

ChinaAMC Leveraged/Inverse  
Series

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

**ChinaAMC Direxion Nasdaq-100  
Index Daily (-1x) Inverse Product**

For the year ended 31 December 2020

**ChinaAMC Direxion Nasdaq-100  
Index Daily (-2x) Inverse Product**

For the period from 6 September 2019  
(Date Of Inception) to 31 December 2020

**ChinaAMC Direxion CSI 300  
Index Daily (2x) Leveraged  
Product**

**ChinaAMC Direxion CSI 300  
Index Daily (-1x) Inverse  
Product**

For the period from 27 July 2020  
(Date Of Inception) to 31 December 2020

Annual Report



**ANNUAL REPORT**

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

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

FOR THE YEAR ENDED 31 DECEMBER 2020

CHINAAMC DIREXION NASDAQ-100 INDEX DAILY (-2x) INVERSE PRODUCT  
(Stock Code: 7522)

FOR THE PERIOD FROM 6 SEPTEMBER 2019 (DATE OF INCEPTION) TO 31  
DECEMBER 2020

CHINAAMC DIREXION CSI 300 INDEX DAILY (2x) LEVERAGED PRODUCT  
(Stock Code: 7272)

CHINAAMC DIREXION CSI 300 INDEX DAILY (-1x) INVERSE PRODUCT  
(Stock Code: 7373)

FOR THE PERIOD FROM 27 JULY 2020 (DATE OF INCEPTION) TO 31  
DECEMBER 2020

(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  
Gan Tian  
Li Yimei  
Li Fung Ming  
Zhang Xiaoling (resigned on 14 September 2020)

#### 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  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Hong Kong

#### Listing Agent

Altus Capital Limited  
21 Wing Wo Street  
Hong Kong

#### Participating Dealers for:

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

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

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### MANAGEMENT AND ADMINISTRATION (continued)

#### Participating Dealers for:

- ChinaAMC Direxion NASDAQ-100 Index Daily (2x)  
Leveraged Product (continued)
- ChinaAMC Direxion NASDAQ-100 Index Daily (-1x)  
Inverse Product (continued)
- ChinaAMC Direxion NASDAQ-100 Index Daily (-2x)  
Inverse Product (continued)

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

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

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

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

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

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

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

#### Participating Dealers for

- ChinaAMC Direxion CSI 300 Index Daily (2x)  
Leveraged Product
- ChinaAMC Direxion CSI 300 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 Merchants Securities (HK) Co., Limited  
48/F, One Exchange Square  
Central, Hong Kong

Citigroup Global Markets Asia Limited  
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

## CHINAAMC LEVERAGED/INVERSE SERIES

### REPORT OF THE MANAGER TO THE UNITHOLDERS

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

---a Product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product ("NDL") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of NDL are traded on The Stock Exchange of Hong Kong Limited ("SEHK") like stocks. It is a futures-based product which invests directly in the E-Mini NASDAQ 100 futures ("E-mini NASDAQ 100 Futures") which are traded on the Chicago Mercantile Exchange ("CME") so as to give NDL twice the daily performance of the NASDAQ100 Index ("NAS100"). NDL is denominated in United States dollars ("US\$"). Creations and redemptions are in US\$ only.

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

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

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

NDL's net derivative exposure may be more than 100% of the NDL's NAV.

##### 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 NDL is in below (total returns in respective currency<sup>1,2</sup>):

|                                      | 1-Month | 3-Month | Since Launch <sup>3</sup> |
|--------------------------------------|---------|---------|---------------------------|
| The Index                            | 5.11%   | 13.09%  | 176.45%                   |
| Leveraged Product (NAV-to-NAV)       | 9.75%   | 25.38%  | 387.83%                   |
| Leveraged Product (Market-to-Market) | 10.37%  | 29.04%  | 384.32%                   |

##### Activities of NDL

According to Bloomberg, the average daily trading volume of NDL was approximately 635,766 units from 1 January 2020 to 31 December 2020. As of 31 December 2020, there were 7,700,000 units outstanding.

<sup>1</sup> Source: Bloomberg, as of 31 December 2020. 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>2</sup> Past performance figures are not indicative of the future performance of the leveraged product.

<sup>3</sup> Calculated since 28 September 2016.

## CHINAAMC LEVERAGED/INVERSE SERIES

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

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

---a Product of ChinaAMC Leveraged/Inverse Series

##### Introduction

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

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

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

NDI's net derivative exposure may be more than 100% of the NDI's NAV.

##### 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>4,5</sup>):

|  | 1-Month | 3-Month | Since Launch <sup>6</sup> |
|--|---------|---------|---------------------------|
| The Index                                | 5.11%   | 13.09%  | 176.45%                   |
| The Leveraged Product (NAV-to-NAV)       | -4.96%  | -12.75% | -70.52%                   |
| The Leveraged Product (Market-to-Market) | -5.30%  | -14.10% | -70.45%                   |

##### Activities of NDI

According to Bloomberg, the average daily trading volume of NDI was approximately 234,439 units from 1 January 2020 to 31 December 2020. As of 31 December 2020, there were 23,700,000 units outstanding.

<sup>4</sup> Source: Bloomberg, as of 31 December 2020. 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 inverse the return of the underlying index over a one-year period or any period beyond one day.

<sup>5</sup> Past performance figures are not indicative of the future performance of the leveraged product.

<sup>6</sup> Calculated since 28 September 2016

## CHINAAMC LEVERAGED/INVERSE SERIES

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

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

---a Product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC Direxion NASDAQ-100 Daily (-2x) Inverse Product ("NDI2X") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of NDI2X 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 NDI2X twice the inverse of the daily performance of the NAS100. NDI2 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 NDI2X, 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 NDI2X from time to time will be used as margin to acquire the E-mini NASDAQ 100 Futures. The remaining 80% of the NAV of NDI2X will be invested in cash (US\$) and other US\$ denominated investment products, such as deposits with banks in Hong Kong and SFC authorised money market funds in accordance with the requirements of the SFC Code. NDI2X 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, NDI2X 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 twice inverse exposure ratio to the NAS100 is consistent with NDI2X's investment objectives.

NDI2X's net derivative exposure may be more than 100% of the NDI2X's NAV.

##### Performance of NDI2X

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to the twice inverse of the daily performance of the NAS100. NDI2X does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of NDI2X is in below (total returns in respective currency<sup>7,8</sup>):

|  | 1-Month | 3-Month | Since Launch <sup>9</sup> |
|--|---------|---------|---------------------------|
| The Index                                | 5.11%   | 13.09%  | 66.09%                    |
| The Leveraged Product (NAV-to-NAV)       | -9.60%  | -24.44% | -75.07%                   |
| The Leveraged Product (Market-to-Market) | -10.18% | -26.72% | -75.20%                   |

##### Activities of NDI2X

According to Bloomberg, the average daily trading volume of NDI2X was approximately 2,525,495 units from 1 January 2020 to 31 December 2020. As of 31 December 2020, there were 197,700,000 units outstanding.

<sup>7</sup> Source: Bloomberg, as of December 31 2020. NDI2X seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of NDI2 may not correspond to two-times inverse the return of the underlying index over a one-year period or any period beyond one day.

<sup>8</sup> Past performance figures are not indicative of the future performance of the leveraged product.

<sup>9</sup> Calculated since 6 September 2019.



## CHINAAMC LEVERAGED/INVERSE SERIES

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

#### 4. ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product

---a Product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC CSI 300 Index Daily (2x) Leveraged Product (the "CSIL") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of CSIL are traded on SEHK like stocks. It is a swap-based product with an investment objective investment objective is to provide daily investment results, before fees and expenses, which closely correspond to twice (2x) the daily performance of CSI 300 Net Total Return HKD Index CNH. CSIL is dominated in HK\$. Creations and redemptions are in HK\$ only.

The Manager manages CSIL with the objective to reduce to nil CSIL's single counterparty net exposure on the basis where CSIL's net exposure to each Swap Counterparty exceed 0% at the end of a trading day T, on trading day T+1, the Manager will require that Swap Counterparty make cash payment to CSIL so that the net exposure of CSIL to each Swap Counterparty is limited to no more than 0% of its NAV. Despite the counterparty risk management measures in place, the management of CSIL's net exposure to each Swap Counterparty to zero is subject to settlement risks arising from settlement failures and market risks (including price movements prior to the required cash payment by the Swap Counterparty to CSIL). Any delay in the cash payment by the Swap Counterparty to CSIL prior to the end of the relevant trading day T+1 may cause CSIL's exposure to a Swap Counterparty to be larger than zero from time to time. This may result in significant losses for CSIL in the event of the insolvency or default of that Swap Counterparty. CSIL 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 A-Share market on each Business Day, CSIL will seek to rebalance its portfolio, by increasing exposure in response to the Index's Daily gains or reducing exposure in response to the Index's daily losses, so that its daily leverage exposure ratio to the Index is consistent with CSIL's investment objectives.

CSIL's net derivative exposure may be more than 100% of the CSIL's NAV.

##### Performance of CSIL

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of CSI 300. CSIL does not seek to achieve its stated investment objective over a period of time greater than one day.

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

|  | 1-Month | 3-Month | Since Launch <sup>12</sup> |
|--|---------|---------|----------------------------|
| The Index                                | 6.31%   | 19.12%  | 24.09%                     |
| The Leveraged Product (NAV-to-NAV)       | 13.08%  | 41.91%  | 53.42%                     |
| The Leveraged Product (Market-to-Market) | 11.53%  | 41.97%  | 52.55%                     |

##### Activities of CSIL

According to Bloomberg, the average daily trading volume of CSIL was approximately 592,726 units from 27 July 2020 to 31 December 2020. As of 31 December 2020, there were 14,500,000 units outstanding.

<sup>10</sup> Source: Bloomberg, as of 31 December 2020. CSIL seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of CSIL may not correspond to two times the return of the underlying index over a one-year period or any period beyond one day.

<sup>11</sup> Past performance figures are not indicative of the future performance of the leveraged product.

<sup>12</sup> Calculated since 27 July 2020.

## CHINAAMC LEVERAGED/INVERSE SERIES

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

#### 5. ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product

---a Product of ChinaAMC Leveraged/Inverse Series

##### Introduction

ChinaAMC CSI 300 Index Daily (-1x) Inverse Product ("CSII") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of CSII are traded on SEHK like stocks. It is a swap-based product with an investment objective investment objective is to provide daily investment results, before fees and expenses, which closely correspond to inverse the daily performance of CSI 300 Net Total Return HKD Index CNH. CSII is denominated in HK\$. Creations and redemptions are in HK\$ only.

The Manager intends to adopt a Swap-based synthetic replication strategy to achieve the investment objective of CSII, through entering into one or more unfunded Swaps (a "Swap") (which are over-the-counter financial derivative instruments ("FDIs") entered into with one or more counterparties (each a "Swap Counterparty")) whereby CSII will receive from the Swap Counterpart(ies) an exposure to the economic gain/loss in the inverse performance of the Index (net of swap fees and indirect costs) on a daily basis. CSII 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 A-Share market on each Business Day, CSII will seek to rebalance its portfolio, by increasing exposure in response to the Index's Daily gains or reducing exposure in response to the Index's daily losses, so that its daily inverse exposure ratio to the Index is consistent with CSII's investment objectives.

**CSII's net derivative exposure may be more than 100% of the CSII's NAV.**

##### Performance of CSII

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to inverse the daily performance of the CSI 300. CSII does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of CSII is in below (total returns in respective currency<sup>13,14</sup>):

|  | 1-Month | 3-Month | Since Launch <sup>15</sup> |
|--|---------|---------|----------------------------|
| The Index                                | 6.31%   | 19.12%  | 24.09%                     |
| The Leveraged Product (NAV-to-NAV)       | -6.75%  | -18.26% | -22.98%                    |
| The Leveraged Product (Market-to-Market) | -6.36%  | -18.48% | -23.67%                    |

<sup>13</sup> Source: Bloomberg, as of December 31 2020. CSII seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of CSII may not correspond inverse the return of the underlying index over a one-year period or any period beyond one day.

<sup>14</sup> Past performance figures are not indicative of the future performance of the leveraged product.

<sup>15</sup> Calculated since 27 July 2020.

## **CHINAAMC LEVERAGED/INVERSE SERIES**

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

#### **5. ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product** (continued)

---a product of ChinaAMC Leveraged/Inverse Series

#### **Activities of CSII**

According to Bloomberg, the average daily trading volume of CSII was approximately 469,276 units from 27 July 2020 to 31 December 2020. As of 31 December 2020, there were 24,200,000 units outstanding.

China Asset Management (Hong Kong) Limited  
8 April 2021

## **CHINAAMC LEVERAGED/INVERSE SERIES**

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

To the unitholders of

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

ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product

ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product

ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product

ChinaAMC Direxion CSI 300 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 2020.

For and on behalf of

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

8 April 2021

## 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"), ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product ("NDI"), ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product ("NDI2X"), ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product ("CSIL") and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product ("CSII") (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 2020, the Trust has established with seven Products.

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product ("HSCEIL") and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product ("HSCEI") have been terminated on 4 September 2020 (date of last valuation).

Pursuant to the Announcement and Notice on 10 February 2021, ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) ("HSIL") and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product) ("HSII") were ceased trading of units on 17 February 2021. The financial information of the Products has not been included in this annual report but included in the termination audit report of the Products covering from 1 January 2020 to 18 February 2021.

#### 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, ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product, ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product, ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series**

(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 and ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product for the year ended 31 December 2020, ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product for the period from 6 September 2019 (date of inception) to 31 December 2020, ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product for the period from 27 July 2020 (date of inception) to 31 December 2020 (collectively, the "Products") set out on pages 17 to 68 which comprise the statements of financial position as at 31 December 2020, and the statements of comprehensive income, the statements of changes in net assets attributable to unitholders and statements of cash flows for the year/period 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 2020, and of their financial transactions and cash flows for the period 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.

**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 NASDAQ-100 Index Daily (-2x) Inverse Product, ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series**

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**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.

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>   |  |  |   |
| <p>As at 31 December 2020, the investments held by each of the Products mainly comprised exchange traded futures traded on Hong Kong Futures Exchange Limited, over-the-counter swaps and investment funds, namely UBS (Irl) Select Money Market Fund and ChinaAMC Select Money Market Fund in their respective financial statements, which were valued at:</p> | <p>We obtained independent confirmation from the brokers and custodians of each of the investment portfolios at 31 December 2020, 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 were quoted in active markets by agreeing the valuation to third party sources.</p> <p>For over-the-counter swaps whose quoted price cannot be obtained, we evaluated the valuation techniques and inputs applied by validating the observable inputs to external market data.</p> |  |   |
| <table border="1"> <tr> <td data-bbox="193 1541 564 1682">ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product</td> <td data-bbox="564 1541 890 1682">Exchange traded futures: US\$1,444,417<br/>Money market funds: US\$6,202,830</td> </tr> </table>   |  | ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product                | Exchange traded futures: US\$1,444,417<br>Money market funds: US\$6,202,830 |
| ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product   |  | Exchange traded futures: US\$1,444,417<br>Money market funds: US\$6,202,830    |   |
| <table border="1"> <tr> <td data-bbox="193 1682 564 1823">ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product</td> <td data-bbox="564 1682 890 1823">Exchange traded futures: (US\$541,134)<br/>Money market funds: US\$5,043,648</td> </tr> </table>  |  | ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product                 | Exchange traded futures: (US\$541,134)<br>Money market funds: US\$5,043,648 |
| ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product  | Exchange traded futures: (US\$541,134)<br>Money market funds: US\$5,043,648  |  |   |
| <table border="1"> <tr> <td data-bbox="193 1823 564 1966">ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product</td> <td data-bbox="564 1823 890 1966">Exchange traded futures: (US\$5,572,811)<br/>Money market funds: US\$15,600,114</td> </tr> </table>   | ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product   | Exchange traded futures: (US\$5,572,811)<br>Money market funds: US\$15,600,114 |   |
| ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product  | Exchange traded futures: (US\$5,572,811)<br>Money market funds: US\$15,600,114   |  |   |

**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 NASDAQ-100 Index Daily (-2x) Inverse Product, ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series**

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**Key Audit Matters** (continued)

| <b>Key audit matter</b>   |   | <b>How our audit addressed the key audit matter</b>                          |   |   |  |
|---|---|--|---|---|--|
| <i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i>   |   |  |   |   |  |
| <table border="1"> <tr> <td style="width: 30%;">ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product</td> <td>Over-the-counter swaps: HK\$20,639,862<br/>Money market funds: HK\$34,495,540</td> </tr> <tr> <td>ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product</td> <td>Over-the-counter swaps: (HK\$9,174,821)<br/>Money market funds: HK\$40,313,317</td> </tr> </table> | ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product                  | Over-the-counter swaps: HK\$20,639,862<br>Money market funds: HK\$34,495,540 | ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product | Over-the-counter swaps: (HK\$9,174,821)<br>Money market funds: HK\$40,313,317 | <p>We evaluated the reasonableness of the fair value hierarchy by checking whether active markets and quoted prices existed for the financial assets and liabilities.</p> <p>We assessed the adequacy of disclosures relating to financial assets and financial liabilities at fair value through profit or loss against the requirements of IFRS.</p> |
| ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product  | Over-the-counter swaps: HK\$20,639,862<br>Money market funds: HK\$34,495,540  |  |   |   |  |
| ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product   | Over-the-counter swaps: (HK\$9,174,821)<br>Money market funds: HK\$40,313,317 |  |   |   |  |
| <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 13 to 15 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.

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.



## **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 NASDAQ-100 Index Daily (-2x) Inverse Product, ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series**

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

### **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 (the "Trust Deed") as amended or supplemented from time to time 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.

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.

**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 NASDAQ-100 Index Daily (-2x) Inverse Product, ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series**

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Products' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Products' abilities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Products to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**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 NASDAQ-100 Index Daily (-2x) Inverse Product, ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series**

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

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

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  
8 April 2021

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

|  | Notes | NDL               |                   | NDI               |                   | NDI2X             | CSIL               | CSII               |
|--|-------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
|  |       | 2020<br>US\$      | 2019<br>US\$      | 2020<br>US\$      | 2019<br>US\$      | 2020<br>US\$      | 2020<br>HK\$       | 2020<br>HK\$       |
| <b>ASSETS</b>  |       |                   |                   |                   |                   |                   |                    |                    |
| Financial assets at fair value through profit or loss      | 13,14 | 7,647,247         | 4,298,822         | 5,043,648         | 11,503,379        | 15,600,114        | 55,135,402         | 40,313,317         |
| Cash and cash equivalents                                  | 6     | 8,742,686         | 4,893,634         | 7,939,372         | 17,287,137        | 46,759,909        | 131,809,499        | 111,119,797        |
| Amounts due from brokers                                   | 7     | 2,474,380         | 1,137,929         | 1,530,744         | 2,760,058         | 17,279,213        | 32,317             | 5,925,435          |
| Amount due from participating dealer                       |       | -                 | -                 | -                 | -                 | -                 | 2,409,054          | -                  |
| Prepayments and other receivables                          |       | 5,011             | 15,343            | 7,732             | 4,659             | 117               | 68                 | 79                 |
| <b>TOTAL ASSETS</b>  |       | <b>18,869,324</b> | <b>10,345,728</b> | <b>14,521,496</b> | <b>31,555,233</b> | <b>79,639,353</b> | <b>189,386,340</b> | <b>157,358,628</b> |
| <b>LIABILITIES</b>   |       |                   |                   |                   |                   |                   |                    |                    |
| Financial liabilities at fair value through profit or loss | 13,14 | -                 | -                 | 541,134           | 792,183           | 5,572,811         | -                  | 9,174,821          |
| Amounts due to brokers                                     | 7     | -                 | -                 | -                 | 4,590             | 72,213            | 8,998,735          | 551,228            |
| Auditor's remuneration payable                             |       | 10,400            | 10,000            | 10,400            | 10,000            | 10,300            | 82,000             | 82,000             |
| Management fee payable                                     | 5(a)  | 16,215            | 9,112             | 11,848            | 27,290            | 73,179            | 138,812            | 129,453            |
| Trustee fee payable  | 5(b)  | 3,049             | 3,156             | 3,049             | 3,308             | 7,318             | 14,021             | 13,076             |
| Other payables and accruals                                |       | 33,481            | 37,748            | 32,399            | 40,826            | 80,496            | 483,448            | 480,758            |
| <b>TOTAL LIABILITIES</b>                                   |       | <b>63,145</b>     | <b>60,016</b>     | <b>598,830</b>    | <b>878,197</b>    | <b>5,816,317</b>  | <b>9,717,016</b>   | <b>10,431,336</b>  |
| <b>EQUITY</b>  |       |                   |                   |                   |                   |                   |                    |                    |
| Net assets attributable to unitholders                     | 4     | 18,806,179        | 10,285,712        | 13,922,666        | 30,677,036        | 73,823,036        | 179,669,324        | 146,927,292        |
| <b>TOTAL LIABILITIES AND EQUITY</b>                        |       | <b>18,869,324</b> | <b>10,345,728</b> | <b>14,521,496</b> | <b>31,555,233</b> | <b>79,639,353</b> | <b>189,386,340</b> | <b>157,358,628</b> |
| Number of units in issue                                   | 4     | 7,700,000         | 2,000,000         | 23,700,000        | 30,900,000        | 197,700,000       | 14,500,000         | 24,200,000         |
| Net asset value per unit                                   | 4     | 2.4424            | 5.1429            | 0.5875            | 0.9928            | 0.3734            | 12.3910            | 6.0714             |

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF COMPREHENSIVE INCOME

Year/period ended 31 December 2020

|   | Notes   | <u>NDL</u>                                  |   | <u>NDI</u>                                  |   | <u>NDI2X</u>   | <u>CSIL</u>  | <u>CSII</u>  |
|---|---------|---|---|---|---|--|--|--|
|   |         | For the year ended 31 December 2020<br>US\$ | For the year ended 31 December 2019<br>US\$ | For the year ended 31 December 2020<br>US\$ | For the year ended 31 December 2019<br>US\$ | For the period from 6 September 2019 (date of inception) to 31 December 2020<br>US\$ | For the period from 27 July 2020 (date of inception) to 31 December 2020<br>HK\$ | For the period from 27 July 2020 (date of inception) to 31 December 2020<br>HK\$ |
| <b>INCOME</b>   |         |   |   |   |   |  |  |  |
| Interest income   |         | 9,613                                       | 44,904                                      | 21,702                                      | 237,213                                     | 23,325   | 13,551   | 20,623   |
| Other income  |         | 430   | -   | 648   | -   | -  | 249,607  | 246,209  |
|   |         | <u>10,043</u>                               | <u>44,904</u>                               | <u>22,350</u>                               | <u>237,213</u>                              | <u>23,325</u>  | <u>263,158</u>   | <u>266,832</u>   |
| <b>EXPENSES</b>   |         |   |   |   |   |  |  |  |
| Management fee  | 5(a)    | (184,656)                                   | (92,571)                                    | (181,202)                                   | (374,907)                                   | (517,596)  | (757,054)  | (743,900)  |
| Trustee fee   | 5(b)    | (36,000)                                    | (36,000)                                    | (36,009)                                    | (45,468)                                    | (52,253)   | (76,470)   | (75,141)   |
| Accounting and professional fees  | 5(c)    | (9,000)                                     | (9,000)                                     | (9,000)                                     | (9,000)                                     | (9,000)  | (46,800)   | (46,800)   |
| Auditor's remuneration  |         | (10,800)                                    | (10,000)                                    | (10,800)                                    | (10,000)                                    | (10,300)   | (82,000)   | (82,000)   |
| Legal and professional fees   |         | (4,848)                                     | (2,578)                                     | (1,349)                                     | (2,578)                                     | (3,734)  | (12,423)   | (8,935)  |
| Safe custody and bank charges   | 5(d)    | (1,485)                                     | (552)                                       | (1,778)                                     | (2,314)                                     | (2,319)  | (9,062)  | (8,533)  |
| Brokerage and other transaction fees                                    | 5(e),11 | (13,380)                                    | (7,038)                                     | (9,919)                                     | (15,350)                                    | (40,176)   | (14,344)   | (14,616)   |
| Formation costs   |         | -   | -   | -   | -   | (87,000)   | (743,400)  | (743,400)  |
| Other operating expenses  |         | (55,709)                                    | (50,249)                                    | (50,739)                                    | (78,504)                                    | (95,389)   | (265,058)  | (264,591)  |
|   |         | <u>(315,878)</u>                            | <u>(207,988)</u>                            | <u>(300,796)</u>                            | <u>(538,121)</u>                            | <u>(817,767)</u>   | <u>(2,006,611)</u>   | <u>(1,987,916)</u>   |
| Investment manager reimbursement of fees                                | 5(f)    | -   | -   | -   | -   | 15,204   | -  | -  |
|   |         | <u>(315,878)</u>                            | <u>(207,988)</u>                            | <u>(300,796)</u>                            | <u>(538,121)</u>                            | <u>(802,563)</u>   | <u>(2,006,611)</u>   | <u>(1,987,916)</u>   |
| <b>LOSSES BEFORE INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES</b> |         |   |   |   |   |  |  |  |
|   |         | (305,835)                                   | (163,084)                                   | (278,446)                                   | (300,908)                                   | (779,238)  | (1,743,453)  | (1,721,084)  |

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENTS OF COMPREHENSIVE INCOME (continued)

Year/period ended 31 December 2020

|  | <u>NDL</u>   |  | <u>NDI</u>   |  | <u>NDI2X</u>   | <u>CSIL</u>   | <u>CSII</u>   |
|--|--|--|--|--|--|---|---|
|  | For the year<br>ended 31<br>December<br>2020<br>US\$ | For the year<br>ended 31<br>December<br>2019<br>US\$ | For the year<br>ended 31<br>December<br>2020<br>US\$ | For the year<br>ended 31<br>December<br>2019<br>US\$ | For the period<br>from<br>6 September<br>2019 (date of<br>inception) to 31<br>December<br>2020<br>US\$ | For the period<br>from 27 July<br>2020 (date of<br>inception) to 31<br>December<br>2020<br>HK\$ | For the period<br>from 27 July<br>2020 (date of<br>inception) to<br>31 December<br>2020<br>HK\$ |
| INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES   |  |  |  |  |  |   |   |
| Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss             | 15,872,541   | 4,426,283  | (7,271,747)  | (11,032,712)   | (45,653,921)   | 57,340,912  | (37,913,223)  |
| Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss | 924,785  | 870,614  | 159,814  | (921,440)  | (5,542,699)  | 20,642,997  | (9,167,339)   |
| Foreign exchange (losses)/gains  | (4)  | (229)  | 579  | (1,015)  | (126)  | (27,052)  | (30,222)  |
|  | <u>16,797,322</u>                                    | <u>5,296,668</u>                                     | <u>(7,111,354)</u>                                   | <u>(11,955,167)</u>                                  | <u>(51,196,746)</u>  | <u>77,956,857</u>   | <u>(47,110,784)</u>   |
| TOTAL COMPREHENSIVE INCOME   | <u>16,491,487</u>                                    | <u>5,133,584</u>                                     | <u>(7,389,800)</u>                                   | <u>(12,256,075)</u>                                  | <u>(51,975,984)</u>  | <u>76,213,404</u>   | <u>(48,831,868)</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/period ended 31 December 2020

|  | <u>NDL</u>                                  |   | <u>NDI</u>                                  |   | <u>NDI2X</u>   | <u>CSIL</u>  | <u>CSII</u>  |
|--|---|---|---|---|--|--|--|
|  | For the year ended 31 December 2020<br>US\$ | For the year ended 31 December 2019<br>US\$ | For the year ended 31 December 2020<br>US\$ | For the year ended 31 December 2019<br>US\$ | For the period from 6 September 2019 (date of inception) to 31 December 2020<br>US\$ | For the period from 27 July 2020 (date of inception) to 31 December 2020<br>HK\$ | For the period from 27 July 2020 (date of inception) to 31 December 2020<br>HK\$ |
| Net assets attributable to unitholders at the beginning of the year/period | 10,285,712                                  | 6,616,278                                   | 30,677,036                                  | 27,325,941                                  | -  | -  | -  |
| Issue of units   | 23,303,550                                  | -   | 4,505,990                                   | 19,947,230                                  | 134,841,970  | 173,729,120  | 240,349,340  |
| Redemption of units  | (31,274,570)                                | (1,464,150)                                 | (13,870,560)                                | (4,340,060)                                 | (9,042,950)  | (70,273,200)   | (44,590,180)   |
| Total comprehensive income   | 16,491,487                                  | 5,133,584                                   | (7,389,800)                                 | (12,256,075)                                | (51,975,984)   | 76,213,404   | (48,831,868)   |
| Net assets attributable to unitholders at the end of the year/period       | <u>18,806,179</u>                           | <u>10,285,712</u>                           | <u>13,922,666</u>                           | <u>30,677,036</u>                           | <u>73,823,036</u>  | <u>179,669,324</u>   | <u>146,927,292</u>   |
| Number of units in issue at the beginning of the year/period               | 2,000,000                                   | 2,300,000                                   | 30,900,000                                  | 19,600,000                                  | -  | -  | -  |
| Number of units issued during the year/period                              | 15,900,000                                  | -   | 6,500,000                                   | 15,100,000                                  | 207,000,000  | 21,500,000   | 30,900,000   |
| Number of units redeemed during the year/period                            | (10,200,000)                                | (300,000)                                   | (13,700,000)                                | (3,800,000)                                 | (9,300,000)  | (7,000,000)  | (6,700,000)  |
| Number of units in issue at the end of the year/period                     | <u>7,700,000</u>                            | <u>2,000,000</u>                            | <u>23,700,000</u>                           | <u>30,900,000</u>                           | <u>197,700,000</u>   | <u>14,500,000</u>  | <u>24,200,000</u>  |

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS

Year ended 31 December 2020

#### NDL

|  | Note | 2020<br>US\$        | 2019<br>US\$       |
|--|------|---------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |      |                     |                    |
| Total comprehensive income   |      | 16,491,487          | 5,133,584          |
| Adjustment for:  |      |                     |                    |
| Interest income  |      | <u>(9,613)</u>      | <u>(44,904)</u>    |
| Operating gain before changes in working capital   |      | 16,481,874          | 5,088,680          |
| Increase in financial assets at fair value through profit or loss                              |      | (3,348,425)         | (4,298,822)        |
| Decrease/(increase) in prepayments and other receivables                                       |      | 10,259              | (15,238)           |
| (Increase)/decrease in amount due from broker  |      | (1,336,451)         | 1,079,842          |
| Decrease in financial liabilities at fair value through profit or loss                         |      | -                   | (299,005)          |
| Increase in auditor's remuneration payable   |      | 400                 | -                  |
| Increase in management fee payable   |      | 7,103               | 3,074              |
| (Decrease)/increase in trustee fee payable   |      | (107)               | 124                |
| Decrease in other payables and accruals  |      | <u>(4,267)</u>      | <u>(18,913)</u>    |
|  |      | <u>11,810,386</u>   | <u>1,539,742</u>   |
| Interest received  |      | <u>9,686</u>        | <u>44,799</u>      |
| Net cash flows from operating activities   |      | <u>11,820,072</u>   | <u>1,584,541</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |      |                     |                    |
| Proceeds from issue of units   |      | 23,303,550          | -                  |
| Payments on redemption of units  |      | <u>(31,274,570)</u> | <u>(1,464,150)</u> |
| Net cash flows used in financing activities  |      | <u>(7,971,020)</u>  | <u>(1,464,150)</u> |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>  |      |                     |                    |
| Cash and cash equivalents at the beginning of the year   |      | <u>4,893,634</u>    | <u>4,773,243</u>   |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR   |      | <u>8,742,686</u>    | <u>4,893,634</u>   |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                                       |      |                     |                    |
| Cash at bank   | 6    | 6,685,418           | 3,743,634          |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 6    | <u>2,057,268</u>    | <u>1,150,000</u>   |
|  |      | <u>8,742,686</u>    | <u>4,893,634</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 2020

#### NDI

|  | Note | 2020<br>US\$            | 2019<br>US\$             |
|--|------|-------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |      |                         |                          |
| Total comprehensive income   |      | (7,389,800)             | (12,256,075)             |
| Adjustment for:  |      |                         |                          |
| Interest income  |      | <u>(21,702)</u>         | <u>(237,213)</u>         |
| Operating loss before changes in working capital   |      | <u>(7,411,502)</u>      | <u>(12,493,288)</u>      |
| Decrease/(increase) in financial assets at fair value through profit or loss                   |      | 6,459,731               | (11,192,216)             |
| Increase in prepayments and other receivables  |      | (3,563)                 | (4,141)                  |
| Decrease/(increase) in amount due from broker  |      | 1,229,314               | (882,481)                |
| (Decrease)/increase in financial liabilities at fair value through profit or loss              |      | (251,049)               | 792,183                  |
| (Decrease)/increase in amount due to broker  |      | (4,590)                 | 4,590                    |
| Increase in auditor's remuneration payable   |      | 400                     | -                        |
| (Decrease)/increase in management fee payable  |      | (15,442)                | 3,596                    |
| (Decrease)/increase in trustee fee payable   |      | (259)                   | 249                      |
| Decrease in other payables and accruals  |      | <u>(8,427)</u>          | <u>(14,782)</u>          |
|  |      | <u>(5,387)</u>          | <u>(23,786,290)</u>      |
| Interest received  |      | <u>22,192</u>           | <u>236,695</u>           |
| Net cash flows from/(used in) operating activities   |      | <u>16,805</u>           | <u>(23,549,595)</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |      |                         |                          |
| Proceeds from issue of units   |      | 4,505,990               | 19,947,230               |
| Payments on redemption of units  |      | <u>(13,870,560)</u>     | <u>(4,340,060)</u>       |
| Net cash flows (used in)/from financing activities   |      | <u>(9,364,570)</u>      | <u>15,607,170</u>        |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>  |      |                         |                          |
|  |      | (9,347,765)             | (7,942,425)              |
| Cash and cash equivalents at the beginning of the year   |      | <u>17,287,137</u>       | <u>25,229,562</u>        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>  |      | <u><u>7,939,372</u></u> | <u><u>17,287,137</u></u> |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                                       |      |                         |                          |
| Cash at bank   | 6    | 6,122,153               | 11,637,137               |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 6    | <u>1,817,219</u>        | <u>5,650,000</u>         |
|  |      | <u><u>7,939,372</u></u> | <u><u>17,287,137</u></u> |

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

For the period from 6 September 2019 (date of inception) to 31 December 2020

#### NDI2X

|  | Note | US\$                     |
|--|------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |      |                          |
| Total comprehensive income   |      | (51,975,984)             |
| Adjustment for:  |      |                          |
| Interest income  |      | <u>(23,325)</u>          |
| Operating loss before changes in working capital   |      | (51,999,309)             |
| <br>   |      |                          |
| Increase in financial assets at fair value through profit or loss                              |      | (15,600,114)             |
| Increase in amount due from broker   |      | (17,279,213)             |
| Increase in financial liabilities at fair value through profit or loss                         |      | 5,572,811                |
| Increase in amount due to broker   |      | 72,213                   |
| Increase in auditor's remuneration payable   |      | 10,300                   |
| Increase in management fee payable   |      | 73,179                   |
| Increase in trustee fee payable  |      | 7,318                    |
| Increase in other payables and accruals  |      | <u>80,496</u>            |
|  |      | <u>(79,062,319)</u>      |
| <br>   |      |                          |
| Interest received  |      | <u>23,208</u>            |
| Net cash flows used in operating activities  |      | <u>(79,039,111)</u>      |
| <br>   |      |                          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |      |                          |
| Proceeds from issue of units   |      | 134,841,970              |
| Payments on redemption of units  |      | <u>(9,042,950)</u>       |
| Net cash flows from financing activities   |      | <u>125,799,020</u>       |
| <br>   |      |                          |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>  |      |                          |
|  |      | 46,759,909               |
| Cash and cash equivalents at the beginning of the period                                       |      | <u>-</u>                 |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                      |      | <u><u>46,759,909</u></u> |
| <br>   |      |                          |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                                       |      |                          |
| Cash at bank   | 6    | 39,256,192               |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 6    | <u>7,503,717</u>         |
|  |      | <u><u>46,759,909</u></u> |

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

For the period from 27 July 2020 (date of inception) to 31 December 2020

#### CSIL

|  | Note | HK\$                      |
|--|------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |      |                           |
| Total comprehensive income   |      | 76,213,404                |
| Adjustment for:  |      |                           |
| Interest income  |      | <u>(13,551)</u>           |
| Operating gain before changes in working capital   |      | 76,199,853                |
| <br>   |      |                           |
| Increase in financial assets at fair value through profit or loss                              |      | (55,135,402)              |
| Increase in amounts due from brokers   |      | (32,317)                  |
| Increase in amounts due to brokers   |      | 8,998,735                 |
| Increase in auditor's remuneration payable   |      | 82,000                    |
| Increase in management fee payable   |      | 138,812                   |
| Increase in trustee fee payable  |      | 14,021                    |
| Increase in other payables and accruals  |      | <u>483,448</u>            |
|  |      | <u>30,749,150</u>         |
| <br>   |      |                           |
| Interest received  |      | <u>13,483</u>             |
| Net cash flows from operating activities   |      | <u>30,762,633</u>         |
| <br>   |      |                           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |      |                           |
| Proceeds from issue of units   |      | 171,320,066               |
| Payments on redemption of units  |      | <u>(70,273,200)</u>       |
| Net cash flows from financing activities   |      | <u>101,046,866</u>        |
| <br>   |      |                           |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>  |      |                           |
|  |      | 131,809,499               |
| Cash and cash equivalents at the beginning of the period                                       |      | <u>-</u>                  |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                      |      | <u><u>131,809,499</u></u> |
| <br>   |      |                           |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                                       |      |                           |
| Cash at bank   | 6    | 112,794,030               |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 6    | <u>19,015,469</u>         |
|  |      | <u>131,809,499</u>        |

The accompanying notes are an integral part of these financial statements

## CHINAAMC LEVERAGED/INVERSE SERIES

### STATEMENT OF CASH FLOWS (continued)

For the period from 27 July 2020 (date of inception) to 31 December 2020

#### CSII

|  | Note | HK\$                      |
|--|------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |      |                           |
| Total comprehensive income   |      | (48,831,868)              |
| Adjustment for:  |      |                           |
| Interest income  |      | <u>(20,623)</u>           |
| Operating loss before changes in working capital   |      | (48,852,491)              |
| <br>   |      |                           |
| Increase in financial assets at fair value through profit or loss                              |      | (40,313,317)              |
| Increase in amounts due from brokers   |      | (5,925,435)               |
| Increase in financial liabilities at fair value through profit or loss                         |      | 9,174,821                 |
| Increase in amount due to brokers  |      | 551,228                   |
| Increase in auditor's remuneration payable   |      | 82,000                    |
| Increase in management fee payable   |      | 129,453                   |
| Increase in trustee fee payable  |      | 13,076                    |
| Increase in other payables and accruals  |      | <u>480,758</u>            |
| Cash used in operations  |      | <u>(84,659,907)</u>       |
| <br>   |      |                           |
| Interest received  |      | <u>20,544</u>             |
| Net cash flows used in operating activities  |      | <u>(84,639,363)</u>       |
| <br>   |      |                           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |      |                           |
| Proceeds from issue of units   |      | 240,349,340               |
| Payments on redemption of units  |      | <u>(44,590,180)</u>       |
| Net cash flows from financing activities   |      | <u>195,759,160</u>        |
| <br>   |      |                           |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>  |      |                           |
|  |      | 111,119,797               |
| Cash and cash equivalents at the beginning of the period                                       |      | <u>-</u>                  |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                      |      | <u><u>111,119,797</u></u> |
| <br>   |      |                           |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                                       |      |                           |
| Cash at bank   | 6    | 89,101,066                |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 6    | 22,018,731                |
|  |      | <u><u>111,119,797</u></u> |

The accompanying notes are an integral part of these financial statements

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 1. THE TRUST

ChinaAMC Leveraged/Inverse Series (the "Trust") is an umbrella unit trust governed by its trust deed dated 13 September 2016 (the "Trust Deed") as amended or supplemented from time to time 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 2020, 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 ("SEHK") and the listing dates are as follows:

| <u>Name of products</u>  | <u>Date of inception<br/>and listing date on<br/>the SEHK</u> | <u>Listing codes</u> |
|--|---|----------------------|
| ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product  | 28 September 2016   | 7261                 |
| ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product   | 28 September 2016   | 7331                 |
| ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) | 14 March 2017   | 7221                 |
| ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product)   | 14 March 2017   | 7321                 |
| ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product   | 6 September 2019  | 7522                 |
| ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product   | 27 July 2020  | 7272                 |
| ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product  | 27 July 2020  | 7373                 |

ChinaAMC Hang Seng Index Daily (2x) Leveraged Product ("HSIL") and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product ("HSII") have been ceased trading in the units on the SEHK on 17 February 2021 (the "Trading Cessation Date"), and expect to be terminated on 19 April 2021. The financial statements for HSIL and HSII have been prepared separately.

These financial statements relate to the ChinaAMC Direxion NASDAQ-100 Index Daily (2x) Leveraged Product ("NDL"), ChinaAMC Direxion NASDAQ-100 Index Daily (-1x) Inverse Product ("NDI"), ChinaAMC Direxion NASDAQ-100 Index Daily (-2x) Inverse Product ("NDI2X"), ChinaAMC Direxion CSI 300 Index Daily (2x) Leveraged Product ("CSIL") and ChinaAMC Direxion CSI 300 Index Daily (-1x) Inverse Product ("CSII") (collectively, the "Products").

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. THE TRUST (continued)

NDL

The investment objective of NDL (Stock code: 7261) 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: 7331) 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.

NDI2X

The investment objective of NDI2X (Stock code: 7522) is to provide daily investment results, before fees and expenses, which closely correspond to the two-times 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.

CSIL

The investment objective of CSIL (Stock code: 7272) is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the CSI300 Index (net of swap fees and indirect costs). It does not seek to achieve its stated investment objective over a period of time greater than one day.

CSII

The investment objective of CSII (Stock code: 7373) is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the CSI300 Index (net of swap fees and indirect costs). 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 2020

#### 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, NDI and NDI2X and Hong Kong dollars ("HK\$") for CSIL and CSII 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 year's/period's financial statements, which are applicable to the Products.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The nature and the impact of the revised IFRSs are described below:

The amendments provide a new definition of material that states "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, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Products.

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

There are no standards and interpretations that are issued but not yet effect up to date of issuance of the Products' financial statements which, in the opinion of the Manager, will clearly impact the Products.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 3. 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

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, amounts due from brokers and amount due from participating dealer.

##### *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.



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

##### Financial instruments (continued)

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

###### 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 and accruals.

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

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

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

###### (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 is recorded separately in interest revenue or expense in the statement of comprehensive income.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

##### Financial instruments (continued)

##### (d) Subsequent measurement (continued)

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.

##### (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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

##### 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.

##### 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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

##### Fair value measurement (continued)

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).

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 agreements. 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 2020

#### 3. 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, NDI and NDI2X and in HK\$ for CSIL and CSII.

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, NDI and NDI2X and in HK\$ for CSIL and CSII, 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 2020

#### 3. 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 2020

#### 3. 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.

##### Transactions fees

Transactions fees are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs are expensed as incurred in the statement of comprehensive income.

##### Distributions to unitholders

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

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

##### Related parties

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

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

or

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

#### 4. 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 aggregation 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 2020

#### 4. 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>NDI2X</u>      | <u>CSIL</u>        | <u>CSII</u>        |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
|   | 2020              | 2019              | 2020              | 2019              | 2020              | 2020               | 2020               |
|   | US\$              | US\$              | US\$              | US\$              | US\$              | HK\$               | HK\$               |
| Published net assets attributable to unitholders (Note)           | 18,830,488        | 10,343,583        | 13,946,975        | 30,735,878        | 73,887,036        | 180,348,360        | 147,606,328        |
| Adjustment for transaction fees                                   | -                 | (490)             | -                 | (1,461)           | -                 | -                  | -                  |
| Recognition of formation costs                                    | <u>(24,309)</u>   | <u>(57,381)</u>   | <u>(24,309)</u>   | <u>(57,381)</u>   | <u>(64,000)</u>   | <u>(679,036)</u>   | <u>(679,036)</u>   |
| Net assets attributable to unitholders (per financial statements) | <u>18,806,179</u> | <u>10,285,712</u> | <u>13,922,666</u> | <u>30,677,036</u> | <u>73,823,036</u> | <u>179,669,324</u> | <u>146,927,292</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 2020, the unamortised amounts were US\$24,309 (2019: US\$57,381) for NDL and NDI, US\$64,000 for NDI2X and HK\$679,036 for CSIL and CSII respectively. The remaining periods are 8 months (2019: 20 months) for NDL and NDI, 44 months for NDI2X, and 55 months for CSIL and CSII, respectively.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 4. 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 2020 and 2019.

|       | Net assets attributable to unitholders |  |  |                                     |                                 |                                 |
|-------|--|--|--|-------------------------------------|---------------------------------|---------------------------------|
|       | Number of<br>units in issue<br>2020    | Accounting<br>NAV                      | Dealing<br>NAV                         | Number of<br>units in issue<br>2019 | Accounting<br>NAV               | Dealing<br>NAV                  |
|       |  | Per unit at<br>year/period end<br>2020 | Per unit at<br>year/period end<br>2020 |                                     | Per unit at<br>year end<br>2019 | Per unit at<br>year end<br>2019 |
| NDL   | 7,700,000                              | US\$2.4424                             | US\$2.4455                             | 2,000,000                           | US\$5.1429                      | US\$5.1718                      |
| NDI   | 23,700,000                             | US\$0.5875                             | US\$0.5885                             | 30,900,000                          | US\$0.9928                      | US\$0.9947                      |
| NDI2X | 197,700,000                            | US\$0.3734                             | US\$0.3737                             | -                                   | -                               | -                               |
| CSIL  | 14,500,000                             | HK\$12.3910                            | HK\$12.4378                            | -                                   | -                               | -                               |
| CSII  | 24,200,000                             | HK\$6.0714                             | HK\$6.0994                             | -                                   | -                               | -                               |

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 5. 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% (2019: 0.99% per annum) for NDL, NDI, CSIL and CSII and 1.20% for NDI2X on the NAV of the Products as at each dealing day during the reporting period and payable monthly in arrears for all Products.

During the year/period ended 31 December 2020 and year ended 31 December 2019, management fee as stated in the statements of comprehensive income are paid to the Manager.

##### (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% (2019: 0.12%) for NDL, NDI and NDI2X and 0.10% for CSIL and CSII per year of the net assets of the Products or the applicable monthly minimum fee for all Products.

During the year/period ended 31 December 2020 and year ended 31 December 2019, the trustee fee as stated in the statements of comprehensive income are paid to the Trustee.

In respect of NDL, NDI and NDI2X, 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 CSIL and CSII, the Trustee, acting as the Registrar, is also entitled to receive a registrar fee of HK\$117 per participating dealer per transaction for updating the register record of the Products and an administration transaction fee of up to HK\$2,496 per participating dealer per transaction, which is borne by the Manager, for handling any cash creation and redemption of units of the Products.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

(b) Trustee fees and registrar fees (continued)

The registrar fee was included in other operating expenses in statements of comprehensive income. During the year/period ended 31 December 2020 and year ended 31 December 2019, the respective amounts paid to the Trustee are as follows.

|              | 2020 | 2019 |
|--------------|------|------|
|              | US\$ | US\$ |
| <u>NDL</u>   | 540  | 15   |
| <u>NDI</u>   | 390  | 225  |
| <u>NDI2X</u> | 1980 | -    |
|              | HK\$ | HK\$ |
| <u>CSIL</u>  | 1872 | -    |
| <u>CSII</u>  | 1404 | -    |

(c) Accounting and professional fee

In respect of NDL, NDI and NDI2X, 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 CSIL and CSII, the Trustee is entitled to receive an accounting fee of HK\$70,200 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 2020

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

(e) Brokerage and other transaction fees

*Transaction fees*

In respect of NDL, NDI and NDI2X, 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 CSIL and CSII, the Trustee is entitled to receive transaction fees of HK\$117 on each swap transaction and listed mutual fund transaction.

Total transaction fees incurred during the year/period ended 31 December 2020 and year ended 31 December 2019 are as follows:

|              | 2020   | 2019  |
|--------------|--------|-------|
|              | US\$   | US\$  |
| <u>NDL</u>   | 3,420  | 2,310 |
| <u>NDI</u>   | 3,750  | 3,330 |
| <u>NDI2X</u> | 5,235  | -     |
|              | HK\$   | HK\$  |
| <u>CSIL</u>  | 14,344 | -     |
| <u>CSII</u>  | 14,616 | -     |

(f) Expenses borne by the Manager

For NDI2X, the Manager's current intention is to cap the ongoing charges at 1.81% of the average net asset value over a year per unit of NDI2X; and any ongoing charges in excess of such figure as at the end of the reporting period will be borne by the Manager. The amount of expenses incurred by NDI2X and borne by the Manager for the period ended 31 December 2020 was US\$15,204.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

*Cash at bank*

|              | 2020       | 2019      |
|--------------|------------|-----------|
|              | US\$       | US\$      |
| <u>NDL</u>   | 2,284,149  | 1,943,634 |
| <u>NDI</u>   | 1,470,394  | 5,987,137 |
| <u>NDI2X</u> | 10,556,093 | -         |
|              | HK\$       | HK\$      |
| <u>CSIL</u>  | 24,794,040 | -         |
| <u>CSII</u>  | 25,101,143 | -         |

Note: As at 31 December 2020 and 31 December 2019, these bank balances were held with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), an affiliate company of the Trustee.

*Interest income from bank deposits*

|              | 2020   | 2019    |
|--------------|--------|---------|
|              | US\$   | US\$    |
| <u>NDL</u>   | 1,110  | 44,799  |
| <u>NDI</u>   | 3,147  | 236,695 |
| <u>NDI2X</u> | 19,298 | -       |
|              | HK\$   | HK\$    |
| <u>CSIL</u>  | 103    | -       |
| <u>CSII</u>  | 106    | -       |

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 year/period ended 31 December 2020 and year ended 31 December 2019.

Bank charges of the Products for the year/period ended 31 December 2020 and year ended 31 December 2019 were charged by HSBC.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

*Financial assets at fair value through profit or loss*

|              | 2020       | 2019       |
|--------------|------------|------------|
|              | US\$       | US\$       |
| <u>NDL</u>   | 6,202,830  | 3,773,341  |
| <u>NDI</u>   | 5,043,648  | 11,503,379 |
| <u>NDI2X</u> | 15,600,114 | -          |
|              | HK\$       | HK\$       |
| <u>CSIL</u>  | 46,574,383 | -          |
| <u>CSII</u>  | 40,313,317 | -          |

*Financial liabilities at fair value through profit or loss*

|             | 2020      | 2019 |
|-------------|-----------|------|
|             | HK\$      | HK\$ |
| <u>CSII</u> | 5,425,366 | -    |

As at 31 December 2020 and 31 December 2019, these above financial assets and liabilities at fair value through profit or loss were held with HSBC.

- (h) Net realised gains/losses on swap agreements with Trustee's related company

During the period ended 31 December 2020, CSIL and CSII has entered into swap agreements with HSBC Bank PLC, an affiliate company of the Trustee, amounting to a net realised gain of HK\$25,454,849 and a net realised loss of HK\$22,866,834, respectively

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

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

|            | 2020<br>US\$ | 2019<br>US\$ |
|------------|--------------|--------------|
| <u>NDL</u> | 1,496,006    | 880,742      |
| <u>NDI</u> | 1,073,712    | 2,753,925    |

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 2020 (2019: Nil). During the year ended 31 December 2020, the Products received management fee rebate from the MMF amounting to US\$430 and US\$648 for NDL and NDI respectively (2019: Nil).

(j) Investment transactions with connected persons of the Trustee

Investment transactions through HSBC Institutional Trust Services (Asia) Limited are as follow:

2020

|              | Aggregate value<br>of purchases and<br>sales of securities<br>US\$ | Total<br>commission<br>paid<br>US\$ | % of the Product's<br>total transactions<br>during the year/period<br>% | Average<br>commission<br>rate<br>% |
|--------------|--|-------------------------------------|---|------------------------------------|
| <u>NDL</u>   | 606,204  | -                                   | 1.56%   | -                                  |
| <u>NDI</u>   | 1,698,107  | -                                   | 6.83%   | -                                  |
| <u>NDI2X</u> | -  | -                                   | -   | -                                  |
|              | HK\$   | HK\$                                | %   | %                                  |
| <u>CSIL</u>  | 49,212,717   | -                                   | 19.87%  | -                                  |
| <u>CSII</u>  | 35,637,837   | -                                   | 18.39%  | -                                  |

2019

|            | Aggregate value<br>of purchases and<br>sales of securities<br>US\$ | Total<br>commission<br>paid<br>US\$ | % of the Product's<br>total transactions<br>during the year/period<br>% | Average<br>commission<br>rate<br>% |
|------------|--|-------------------------------------|---|------------------------------------|
| <u>NDL</u> | 881,199  | -                                   | 10.14%  | -                                  |
| <u>NDI</u> | 2,755,352  | -                                   | 10.69%  | -                                  |



**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**6. CASH AND CASH EQUIVALENTS**

|  | 2020<br>US\$ | 2019<br>US\$ |
|--|--------------|--------------|
| <u>NDL</u>   |              |              |
| Cash at banks  | 6,685,418    | 3,743,634    |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 2,057,268    | 1,150,000    |
|  | 8,742,686    | 4,893,634    |
| <u>NDI</u>   |              |              |
| Cash at banks  | 6,122,153    | 11,637,137   |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 1,817,219    | 5,650,000    |
|  | 7,939,372    | 17,287,137   |
| <u>NDI2X</u>   |              |              |
| Cash at banks  | 39,256,192   | -            |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 7,503,717    | -            |
|  | 46,759,909   | -            |
|  | 2020<br>HK\$ | 2019<br>HK\$ |
| <u>CSIL</u>  |              |              |
| Cash at banks  | 112,794,030  | -            |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 19,015,469   | -            |
|  | 131,809,499  | -            |
| <u>CSII</u>  |              |              |
| Cash at banks  | 89,101,066   | -            |
| Non-pledged short-term deposits with original maturity of less than three months when acquired | 22,018,731   | -            |
|  | 111,119,797  | -            |

Cash at banks was held with HSBC (an affiliate company of the Trustee of the Products), Bank of China (Hong Kong Branch), Citibank, N.A. (Hong Kong Branch) and ICBC (Asia) Limited. Short-term deposits were held with Sumitomo Mitsui Banking Corporation with a maturity of three months or less. The bank accounts are interest-bearing accounts. The carrying amount of the cash and cash equivalents approximates to their fair value.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

As at 31 December 2020 and 31 December 2019, the Products have amounts due from and 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.

|   | Notes | 2020<br>US\$      | 2019<br>US\$     |
|---|-------|-------------------|------------------|
| <u>NDL</u>  |       |                   |                  |
| <i>Amount due from broker</i>                             |       |                   |                  |
| - Margin deposit  | (i)   | <u>2,474,380</u>  | <u>1,137,929</u> |
| <u>NDI</u>  |       |                   |                  |
| <i>Amount due from broker</i>                             |       |                   |                  |
| - Margin deposit  | (i)   | <u>1,530,744</u>  | <u>2,760,058</u> |
| <i>Amount due to broker</i>                               |       |                   |                  |
| - Payables for securities purchased but not yet delivered |       | <u>-</u>          | <u>4,590</u>     |
| <u>NDI2X</u>  |       |                   |                  |
| <i>Amount due from broker</i>                             |       |                   |                  |
| - Margin deposit  | (i)   | <u>17,279,213</u> | <u>-</u>         |
| <i>Amount due to broker</i>                               |       |                   |                  |
| - Payables for securities purchased but not yet delivered |       | <u>72,213</u>     | <u>-</u>         |
|   |       | 2020<br>HK\$      | 2019<br>HK\$     |
| <u>CSIL</u>   |       |                   |                  |
| <i>Amounts due from brokers</i>                           |       |                   |                  |
| - Receivables for securities sold but not yet delivered   |       | <u>32,317</u>     | <u>-</u>         |
| <i>Amounts due to brokers</i>                             |       |                   |                  |
| - Variation margin  | (ii)  | <u>8,998,735</u>  | <u>-</u>         |
| <u>CSII</u>   |       |                   |                  |
| <i>Amounts due from brokers</i>                           |       |                   |                  |
| - Variation margin  | (ii)  | <u>5,925,435</u>  | <u>-</u>         |
| <i>Amounts due to brokers</i>                             |       |                   |                  |
| - Payables for securities purchased but not yet delivered |       | <u>551,228</u>    | <u>-</u>         |

Notes:

- (i) The amounts due from brokers represented cash collateral for derivative margin. The margin accounts are not interest-bearing accounts. It is subject to daily margin requirement from the broker.
- (ii) The amounts due from and due to brokers represented cash variation margin for derivative which are subject to interest transfer with the brokers.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 8. 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/period ended 31 December 2020 (2019: Nil). The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

#### 9. 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.

#### 10. 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/period ended 31 December 2020 (2019: Nil).

#### 11. BROKERAGE AND OTHER TRANSACTION FEES

Except as disclosed in note 5(e) to the financial statements, the balance amounts represent commission and execution fees charged by brokers for each open and closed future position.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 12. 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% or 20% of its total net asset value respectively:

- (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 Chapter 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 provide, 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 2020 and 31 December 2019 as follows:

|   | Respective weighting<br>in the Product's NAV<br>2020 | Respective weighting<br>in the Product's NAV<br>2019 |
|---|--|--|
| <i>UBS (IRL) Select Money Market Fund</i> |  |  |
| <u>NDL</u>                                | 25.03%   | 28.12%   |
| <u>NDI</u>                                | 28.51%   | 28.52%   |
| <u>NDI2X</u>                              | 21.13%   | -  |
| <u>CSIL</u>                               | 19.20%   | -  |
| <u>CSII</u>                               | 27.44%   | -  |

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 12. 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 NDI2X, 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<br>in the Product's NAV<br>2020 | Respective weighting<br>in the Product's NAV<br>2019 |
|---|--|--|
| <i>US\$ denominated cash, deposits and<br/>money market funds</i> |  |  |
| NDL   | 71.52%   | 75.70%   |
| NDI   | 85.54%   | 84.87%   |
| NDI2X   | 81.24%   | -  |

The prospectus stated that at least 40% of the NAV of CSIL to be maintained in cash and up to 60% of the NAV in cash equivalents and short term investment grade bonds denominated in HK\$ or US\$ while the investment in bonds not exceeding 50% of the NAV of the Product. No investment in bonds was held as at 31 December 2020.

The prospectus further stated that at least 20% of the NAV of CSII to be maintained in cash and up to 80% of the NAV in cash equivalents and short term investment grade bonds denominated in HK\$ or US\$ while the investment in bonds not exceeding 50% of the NAV of the Product. No investment in bonds was held as at 31 December 2020.

|             | Respective weighting<br>in the Product's NAV<br>2020 | Respective weighting<br>in the Product's NAV<br>2019 |
|-------------|--|--|
| <i>Cash</i> |  |  |
| CSIL        | 73.36%   | -  |
| CSII        | 75.63%   | -  |

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

The prospectus also stated that no more than 40% of the NAV for NDL and NDI2X, and 20% of the NAV for NDI will be used as margin to acquire the futures contracts.

Details of the Products' margin requirements as at 31 December 2020 and 31 December 2019 are disclosed below:

|                                   | <u>2020</u> |          | <u>2019</u> |          |
|-----------------------------------|-------------|----------|-------------|----------|
| <i>Initial margin requirement</i> | US\$        | % of NAV | US\$        | % of NAV |
| NDL                               | 2,569,600   | 13.66%   | 934,560     | 9.09%    |
| NDI                               | 950,400     | 6.83%    | 1,386,000   | 4.52%    |
| NDI2X                             | 10,067,200  | 13.64%   | -           | -        |

  

|                                 | <u>2020</u> |          | <u>2019</u> |          |
|---------------------------------|-------------|----------|-------------|----------|
| <i>Aggregate margin deposit</i> | US\$        | % of NAV | US\$        | % of NAV |
| NDL                             | 2,474,380   | 13.16%   | 1,137,929   | 11.06%   |
| NDI                             | 1,530,744   | 10.99%   | 2,760,058   | 9.00%    |
| NDI2X                           | 17,279,213  | 23.41%   | -           | -        |

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

|  | Note | 2020<br>US\$     | 2019<br>US\$      |
|--|------|------------------|-------------------|
| <u>NDL</u>   |      |                  |                   |
| <b>Financial assets at fair value through profit or loss:</b>      |      |                  |                   |
| Futures contracts  | 14   | 1,444,417        | 525,481           |
| Money market fund  |      | 6,202,830        | 3,773,341         |
|  |      | <u>7,647,247</u> | <u>4,298,822</u>  |
| <br>   |      |                  |                   |
| <u>NDI</u>   |      |                  |                   |
| <b>Financial assets at fair value through profit or loss:</b>      |      |                  |                   |
| Money market fund  |      | 5,043,648        | 11,503,379        |
|  |      | <u>5,043,648</u> | <u>11,503,379</u> |
| <br>   |      |                  |                   |
| <b>Financial liabilities at fair value through profit or loss:</b> |      |                  |                   |
| Futures contracts  | 14   | 541,134          | 792,183           |

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

|  | Note | 2020<br>US\$      | 2019<br>US\$ |
|--|------|-------------------|--------------|
| <u>NDI2X</u>   |      |                   |              |
| <b>Financial assets at fair value through profit or loss:</b>      |      |                   |              |
| Money market fund  |      | 15,600,114        | -            |
|  |      | <u>15,600,114</u> | <u>-</u>     |
| <b>Financial liabilities at fair value through profit or loss:</b> |      |                   |              |
| Futures contracts  | 14   | 5,572,811         | -            |
|  |      | <u>5,572,811</u>  | <u>-</u>     |
|  |      | HK\$              | HK\$         |
| <u>CSIL</u>  |      |                   |              |
| <b>Financial assets at fair value through profit or loss:</b>      |      |                   |              |
| Swap agreements  | 14   | 20,639,862        | -            |
| Money market fund  |      | 34,495,540        | -            |
|  |      | <u>55,135,402</u> | <u>-</u>     |
| <u>CSII</u>  |      |                   |              |
| <b>Financial assets at fair value through profit or loss:</b>      |      |                   |              |
| Money market fund  |      | 40,313,317        | -            |
|  |      | <u>40,313,317</u> | <u>-</u>     |
| <b>Financial liabilities at fair value through profit or loss:</b> |      |                   |              |
| Swap agreements  | 14   | 9,174,821         | -            |
|  |      | <u>9,174,821</u>  | <u>-</u>     |

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

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#### 14. DERIVATIVE FINANCIAL INSTRUMENTS

(i) Futures contracts

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.

(ii) Swap agreements

Swap agreements ("Swaps") represent agreements between two parties to make payments based upon the performance of certain underlying assets. The Products are obligated to pay, or entitled to receive as the case may be, the net difference in the value determined at the onset of the Swaps versus the value determined at the termination or reset date of the Swaps. Therefore, amounts required for the future satisfaction of the Swaps may be greater or less than the amounts recorded. The ultimate gain or loss depends upon the prices at which the underlying financial instrument of the Swaps is valued, at the Swap's settlement date. In managing a Product, the Manager adopted a synthetic replication investment strategy, pursuant to which the relevant Product will enter into one or more unfunded Swaps (which are over-the-counter financial derivative instruments entered into with one or more counterparties (each a "Swap Counterparty")) whereby the relevant Product will receive or pay the economic gain or loss in respect of the inverse or leveraged performance of the relevant index (net of swap fees and indirect costs of the respective Products).

The following derivative contracts were unsettled as at 31 December 2020 and 31 December 2019.

| Type of contract              | Initial margin requirement per contract<br>US\$ | Expiration    | Nominal amount<br>US\$ | Fair value<br>US\$ |
|-------------------------------|---|---------------|------------------------|--------------------|
| <u>NDL</u>                    |   |               |                        |                    |
| <u>As at 31 December 2020</u> |   |               |                        |                    |
| Futures                       | 17,600  | 19 March 2021 | 37,625,660             | 1,444,417          |
| <u>As at 31 December 2019</u> |   |               |                        |                    |
| Futures                       | 7,920   | 20 March 2020 | 20,655,310             | 525,481            |
| <u>NDI</u>                    |   |               |                        |                    |
| <u>As at 31 December 2020</u> |   |               |                        |                    |
| Futures                       | 17,600  | 19 March 2021 | (13,916,340)           | (541,134)          |
| <u>As at 31 December 2019</u> |   |               |                        |                    |
| Futures                       | 7,920   | 20 March 2020 | (30,632,875)           | (792,183)          |
| <u>NDI2X</u>                  |   |               |                        |                    |
| <u>As at 31 December 2020</u> |   |               |                        |                    |
| Futures                       | 17,600  | 19 March 2021 | (147,410,120)          | (5,572,811)        |



## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

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

##### (ii) Swap agreements (continued)

| Type of contract | Expiration | Nominal amount<br>HK\$ | Fair value<br>HK\$ |
|------------------|------------|------------------------|--------------------|
|------------------|------------|------------------------|--------------------|

##### CSIL

##### As at 31 December 2020

|              |                 |             |            |
|--------------|-----------------|-------------|------------|
| Swaps - BNP  | 28 July 2021    | 146,506,524 | 8,561,019  |
| Swaps - HSBC | 27 January 2021 | 214,218,916 | 12,078,843 |

##### CSII

##### As at 31 December 2020

|              |                 |              |             |
|--------------|-----------------|--------------|-------------|
| Swaps - BNP  | 28 July 2021    | (61,139,191) | (3,749,455) |
| Swaps - HSBC | 27 January 2021 | (86,479,721) | (5,425,366) |

#### 15. FAIR VALUE OF FINANCIAL INVESTMENTS

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

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

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

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

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

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

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15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

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 2020 and 31 December 2019:

|  | Quoted prices<br>in active<br>markets<br>Level 1<br>US\$ | Significant<br>observable<br>inputs<br>Level 2<br>US\$ | Significant<br>unobservable<br>inputs<br>Level 3<br>US\$ | Total<br>US\$    |
|--|--|--|--|------------------|
| <u>NDL</u>   |  |  |  |                  |
| <u>As at 31 December 2020</u>  |  |  |  |                  |
| <b>Financial assets at fair value<br/>through profit or loss</b>       |  |  |  |                  |
| Futures  | 1,444,417  | -  | -  | 1,444,417        |
| Money market fund  | -  | 6,202,830  | -  | 6,202,830        |
|  | <u>1,444,417</u>   | <u>6,202,830</u>                                       | <u>-</u>   | <u>7,647,247</u> |
| <u>As at 31 December 2019</u>  |  |  |  |                  |
| <b>Financial assets at fair value<br/>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>NDI</u>   |  |  |  |                  |
| <u>As at 31 December 2020</u>  |  |  |  |                  |
| <b>Financial assets at fair value<br/>through profit or loss:</b>      |  |  |  |                  |
| Money market fund  | -  | 5,043,648  | -  | 5,043,648        |
| <b>Financial liabilities at fair value<br/>through profit or loss:</b> |  |  |  |                  |
| Futures  | <u>541,134</u>   | <u>-</u>   | <u>-</u>   | <u>541,134</u>   |
| <u>As at 31 December 2019</u>  |  |  |  |                  |
| <b>Financial assets at fair value<br/>through profit or loss:</b>      |  |  |  |                  |
| Money market fund  | -  | 11,503,379   | -  | 11,503,379       |
| <b>Financial liabilities at fair value<br/>through profit or loss:</b> |  |  |  |                  |
| Futures  | <u>792,183</u>   | <u>-</u>   | <u>-</u>   | <u>792,183</u>   |

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2020

15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

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

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 2020 and 31 December 2019 (continued):

|  | Quoted prices<br>in active<br>markets<br>Level 1<br>US\$ | Significant<br>observable<br>inputs<br>Level 2<br>US\$ | Significant<br>unobservable<br>inputs<br>Level 3<br>US\$ | Total<br>US\$ |
|--|--|--|--|---------------|
| <u>NDI2X</u>   |  |  |  |               |
| <u>As at 31 December 2020</u>  |  |  |  |               |
| <b>Financial assets at fair value<br/>through profit or loss</b>       |  |  |  |               |
| Money market fund  | -  | 15,600,114   | -  | 15,600,114    |
| <b>Financial liabilities at fair value<br/>through profit or loss:</b> |  |  |  |               |
| Futures  | 5,572,811  | -  | -  | 5,572,811     |
|  | HK\$   | HK\$   | HK\$   | HK\$          |
| <u>CSIL</u>  |  |  |  |               |
| <u>As at 31 December 2020</u>  |  |  |  |               |
| <b>Financial assets at fair value<br/>through profit or loss:</b>      |  |  |  |               |
| Swaps  | -  | 20,639,862   | -  | 20,639,862    |
| Money market fund  | -  | 34,495,540   | -  | 34,495,540    |
|  | -  | 55,135,402   | -  | 55,135,402    |
| <u>CSII</u>  |  |  |  |               |
| <u>As at 31 December 2020</u>  |  |  |  |               |
| <b>Financial assets at fair value<br/>through profit or loss:</b>      |  |  |  |               |
| Money market fund  | -  | 40,313,317   | -  | 40,313,317    |
| <b>Financial liabilities at fair value<br/>through profit or loss:</b> |  |  |  |               |
| Swaps  | -  | 9,174,821  | -  | 9,174,821     |

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 15. 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 and over-the-counter swaps.

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

During year/period ended 31 December 2020 and year ended 31 December 2019, there were no transfers between levels.

##### Other financial assets and financial liabilities

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

#### 16. 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, two times inverse (-2x) 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 2020

#### 16. 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 2020 and 31 December 2019, 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 indices would decrease by 5%, this would inversely impact the net assets of the Products by approximately equal amounts.

##### As at 31 December 2020

|              | Futures' fair value<br>US\$ | % of net assets<br>% | Underlying index | Index movement<br>% | Impact on net assets<br>US\$ |
|--------------|-----------------------------|----------------------|------------------|---------------------|------------------------------|
| <u>NDL</u>   | 1,444,417                   | 7.68                 | NASDAQ-100 Index | 5/(5)               | 1,881,283/<br>(1,881,283)    |
| <u>NDI</u>   | (541,134)                   | (3.89)               | NASDAQ-100 Index | 5/(5)               | (695,817)/<br>695,817        |
| <u>NDI2X</u> | (5,572,811)                 | (7.55)               | NASDAQ-100 Index | 5/(5)               | (7,370,506)/<br>7,370,506    |
|              | Swaps' fair value<br>HK\$   | % of net assets<br>% | Underlying index | Index movement<br>% | Impact on net assets<br>HK\$ |
| <u>CSIL</u>  | 20,639,862                  | 11.49                | CSI 300 Index    | 5/(5)               | 18,036,272 /<br>(18,036,272) |
| <u>CSII</u>  | (9,174,821)                 | (6.24)               | CSI 300 Index    | 5/(5)               | (7,380,946)/<br>7,380,946    |

##### As at 31 December 2019

|            | Futures' fair value<br>US\$ | % of net assets<br>% | Underlying index | Index movement<br>% | Impact on net assets<br>US\$ |
|------------|-----------------------------|----------------------|------------------|---------------------|------------------------------|
| <u>NDL</u> | 525,481                     | 5.11                 | NASDAQ-100 Index | 5/(5)               | 1,032,766/<br>(1,032,766)    |
| <u>NDI</u> | (792,183)                   | (2.58)               | NASDAQ-100 Index | 5/(5)               | (1,531,644)/<br>1,531,644    |

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

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

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

The money market funds of the Products are subject to interest rate risks. The annualised returns ranged from 0.02% to 0.85% as at 31 December 2020 (2019: annualised return ranged from 1.15% to 2.23%) where there were insignificant impacts on net assets due to changes in market interest rates.

CSIL and CSII are exposed to interest rate risk on the swap agreements which subject to a variable spread plus Hong Kong Interbank Offered Rate ("HIBOR"), reset monthly. The Manager considers the movement in interest rates will not have significant impact on NAV as at 31 December 2020.

###### (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 2020 and 31 December 2019. Hence, no sensitivity analysis is presented.

##### (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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

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

The Products' financial assets subject to the expected credit loss model within IFRS 9 are cash and cash equivalents, amounts due from brokers, amount due from participating dealer and other receivables. As at 31 December 2020 and 31 December 2019, no loss allowance had been provided on cash and cash equivalents, amounts due from brokers, amount due from participating dealer 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.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 16. 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 bank deposits and assets held with custodians. The tables below summarise the Products' assets placed with custodians and their related credit ratings:

|   | <u>NDL</u> |           | <u>NDI</u> |           | <u>NDI2X</u> | <u>CSIL</u> | <u>CSII</u> |
|---|------------|-----------|------------|-----------|--------------|-------------|-------------|
|   | 2020       | 2019      | 2020       | 2019      | 2020         | 2020        | 2020        |
|   | US\$       | US\$      | US\$       | US\$      | US\$         | HK\$        | HK\$        |
| <b>Bank</b>   |            |           |            |           |              |             |             |
| <b>Bank of China (Hong Kong) Limited</b>                      | 800,000    | -         | 1,600,000  | -         | 7,900,000    | 30,000,000  | 20,000,000  |
| Rating  | A+         | -         | A+         | -         | A+           | A+          | A+          |
| Source of rating  | S&P        | -         | S&P        | -         | S&P          | S&P         | S&P         |
| <b>Citibank, N.A. - Hong Kong Branch</b>                      | 1,800,028  | -         | 1,200,029  | -         | 9,900,099    | 27,999,990  | 19,999,923  |
| Rating  | A+         | -         | A+         | -         | A+           | A+          | A+          |
| Source of rating  | S&P        | -         | S&P        | -         | S&P          | S&P         | S&P         |
| <b>HSBC</b>   | 2,284,149  | 1,943,634 | 1,470,394  | 5,987,137 | 10,556,093   | 24,794,040  | 25,101,143  |
| Rating  | AA-        | AA-       | AA-        | AA-       | AA-          | AA-         | AA-         |
| Source of rating  | S&P        | S&P       | S&P        | S&P       | S&P          | S&P         | S&P         |
| <b>Industrial and Commercial Bank of China (Asia) Limited</b> | 1,801,241  | 1,800,000 | 1,851,730  | 5,650,000 | 10,900,000   | 30,000,000  | 24,000,000  |
| Rating  | A          | A         | A          | A         | A            | A           | A           |
| Source of rating  | S&P        | S&P       | S&P        | S&P       | S&P          | S&P         | S&P         |
| <b>Sumitomo Mitsui Banking Corporation</b>                    | 2,057,268  | 1,150,000 | 1,817,219  | 5,650,000 | 7,503,717    | 19,015,469  | 22,018,731  |
| Rating  | A          | A         | A          | A         | A            | A           | A           |
| Source of rating  | S&P        | S&P       | S&P        | S&P       | S&P          | S&P         | S&P         |



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**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

|   | <u>NDL</u>   |              | <u>NDI</u>   |              | <u>NDI2X</u> | <u>CSIL</u>  | <u>CSII</u>  |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2020<br>US\$ | 2019<br>US\$ | 2020<br>US\$ | 2019<br>US\$ | 2020<br>US\$ | 2020<br>HK\$ | 2020<br>HK\$ |
| <b><u>Custodian</u></b>                                 |              |              |              |              |              |              |              |
| <b>HSBC Institutional Trust Services (Asia) Limited</b> | 6,202,830    | 3,773,341    | 5,043,648    | 11,503,379   | 15,600,114   | 34,495,540   | 40,313,317   |
| Rating  | AA-          | AA-          | AA-          | AA-          | AA-          | AA-          | AA-          |
| Source of rating  | S&P          | S&P          | S&P          | S&P          | S&P          | S&P          | S&P          |
| <b>ADM Investor Services, Inc.</b>                      | 1,444,417    | 525,481      | -            | -            | -            | -            | -            |
| Rating  | A            | A            | -            | -            | -            | -            | -            |
| Source of rating  | S&P          | S&P          | -            | -            | -            | -            | -            |
| <b>BNP Paribas</b>                                      | -            | -            | -            | -            | -            | 8,561,019    | -            |
| Rating  | -            | -            | -            | -            | -            | A+           | -            |
| Source of rating  | -            | -            | -            | -            | -            | S&P          | -            |
| <b>HSBC Bank PLC</b>                                    | -            | -            | -            | -            | -            | 12,078,843   | -            |
| Rating  | -            | -            | -            | -            | -            | AA-          | -            |
| Source of rating  | -            | -            | -            | -            | -            | S&P          | -            |

The Manager of the Products considers that none of these financial assets is impaired nor past due but not impaired as at 31 December 2020 and 31 December 2019.

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 16. 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 2020 and 31 December 2019 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 their derivative assets and liabilities on a gross basis, and 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 arrangements, together with collateral held or pledged against these assets and liabilities as at 31 December 2020 and 31 December 2019:

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

NDL

31 December 2020

|  | Gross carrying<br>amounts before<br>offsetting | Amount offset in<br>accordance with<br>offsetting<br>criteria | Net amount<br>presented<br>in the<br>statement<br>of financial<br>position | Effect of remaining<br>rights of set-off that<br>do not meet criteria<br>for offsetting in the<br>statement of financial<br>position – cash and<br>non-cash held as<br>collateral | Net exposure     |
|--|--|---|--|---|------------------|
|  | US\$   | US\$  | US\$   | US\$  | US\$             |
| <b>Financial assets</b>  |  |   |  |   |                  |
| Financial assets<br>at fair value<br>through profit<br>or loss | 1,444,417                                      | -   | 1,444,417  | -   | 1,444,417        |
| Amount due from<br>broker                                      | 2,474,380                                      | -   | 2,474,380  | -   | 2,474,380        |
| <b>Total</b>   | <b>3,918,797</b>                               | <b>-</b>  | <b>3,918,797</b>   | <b>-</b>  | <b>3,918,797</b> |

31 December 2019

**Financial assets**

|  |                  |          |                  |          |                  |
|--|------------------|----------|------------------|----------|------------------|
| Financial assets<br>at fair value<br>through profit<br>or loss | 525,481          | -        | 525,481          | -        | 525,481          |
| Amount due from<br>broker                                      | 1,137,929        | -        | 1,137,929        | -        | 1,137,929        |
| <b>Total</b>   | <b>1,663,410</b> | <b>-</b> | <b>1,663,410</b> | <b>-</b> | <b>1,663,410</b> |

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

NDI

31 December 2020

|   | Gross carrying<br>amounts before<br>offsetting | Amount offset in<br>accordance with<br>offsetting<br>criteria | Net amount<br>presented<br>in the<br>statement of<br>financial<br>position | Effect of remaining<br>rights of set-off that<br>do not meet criteria<br>for offsetting in the<br>statement of financial<br>position – cash and<br>non-cash held as<br>collateral | Net exposure   |
|---|--|---|--|---|----------------|
|   | US\$   | US\$  | US\$   | US\$  | US\$           |
| <b>Financial asset</b>  |  |   |  |   |                |
| Amount due from<br>broker   | 1,530,744                                      | -   | 1,530,744  | (541,134)   | 989,610        |
| <b>Total</b>  | <b>1,530,744</b>                               | <b>-</b>  | <b>1,530,744</b>   | <b>(541,134)</b>  | <b>989,610</b> |
| <b>Financial liabilities</b>  |  |   |  |   |                |
| Financial<br>liabilities at fair<br>value through<br>profit or loss | (541,134)                                      | -   | (541,134)  | 541,134   | -              |
| <b>Total</b>  | <b>(541,134)</b>                               | <b>-</b>  | <b>(541,134)</b>   | <b>541,134</b>  | <b>-</b>       |

31 December 2019

|   | Gross carrying<br>amounts before<br>offsetting | Amount offset in<br>accordance with<br>offsetting<br>criteria | Net amount<br>presented<br>in the<br>statement of<br>financial<br>position | Effect of remaining<br>rights of set-off that<br>do not meet criteria<br>for offsetting in the<br>statement of financial<br>position – cash and<br>non-cash held as<br>collateral | Net exposure     |
|---|--|---|--|---|------------------|
|   | US\$   | US\$  | US\$   | US\$  | US\$             |
| <b>Financial asset</b>  |  |   |  |   |                  |
| Amount due from<br>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>  |  |   |  |   |                  |
| Financial<br>liabilities at fair<br>value through<br>profit or loss | (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>         |

**CHINAAMC LEVERAGED/INVERSE SERIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

NDI2X

31 December 2020

|   | Gross carrying<br>amounts before<br>offsetting | Amount offset in<br>accordance with<br>offsetting<br>criteria | Net amount<br>presented<br>in the<br>statement of<br>financial<br>position | Effect of remaining<br>rights of set-off that<br>do not meet criteria<br>for offsetting in the<br>statement of financial<br>position – cash and<br>non-cash held as<br>collateral | Net exposure      |
|---|--|---|--|---|-------------------|
|   | US\$   | US\$  | US\$   | US\$  | US\$              |
| <b>Financial asset</b>  |  |   |  |   |                   |
| Amount due from<br>broker   | 17,279,213                                     | -   | 17,279,213   | (5,572,811)   | 11,706,402        |
| <b>Total</b>  | <b>17,279,213</b>                              | <b>-</b>  | <b>17,279,213</b>  | <b>(5,572,811)</b>  | <b>11,706,402</b> |
| <b>Financial<br/>liabilities</b>                                    |  |   |  |   |                   |
| Financial<br>liabilities at fair<br>value through<br>profit or loss | (5,572,811)                                    | -   | (5,572,811)  | 5,572,811   | -                 |
| <b>Total</b>  | <b>(5,572,811)</b>                             | <b>-</b>  | <b>(5,572,811)</b>   | <b>5,572,811</b>  | <b>-</b>          |

CSIL

31 December 2020

|  | Gross carrying<br>amounts before<br>offsetting | Amount offset in<br>accordance with<br>offsetting<br>criteria | Net amount<br>presented<br>in the<br>statement of<br>financial<br>position | Effect of remaining<br>rights of set-off that<br>do not meet criteria<br>for offsetting in the<br>statement of financial<br>position – cash and<br>non-cash held as<br>collateral | Net exposure      |
|--|--|---|--|---|-------------------|
|  | HK\$   | HK\$  | HK\$   | HK\$  | HK\$              |
| <b>Financial assets</b>  |  |   |  |   |                   |
| Financial assets<br>at fair value<br>through profit<br>or loss | 20,639,862                                     | -   | 20,639,862   | (8,998,735)   | 11,641,127        |
| <b>Total</b>   | <b>20,639,862</b>                              | <b>-</b>  | <b>20,639,862</b>  | <b>(8,998,735)</b>  | <b>11,641,127</b> |
| <b>Financial<br/>liability</b>                                 |  |   |  |   |                   |
| Amounts due to<br>brokers                                      | (8,998,735)                                    | -   | (8,998,735)  | 8,998,735   | -                 |
| <b>Total</b>   | <b>(8,998,735)</b>                             | <b>-</b>  | <b>(8,998,735)</b>   | <b>8,998,735</b>  | <b>-</b>          |

## CHINAAMC LEVERAGED/INVERSE SERIES

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

CSII

31 December 2020

|   | Gross carrying<br>amounts before<br>offsetting | Amount offset in<br>accordance with<br>offsetting<br>criteria | Net amount<br>presented<br>in the<br>statement of<br>financial<br>position | Effect of remaining<br>rights of set-off that<br>do not meet criteria<br>for offsetting in the<br>statement of financial<br>position – cash and<br>non-cash held as<br>collateral | Net exposure       |
|---|--|---|--|---|--------------------|
|   | HK\$   | HK\$  | HK\$   | HK\$  | HK\$               |
| <b>Financial asset</b>  |  |   |  |   |                    |
| Amounts due<br>from brokers   | 5,925,435                                      | -   | 5,925,435  | (5,925,435)   | -                  |
| <b>Total</b>  | <b>5,925,435</b>                               | <b>-</b>  | <b>5,925,435</b>   | <b>(5,925,435)</b>  | <b>-</b>           |
| <b>Financial<br/>liabilities</b>                                    |  |   |  |   |                    |
| Financial<br>liabilities at fair<br>value through<br>profit or loss | (9,174,821)                                    | -   | (9,174,821)  | 5,925,435   | (3,249,386)        |
| <b>Total</b>  | <b>(9,174,821)</b>                             | <b>-</b>  | <b>(9,174,821)</b>   | <b>5,925,435</b>  | <b>(3,249,386)</b> |

17. SEGMENT INFORMATION

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

The Manager considers that each Product is 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' segments. 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.

## **CHINAAMC LEVERAGED/INVERSE SERIES**

### **NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

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

For CSIL and CSII, with effect from 8 February 2021, Rafferty Asset Management LLC ("RAM") ceased to be the non-discretionary investment adviser of the two Products. At the same time, the word "Direxion" was deleted from the English names and the Chinese names of CSIL and CSII. The names of the products were revised to ChinaAMC CSI 300 Index Daily (2x) Leveraged Product and ChinaAMC CSI 300 Index Daily (-1x) Inverse Product respectively. CSIL and CSII continue to operate in the same manner notwithstanding the termination of RAM's appointment. There is no change to the dealing arrangements or fee level or costs in relation to CSIL and CSII as the consequence of the termination.

During the period between the end of the reporting period and the date of authorisation of these financial statements, there were subscriptions of 400,000 units, 13,000,000 units and 400,000 units for NDL, NDI2X and CSIL respectively and nil for NDI and CSII. There were redemptions of 3,300,000, 6,000,000, 10,800,000 units and 17,700,000 units for NDL, NDI, CSIL and CSII and nil for NDI2X.

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

The financial statements were approved and authorised for issue by the Manager and the Trustee on 8 April 2021.

## CHINAAMC LEVERAGED/INVERSE SERIES

### INVESTMENT PORTFOLIO

As at 31 December 2020

NDL

|   | <u>Holdings</u>        | <u>Fair value</u><br>US\$  | <u>% of NAV</u>           |
|---|------------------------|----------------------------|---------------------------|
| <b>Money market instruments</b>   |                        |                            |                           |
| CHINAAMC SELECT MONEY MARKET FUND   | 1,150,967              | 1,496,006                  | 7.95                      |
| UBS (IRL) SELECT MONEY MARKET FUND  | 44,749                 | 4,706,824                  | 25.03                     |
| <b>Total money market instruments</b>   |                        | <u>6,202,830</u>           | <u>32.98</u>              |
|   | <u>Expiration date</u> | <u>Number of contracts</u> | <u>Fair value</u><br>US\$ |
|   |                        |                            | <u>% of NAV</u>           |
| <b>Futures contracts</b>  |                        |                            |                           |
|   | 19 March<br>2021       | 146                        | 1,444,417                 |
| NASDAQ 100 E-MINI MAR21 FUT 19/03/2021 <sup>#</sup>                                   |                        |                            | 7.68                      |
| <b>Total futures contracts</b>  |                        | <u>1,444,417</u>           | <u>7.68</u>               |
| <b>Total investments, at fair value</b><br>(Total investment, at cost: US\$6,150,853) |                        | 7,647,247                  | 40.66                     |
| <b>Other net assets</b>   |                        | 11,158,932                 | 59.34                     |
| <b>Net asset attributable to unitholders</b>  |                        | <u>18,806,179</u>          | <u>100.00</u>             |

NDI

|  | <u>Holdings</u>        | <u>Fair value</u><br>US\$  | <u>% of NAV</u>           |
|--|------------------------|----------------------------|---------------------------|
| <b>Money market instruments</b>  |                        |                            |                           |
| CHINAAMC SELECT MONEY MARKET FUND  | 826,071                | 1,073,712                  | 7.71                      |
| UBS (IRL) SELECT MONEY MARKET FUND   | 37,743                 | 3,969,936                  | 28.52                     |
| <b>Total money market instruments</b>  |                        | <u>5,043,648</u>           | <u>36.23</u>              |
|  | <u>Expiration date</u> | <u>Number of contracts</u> | <u>Fair value</u><br>US\$ |
|  |                        |                            | <u>% of NAV</u>           |
| <b>Futures contracts</b>   |                        |                            |                           |
|  | 19 March<br>2021       | (54)                       | (541,134)                 |
| NASDAQ 100 E-MINI MAR 19/03/2021 <sup>#</sup>  |                        |                            | (3.89)                    |
| <b>Total futures contracts</b>   |                        | <u>(541,134)</u>           | <u>(3.89)</u>             |
| <b>Total investments, at fair value</b><br>(Total investments, at cost: US\$4,952,976) |                        | 4,502,514                  | 32.34                     |
| <b>Other net assets</b>  |                        | 9,420,152                  | 67.66                     |
| <b>Net asset attributable to unitholders</b>   |                        | <u>13,922,666</u>          | <u>100.00</u>             |

<sup>#</sup> The underlying index of NASDAQ 100 E-MINI MAR 19/03/2021 is Nasdaq-100 Index. The clearing house is Chicago Mercantile Exchange.



CHINAAMC LEVERAGED/INVERSE SERIES

INVESTMENT PORTFOLIO (continued)

As at 31 December 2020

NDI2X

|  | <u>Holdings</u>        | <u>Fair value</u><br>US\$  | <u>% of NAV</u>           |               |
|--|------------------------|----------------------------|---------------------------|---------------|
| <b>Money market instruments</b>  |                        |                            |                           |               |
| UBS (IRL) SELECT MONEY MARKET FUND   | 148,314                | 15,600,114                 | 21.13                     |               |
| <b>Total money market instruments</b>  |                        | <u>15,600,114</u>          | <u>21.13</u>              |               |
|  | <u>Expiration date</u> | <u>Number of contracts</u> | <u>Fair value</u><br>US\$ |               |
| <b>Futures contracts</b>   |                        |                            | <u>% of NAV</u>           |               |
|  | 19 March<br>2021       | (572)                      | (5,572,811)               | (7.55)        |
| NASDAQ 100 E-MINI MAR 19/03/2021 <sup>#</sup>  |                        |                            | <u>(5,572,811)</u>        | <u>(7.55)</u> |
| <b>Total future contracts</b>  |                        |                            |                           |               |
|  |                        |                            | 10,027,303                | 13.58         |
| <b>Total investments, at fair value</b><br>(Total investment, at cost: US\$15,570,003) |                        |                            |                           |               |
| <b>Other net assets</b>  |                        |                            | 63,795,733                | 86.42         |
| <b>Net asset attributable to unitholders</b>   |                        |                            | <u>73,823,036</u>         | <u>100.00</u> |

CSIL

|   | <u>Holdings</u>        | <u>Fair value</u><br>HK\$  | <u>% of NAV</u>           |               |
|---|------------------------|----------------------------|---------------------------|---------------|
| <b>Money market instruments</b>   |                        |                            |                           |               |
| UBS (IRL) SELECT MONEY MARKET FUND  | 42,305                 | 34,495,540                 | 19.20                     |               |
| <b>Total money market instruments</b>   |                        | <u>34,495,540</u>          | <u>19.20</u>              |               |
|   | <u>Expiration date</u> | <u>Number of contracts</u> | <u>Fair value</u><br>HK\$ |               |
| <b>Swaps agreements</b>   |                        |                            | <u>% of NAV</u>           |               |
| CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-BNP-SWAP <sup>##</sup>                       | 26 July 2021           | 17,385                     | 8,561,019                 | 4.76          |
| CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-HSBC-SWAP <sup>##</sup>                      | 27 January 2021        | 25,420                     | 12,078,843                | 6.72          |
| <b>Total swap agreements</b>  |                        |                            | <u>20,639,862</u>         | <u>11.48</u>  |
|   |                        |                            | 55,135,402                | 30.68         |
| <b>Total investments, at fair value</b><br>(Total investments, at cost: HK\$34,492,405) |                        |                            |                           |               |
| <b>Other net assets</b>   |                        |                            | 124,533,922               | 69.32         |
| <b>Net asset attributable to unitholders</b>  |                        |                            | <u>179,669,324</u>        | <u>100.00</u> |

<sup>#</sup> The underlying index of NASDAQ 100 E-MINI MAR 19/03/2021 is Nasdaq-100 Index. The clearing house is Chicago Mercantile Exchange.

**CHINAAMC LEVERAGED/INVERSE SERIES**

**INVESTMENT PORTFOLIO (continued)**

**As at 31 December 2020**

CSII

|  |                        | <u>Holdings</u>            | <u>Fair value</u><br>HK\$ | <u>% of NAV</u> |
|--|------------------------|----------------------------|---------------------------|-----------------|
| <b>Money market instruments</b>                        |                        |                            |                           |                 |
| UBS (IRL) SELECT MONEY MARKET FUND                     |                        | 49,440                     | 40,313,317                | 27.44           |
| <b>Total money market instruments</b>                  |                        |                            | <u>40,313,317</u>         | <u>27.44</u>    |
|  |                        |                            |                           |                 |
|  | <u>Expiration date</u> | <u>Number of contracts</u> | <u>Fair value</u><br>HK\$ | <u>% of NAV</u> |
| <b>Swap agreements</b>                                 |                        |                            |                           |                 |
| CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-BNP-SWAP##  | 26 July 2021           | (7,255)                    | (3,749,455)               | (2.55)          |
| CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-HSBC-SWAP## | 27 January 2021        | (10,262)                   | (5,425,366)               | (3.69)          |
| <b>Total swap agreements</b>                           |                        |                            | <u>(9,174,821)</u>        | <u>(6.24)</u>   |
| <b>Total investments, at fair value</b>                |                        |                            | 31,138,496                | 21.20           |
| <b>(Total investments, at cost: HK\$40,305,835)</b>    |                        |                            |                           |                 |
| <b>Other net assets</b>                                |                        |                            | <u>115,788,796</u>        | <u>78.80</u>    |
| <b>Net asset attributable to unitholders</b>           |                        |                            | <u>146,927,292</u>        | <u>100.00</u>   |

## The underlying index of CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-BNP-SWAP and CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-HSBC-SWAP is CSI 300 Index. The clearing house is Chicago Mercantile Exchange.

## CHINAAMC LEVERAGED/INVERSE SERIES

### MOVEMENTS IN INVESTMENT PORTFOLIO

For the year ended 31 December 2020

NDL

| Investments                               | Holdings as at<br>1 January<br>2020 | Additions | Disposals | Holdings as at<br>31 December<br>2020 |
|---|-------------------------------------|-----------|-----------|---------------------------------------|
| <b>Money market instruments</b>           |                                     |           |           |                                       |
| CHINAAMC SELECT MONEY MARKET FUND         | 683,144                             | 467,823   | -         | 1,150,967                             |
| UBS (IRL) SELECT MONEY MARKET FUND        | 27,651                              | 40,798    | (23,700)  | 44,749                                |
| <b>Futures contracts</b>                  |                                     |           |           |                                       |
| NASDAQ 100 E-MINI MAR20 20/03/2020        | 118                                 | 209       | (327)     | -                                     |
| NASDAQ 100 E-MINI JUN20 19/06/2020        | -                                   | 469       | (469)     | -                                     |
| NASDAQ 100 E-MINI SEP20 18/09/2020        | -                                   | 277       | (277)     | -                                     |
| NASDAQ 100 E-MINI DEC20 18/12/2020        | -                                   | 226       | (226)     | -                                     |
| NASDAQ 100 E-MINI MAR21 FUT<br>19/03/2021 | -                                   | 161       | (15)      | 146                                   |

NDI

| Investments                               | Holdings as at<br>1 January<br>2020 | Additions | Disposals   | Holdings as at<br>31 December<br>2020 |
|---|-------------------------------------|-----------|-------------|---------------------------------------|
| <b>Money market instruments</b>           |                                     |           |             |                                       |
| CHINAAMC SELECT MONEY MARKET FUND         | 2,136,071                           | -         | (1,310,000) | 826,071                               |
| UBS (IRL) SELECT MONEY MARKET FUND        | 83,637                              | 8,561     | (54,455)    | 37,743                                |
| <b>Futures contracts</b>                  |                                     |           |             |                                       |
| NASDAQ 100 E-MINI MAR20 20/03/2020        | (175)                               | 355       | (180)       | -                                     |
| NASDAQ 100 E-MINI JUN20 19/06/2020        | -                                   | 282       | (282)       | -                                     |
| NASDAQ 100 E-MINI SEP20 18/09/2020        | -                                   | 130       | (130)       | -                                     |
| NASDAQ 100 E-MINI DEC20 18/12/2020        | -                                   | 110       | (110)       | -                                     |
| NASDAQ 100 E-MINI MAR21 FUT<br>19/03/2021 | -                                   | 6         | (60)        | (54)                                  |

## CHINAAMC LEVERAGED/INVERSE SERIES

### MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

For the period from 6 September 2019 (date of inception) to 31 December 2020

NDI2X

| Investments                               | Holdings as at<br>6 September 2019<br>(date of inception) | Additions | Disposals | Holdings as at 31<br>December 2020 |
|---|---|-----------|-----------|------------------------------------|
| <b>Money market instruments</b>           |   |           |           |                                    |
| UBS (IRL) SELECT MONEY MARKET FUND        | -   | 169,814   | (21,500)  | 148,314                            |
| <b>Futures contracts</b>                  |   |           |           |                                    |
| NASDAQ 100 E-MINI SEP19 20/09/2019        | -   | 131       | (131)     | -                                  |
| NASDAQ 100 E-MINI DEC19 20/12/2019        | -   | 255       | (255)     | -                                  |
| NASDAQ 100 E-MINI MAR20 20/03/2020        | -   | 706       | (706)     | -                                  |
| NASDAQ 100 E-MINI JUN20 19/06/2020        | -   | 1,157     | (1,157)   | -                                  |
| NASDAQ 100 E-MINI SEP20 18/09/2020        | -   | 906       | (906)     | -                                  |
| NASDAQ 100 E-MINI DEC20 18/12/2020        | -   | 1,104     | (1,104)   | -                                  |
| NASDAQ 100 E-MINI MAR21 FUT<br>19/03/2021 | -   | 67        | (639)     | (572)                              |

For the period from 27 July 2020 (date of inception) to 31 December 2020

CSIL

| Investments   | Holdings as at<br>27 July 2020<br>(date of inception) | Additions  | Disposals    | Holdings as at 31<br>December 2020 |
|---|---|------------|--------------|------------------------------------|
| <b>Money market instruments</b>                         |   |            |              |                                    |
| UBS (IRL) SELECT MONEY MARKET FUND                      | -   | 45,305     | (3,000)      | 42,305                             |
| HONG KONG T-BILL (SER 91) ZCP<br>21/10/2020             | -   | 12,000,000 | (12,000,000) | -                                  |
| HONG KONG T-BILL (SER 182) ZCP<br>04/11/2020            | -   | 12,000,000 | (12,000,000) | -                                  |
| HONG KONG T-BILL (SER 182) ZCP<br>18/11/2020            | -   | 12,000,000 | (12,000,000) | -                                  |
| HONG KONG T-BILL (SER 182) ZCP<br>02/12/2020            | -   | 12,000,000 | (12,000,000) | -                                  |
| HONG KONG T-BILL (SER 182) ZCP<br>16/12/2020            | -   | 12,000,000 | (12,000,000) | -                                  |
| <b>Swap agreements</b>                                  |   |            |              |                                    |
| CHINAAMC CSI300 NET TOTAL<br>RETURN HKD INDEX-BNP-SWAP  | -   | 170,997    | (153,612)    | 17,385                             |
| CHINAAMC CSI300 NET TOTAL<br>RETURN HKD INDEX-HSBC-SWAP | -   | 144,419    | (118,999)    | 25,420                             |

**CHINAAMC LEVERAGED/INVERSE SERIES****MOVEMENTS IN INVESTMENT PORTFOLIO (continued)****For the period from 27 July 2020 (date of inception) to 31 December 2020**

CSII

| <b>Investments</b>                                      | <b>Holdings as at<br/>27 July 2020<br/>(date of inception)</b> | <b>Additions</b> | <b>Disposals</b> | <b>Holdings as at 31<br/>December 2020</b> |
|---|--|------------------|------------------|--|
| <b>Money market instruments</b>                         |  |                  |                  |  |
| UBS (IRL) SELECT MONEY MARKET<br>FUND                   | -  | 49,440           | -                | 49,440                                     |
| HONG KONG T-BILL (SER 91) ZCP<br>21/10/2020             | -  | 9,000,000        | (9,000,000)      | -  |
| HONG KONG T-BILL (SER 182) ZCP<br>04/11/2020            | -  | 9,000,000        | (9,000,000)      | -  |
| HONG KONG T-BILL (SER 182) ZCP<br>18/11/2020            | -  | 9,000,000        | (9,000,000)      | -  |
| HONG KONG T-BILL (SER 182) ZCP<br>02/12/2020            | -  | 9,000,000        | (9,000,000)      | -  |
| HONG KONG T-BILL (SER 182) ZCP<br>16/12/2020            | -  | 9,000,000        | (9,000,000)      | -  |
| HONG KONG T-BILL (SER 181) ZCP<br>30/12/2020            | -  | 9,000,000        | (9,000,000)      | -  |
| <b>Swap agreements</b>                                  |  |                  |                  |  |
| CHINAAMC CSI300 NET TOTAL<br>RETURN HKD INDEX-BNP-SWAP  | -  | 65,930           | (73,185)         | (7,255)                                    |
| CHINAAMC CSI300 NET TOTAL<br>RETURN HKD INDEX-HSBC-SWAP | -  | 88,632           | (98,894)         | (10,262)                                   |

## CHINAAMC LEVERAGED/INVERSE SERIES

### DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS

The details of futures contracts held by the Products as at 31 December 2020 are as follows:

#### *Futures contracts*

| Description                            | Underlying assets | Counterparty                | Fair value<br>US\$ |
|--|-------------------|-----------------------------|--------------------|
| <u>Financial assets:</u>               |                   |                             |                    |
| <u>NDL</u>                             |                   |                             |                    |
| NASDAQ 100 E-MINI MAR21 FUT 19/03/2021 | NASDAQ-100 Index  | ADM Investor Services, Inc. | <u>1,444,417</u>   |
| <u>Financial liabilities:</u>          |                   |                             |                    |
| <u>NDI</u>                             |                   |                             |                    |
| NASDAQ 100 E-MINI MAR21 FUT 19/03/2021 | NASDAQ-100 Index  | ADM Investor Services, Inc. | <u>541,134</u>     |
| <u>NDI2X</u>                           |                   |                             |                    |
| NASDAQ 100 E-MINI MAR21 FUT 19/03/2021 | NASDAQ-100 Index  | ADM Investor Services, Inc. | <u>5,572,811</u>   |

#### *Credit default swap agreements*

At 31 December 2020, the Products held the outstanding credit default swap agreements as shown below:

| Description  | Underlying assets | Counterparty  | Fair value<br>HK\$ |
|--|-------------------|---------------|--------------------|
| <u>Financial assets:</u>                             |                   |               |                    |
| <u>CSIL</u>  |                   |               |                    |
| CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-BNP-SWAP  | CSI 300 Index     | BNP Paribas   | 8,561,019          |
| CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-HSBC-SWAP | CSI 300 Index     | HSBC Bank PLC | <u>12,078,843</u>  |
|  |                   |               | <u>20,639,862</u>  |
| <u>Financial liabilities:</u>                        |                   |               |                    |
| <u>CSII</u>  |                   |               |                    |
| CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-BNP-SWAP  | CSI 300 Index     | BNP Paribas   | 3,749,455          |
| CHINAAMC CSI300 NET TOTAL RETURN HKD INDEX-HSBC-SWAP | CSI 300 Index     | HSBC Bank PLC | <u>5,425,366</u>   |
|  |                   |               | <u>9,174,821</u>   |

## CHINAAMC LEVERAGED/INVERSE SERIES

### INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS

Below is the summary of gross exposure and net derivative exposure arising from the use of financial derivative instruments during the period/year.

#### Gross exposure

|   | Lowest  | Highest | Average |
|---|---------|---------|---------|
| For the year ended 31 December 2020   |         |         |         |
| NDL   | 196.78% | 202.09% | 199.47% |
| NDI   | 98.10%  | 100.83% | 99.45%  |
| For the period from 6 September 2019 (date of inception)<br>to 31 December 2020 |         |         |         |
| NDI2X   | 197.07% | 201.81% | 199.56% |
| For the period from 27 July 2020 (date of inception)<br>to 31 December 2020     |         |         |         |
| CSIL  | 199.91% | 200.16% | 200.00% |
| CSII  | 99.96%  | 100.03% | 100.00% |
| For the year ended 31 December 2019   |         |         |         |
| NDL   | 197.16% | 200.48% | 198.76% |
| NDI   | 98.74%  | 100.24% | 99.58%  |

#### Net derivative exposure

|   | Lowest   | Highest  | Average  |
|---|----------|----------|----------|
| For the year ended 31 December 2020   |          |          |          |
| NDL   | 196.78%  | 202.09%  | 199.47%  |
| NDI   | -98.10%  | -100.83% | -99.45%  |
| For the period from 6 September 2019 (date of inception)<br>to 31 December 2020 |          |          |          |
| NDI2X   | -197.07% | -201.81% | -199.56% |
| For the period from 27 July 2020 (date of inception)<br>to 31 December 2020     |          |          |          |
| CSIL  | 199.91%  | 200.16%  | 200.00%  |
| CSII  | -99.96%  | -100.03% | -100.00% |
| For the year ended 31 December 2019   |          |          |          |
| NDL   | 197.16%  | 200.48%  | 198.76%  |
| NDI   | -98.74%  | -100.24% | -99.58%  |

## CHINAAMC LEVERAGED/INVERSE SERIES

### PERFORMANCE RECORD

31 December 2020

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

|       |      | 2020            |                          | 2019            |                          | 2018            |                          |
|-------|------|-----------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
|       |      | 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\$ | 18,830,488      | 2.4455                   | 10,343,583      | 5.1718                   | 6,706,641       | 2.9159                   |
| NDI   | US\$ | 13,946,975      | 0.5885                   | 30,735,878      | 0.9947                   | 27,416,304      | 1.3988                   |
| NDI2X | US\$ | 73,887,036      | 0.3737                   | -               | -                        | -               | -                        |
| CSIL  | HK\$ | 180,348,360     | 12.4378                  | -               | -                        | -               | -                        |
| CSII  | HK\$ | 147,606,328     | 6.0994                   | -               | -                        | -               | -                        |

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

|                  | NDL                          |                                  | NDI                          |                                  | NDI2X <sup>2</sup>           |                                  | CSIL                         |                                  | CSII                         |                                  |
|------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
|                  | 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 | Highest issue price per unit | Lowest redemption price per unit | Highest issue price per unit | Lowest redemption price per unit |
| 31 December 2020 | 6.3601                       | 1.4704                           | 1.1735                       | 0.5885                           | 1.6241                       | 0.3737                           | 12.4385                      | 8.0000                           | 8.0000                       | 6.0998                           |
| 31 December 2019 | 5.2091                       | 2.7570                           | 1.4357                       | 0.9912                           | -                            | -                                | -                            | -                                | -                            | -                                |
| 31 December 2018 | 4.4870                       | 2.5395                           | 1.5106                       | 1.1871                           | -                            | -                                | -                            | -                                | -                            | -                                |
| 31 December 2017 | 3.4340                       | 1.9860                           | 1.9815                       | 1.4407                           | -                            | -                                | -                            | -                                | -                            | -                                |

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

|                  | NDL <sup>***</sup>    |                         | NDI <sup>**</sup>     |                         | NDI2X <sup>**</sup>   |                         |
|------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
|                  | Index performance (%) | Product performance (%) | Index performance (%) | Product performance (%) | Index performance (%) | Product performance (%) |
| 31 December 2020 | 48.88%                | 87.93%                  | 48.88%                | -40.60%                 | 48.88%                | -68.92%                 |
| 31 December 2019 | 39.46%                | 75.11%                  | 39.46%                | -29.87%                 | -                     | -                       |
| 31 December 2018 | 0.04%                 | -12.26%                 | 0.04%                 | -3.35%                  | -                     | -                       |
| 31 December 2017 | 33.11%                | 67.74%                  | 33.11%                | -26.61%                 | -                     | -                       |

  

|                  | CSIL <sup>1**</sup>   |                         | CSII <sup>1***</sup>  |                         |
|------------------|-----------------------|-------------------------|-----------------------|-------------------------|
|                  | Index performance (%) | Product performance (%) | Index performance (%) | Product performance (%) |
| 31 December 2020 | 24.09%                | 52.55%                  | 24.09%                | -23.67%                 |
| 31 December 2019 | -                     | -                       | -                     | -                       |
| 31 December 2018 | -                     | -                       | -                     | -                       |
| 31 December 2017 | -                     | -                       | -                     | -                       |

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

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

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

<sup>1</sup> Period from 27 July 2020 (date of inception) to 31 December 2020

<sup>2</sup> Period from 6 September 2019 (date of inception) to 31 December 2020



