,105)
Adjustment for:			
Interest income		(44,904)	(48,434)
Operating gain/(loss) before changes in working capital		5,088,680	(327,539)
(Increase)/decrease in financial assets at fair value through profit or loss		(4,298,822)	147,329
(Increase)/decrease in prepayments and other receivables		(15,238)	4,139
Decrease/(increase) in amount due from broker		1,079,842	(759,821)
(Decrease)/increase in financial liabilities at fair value through profit or loss		(299,005)	299,005
Increase/(decrease) in management fee payable		3,074	(3,211)
Increase in trustee fee payable		124	1,911
(Decrease)/increase in other payables and accruals		(18,913)	4,620
Cash generated from/(used in) operations		1,539,742	(633,567)
Interest received		44,799	48,434
Net cash flows from/(used in) operating activities		1,584,541	(585,133)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of units		-	401,500
Payments on redemption of units		(1,464,150)	(3,288,090)
Net cash flows used in financing activities		(1,464,150)	(2,886,590)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		4,773,243	8,244,966
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		4,893,634	4,773,243
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7	3,743,634	4,773,243
Short-term deposit	7	1,150,000	-
		4,893,634	4,773,243

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2019

#### NDI

	Notes	2019 US\$	2018 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		(12,256,075)	1,508,650
Adjustment for:			
Interest income		<u>(237,213)</u>	<u>(65,266)</u>
Operating (loss)/gain before changes in working capital		(12,493,288)	1,443,384
Increase in financial assets at fair value through profit or loss		(11,192,216)	(311,163)
(Increase)/decrease in prepayments and other receivables		(4,141)	4,139
Increase in amount due from broker		(882,481)	(1,188,797)
Increase/(decrease) in financial liabilities at fair value through profit or loss		792,183	(36,177)
Increase in amount due to broker		4,590	-
Increase in management fee payable		3,596	19,381
Increase in trustee fee payable		249	2,536
(Decrease)/increase in other payables and accruals		<u>(14,782)</u>	<u>6,442</u>
Cash used in operations		<u>(23,786,290)</u>	<u>(60,255)</u>
Interest received		<u>236,695</u>	<u>65,266</u>
Net cash flows (used in)/ from operating activities		<u>(23,549,595)</u>	<u>5,011</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of units		19,947,230	46,137,590
Payments on redemption of units		<u>(4,340,060)</u>	<u>(25,332,740)</u>
Net cash flows from financing activities		<u>15,607,170</u>	<u>20,804,850</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		(7,942,425)	20,809,861
Cash and cash equivalents at the beginning of the year		<u>25,229,562</u>	<u>4,419,701</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u><u>17,287,137</u></u>	<u><u>25,229,562</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7	11,637,137	25,229,562
Short-term deposit	7	<u>5,650,000</u>	-
		<u><u>17,287,137</u></u>	<u><u>25,229,562</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 2019

#### HSIL

	Notes	2019 HK\$	2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		7,883,885	(28,427,028)
Adjustment for:			
Interest income		(102,445)	(129,532)
Operating gain/(loss) before changes in working capital		7,781,440	(28,556,560)
(Increase)/decrease in financial assets at fair value through profit or loss		(895,721)	58,779,604
(Increase)/decrease in prepayments and other receivables		(12,478)	11,425
Decrease in amount due from broker		3,595,595	25,232,937
Increase/(decrease) in auditor's remuneration payable		170	(624)
Decrease in management fee payable		(10,638)	(164,005)
Decrease in trustee fee payable		(11,555)	(2,020)
(Decrease)/increase in other payables and accruals		(358,299)	104,229
Cash generated from operations		10,088,514	55,404,986
Interest received		101,652	129,532
Net cash flows from operating activities		10,190,166	55,534,518
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		-	8,994,800
Payments on redemption of units		(28,335,320)	(172,279,240)
Net cash flows used in financing activities		(28,335,320)	(163,284,440)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		(18,145,154)	(107,749,922)
Cash and cash equivalents at the beginning of the year		34,306,686	142,056,608
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>16,161,532</b>	<b>34,306,686</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7	12,261,532	34,306,686
Short-term deposit	7	3,900,000	-
		16,161,532	34,306,686

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

**CHINAAMC LEVERAGED/INVERSE SERIES**

**STATEMENT OF CASH FLOWS (continued)**

Year ended 31 December 2019

HSII

	Notes	2019 HK\$	2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		(16,901,181)	13,869,240
Adjustment for:			
Interest income		<u>(180,596)</u>	<u>(65,650)</u>
Operating (loss)/gain before changes in working capital		(17,081,777)	13,803,590
Decrease in financial assets at fair value through profit or loss		12,944,857	6,672,784
(Increase)/decrease in prepayments and other receivables		(12,477)	11,425
Decrease in amount due from broker		7,307,349	1,255,307
Decrease in financial liabilities at fair value through profit or loss		(862,223)	(775,654)
Increase/(decrease) in amounts due to broker		20,488	(21,158)
Increase/(decrease) in auditor's remuneration payable		170	(624)
Decrease in management fee payable		(40,234)	(28,574)
(Decrease)/increase in trustee fee payable		(11,370)	4,686
(Decrease)/increase in other payables and accruals		<u>(314,527)</u>	<u>129,074</u>
Cash generated from operations		<u>1,950,256</u>	<u>21,050,856</u>
Interest received		<u>177,770</u>	<u>65,650</u>
Net cash flows from operating activities		<u>2,128,026</u>	<u>21,116,506</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		9,803,820	62,422,150
Payments on redemption of units		<u>(66,604,620)</u>	<u>(96,344,170)</u>
Net cash flows used in financing activities		<u>(56,800,800)</u>	<u>(33,922,020)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		(54,672,774)	(12,805,514)
Cash and cash equivalents at the beginning of the year		<u>96,246,324</u>	<u>109,051,838</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u><u>41,573,550</u></u>	<u><u>96,246,324</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7	27,673,550	96,246,324
Short-term deposit	7	<u>13,900,000</u>	-
		<u><u>41,573,550</u></u>	<u><u>96,246,324</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 2019

#### HSCEIL

	Notes	2019 HK\$	2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		9,289,764	(24,029,259)
Adjustment for:			
Interest income		(65,269)	(76,443)
Operating gain/(loss) before changes in working capital		9,224,495	(24,105,702)
(Increase)/decrease in financial assets at fair value through profit or loss		(3,601,136)	33,148,635
(Increase)/decrease in prepayments and other receivables		(12,478)	11,425
Decrease in amount due from broker		2,623,573	20,637,487
Increase/(decrease) in auditor's remuneration payable		170	(623)
Decrease in management fee payable		(5,825)	(91,934)
(Decrease)/increase in trustee fee payable		(11,556)	6,792
(Decrease)/increase in other payables and accruals		(265,544)	75,859
Cash generated from operations		7,951,699	29,681,939
Interest received		64,131	76,443
Net cash flows from operating activities		8,015,830	29,758,382
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		-	15,947,090
Payments on redemption of units		(11,696,950)	(99,656,040)
Net cash flows used in financing activities		(11,696,950)	(83,708,950)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		(3,681,120)	(53,950,568)
Cash and cash equivalents at the beginning of the year		29,267,703	83,218,271
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>25,586,583</b>	<b>29,267,703</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7	19,986,583	29,267,703
Short-term deposit	7	5,600,000	-
		<b>25,586,583</b>	<b>29,267,703</b>

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

**CHINAAMC LEVERAGED/INVERSE SERIES**

**STATEMENT OF CASH FLOWS (continued)**

Year ended 31 December 2019

HSCEII

	Notes	2019 HK\$	2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		(9,745,653)	7,442,803
Adjustment for:			
Interest income		(111,394)	(67,641)
Operating (loss)/gain before changes in working capital		(9,857,047)	7,375,162
Decrease in financial assets at fair value through profit or loss		10,648,229	21,348,414
(Increase)/decrease in prepayments and other receivables		(12,477)	11,225
Decrease in amount due from broker		3,696,234	6,901,359
Decrease in financial liabilities at fair value through profit or loss		(151,257)	(788,134)
Decrease in amount due to broker		-	(4,292)
Increase/(decrease) in auditor's remuneration payable		170	(623)
Decrease in management fee payable		(26,892)	(82,506)
(Decrease)/increase in trustee fee payable		(11,556)	5,700
(Decrease)/increase in other payables and accruals		(307,004)	92,302
Cash generated from operations		<u>3,978,400</u>	<u>34,858,607</u>
Interest received		<u>110,367</u>	<u>67,641</u>
Net cash flows from operating activities		<u>4,088,767</u>	<u>34,926,248</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		-	19,254,810
Payments on redemption of units		(38,108,730)	(101,489,990)
Net cash flows used in financing activities		<u>(38,108,730)</u>	<u>(82,235,180)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		(34,019,963)	(47,308,932)
Cash and cash equivalents at the beginning of the year		<u>49,283,765</u>	<u>96,592,697</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u><u>15,263,802</u></u>	<u><u>49,283,765</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7	10,213,802	49,283,765
Short term deposit	7	<u>5,050,000</u>	<u>-</u>
		<u><u>15,263,802</u></u>	<u><u>49,283,765</u></u>

The accompanying notes are an integral part of these financial statements



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 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 2019, the Trust has established seven 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 Index Daily (2x) Leveraged Product ("NDL") (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product)	28 September 2016	7261
ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product ("NDI") (formerly known as ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product)	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
ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product ("NDI2X")	6 September 2019	7522

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.

The first financial year end of NDI2X will be 31 December 2020 where the first audited financial statements will cover the period from 6 September 2019 (date of inception) to 31 December 2020. Therefore, NDI2X is not included in the financial statements for the year ended 31 December 2019.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. THE TRUST (continued)

Change of names of NDL and NDI

Effective from 13 December 2019, the word "Index" is added to the English names of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product and ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product. The English and Chinese stock short names of all Products remained unchanged. The investment objective, underlying index and investment strategy of each of the Products remained unchanged. The Products' normal operation will not be disrupted. There were no material changes or increase in the overall risk profile of the Products.

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.

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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 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.

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Products have adopted the following revised IFRSs for the first time for the current period's financial statements, which is applicable to the Products.

IFRIC Interpretation 23                      *Uncertainty over Income Tax Treatments*

The nature and the impact of the amendments are described below:

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* (the "Interpretation") addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Products determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Products apply significant judgement in identifying uncertainties over income tax treatments. The Products have assessed that the Interpretation does not have a significant impact on the financial statements.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 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 2019 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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Financial instruments

##### (a) Classification

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 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 FVPL on the basis of both:

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### Financial instruments (continued)

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

##### Financial assets (continued)

##### *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 solely payments of principal and interest ("SPPI") on the principal amount outstanding. The Products include in this category cash and cash equivalents and short-term non-financing receivables including other receivables and amounts due from brokers.

##### *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 include in this category amounts due to brokers, auditor's remuneration payable, management fee payable, trustee fee payable and other payables.

##### *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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### Financial instruments (continued)

##### (b) Recognition

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

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

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 earned or paid on these instruments are recorded separately in interest revenue or expense in the statement of comprehensive income.

Financial assets, 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.

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 expected credit losses ("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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### Financial instruments (continued)

##### (e) Derecognition

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 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 have neither transferred nor retained substantially all of the risks and rewards of the asset nor 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.

##### Impairment of financial assets

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 has 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.

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 trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### Offsetting of 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. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

##### Fair value measurement

The Products measure their investments in financial instruments, such as derivatives and equity instruments, 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.

The Products use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making use of available and supportable market data as much as possible).



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### Fair value measurement (continued)

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

Level 1 — 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 a 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.

##### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily 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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### 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 US\$ for NDL and NDI and in 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.

##### 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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### Redeemable units (continued)

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 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.

##### Interest income

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

##### 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 FVPL

This item includes changes in the fair value of financial assets and financial liabilities as at FVPL 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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### Net realised gains/(losses) on financial assets/liabilities at FVPL

Realised gains and losses on disposal of financial instruments classified as at FVPL are calculated using the first-in-first-out method for derivative financial instruments and weighted average method for money market funds. 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

The Products are exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment 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.

##### 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

31 December 2019

#### 5. 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 ("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

31 December 2019

#### 5. 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>	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$	2019 HK\$	2018 HK\$
Published net assets attributable to unitholders (Note)	10,343,583	6,706,641	30,735,878	27,416,304	35,241,826	55,799,143
Adjustment for transaction fees	(490)	-	(1,461)	-	1,233	-
Recognition of formation costs	(57,381)	(90,363)	(57,381)	(90,363)	(229,659)	(334,308)
Net assets attributable to unitholders (per financial statements)	<u>10,285,712</u>	<u>6,616,278</u>	<u>30,677,036</u>	<u>27,325,941</u>	<u>35,013,400</u>	<u>55,464,835</u>
	<u>HSII</u>		<u>HSCEIL</u>		<u>HSCEII</u>	
	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$
Published net assets attributable to unitholders (Note)	75,426,618	149,234,371	50,955,224	53,465,596	27,539,002	75,498,724
Adjustment for transaction fees	1,123	-	(1,463)	-	690	-
Recognition of formation costs	(229,659)	(334,308)	(229,659)	(334,308)	(229,659)	(334,308)
Net assets attributable to unitholders (per financial statements)	<u>75,198,082</u>	<u>148,900,063</u>	<u>50,724,102</u>	<u>53,131,288</u>	<u>27,310,033</u>	<u>75,164,416</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. As at 31 December 2019, the unamortised amount were US\$57,381 (31 December 2018: US\$90,363) for NDL and NDI and HK\$229,659 (31 December 2018: HK\$334,308) for HSIL, HSII, HSCEIL and HSCEII, respectively. The remaining periods are 20 months (31 December 2018: 32 months) for NDL and NDI and 26 months (31 December 2018: 38 months) for HSIL, HSII, HSCEIL and HSCEII, respectively.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

The table below summarises 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 2019 and 2018.

	Net assets attributable to unitholders					
		Accounting NAV	Dealing NAV		Accounting NAV	Dealing NAV
	Number of units in issue 2019	Per unit at year end 2019	Per unit at year end 2019	Number of units in issue 2018	Per unit at year end 2018	Per unit at year end 2018
NDL	2,000,000	US\$5.1429	US\$5.1718	2,300,000	US\$2.8766	US\$2.9159
NDI	30,900,000	US\$0.9928	US\$0.9947	19,600,000	US\$1.3942	US\$1.3988
HSIL	3,200,000	HK\$10.9417	HK\$11.0131	5,900,000	HK\$9.4008	HK\$9.4575
HSII	13,200,000	HK\$5.6968	HK\$5.7141	22,700,000	HK\$6.5595	HK\$6.5742
HSCEIL	5,500,000	HK\$9.2226	HK\$9.2646	6,900,000	HK\$7.7002	HK\$7.7486
HSCEII	4,600,000	HK\$5.9370	HK\$5.9867	10,700,000	HK\$7.0247	HK\$7.0560

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

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#### 6. 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 Products and 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 of the Products. Currently, the management fee is accrued daily and calculated at an annual rate of 0.99% (2018: 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% (2018: 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\$320 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\$2,500 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

The Trustee is entitled to receive custodian fees calculated at a current rate of 0.025% per annum for each product on the assets under custody for listed mutual funds as at month end and is paid monthly in arrears.



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

(e) Brokerage and other transaction fees

*Transaction fees*

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\$117 on each listed mutual fund transaction.

Total transaction fees incurred during the years ended 31 December 2019 and 31 December 2018 are as follows:

	2019	2018
	US\$	US\$
<u>NDL</u>	2,310	2,610
<u>NDI</u>	3,330	2,370
	HK\$	HK\$
<u>HSIL</u>	16,116	25,673
<u>HSII</u>	22,203	24,965
<u>HSCEIL</u>	23,587	28,082
<u>HSCEII</u>	23,930	27,965

(f) Cash at bank and certain financial assets at fair value through profit or loss held by the Trustee's related company

*Cash at bank*

	2019	2018
	US\$	US\$
<u>NDL</u>	1,943,634	4,773,243
<u>NDI</u>	5,987,137	25,229,562
	HK\$	HK\$
<u>HSIL</u>	6,061,532	34,306,686
<u>HSII</u>	13,873,550	96,246,324
<u>HSCEIL</u>	11,186,583	29,267,703
<u>HSCEII</u>	5,113,802	49,283,765

Note: As at 31 December 2019 and 31 December 2018, these bank balances were held with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), a related company of the Trustee.

The carrying accounts of the cash and cash equivalents approximate to their fair values. Interest income was earned at prevailing market rate on these cash and cash equivalents during the years ended 31 December 2019 and 31 December 2018.

Bank charges of the Products for the years ended 31 December 2019 and 31 December 2018 were charged by HSBC.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

*Financial assets at fair value through profit or loss*

	2019 US\$	2018 US\$
<u>NDL</u>	3,773,341	-
<u>NDI</u>	11,503,379	-
	HK\$	HK\$
<u>HSIL</u>	13,263,121	11,368,011
<u>HSII</u>	28,154,706	41,099,563
<u>HSCEIL</u>	18,136,739	14,865,579
<u>HSCEII</u>	10,287,437	20,935,666

Note: As at 31 December 2019 and 31 December 2018, these financial assets at fair value through profit or loss were held with HSBC.

- (g) Financial assets at fair value through profit or loss managed by the Manager

*ChinaAMC Select Money Market Fund ("MMF")*

	2019 US\$	2018 US\$
<u>NDL</u>	880,742	-
<u>NDI</u>	2,753,925	-
	2019 HK\$	2018 HK\$
<u>HSIL</u>	2,998,447	-
<u>HSII</u>	6,746,505	-
<u>HSCEIL</u>	4,297,773	-
<u>HSCEII</u>	2,448,731	-

According to Chapter 7.11C of the SFC Code, where a scheme invests in any underlying schemes managed by the same management company or its connected persons, all initial charges and redemption charges on the underlying schemes must be waived. The Manager did not incur any initial and redemption charges on MMF for the year ended 31 December 2019 (2018: Nil).

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

- (h) Investment transactions with connected persons of the Trustee  
Investment transactions through HSBC Institutional Trust Services (Asia) Limited are as follow:

2019

	Aggregate value of purchases and sales of securities	Total commission paid	% of the Product's total transactions during the period	Average commission rate
	US\$	US\$	%	%
<u>NDL</u>	881,199	-	10.14%	-
<u>NDI</u>	2,755,352	-	10.69%	-
	HK\$	HK\$	%	%
<u>HSIL</u>	3,000,000	-	3.69%	-
<u>HSII</u>	6,750,000	-	6.99%	-
<u>HSCEIL</u>	4,300,000	-	5.67%	-
<u>HSCEII</u>	2,450,000	-	4.71%	-

There were no investment transactions through the trustee for the year ended 31 December 2018.

#### 7. CASH AND CASH EQUIVALENTS

	2019 US\$	2018 US\$
<u>NDL</u>		
Cash at banks	3,743,634	4,773,243
Short-term deposits	1,150,000	-
	<u>4,893,634</u>	<u>4,773,243</u>
<u>NDI</u>		
Cash at banks	11,637,137	25,229,562
Short-term deposits	5,650,000	-
	<u>17,287,137</u>	<u>25,229,562</u>
	2019 HK\$	2018 HK\$
<u>HSIL</u>		
Cash at banks	12,261,532	34,306,686
Short-term deposits	3,900,000	-
	<u>16,161,532</u>	<u>34,306,686</u>
<u>HSII</u>		
Cash at banks	27,673,550	96,246,324
Short-term deposits	13,900,000	-
	<u>41,573,550</u>	<u>96,246,324</u>

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 7. CASH AND CASH EQUIVALENTS (continued)

	2019 HK\$	2018 HK\$
<u>HSCEIL</u>		
Cash at banks	19,986,583	29,267,703
Short-term deposits	5,600,000	-
	25,586,583	29,267,703
<u>HSCEII</u>		
Cash at banks	10,213,802	49,283,765
Short-term deposits	5,050,000	-
	15,263,802	49,283,765

Cash at banks was held with HSBC (an affiliate company of the Trustee of the Products) and ICBC (Asia) Limited. Short-term deposits were held with Sumitomo Mitsui Banking Corporation. The bank accounts are interest-bearing accounts. The carrying amount of the cash and cash equivalents approximates to their fair value.

#### 8. AMOUNTS DUE FROM AND DUE TO BROKERS

As at 31 December 2019 and 31 December 2018, 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	2019 US\$	2018 US\$
<u>NDL</u>			
<i>Amount due from broker</i>			
- Margin deposit	i	1,137,929	2,217,771
<u>NDI</u>			
<i>Amount due from broker</i>			
- Margin deposit	i	2,760,058	1,877,577
<i>Amount due to broker</i>			
- Payables for securities purchased, but not yet delivered		4,590	-
		2019 HK\$	2018 HK\$
<u>HSIL</u>			
<i>Amount due from broker</i>			
- Margin deposit	i	5,321,721	8,931,299
- Receivables for securities sold, but not yet delivered		13,983	-
		5,335,704	8,931,299

Note:

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

		2019 HK\$	2018 HK\$
<u>HSII</u>			
<i>Amount due from broker</i>			
- Margin deposit	i	<u>6,635,051</u>	<u>13,942,400</u>
<i>Amount due to broker</i>			
- Payables for securities purchased, but not yet delivered		<u>20,488</u>	<u>-</u>
<u>HSCEIL</u>			
<i>Amount due from broker</i>			
- Margin deposit	i	6,217,547	8,847,398
- Receivables for securities sold, but not yet delivered		<u>6,278</u>	<u>-</u>
		<u>6,223,825</u>	<u>8,847,398</u>
<u>HSCEII</u>			
<i>Amount due from broker</i>			
- Margin deposit	i	<u>2,438,055</u>	<u>6,134,289</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 2019 (2018: Nil). The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

#### 10. INCOME TAX

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 2019 (2018: Nil).

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 12. BROKERAGE AND OTHER TRANSACTION FEES

Except as disclosed in note 6(e) to the financial statements, the amounts represent commission and execution fees charged by brokers for each open and closed future position.

#### 13. INVESTMENT LIMITATION AND PROHIBITIONS

According to Chapter 7.1 of the SFC Code, the aggregate value of the Products' investments in, or exposure to, any single entity through the following may not exceed 10% of its total net asset value:

- (a) investments in securities issued by that entity;
- (b) exposure to that entity through underlying assets of financial derivative instruments; and
- (c) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.

Notwithstanding above limitation from Chapter 7.1, Chapter 8.6 (h) states that more than 10% of NAV of the Products may be invested in constituent securities issued by a single entity provided that:

- (i) the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the index; and
- (ii) the index fund's holding of any such constituent securities may not exceed their respective weightings in the index, except where weightings are exceeded as a result of changes in the composition of the index and the excess is only transitional and temporary in nature.

However, according to Chapter 8.6 (h)(a)(ii), the above 8.6 (h)(i) and (ii) do not apply as the strategy to hold securities from single issuer for more than 10% of NAV is clearly disclosed in the prospectus of the Products provides, thus requirement from Chapter 7.1 is exempted.

There were money market funds that individually accounted for more than 10% of the NAV of the Products as at 31 December 2019 and 31 December 2018 as follows:

	Respective weighting in the product's NAV 2019	Respective weighting in the product's NAV 2018
<i>UBS (IRL) Select Money Market Fund</i>		
<u>NDL</u>	28.12%	-
<u>NDI</u>	28.52%	-
<u>HSIL</u>	29.32%	20.50%
<u>HSII</u>	28.47%	27.60%
<u>HSCEIL</u>	27.28%	27.98%
<u>HSCEII</u>	28.70%	27.85%
<i>ChinaAMC Select Money Market Fund</i>		
<u>NDL</u>	8.56%	-
<u>NDI</u>	8.98%	-
<u>HSIL</u>	8.56%	-
<u>HSII</u>	8.97%	-
<u>HSCEIL</u>	8.48%	-
<u>HSCEII</u>	8.97%	-

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

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#### 13. INVESTMENT LIMITATION AND PROHIBITIONS (continued)

The SFC Code further provides that, if the investment limits stated above are breached, the management company should take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the holders.

As stated in the prospectus, at least 60% of the NAV for NDL and at least 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.

	Respective weighting in the product's NAV 2019	Respective weighting in the product's NAV 2018
<i>US\$ denominated cash, deposits and money market funds</i>		
<u>NDL</u>	75.70%	72.14%
<u>NDI</u>	84.87%	92.33%

The prospectus stated that at least 80% of the NAV for HSIL and HSCEIL and at least 90% of the NAV for HSII and HSCEII will be invested in cash (US\$ or HK\$), deposits with banks in Hong Kong and other US\$ or HK\$ denominated investment products, of which up to 50% of the NAV for HSIL and HSCEIL and 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.

	Respective weighting in the product's NAV 2019	Respective weighting in the product's NAV 2018
<i>US\$ or HK\$ denominated cash, deposits and money market funds</i>		
<u>HSIL</u>	84.04%	82.35%
<u>HSII</u>	92.73%	92.24%
<u>HSCEIL</u>	86.20%	83.06%
<u>HSCEII</u>	93.56%	93.42%

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 13. INVESTMENT LIMITATION AND PROHIBITIONS (continued)

The prospectus also stated 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.

Details of the Products' margin requirements as at 31 December 2019 and 31 December 2018 are disclosed below:

	<u>2019</u>		<u>2018</u>	
<i>Initial margin requirement</i>	US\$	% of NAV	US\$	% of NAV
<u>NDL</u>	934,560	9.09%	514,800	7.78%
<u>NDI</u>	1,386,000	4.52%	1,079,100	3.95%
	HK\$	% of NAV	HK\$	% of NAV
<u>HSIL</u>	5,171,240	14.77%	8,427,920	15.20%
<u>HSII</u>	5,593,382	7.44%	11,699,936	7.86%
<u>HSCEIL</u>	7,558,922	14.90%	8,200,115	15.43%
<u>HSCEII</u>	2,046,338	7.49%	5,924,485	7.88%
	<u>2019</u>		<u>2018</u>	
<i>Aggregate margin deposit</i>	US\$	% of NAV	US\$	% of NAV
<u>NDL</u>	1,137,929	11.06%	2,217,771	33.52%
<u>NDI</u>	2,760,058	9.00%	1,877,577	6.87%
	HK\$	% of NAV	HK\$	% of NAV
<u>HSIL</u>	5,321,721	15.20%	8,931,299	16.10%
<u>HSII</u>	6,635,051	8.82%	13,942,400	9.36%
<u>HSCEIL</u>	6,217,547	12.26%	8,847,398	16.65%
<u>HSCEII</u>	2,438,055	8.93%	6,134,289	8.16%

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

	Note	2019 US\$	2018 US\$
<u>NDL</u>			
<b>Financial assets at fair value through profit or loss:</b>			
Futures contracts	15	525,481	-
Money market fund		3,773,341	-
		<u>4,298,822</u>	<u>-</u>
<b>Financial liabilities at fair value through profit or loss:</b>			
Futures contracts	15	<u>-</u>	<u>299,005</u>



CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

	Note	2019 HK\$	2018 HK\$
<u>NDI</u>			
<b>Financial assets at fair value through profit or loss:</b>			
Futures contracts	15	-	311,163
Money market fund		11,503,379	-
		<u>11,503,379</u>	<u>311,163</u>
<b>Financial liabilities at fair value through profit or loss:</b>			
Futures contracts	15	792,183	-
<u>HSIL</u>			
<b>Financial assets at fair value through profit or loss:</b>			
Futures contracts	15	630,842	1,630,231
Money market fund		13,263,121	11,368,011
		<u>13,893,963</u>	<u>12,998,242</u>
<u>HSII</u>			
<b>Financial assets at fair value through profit or loss:</b>			
Money market fund		28,154,706	41,099,563
<b>Financial liabilities at fair value through profit or loss:</b>			
Futures contracts	15	714,974	1,577,197
<u>HSCEIL</u>			
<b>Financial assets at fair value through profit or loss:</b>			
Futures contracts	15	1,156,665	826,689
Money market fund		18,136,739	14,865,579
		<u>19,293,404</u>	<u>15,692,268</u>
<u>HSCEII</u>			
<b>Financial assets at fair value through profit or loss:</b>			
Money market fund		10,287,437	20,935,666
<b>Financial liabilities at fair value through profit or loss:</b>			
Futures contracts	15	299,770	451,027

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 15. 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.

The following derivative contracts were unsettled as at 31 December 2019 and 31 December 2018.

Type of contract	Initial margin requirement per contract US\$	Expiration	Nominal amount US\$	Fair value US\$
<u>NDL</u>				
<u>As at 31 December 2019</u>				
Futures	7,920	20 March 2020	20,655,310	525,481
<u>As at 31 December 2018</u>				
Futures	4,950	15 March 2019	13,173,160	(299,005)
<u>NDI</u>				
<u>As at 31 December 2019</u>				
Futures	7,920	20 March 2020	(30,632,875)	(792,183)
<u>As at 31 December 2018</u>				
Futures	4,950	15 March 2019	(27,612,970)	311,163
Type of contract	Initial margin requirement per contract HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
<u>HSIL</u>				
<u>As at 31 December 2019</u>				
Futures	105,536	30 January 2020	69,261,500	630,842
<u>As at 31 December 2018</u>				
Futures	99,152	30 January 2019	109,879,500	1,630,231
<u>HSII</u>				
<u>As at 31 December 2019</u>				
Futures	105,536	30 January 2020	(74,915,500)	(714,974)
<u>As at 31 December 2018</u>				
Futures	99,152	30 January 2019	(152,538,600)	(1,577,197)

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Type of contract	Initial margin requirement per contract HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
<u>HSCEIL</u>				
<u>As at 31 December 2019</u>				
Futures	41,762	30 January 2020	101,459,550	1,156,665
<u>As at 31 December 2018</u>				
Futures	39,235	30 January 2019	105,565,900	826,689
<u>HSCEII</u>				
<u>As at 31 December 2019</u>				
Futures	41,762	30 January 2020	(27,466,950)	(299,770)
<u>As at 31 December 2018</u>				
Futures	39,235	30 January 2019	(76,270,100)	(451,027)

#### 16. 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.

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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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 2019 and 31 December 2018:

	Quoted prices in active markets Level 1 US\$	Significant observable inputs Level 2 US\$	Significant unobservable inputs Level 3 US\$	Total US\$
<u>NDL</u>				
<u>As at 31 December 2019</u>				
<b>Financial assets at fair value through profit or loss</b>				
Futures	525,481	-	-	525,481
Money market fund	-	3,773,341	-	3,773,341
	<u>525,481</u>	<u>3,773,341</u>	<u>-</u>	<u>4,298,822</u>
<u>As at 31 December 2018</u>				
<b>Financial liabilities at fair value through profit or loss:</b>				
Futures	<u>299,005</u>	<u>-</u>	<u>-</u>	<u>299,005</u>
<u>NDI</u>				
<u>As at 31 December 2019</u>				
<b>Financial assets at fair value through profit or loss:</b>				
Money market fund	<u>-</u>	<u>11,503,379</u>	<u>-</u>	<u>11,503,379</u>
<b>Financial liabilities at fair value through profit or loss:</b>				
Futures	<u>792,183</u>	<u>-</u>	<u>-</u>	<u>792,183</u>
<u>As at 31 December 2018</u>				
<b>Financial assets at fair value through profit or loss:</b>				
Futures	<u>311,163</u>	<u>-</u>	<u>-</u>	<u>311,163</u>

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2019

16. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

Financial assets and financial liabilities carried at fair value (continued)

	Quoted prices in active markets Level 1 HK\$	Significant observable inputs Level 2 HK\$	Significant unobservable inputs Level 3 HK\$	Total HK\$
<u>HSIL</u>				
<u>As at 31 December 2019</u>				
<b>Financial assets at fair value through profit or loss:</b>				
Futures	630,842	-	-	630,842
Money market fund	-	13,263,121	-	13,263,121
	<u>630,842</u>	<u>13,263,121</u>	<u>-</u>	<u>13,893,963</u>
<u>As at 31 December 2018</u>				
<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>
<u>HSII</u>				
<u>As at 31 December 2019</u>				
<b>Financial assets at fair value through profit or loss:</b>				
Money market fund	-	28,154,706	-	28,154,706
<b>Financial liabilities at fair value through profit or loss:</b>				
Futures	714,974	-	-	714,974
<u>As at 31 December 2018</u>				
<b>Financial assets at fair value through profit or loss:</b>				
Money market fund	-	41,099,563	-	41,099,563
<b>Financial liabilities at fair value through profit or loss:</b>				
Futures	1,577,197	-	-	1,577,197

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2019

16. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

Financial assets and financial liabilities carried at fair value (continued)

	Quoted prices in active markets Level 1 HK\$	Significant observable inputs Level 2 HK\$	Significant unobservable inputs Level 3 HK\$	Total HK\$
<u>HSCEIL</u>				
<u>As at 31 December 2019</u>				
<b>Financial assets at fair value through profit or loss:</b>				
Futures	1,156,665	-	-	1,156,665
Money market fund	-	18,136,739	-	18,136,739
	<u>1,156,665</u>	<u>18,136,739</u>	<u>-</u>	<u>19,293,404</u>
 <u>As at 31 December 2018</u>				
<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>
 <u>HSCEII</u>				
<u>As at 31 December 2019</u>				
<b>Financial assets at fair value through profit or loss:</b>				
Money market fund	-	10,287,437	-	10,287,437
 <b>Financial liabilities at fair value through profit or loss:</b>				
Futures	299,770	-	-	299,770
 <u>As at 31 December 2018</u>				
<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

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### Valuation techniques

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

Financial instruments traded 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 and they include money market funds.

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

During years ended 31 December 2019 and 31 December 2018, there were no transfers between levels.

##### Other financial assets and financial liabilities

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

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

##### 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:

(a) 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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### (a) Market risk (continued)

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

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 2019 and 31 December 2018, if the tracked indices of the Products would increase by 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 2019

	Futures' fair value US\$	% of net assets	Underlying index	Index movement %	2019 Impact on net assets US\$
<u>NDL</u>	525,481	5.11	NASDAQ-100 Index	5/(5)	1,032,766/ (1,032,766)
<u>NDI</u>	(792,183)	(2.58)	NASDAQ-100 Index	5/(5)	(1,531,644)/ 1,531,644
	HK\$				HK\$
<u>HSIL</u>	630,842	1.80	Hang Seng Index	5/(5)	3,463,075/ (3,463,075)
<u>HSII</u>	(714,974)	(0.95)	Hang Seng Index	5/(5)	(3,745,775)/ 3,745,775
<u>HSCEIL</u>	1,156,665	2.28	Hang Seng China Enterprises Index	5/(5)	5,072,978/ (5,072,978)
<u>HSCEII</u>	(299,770)	(1.10)	Hang Seng China Enterprises Index	5/(5)	(1,373,348)/ 1,373,348



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### (a) Market risk (continued)

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

As at 31 December 2018

	Futures' fair value US\$	% of net assets	Underlying index	Index movement %	2018 Impact on net assets US\$
<u>NDL</u>	(299,005)	(4.52)	NASDAQ-100 Index	5/(5)	658,658/ (658,658)
<u>NDI</u>	311,163	1.14	NASDAQ-100 Index	5/(5)	(1,380,649)/ 1,380,649
	HK\$				HK\$
<u>HSIL</u>	1,630,231	2.94	Hang Seng Index	5/(5)	5,493,975/ (5,493,975)
<u>HSII</u>	(1,577,197)	(1.06)	Hang Seng Index	5/(5)	(7,626,930)/ 7,626,930
<u>HSCEIL</u>	826,689	1.56	Hang Seng China Enterprises Index	5/(5)	5,278,295/ (5,278,295)
<u>HSCEII</u>	(451,027)	(0.60)	Hang Seng China Enterprises Index	5/(5)	(3,813,505)/ 3,813,505

##### (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 money market funds of the Products are subject to interest rate risks. The annualised returns ranged from 1.15% to 2.23% as at 31 December 2019 (2018: annualised return of 1.97%) where there were insignificant impacts 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 currencies, US\$ and HK\$. As a result, the Products were not exposed to significant currency risk as at 31 December 2019 and 31 December 2018. Hence, no sensitivity analysis is presented.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

##### (b) 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 disclosure requirements or not.

##### **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, amounts due from brokers and other receivables. As at 31 December 2019 and 31 December 2018, 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 to be 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 as 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 IFRS 9 represents the Products' maximum exposure to credit risk on financial instruments not subject to IFRS 9's impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

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**NOTES TO FINANCIAL STATEMENTS**

**31 December 2019**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

The Products' financial assets which are potentially subject to concentrations of counterparty risk consist principally of assets held with custodians. The tables below summarise the Products' assets placed with custodians and their related credit ratings from Moody's or Standard & Poor' ("S&P"):

	<u>NDL</u>		<u>NDI</u>		<u>HSIL</u>	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$	2019 HK\$	2018 HK\$
<b><u>Custodians</u></b>						
<b>HSBC Institutional Trust Services (Asia) Limited</b>	3,773,341	-	11,503,379	-	13,263,121	11,368,011
Rating	AA-	-	AA-	-	AA-	A2
Source of rating	S&P	-	S&P	-	S&P	Moody's
<b>ADM Investor Services, Inc.</b>	525,481	-	-	311,163	-	-
Rating	A	-	-	A2	-	-
Source of rating	S&P	-	-	Moody's	-	-
<b>UBS &amp; Co. Int'l plc.</b>	-	-	-	-	630,842	1,630,231
Rating	-	-	-	-	A-	A3
Source of rating	-	-	-	-	S&P	Moody's

**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2019**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

	HSII		HSCEIL		HSCEII	
	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$	2019 HK\$	2018 HK\$
<b><u>Custodians</u></b>						
<b>HSBC Institutional Trust Services (Asia)</b>						
<b>Limited</b>	28,154,706	41,099,563	18,136,739	14,865,579	10,287,437	20,935,666
Rating	AA-	A2	AA-	A2	AA-	A2
Source of rating	S&P	Moody's	S&P	Moody's	S&P	Moody's
<b>UBS &amp; Co. Int'l plc.</b>	-	-	1,156,665	826,689	-	-
Rating	-	-	A-	A3	-	-
Source of rating	-	-	S&P	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 2019 and 2018.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

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

##### (c) 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 2019 and 31 December 2018 and the contractual undiscounted cash flow projection of all financial liabilities are within three months or less, except auditor's remuneration payable which was repayable between 3 and 12 months. 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.

##### (d) Capital risk management

The Products' capital is 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 circumstances stipulated in the Trust Deed.

##### (e) 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 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 2019 and 31 December 2018:

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

NDL

31 December 2019

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in the 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
	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>					
Derivatives	525,481	-	525,481	-	525,481
Amount due from broker	1,137,929	-	1,137,929	-	1,137,929
<b>Total</b>	<u>1,663,410</u>	<u>-</u>	<u>1,663,410</u>	<u>-</u>	<u>1,663,410</u>

31 December 2018

<b>Financial assets</b>					
Amount due from broker	2,217,771	-	2,217,771	(299,005)	1,918,766
<b>Total</b>	<u>2,217,771</u>	<u>-</u>	<u>2,217,771</u>	<u>(299,005)</u>	<u>1,918,766</u>
<b>Financial liabilities</b>					
Derivatives	(299,005)	-	(299,005)	299,005	-
<b>Total</b>	<u>(299,005)</u>	<u>-</u>	<u>(299,005)</u>	<u>299,005</u>	<u>-</u>

**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2019**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

NDI

31 December 2019

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in the 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
	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>					
Amount due from broker	2,760,058	-	2,760,058	(792,183)	1,967,875
<b>Total</b>	<b>2,760,058</b>	<b>-</b>	<b>2,760,058</b>	<b>(792,183)</b>	<b>1,967,875</b>
<b>Financial liabilities</b>					
Derivatives	(792,183)	-	(792,183)	792,183	-
<b>Total</b>	<b>(792,183)</b>	<b>-</b>	<b>(792,183)</b>	<b>792,183</b>	<b>-</b>

31 December 2018

<b>Financial assets</b>					
Derivatives	311,163	-	311,163	-	311,163
Amount due from broker	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>

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

#### HSIL

31 December 2019

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in the 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	630,842	-	630,842	-	630,842
Amount due from broker	5,321,721	-	5,321,721	-	5,321,721
<b>Total</b>	<u>5,952,563</u>	<u>-</u>	<u>5,952,563</u>	<u>-</u>	<u>5,952,563</u>

31 December 2018

<b>Financial assets</b>					
Derivatives	1,630,231	-	1,630,231	-	1,630,231
Amount due from broker	8,931,299	-	8,931,299	-	8,931,299
<b>Total</b>	<u>10,561,530</u>	<u>-</u>	<u>10,561,530</u>	<u>-</u>	<u>10,561,530</u>



**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2019**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

HSII

31 December 2019

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in the 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>					
Amount due from broker	6,635,051	-	6,635,051	(714,974)	5,920,077
<b>Total</b>	<b>6,635,051</b>	<b>-</b>	<b>6,635,051</b>	<b>(714,974)</b>	<b>5,920,077</b>
<b>Financial liabilities</b>					
Derivatives	(714,974)	-	(714,974)	714,974	-
<b>Total</b>	<b>(714,974)</b>	<b>-</b>	<b>(714,974)</b>	<b>714,974</b>	<b>-</b>

31 December 2018

<b>Financial assets</b>					
Amount due from broker	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>
<b>Financial liabilities</b>					
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>

**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2019**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

HSCEIL

31 December 2019

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in the 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	1,156,665	-	1,156,665	-	1,156,665
Amount due from broker	6,217,547	-	6,217,547	-	6,217,547
<b>Total</b>	<u>7,374,212</u>	<u>-</u>	<u>7,374,212</u>	<u>-</u>	<u>7,374,212</u>

31 December 2018

<b>Financial assets</b>					
Derivatives	826,689	-	826,689	-	826,689
Amount due from broker	8,847,398	-	8,847,398	-	8,847,398
<b>Total</b>	<u>9,674,087</u>	<u>-</u>	<u>9,674,087</u>	<u>-</u>	<u>9,674,087</u>

**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2019**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

HSCEII

31 December 2019

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in the 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>					
Amount due from broker	2,438,055	-	2,438,055	(299,770)	2,138,285
<b>Total</b>	<b>2,438,055</b>	<b>-</b>	<b>2,438,055</b>	<b>(299,770)</b>	<b>2,138,285</b>
<b>Financial liabilities</b>					
Derivatives	(299,770)	-	(299,770)	299,770	-
<b>Total</b>	<b>(299,770)</b>	<b>-</b>	<b>(299,770)</b>	<b>299,770</b>	<b>-</b>

31 December 2018

<b>Financial assets</b>					
Amount due from broker	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>
<b>Financial liabilities</b>					
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>

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 18. 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 has 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.

#### 19. EVENTS AFTER THE REPORTING PERIOD

The outbreak of Coronavirus Disease ("COVID-19 outbreak") in early 2020 has had significant impact on global financial markets. The Manager will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Products. NASDAQ100 Index, Hang Seng Index and Hang Seng China Enterprises Index have dropped by 6.00%, 16.01% and 13.83% from 1 January 2020 to 9 April 2020 respectively. This is considered to be a non-adjusting event after the reporting period.

For HSII and HSCEII, the published NAVs per unit have increased by 12.04% and 10.39% from 1 January 2020 to 9 April 2020 respectively. For ND, NDI, HSIL and HSCEIL, the published NAVs per unit have dropped by 17.97%, 1.82%, 28.61% and 27.44% from 1 January 2020 to 9 April 2020 respectively.

The Manager will continue to remain alert to the situation and monitor the subscriptions and redemptions of the Products. During the period between the end of the reporting period and the date of authorisation of these financial statements, there were subscriptions of 4,900,000 units, 4,100,000 units and 100,000 units for ND, HSIL and HSCEIL respectively and nil for NDI, HSII and HSCEII. There were redemptions of 500,000 units, 11,600,000 units, 7,100,000 units, 1,700,000 units and 2,100,000 units for ND, NDI, HSII, HSCEIL and HSCEII respectively and nil for HSIL.

#### 20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 9 April 2020.

## CHINAAMC LEVERAGED/INVERSE SERIES

### INVESTMENT PORTFOLIO

As at 31 December 2019

NDL

		<u>Holdings</u>	<u>Fair value</u> US\$	<u>% of NAV</u>
<b>Money market instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND		683,144	880,742	8.56
UBS (IRL) SELECT MONEY MARKET FUND		27,651	2,892,599	28.12
<b>Total money market instruments</b>			<u>3,773,341</u>	<u>36.68</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u> US\$	<u>% of NAV</u>
<b>Futures contracts</b>				
	20 March 2020			
NASDAQ 100 E-MINI MAR20 20/03/2020 <sup>#</sup>		118	525,481	5.11
<b>Total future contracts</b>			<u>525,481</u>	<u>5.11</u>
<b>Total investments, at fair value</b> <b>(Total investments, at cost: US\$3,727,213)</b>			4,298,822	41.79
<b>Other net assets</b>			5,986,890	58.21
<b>Net asset attributable to unitholders</b>			<u>10,285,712</u>	<u>100.00</u>

NDI

		<u>Holdings</u>	<u>Fair value</u> US\$	<u>% of NAV</u>
<b>Money market instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND		2,136,071	2,753,925	8.98
UBS (IRL) SELECT MONEY MARKET FUND		83,637	8,749,454	28.52
<b>Total money market instruments</b>			<u>11,503,379</u>	<u>37.50</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u> US\$	<u>% of NAV</u>
<b>Futures contracts</b>				
	20 March 2020			
NASDAQ 100 E-MINI MAR 20/03/2020 <sup>#</sup>		(175)	(792,183)	(2.58)
<b>Total future contracts</b>			<u>(792,183)</u>	<u>(2.58)</u>
<b>Total investments, at fair value</b> <b>(Total investments, at cost: US\$11,321,473)</b>			10,711,196	34.92
<b>Other net assets</b>			19,965,840	65.08
<b>Net asset attributable to unitholders</b>			<u>30,677,036</u>	<u>100.00</u>

# The underlying index of NASDAQ 100 E-MINI MAR 20/03/2020 is Nasdaq-100 Index. The clearing house is Chicago Mercantile Exchange.

## CHINAAMC LEVERAGED/INVERSE SERIES

### INVESTMENT PORTFOLIO (continued)

As at 31 December 2019

HSIL

		<u>Holdings</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
<b>Money market instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND		298,751	2,998,447	8.56
UBS (IRL) SELECT MONEY MARKET FUND		12,604	10,264,674	29.32
<b>Total money market instruments</b>			<u>13,263,121</u>	<u>37.88</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
<b>Futures contracts</b>				
	30 January 2020			
HANG SENG IDX FUT JAN 30/01/2020 <sup>#</sup>		49	630,842	1.80
<b>Total future contracts</b>			<u>630,842</u>	<u>1.80</u>
<b>Total investments, at fair value</b> <b>(Total investments, at cost: HK\$13,091,886)</b>			13,893,963	39.68
<b>Other net assets</b>			<u>21,119,437</u>	<u>60.32</u>
<b>Net asset attributable to unitholders</b>			<u>35,013,400</u>	<u>100.00</u>

HSII

		<u>Holding</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
<b>Money market instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND		672,190	6,746,505	8.97
UBS (IRL) SELECT MONEY MARKET FUND		26,287	21,408,201	28.47
<b>Total money market instruments</b>			<u>28,154,706</u>	<u>37.44</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
<b>Futures contracts</b>				
	30 January 2020			
HANG SENG IDX FUT JAN 30/01/2020 <sup>#</sup>		(53)	(714,974)	(0.95)
<b>Total future contracts</b>			<u>(714,974)</u>	<u>(0.95)</u>
<b>Total investments, at fair value</b> <b>(Total investments, at cost: HK\$27,347,670)</b>			27,439,732	36.49
<b>Other net assets</b>			<u>47,758,350</u>	<u>63.51</u>
<b>Net asset attributable to unitholders</b>			<u>75,198,082</u>	<u>100.00</u>

<sup>#</sup> The underlying index of HANG SENG IDX FUT JAN 30/01/2020 is Hang Seng Index. The clearing house is HKFE Clearing Corporation Limited.

## CHINAAMC LEVERAGED/INVERSE SERIES

### INVESTMENT PORTFOLIO (continued)

As at 31 December 2019

HSCEIL				
		<u>Holding</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
<b>Money market instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND		428,210	4,297,773	8.48
UBS (IRL) SELECT MONEY MARKET FUND		16,993	13,838,966	27.28
<b>Total money market instruments</b>			<u>18,136,739</u>	<u>35.76</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
<b>Futures contracts</b>				
	30 January 2020			
HSCEI FUTURES JAN 30/01/2020 <sup>#</sup>		181	1,156,665	2.28
<b>Total future contracts</b>			<u>1,156,665</u>	<u>2.28</u>
<b>Total investments, at fair value</b>			19,293,404	38.04
<b>(Total investments, at cost: HK\$17,710,453)</b>				
<b>Other net assets</b>			<u>31,430,698</u>	<u>61.96</u>
<b>Net asset attributable to unitholders</b>			<u>50,724,102</u>	<u>100.00</u>

HSCEII				
		<u>Holding</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
<b>Money market instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND		243,980	2,448,731	8.97
UBS (IRL) SELECT MONEY MARKET FUND		9,625	7,838,706	28.70
<b>Total money market instruments</b>			<u>10,287,437</u>	<u>37.67</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
<b>Futures contracts</b>				
	30 January 2020			
HSCEI FUTURES JAN 30/01/2020 <sup>#</sup>		(49)	(299,770)	(1.10)
<b>Total future contracts</b>			<u>(299,770)</u>	<u>(1.10)</u>
<b>Total investments, at fair value</b>			9,987,667	36.57
<b>(Total investments, at cost: HK\$9,991,242)</b>				
<b>Other net assets</b>			<u>17,322,366</u>	<u>63.43</u>
<b>Net asset attributable to unitholders</b>			<u>27,310,033</u>	<u>100.00</u>

<sup>#</sup> The underlying index of HSCEI FUTURES JAN 30/01/2020 is Hang Seng China Enterprises Index. The clearing house is HKFE Clearing Corporation Limited.

## CHINAAMC LEVERAGED/INVERSE SERIES

### MOVEMENTS IN INVESTMENT PORTFOLIO

Year ended 31 December 2019

NDL

Investments	Holdings as at 1 January 2019	Additions	Disposals	Holdings as at 31 December 2019
<b>Money Market Instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND	-	683,144	-	683,144
UBS (IRL) SELECT MONEY MARKET FUND	-	29,151	(1,500)	27,651
<b>Future contracts</b>				
NASDAQ 100 E-MINI FUT MAR 15/03/2019	104	25	(129)	-
NASDAQ 100 E-MINI FUT JUN 21/06/2019	-	148	(148)	-
NASDAQ 100 E-MINI FUT SEP 20/09/2019	-	156	(156)	-
NASDAQ 100 E-MINI FUT DEC 20/12/2019	-	153	(153)	-
NASDAQ 100 E-MINI FUT MAR 20/03/2020	-	119	(1)	118

NDI

Investments	Holdings as at 1 January 2019	Additions	Disposals	Holdings as at 31 December 2019
<b>Money Market Instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND	-	2,136,071	-	2,136,071
UBS (IRL) SELECT MONEY MARKET FUND	-	97,637	(14,000)	83,637
<b>Future contracts</b>				
NASDAQ 100 E-MINI FUT MAR 15/03/2019	(218)	418	(200)	-
NASDAQ 100 E-MINI FUT JUN 21/06/2019	-	436	(436)	-
NASDAQ 100 E-MINI FUT SEP 20/09/2019	-	399	(399)	-
NASDAQ 100 E-MINI FUT DEC 20/12/2019	-	301	(301)	-
NASDAQ 100 E-MINI FUT MAR 20/03/2020	-	12	(187)	(175)



## CHINAAMC LEVERAGED/INVERSE SERIES

### MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

Year ended 31 December 2019

HSIL

Investments	Holdings as at 1 January 2019	Additions	Disposals	Holdings as at 31 December 2019
<b>Money Market Instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND	-	298,751	-	298,751
UBS (IRL) SELECT MONEY MARKET FUND	14,186	10,118	(11,700)	12,604
<b>Futures contracts</b>				
HANG SENG IDX FUT JAN 30/01/2019	85	12	(97)	-
HANG SENG IDX FUT FEB 27/02/2019	-	99	(99)	-
HANG SENG IDX FUT MAR 28/03/2019	-	100	(100)	-
HANG SENG IDX FUT APR 29/04/2019	-	100	(100)	-
HANG SENG IDX FUT MAY 30/05/2019	-	101	(101)	-
HANG SENG IDX FUT JUN 27/06/2019	-	99	(99)	-
HANG SENG IDX FUT JUL 30/07/2019	-	99	(99)	-
HANG SENG IDX FUT AUG 29/08/2019	-	101	(101)	-
HANG SENG IDX FUT SEP 27/09/2019	-	91	(91)	-
HANG SENG IDX FUT OCT 30/10/2019	-	76	(76)	-
HANG SENG IDX FUT NOV 28/11/2019	-	78	(78)	-
HANG SENG IDX FUT DEC 30/12/2019	-	76	(76)	-
HANG SENG IDX FUT JAN 30/01/2020	-	50	(1)	49

**CHINAAMC LEVERAGED/INVERSE SERIES**

**MOVEMENTS IN INVESTMENT PORTFOLIO (continued)**

**Year ended 31 December 2019**

HSII

Investments	Holdings as at 1 January 2019	Additions	Disposals	Holdings as at 31 December 2019
<b>Money Market Instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND	-	672,190	-	672,190
UBS (IRL) SELECT MONEY MARKET FUND	51,287	-	(25,000)	26,287
<b>Futures contracts</b>				
HANG SENG IDX FUT JAN 30/01/2019	(118)	132	(14)	-
HANG SENG IDX FUT FEB 27/02/2019	-	106	(106)	-
HANG SENG IDX FUT MAR 28/03/2019	-	110	(110)	-
HANG SENG IDX FUT APR 29/04/2019	-	106	(106)	-
HANG SENG IDX FUT MAY 30/05/2019	-	121	(121)	-
HANG SENG IDX FUT JUN 27/06/2019	-	119	(119)	-
HANG SENG IDX FUT JUL 30/07/2019	-	112	(112)	-
HANG SENG IDX FUT AUG 29/08/2019	-	131	(131)	-
HANG SENG IDX FUT SEP 27/09/2019	-	132	(132)	-
HANG SENG IDX FUT OCT 30/10/2019	-	108	(108)	-
HANG SENG IDX FUT NOV 28/11/2019	-	104	(104)	-
HANG SENG IDX FUT DEC 30/12/2019	-	95	(95)	-
HANG SENG IDX FUT JAN 30/01/2020	-	2	(55)	(53)

## CHINAAMC LEVERAGED/INVERSE SERIES

### MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

Year ended 31 December 2019

#### HSCEIL

Investments	Holdings as at 1 January 2019	Additions	Disposals	Holdings as at 31 December 2019
<b>Money Market Instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND	-	428,210	-	428,210
UBS (IRL) SELECT MONEY MARKET FUND	18,551	4,942	(6,500)	16,993
<b>Futures contracts</b>				
HSCEI FUTURES JAN 30/01/2019	209	28	(237)	-
H-SHARES IDX FUT 27/02/2019	-	247	(247)	-
HSCEI FUTURES MAR 28/03/2019	-	255	(255)	-
HSCEI FUTURES APR 29/04/2019	-	250	(250)	-
HSCEI FUTURES MAY 30/05/2019	-	244	(244)	-
HSCEI FUTURES JUN 27/06/2019	-	237	(237)	-
HSCEI FUTURES JUL 30/07/2019	-	244	(244)	-
HSCEI FUTURES AUG 29/08/2019	-	239	(239)	-
HSCEI FUTURES SEP 27/09/2019	-	222	(222)	-
HSCEI FUTURES OCT 30/10/2019	-	183	(183)	-
HSCEI FUTURES NOV 28/11/2019	-	190	(190)	-
HSCEI FUTURES DEC 30/12/2019	-	190	(190)	-
HSCEI FUTURES JAN 30/01/2020	-	183	(2)	181

#### HSCEII

Investments	Holdings as at 1 January 2019	Additions	Disposals	Holdings as at 31 December 2019
<b>Money Market Instruments</b>				
CHINAAMC SELECT MONEY MARKET FUND	-	243,980	-	243,980
UBS (IRL) SELECT MONEY MARKET FUND	26,125	-	(16,500)	9,625
<b>Futures contracts</b>				
HSCEI FUTURES JAN 30/01/2019	(151)	168	(17)	-
H-SHARES IDX FUT 27/02/2019	-	138	(138)	-
HSCEI FUTURES MAR 28/03/2019	-	139	(139)	-
HSCEI FUTURES APR 29/04/2019	-	127	(127)	-
HSCEI FUTURES MAY 30/05/2019	-	147	(147)	-
HSCEI FUTURES JUN 27/06/2019	-	149	(149)	-
HSCEI FUTURES JUL 30/07/2019	-	140	(140)	-
HSCEI FUTURES AUG 29/08/2019	-	155	(155)	-
HSCEI FUTURES SEP 27/09/2019	-	157	(157)	-
HSCEI FUTURES OCT 30/10/2019	-	120	(120)	-
HSCEI FUTURES NOV 28/11/2019	-	121	(121)	-
HSCEI FUTURES DEC 30/12/2019	-	114	(114)	-
HSCEI FUTURES JAN 30/01/2020	-	2	(51)	(49)

## CHINAAMC LEVERAGED/INVERSE SERIES

### PERFORMANCE RECORD

31 December 2019

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

		<u>2019</u>		<u>2018</u>		<u>2017</u>	
		Net asset value	Net asset value per unit	Net asset value	Net asset value per unit	Net asset value	Net asset value per unit
NDL	US\$	10,343,583	5.1718	6,706,641	2.9159	9,905,317	3.3018
NDI	US\$	30,735,878	0.9947	27,416,304	1.3988	5,135,785	1.4674
HSIL	HK\$	35,241,826	11.0131	55,799,143	9.4575	247,615,260	12.8966
HSII	HK\$	75,426,618	5.7141	149,234,371	6.5742	169,391,800	6.0932
HSCEIL	HK\$	50,955,224	9.2646	53,465,596	7.7486	161,308,454	10.6827
HSCEII	HK\$	27,539,002	5.9867	75,498,724	7.0560	150,395,750	6.5963

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

		<u>2019</u>		<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	Highest issue price per unit	Lowest redemption price per unit
NDL	US\$	5.2091	2.7570	4.4870	2.5395	3.4340	1.9860
NDI	US\$	1.4357	0.9912	1.5106	1.1871	1.9815	1.4407
HSIL	HK\$	12.7242	8.8182	15.7585	8.7090	13.1018	7.9711
HSII	HK\$	6.7977	5.5905	6.9712	5.4940	8.0125	6.0728
HSCEIL	HK\$	10.4594	7.2984	14.6426	7.6066	11.2303	7.4430
HSCEII	HK\$	7.2629	5.9572	7.1872	5.5933	8.2265	6.4798

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

		<u>2019</u>		<u>2018</u>		<u>2017</u>	
		Index performance (%)	Product performance (%)	Index performance (%)	Product performance (%)	Index performance (%)	Product performance (%)
NDL	**	39.46%	75.11%	0.04%	-12.26%	33.11%	67.74%
NDI	***	39.46%	-29.87%	0.04%	-3.35%	33.11%	-26.61%
HSIL	**	13.01%	16.40%	-10.55%	-26.86%	29.83%	61.50%
HSII	***	13.01%	-12.98%	-10.55%	-7.73%	29.83%	-24.00%
HSCEIL	**	14.50%	18.92%	-10.00%	-27.25%	18.06%	32.18%
HSCEII	***	14.50%	-15.06%	-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.

