



# CFund-Dynamic Income

*(a Sub-Fund of CFund)*

## Annual Report and Financial Statements

For the period from 12 May 2022 (date of commencement of operations) to 31 December 2022

# **CFund – Dynamic Income**

## **(A Sub-Fund of CFund)**

Annual Report and Financial Statements

For the period from 12 May 2022 (date of commencement of operations) to 31 December 2022

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## **CFund – Dynamic Income** **(A Sub-Fund of CFund)**

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### **Management and Administration**

#### Manager

Pickers Capital Management Limited  
Room 1503, Grand Millennium Plaza,  
No.181 - 183 Queen's Road Central,  
Sheung Wan  
Hong Kong

#### Trustee, Administrator, and Registrar

BOCI-Prudential Trustee Limited  
Suites 1501-1507 & 1513-1516, 15/F,  
1111 King's Road,  
Taikoo Shing  
Hong Kong

#### Directors of the Manager

Lee Ho Tak  
Lau, Ada Hiu-yee

#### Custodian

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

#### Legal Counsel to the Manager

Simmons & Simmons  
30/F, One Taikoo Place  
979 King's Road  
Hong Kong

#### Auditor

PricewaterhouseCoopers  
22/F, Price's Building  
Central  
Hong Kong

## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

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#### **Report of the Manager to the Unitholders**

In 2022, investors were confounded with a few major events that dramatically moved the global bond market.

Surprisingly aggressive US Federal Reserve (Fed) policy rate hikes were in response to alarming levels of inflation in the US that have not been seen since prior to the Great Financial Crisis.

China's property developers have been languishing in policy-making limbo, with a majority of private property developers heading toward seemingly inevitable defaults, just at different speeds. Economic activity was stifled elsewhere across the country as China's Zero-COVID policy affected consumption and confidence.

A decades-long international norm was violated with the invasion of Ukraine. Under a new wave of geopolitical divisions and instability, the global economy suffered shocks to supplies of food and energy.

Together, these and other factors drove interest rates generally higher and credit spreads generally wider across various markets. That's a mix that conspired to produce considerable negative total returns, even in traditional risk-off safe-havens such as US Treasuries.

The investment manager took pre-emptive actions to cautiously control the exposure to China high yield, in particular the property sector, and invested into high quality short-duration investment grade credits with diversification in terms of industry and country, which managed to defend relatively well against the higher US Treasury yield.

By December, we have seen stabilization in both investment grade and high yield markets, reflecting more positive conditions for global fixed income. In China, the authorities have stepped-up supportive measures in relation to the economy and a full reopening.

Whilst the road ahead for the Asia credit market might still bumpy, this asset class should benefit from positive catalysts including continuing support from policy makers, potential signs of steady turnaround of the property sector and the improving economy in China.

On the global front, the peak of US interest rates and USD strength as well as the moderation in inflation in the US and Asia could be other key positive catalysts for the Asia credit market in the next 12 months.

For and on behalf of



Pickers Capital Management Limited  
25 April 2023

## **CFund – Dynamic Income**



**(A Sub-Fund of CFund)**

### **Annual Report and Financial Statements**

For the period from 12 May 2022 (date of commencement of operations) to 31 December 2022

#### **Report of the Trustee to the Unitholders**

We hereby confirm that, to the best of our knowledge the Manager of CFund – Dynamic Income (the “Sub-Fund”), a sub-fund of CFund, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 6 November 2018, as amended, the First Supplemental deeds dated 6 November 2018, the Second Supplemental Deed dated 31 December 2019, the Third Supplemental Deed dated 7 May 2020 and the Fourth Supplemental Deed dated 18 March 2022, for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022.



BOCI-Prudential Trustee Limited  
25 April 2023

## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

Annual Report and Financial Statements

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#### **Statement of Responsibilities of the Manager and the Trustee**

##### **Manager's Responsibilities**

The Manager of the Sub-Fund is required by the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the "SFC Code") and 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 Sub-Fund 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

- confirm the selection and application of accounting policies as appropriate;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Sub-Fund will continue in operation unless it is inappropriate to presume this.

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

##### **Trustee's Responsibilities**

The Trustee of the Sub-Fund is required by the SFC Code and the Trust Deed to:

- ensure that the Sub-Fund in all material respects is 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 Sub-Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period should the Manager not managing the Sub-Fund in accordance with the Trust Deed.

**Independent Auditor's Report  
To the Unitholders of CFund – Dynamic Income  
(A Sub-fund of CFund)**

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

**Opinion**

*What we have audited*

The financial statements of CFund – Dynamic Income (the "Sub-Fund"), a sub-fund of CFund, which are set out on pages 8 to 31, comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the period from 12 May 2022 (date of commencement of operation) to 31 December 2022;
- the statement of changes in net assets attributable to unitholders for the period from 12 May 2022 (date of commencement of operation) to 31 December 2022;
- the statement of cash flows for the period from 12 May 2022 (date of commencement of operation) to 31 December 2022; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2022, and of its financial transactions and its cash flows for the period from 12 May 2022 (date of commencement of operation) to 31 December 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Sub-Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Other Information**

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

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

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

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

**Independent Auditor's Report  
To the Unitholders of CFund – Dynamic Income  
(A Sub-fund of CFund) (Continued)**

**Responsibilities of Management for the Financial Statements**

The Management of the Sub-Fund is 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 Management determines 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 Management of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 6 November 2018, as amended ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

**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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.



**Independent Auditor's Report  
To the Unitholders of CFund – Dynamic Income  
(A Sub-fund of CFund) (Continued)**

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

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

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and the Appendix E of the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the Appendix E of the SFC Code.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 25 April 2023

# CFund – Dynamic Income

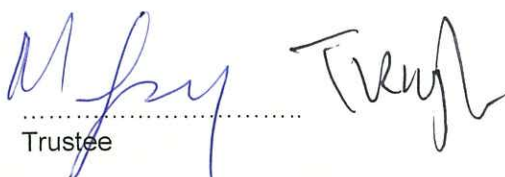
(A Sub-Fund of CFund)

## Statement of Financial Position

As at 31 December 2022

	Notes	As at 31 December 2022 USD
<b>Assets</b>		
<b>Current Assets</b>		
Financial assets at fair value through profit or loss	3(a), 3(d)	12,974,713
Interest income receivable	3(b)	106,724
Bank balances	3(d), 6(c)	211,372
<b>Total Assets</b>		<u>13,292,809</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Management fee payable	6(a)	14,044
Trustee fee payable	6(b)	5,000
Custodian fee payable	6(c)	298
Audit fee payable		19,500
Other payables and accruals	6(d)	59,448
Distributions payable to unitholders	7	44,932
<b>Total Liabilities</b>		<u>143,222</u>
<b>Net Assets</b>		<u>13,149,587</u>
<b>Equity</b>		
Net assets attributable to unitholders	5	<u>13,149,587</u>

For and on behalf of  
BOCI-Prudential Trustee Limited, Trustee

  
Trustee

For and on behalf of  
Pickers Capital Management Limited, Manager

  
Director

The notes on pages 12 to 31 are an integral part of these financial statements.

## CFund – Dynamic Income

(A Sub-Fund of CFund)

### Statement of Comprehensive Income

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

	Notes	Period from 12 May 2022(date of incorporation) to 31 December 2022 USD
<b>Income</b>		
Interest income on bank deposit	6(e)	262
Interest income on debt securities		300,322
Net realised loss on financial assets at fair value through profit or loss		(270,246)
Net change in unrealised loss on financial assets at fair value through profit or loss		(340,161)
Exchange loss		(7,345)
<b>Total Net Loss</b>		<u>(317,168)</u>
<b>Expenses</b>		
Management fee	6(a)	106,991
Trustee fee	6(b)	38,065
Custodian fee	6(c)	2,220
Auditors' remuneration		19,500
Establishment costs	6(d)	58,159
Transaction and handling fees		1,920
Other general expenses	6(d)	1,454
<b>Total Operating Expenses</b>		<u>228,309</u>
<b>Loss Before Tax</b>		<u>(545,477)</u>
Withholding taxes		-
<b>Decrease in Net Assets Attributable to Unitholders</b>		<u><u>(545,477)</u></u>

The notes on pages 12 to 31 are an integral part of these financial statements.

## CFund – Dynamic Income

(A Sub-Fund of CFund)

### Statement of Changes in Net Assets Attributable to Unitholders

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

	Notes	Period from 12 May 2022(date of incorporation) to 31 December 2022 USD
<b>Net assets attributable to unitholders at the date of commencement of operations</b>		-
Subscription of units		14,086,692
Redemption of units		(63,764)
<b>Net increase from transactions with unitholders</b>		14,022,928
Loss after tax and before distribution		(545,477)
Distributions to unitholders	7	(327,864)
<b>Net assets attributable to unitholders at the end of the period</b>	5	13,149,587
		<b><u>Class A HKD</u></b>
		<b><u>(Distribution)</u></b>
		<b><u>Units</u></b>
<b><u>2022</u></b>		
At the beginning of the period from 12 May 2022 (date of commencement of operations) to 31 December 2022		-
Subscriptions during the period		1,106,922.4316
Redemptions during the period		(5,341.8175)
At the end of the period from 12 May 2022 (date of commencement of operations) to 31 December 2022		1,101,580.6141

The notes on pages 12 to 31 are an integral part of these financial statements.

## CFund – Dynamic Income

### (A Sub-Fund of CFund)

#### Statement of Cash Flows

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

	Notes	Period from 12 May 2022(date of incorporation) to 31 December 2022 USD
<b>Cash flows from operating activities</b>		
Loss before income tax		(545,477)
Adjustments for:		
Interest Income on bank deposits	6(c)	(262)
Interest income on debt securities		(300,322)
Net exchange loss		7,345
<b>Operating loss before working capital changes</b>		<b>(838,716)</b>
Increase in financial assets at fair value through profit and loss		(12,974,713)
Increase in interest income receivable		(106,724)
Increase in management fee payable		14,044
Increase in trustee fee payable		5,000
Increase in custodian fee payable		298
Increase in audit fee payable		19,500
Increase in other payable		59,448
<b>Cash used in operating activities</b>		<b>(13,821,863)</b>
Interest received on bank deposits		262
Interest income received on debt securities		300,322
<b>Net Cash used in operating activities</b>		<b>(13,521,279)</b>
<b>Cash flows from financing activities</b>		
Proceeds from subscription of units		14,086,692
Payments on redemption of units		(63,764)
Distributions paid to unitholders		(282,932)
<b>Net cash generated from financing activities</b>		<b>13,739,996</b>
<b>Net increase in cash and cash equivalents</b>		<b>218,717</b>
Cash and cash equivalents at the beginning of the period		-
Net exchange loss		(7,345)
<b>Cash and cash equivalents at the end of the period</b>		<b>211,372</b>
<b>Analysis of Balances of Cash and Cash Equivalents:</b>		
Cash at bank		211,372
		<b>211,372</b>

The notes on pages 12 to 31 are an integral part of these financial statements.

## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### **Notes to the Financial Statements**

##### **1 General**

CFund – Dynamic Income (the "Sub-Fund") is a sub-fund of CFund (the "Fund") which is a unit trust established under the laws of Hong Kong by a trust deed dated 6 November 2018, as amended, the First Supplemental Deed dated 6 November 2018, the Second Supplemental Deed dated 31 December 2019, the Third Supplemental Deed dated 7 May 2020 and the Fourth Supplemental Deed dated 18 March 2022, made between Pickers Capital Management Limited as Manager (the "Manager") and BOCI-Prudential Trustee Limited as Trustee (the "Trustee"). The Fund currently consists of two sub-funds, CFund – China Equity and the Sub-Fund, of which CFund – China Equity commenced its operations on 2 January 2019 and the Sub-Fund commenced its operation on 12 May 2022. The Fund and the Sub-Fund have been authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under Section 104(1) of the Securities and Futures Ordinance of Hong Kong and are required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC of Hong Kong ("the Code"). The Sub-Fund has issued Class A – HKD (Distribution) units.

##### Investment Objective and Investment Strategy

The Sub-Fund seeks to achieve its investment objective primarily through investing in debt securities. The Sub-Fund makes investments into debt securities that, in the Manager's opinion, have been undervalued or mis-priced by the market. There is no restriction on the geographies, industries or credit ratings in relation to the debt securities in which the Sub-Fund may invest.

The Sub-Fund is actively managed without reference to any benchmark. The Manager will adopt a dynamic approach in asset allocation and security selection, based on a number of factors including macroeconomic analysis, issuer's credit analysis, and security valuation.

The Sub-Fund may from time to time invest up to 100% of its Net Asset Value in emerging markets, such as mainland China, India, Indonesia, Malaysia and the Philippines, subject to an overall upper limit of 50% of the Sub-Fund's Net Asset Value on onshore China exposure.

The Sub-Fund's asset allocation strategy is that it will primarily invest (i.e. at least 70% of its Net Asset Value) directly and indirectly (such as through exchange traded funds and other collective investment schemes) in debt securities denominated in USD or other currencies and issued by governments, public institutions, international organisations, financial institutions and other corporations.

Types of debt securities in which the Sub-Fund may invest will include (but are not limited to) convertible or non-convertible debt securities and fixed and floating rate bonds. The Sub-Fund may invest up to 30% of its Net Asset Value in convertible debt securities.

The Sub-Fund does not impose any minimum credit rating requirement on debt securities and may invest up to 100% of its Net Asset Value in debt securities which are rated below investment grade or unrated. However, the Sub-Fund may invest no more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

The Sub-Fund may invest up to 30% of its Net Asset Value in debt instruments with loss-absorption features (e.g. contingent convertible securities, senior non-preferred debt, and subordinated debt issued by financial institutions).

The Sub-Fund may invest up to 20% of its Net Asset Value in collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers).

## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

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#### **Notes to the Financial Statements**

##### **1 General (Continued)**

The Sub-Fund may invest in onshore China debt securities via the Bond Connect and/or the Foreign Access Regime, subject to the overall limit on onshore China exposure of 50% of the Sub-Fund's Net Asset Value as described above.

The Sub-Fund may invest up to 20% of its Net Asset Value in aggregate in onshore and/or offshore urban investment bonds (i.e. bonds issued by mainland Chinese local government financing vehicles) in the PRC listed bond and interbank bond market and offshore bond markets.

The Sub-Fund may invest up to 20% of its Net Asset in "Dim Sum" bonds (i.e. bonds issued outside of mainland China but denominated in RMB).

The Sub-Fund may invest up to 30% of its Net Asset Value in aggregate in assets other than debt securities, including (i) equity securities directly or indirectly (such as through exchange traded funds and other collective investment schemes) and (ii) real estate investment trusts ("REITs"). For the avoidance of doubt, any investment in A-shares will be made via Stock Connect and be subject to the overall upper limit of 50% of the Sub-Fund's Net Asset Value on onshore China exposure as described above.

The Sub-Fund may invest up to 30% of its Net Asset Value in aggregate in other collective investment schemes, provided it is consistent with the Sub-Fund's investment objective and strategy.

The Sub-Fund may use derivatives for hedging and/or investment purposes.

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

These financial statements are prepared for the Sub-Fund only.

##### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

###### **(a) Basis of preparation**

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued and the relevant disclosure provisions specified in Appendix E to the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code").

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss. The financial statements are presented in US Dollar ("USD").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and the Manager (together, the "Management") to exercise their judgment in the process of applying the Sub-Fund's accounting policies.

## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### **Notes to the Financial Statements**

### **2 Summary of significant accounting policies (Continued)**

#### **(a) Basis of preparation (Continued)**

New standards, amendments and interpretation effective after 1 January 2022 that are relevant to the Sub-Fund and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

#### **(b) Foreign currency translation**

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

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the "functional currency"). The performance of the Sub-Fund is measured and reported to the unitholders in USD. The Manager considers USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is the Sub-Fund's functional and presentation currency.

##### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within "Net exchange gain/loss".

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss" and "Net realised gain/(loss) on financial assets at fair value through profit or loss".



## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### **Notes to the Financial Statements**

## **2 Summary of significant accounting policies (Continued)**

### **(c) Financial assets at fair value through profit or loss**

#### **(i) Classification**

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Sub-Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

#### **(ii) Recognition/derecognition**

Purchases and sales of investments are accounted for on the trade date basis – the date on which the Sub-Fund commits to purchase or sell the investments. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

#### **(iii) Measurement**

Investments are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, all investments are measured at fair value. Realised and unrealised gains and losses on investments are recognised in the statement of comprehensive income in the year in which they arise.

#### **(iv) Fair value estimation**

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 of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Sub-Fund utilises the last traded market price for both listed financial assets and liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined by using broker quotes or valuation techniques.

#### **(v) Transfers between levels of the fair value hierarchy**

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### **Notes to the Financial Statements**

##### **2 Summary of significant accounting policies (Continued)**

##### **(d) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

##### **(e) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, cash at bank, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

##### **(f) Other payables**

Other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

##### **(g) Income and expenses**

Interest income is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents and investment in debt securities.

The effective interest method is a method of calculating the amortised cost of an interest bearing asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

##### **(h) Transaction costs**

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

## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### **Notes to the Financial Statements**

##### **2 Summary of significant accounting policies (Continued)**

###### **(i) Redeemable units**

The Sub-Fund's redeemable units, which are redeemable at the holder's option, represents puttable financial instruments. Puttable financial instruments are classified as equity in accordance with IAS 32 (Amendment), "Financial instruments: Presentation" if they meet all the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net asset value;
- the puttable financial instruments are the most subordinated units in issue and unit features are identical;
- there are no contractual obligations to deliver cash or another financial asset; and
- the total expected cash flows from the puttable financial instrument over its life are based substantially on the profit or loss of the Sub-Fund.

Otherwise, puttable financial instruments are classified as financial liability.

For the period from 12 May 2022 (date of commencement of operations) to 31 December 2022, the Sub-Fund has Class A HKD (Distribution) issued, which was subject to the terms as disclosed herein. The redeemable units have been classified as equity in accordance with IAS 32.

The redeemable units of the Sub-Fund are issued or redeemed at the holder's option at prices based on the Sub-Funds' net asset value per unit as at the close of business on the relevant dealing day. The Sub-Fund net asset value per unit is calculated by dividing the net assets attributable to the unitholders with the total number of outstanding units.

###### **(j) Distributions to unitholders**

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends in respect of the Sub-Fund. The distribution on the redeemable shares is recognised when it is declared to the unitholders and recognised in the statement of comprehensive income.

###### **(k) Taxation**

The Sub-Fund currently incurs withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included as taxation in the statement of comprehensive income.

###### **(l) Establishment costs**

Establishment costs are recognised as an expense in the period in which they are incurred.

## CFund – Dynamic Income (A Sub-Fund of CFund)

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### Notes to the Financial Statements

#### 3 Financial risk management

The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price, interest rate and currency), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The following is a summary of the main risks and risk management policies.

##### (a) 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 (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

As at 31 December 2022, the Sub-Fund primarily invests in debt securities and the following table discloses these debt securities by geographical locations of the issuers:

	2022	
	USD	% of NAV
<b>Listed debt securities</b>		
Australia	459,560	3.50
Bahamas	489,590	3.72
Cayman Islands	315,213	2.40
Mainland China	2,551,814	19.40
Hong Kong	1,898,920	14.45
Indonesia	965,740	7.34
Japan	1,370,790	10.43
Korea	1,329,725	10.11
Singapore	1,914,870	14.56
United States	456,460	3.47
British Virgin Islands	1,222,031	9.29
Total	12,974,713	98.67

## CFund – Dynamic Income

### (A Sub-Fund of CFund)

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For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### Notes to the Financial Statements

### 3 Financial risk management (Continued)

#### (a) Market price risk (Continued)

The following table discloses the financial assets at fair value through profit or loss of the Sub-Fund by industrial sectors:

	2022	
	USD	% of NAV
<b>Listed debt securities</b>		
Basic materials	981,080	7.46
Communications	2,377,505	18.08
Consumer, cyclical	1,400,135	10.65
Consumer, non-cyclical	482,975	3.67
Energy	1,882,890	14.32
Financial	4,054,528	30.83
Government	455,950	3.47
Industrial	489,590	3.72
Utilities	850,060	6.47
	<u>12,974,713</u>	<u>98.67</u>

There is no exposure to individual investments/issuers representing over 10% of the Sub-Fund's net asset value at the reporting date.

## CFund – Dynamic Income

### (A Sub-Fund of CFund)

Annual Report and Financial Statements

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#### Notes to the Financial Statements

### 3 Financial risk management (Continued)

#### (b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The tables below summarise the Sub-Fund's exposure to interest rate risks at the reporting date. Included in the table are the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2022

	Maturity up to 1 year USD	Maturity 1-5 years USD	Maturity over 5 years USD	Non- interest bearing USD	Total USD
<b>Assets</b>					
Financial assets at fair value through profit or loss					
- Listed debt securities	1,043,107	10,066,511	1,865,095	-	12,974,713
Interest income receivable	-	-	-	106,724	106,724
Cash and cash equivalents	211,372	-	-	-	211,372
<b>Total assets</b>	<b>1,254,479</b>	<b>10,066,511</b>	<b>1,865,095</b>	<b>106,724</b>	<b>13,292,809</b>
<b>Liabilities</b>					
Management fee payable	-	-	-	14,044	14,044
Trustee fee payable	-	-	-	5,000	5,000
Custodian fee payable	-	-	-	298	298
Audit fee payable	-	-	-	19,500	19,500
Other payables and accruals	-	-	-	59,448	59,448
Distributions payable to unitholders	-	-	-	44,932	44,932
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,222</b>	<b>143,222</b>
<b>Total interest sensitivity gap</b>	<b>1,254,479</b>	<b>10,066,511</b>	<b>1,865,095</b>	<b>-</b>	<b>-</b>

At 31 December 2022, the Sub-Fund has bank balances of USD211,372 which is short-term in nature. The Manager considers that fluctuations of interest rates would have minimal impact on the Sub-Fund's financial assets and no interest rate sensitivity analysis on bank balances has to be disclosed.

## CFund – Dynamic Income

### (A Sub-Fund of CFund)

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### Notes to the Financial Statements

### 3 Financial risk management (Continued)

#### (b) Interest rate risk (Continued)

The Manager and Trustee monitor the interest rate risks by quantifying (a) market exposure in percentage terms; and (b) exposure in modified duration terms. As at 31 December 2022, the Sub-Fund has invested in interest-bearing securities of USD12,974,713 and the portfolio weighted average modified duration of the Sub-Fund is 1.8011.

As at 31 December 2022, should the relevant interest rates have risen/lowered by 200 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the period would amount to approximately USD477,761, arising substantially from the increase/decrease in market values of debt securities. In practice, the actual trading results may differ from the sensitivity analysis and the difference could be material.

#### (c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are mainly denominated in USD, the Sub-Fund's functional and presentation currency. As the HKD is pegged to the USD, accordingly, the Sub-Fund does not expect any significant movements in the USD/HKD exchange rate. As a result, Management considers sensitivity analysis of currency risk is not necessary to be presented.

#### (d) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

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 debt securities sold is made only when the custodian has received payment. Payment is made on a purchase when the debt securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The table below summarises the exposures to the Sub-Fund's counterparty as at 31 December 2022 together with its credit rating:

At 31 December 2022	USD	Credit rating	Source of credit rating
<b>Financial assets at fair value through profit or loss</b>			
Bank of China (Hong Kong) Limited	12,974,713	A+	Standard & Poor's
<b>Cash and cash equivalents</b>			
Bank of China (Hong Kong) Limited	211,372	A+	Standard & Poor's

## CFund – Dynamic Income (A Sub-Fund of CFund)

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

### Notes to the Financial Statements

#### 3 Financial risk management (Continued)

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

The main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in debt securities. The Sub-Fund does not have explicit restrictions on the minimum credit ratings of securities it may hold. The Manager will actively manage the portfolio of the Sub-Fund. In case of credit rating downgrading, the Manager will adjust the positions in the portfolio using its credit analysis and rating systems that are designed to manage credit risks.

The table below summarises the credit rating of the debt securities issued by credit rating agencies:

#### Portfolio by rating category of debt securities:

As at 31 December 2022

Credit rating agency	Rating	USD	% of NAV
Fitch	A+ - B	4,850,747	36.89%
Moody's	Aa2 - B1	4,266,805	32.45%
S&P	A - B-	2,404,900	18.29%
Not Rated	-	1,452,261	11.04%
		<u>12,974,713</u>	<u>98.67%</u>

The Manager has assessed the credit quality of the debt securities based on the nature of the issuers, the historical information about the issuers' financials and default rates, and on-going business performance of the issuers. The Sub-Fund is also exposed to credit and counterparty risk on cash and cash equivalents.

The maximum exposure to credit risk as at 31 December 2022 is the carrying amount of the financial assets as shown on the statement of financial position.

The Manager considers that none of these assets are impaired nor past due as at 31 December 2022.

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2022, interest income receivables and bank balances are held with counterparties with a credit rating of A+ and are due to be settled within 1 month. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.



## CFund – Dynamic Income

### (A Sub-Fund of CFund)

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### Notes to the Financial Statements

### 3 Financial risk management (Continued)

#### (e) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

The table below analyses the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 3 months USD	Total USD
Management fee payable	14,044	14,044
Trustee fee payable	5,000	5,000
Custodian fee payable	298	298
Audit fee payable	19,500	19,500
Other payables and accruals	59,448	59,448
Distributions payable to unitholders	44,932	44,932
	<u>143,222</u>	<u>143,222</u>

Units are redeemed on demand at the unitholder's option. With a view to protecting the interests of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Fund redeemed on any dealing day to 10% of the total number of units in issue. As at 31 December 2022, one unitholder held 92.7% of the Sub-Fund's units on nominee basis.

As at 31 December 2022, the total current assets of the Sub-Fund amounted to USD13,292,809. The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 1 month.

## CFund – Dynamic Income

### (A Sub-Fund of CFund)

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#### Notes to the Financial Statements

### 3 Financial risk management (Continued)

#### (f) Fair value estimation

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 judgment, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that 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 market.

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

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>As at 31 December 2022</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Listed debt securities	12,974,713	-	-	12,974,713
<b>Total assets</b>	<u>12,974,713</u>	<u>-</u>	<u>-</u>	<u>12,974,713</u>

## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### **Notes to the Financial Statements**

### **3 Financial risk management (Continued)**

#### **(f) Fair value estimation (Continued)**

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed debt securities. As at 31 December 2022, all investments in the Sub-Fund are classified in level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2, include primarily USD denominated debt securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. As at 31 December 2022, there was no level 2 investment held by the Sub-Fund.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2022, there was no level 3 investment held by the Sub-Fund.

During the period from 12 May 2022 (date of commencement of operations) to 31 December 2022, there was no transfer between levels.

The assets and liabilities included in the statement of financial position, other than financial assets and liabilities at fair value through profit or loss, are carried at amortised cost; their carrying value are approximation of fair value. There are no other assets and liabilities not carried at fair value but for which fair value is disclosed.

#### **(g) Capital risk management**

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions in investments that meet the Sub-Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions. The Management may:

- a. Redeem and issue new units in accordance with the constitutive documents of the Sub-Fund; and
- b. Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders.

### **4 Financial instruments by category**

#### *Financial assets*

Apart from financial assets at fair value through profit or loss as disclosed in the statement of financial position which are classified as financial assets at fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including interest income receivable and cash and cash equivalents, are categorised and carried at amortised cost.

#### *Financial liabilities*

All financial liabilities as disclosed in the statement of financial position, including management fee payable, trustee fee payable, amount due to broker and accrued expenses and other payables, are categorised and carried at amortised cost.

## CFund – Dynamic Income (A Sub-Fund of CFund)

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For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

### Notes to the Financial Statements

#### 5 Number of units in issue and net assets attributable to unitholders per unit

The Sub-Fund has issued one class of units. The number of units in issue of the Sub-Fund is classified as financial. All issued redeemable units are fully paid. As at 31 December 2022, the Sub-Fund has launched Class A HKD (Distribution) units.

For Class A HKD (Distribution) units, it is the current intention of the Manager that distributions will be made on a monthly basis. Distributions can be paid out of capital or effectively out of capital of the Sub-Fund. There is no guarantee that any distributions will be made and there is no target level of distribution payout. Any distributions payable (if any) will be automatically reinvested unless otherwise elected by the Unitholder. Refer to note 7 for the distribution made during the year ended 31 December 2022.

	<b><u>Class A HKD (Distribution) Units</u></b>
<b><u>2022</u></b>	
At the end of the period	1,101,580.6141

Unitholders who wish to subscribe or redeem their units in the Sub-Fund may do on any dealing day which is (a) any business day, except any business day, determined at the Manager's discretion, on which any exchange or market on which a substantial portion of the Sub-Fund's investments is traded is closed or on which dealings are restricted or suspended; or (b) such other day as the Manager may determine from time to time with the approval of the Trustee.

In addition, each class of units is subjected to HKD100 minimum initial and subsequent subscription amounts and holding amounts, and minimum redemption and switching amounts.

	As at 31 December 2022 HKD
Net assets attributable to unitholders per unit (per statement of financial position) Class A HKD (Distribution) Units	93.1278

Establishment costs are expensed as incurred. However, in accordance with the provisions of the Explanatory Memorandum, establishment costs will be amortised over the first five accounting periods. As at 31 December 2022, the unamortised establishment costs of the Sub-Fund was HK\$50,769. The accounting policy of the Fund for the purpose of financial statements preparation in compliance with IFRS is to expense formation costs in the statement of comprehensive income as incurred. The differences between expensing the formation costs as incurred in accordance with IFRS and capitalisation and amortisation of the formation costs indicated in the Explanatory Memorandum of the Sub-Fund resulted in adjustments in the net asset value.

## CFund – Dynamic Income

### (A Sub-Fund of CFund)

Annual Report and Financial Statements

For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### Notes to the Financial Statements

##### 5 Number of units in issue and net assets attributable to unitholders per unit (Continued)

The tables below summarise the net asset value per unit at the reporting date:

	Net asset value
	USD
<b><u>At 31 December 2022</u></b>	
Net assets attributable to unitholders as reported in the statement of financial position	13,149,587
Add: Adjustments for unamortised establishment costs	50,769
Adjustments for other differences (Note a)	44,491
	<hr/>
Dealing net asset value	13,244,847
	<hr/>
Dealing net assets attributable to unitholders per unit	
- Class A HKD (Distribution) Units	HKD 93.8025
	<hr/>

Note a: According to the Explanatory Memorandum, the last dealing day of the Sub-Fund should be the last business day of the Sub-Fund, which was 30 December 2022 for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022. The adjustments represent distributions to unitholders of USD44,932 and fee accruals of (USD441) which have been recognized in the net assets attributable to unitholders (in accordance with IFRS).

##### 6 Transactions with the related parties and connected persons

The Sub-Fund had the following related parties transactions with the Trustee and the Manager and their connected persons. Connected persons are those as defined in the Code on Unit Trusts and Mutual Funds established by the SFC. All transactions with related parties, Trustee, Manager and their connected persons were entered into in the ordinary course of business and on normal commercial terms.

###### (a) Management fee

The Manager is entitled to receive a management fee of up to 1.25% per annum of the net asset value of the Sub-Fund, calculated and accrued on each dealing day and payable monthly in arrears.

Management fee charged for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022 was USD106,991 of which USD14,044 was outstanding as at 31 December 2022.

## **CFund – Dynamic Income**

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For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### **Notes to the Financial Statements**

##### **6 Transactions with the related parties and connected persons (Continued)**

###### **(b) Trustee fee**

The Trustee is entitled to receive a fee of 0.15% per annum of the net asset value of each class of the Sub-Fund. The fee is calculated and accrued on each dealing day and payable monthly in arrears.

Trustee fee charged by the Trustee for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022 was USD38,065 of which USD5,000 was outstanding as at 31 December 2022.

###### **(c) Custodian fee**

During the period from 12 May 2022 (date of commencement of operations) to 31 December 2022, custodian fee amounted to USD2,220 was charged by the custodian with outstanding payable of USD298 as at 31 December 2022.

###### **(d) Other fees**

The Sub-Fund had following fees paid to the Trustee during the period from 12 May 2022 (date of commencement of operations) to 31 December 2022 with outstanding payables of USD3,140 as at 31 December 2022. The below fees were included in "establishment costs" or "other general expenses" respectively in the statement of comprehensive income.

	2022
	USD
Fund set up fee	2,500
Service fee	640

## CFund – Dynamic Income (A Sub-Fund of CFund)

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For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

### Notes to the Financial Statements

#### 6 Transactions with the related parties and connected persons (Continued)

##### (e) Investments and Bank balances

The investments and bank balances of the Sub-Fund with related parties of the Trustee are:

	<u>2022</u> USD
<b>Investments</b>	
Bank of China (Hong Kong) Limited	12,974,713
	<u>                    </u>
<b>Bank balances</b>	
Bank of China (Hong Kong) Limited	211,372
	<u>                    </u>

Interest income amounted to USD262 has been earned on the bank balances in Bank of China (Hong Kong) Limited for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022.

##### (f) Holding in the Sub-Fund

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund.

As at 31 December 2022, the holdings in the Sub-Fund by its connected persons was as follow:

	Number of Class A HKD (Accumulation) 2022 Units
Connected persons of the Manager	
As at 12 May 2022 (date of commencement of operations)	-
Units subscribed during the period	1,049,984.7363
Units redeemed during the period	(5,308.2997)
	<u>                    </u>
As at 31 December 2022	<u>1,044,676.4366</u>

# CFund – Dynamic Income

## (A Sub-Fund of CFund)

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For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

### Notes to the Financial Statements

#### 7 Distributions payable to unitholders

	For the Period from 12 May 2022 (date of commencement of operations) to 31 December 2022 USD
Undistributed income at the beginning for the period	-
Loss after tax and before distribution	(545,477)
Distributions to unitholders	(327,864)
Undistributed loss/income carried forward at the ending of the period	-

As at 31 December 2022, distributions payable to unitholders amounted to USD44,932.

Subject to the Manager's discretion, the dividends will be declared on a monthly basis on such date which is the end of every month of each year. Dividends can be paid out of capital or effectively out of capital of the relevant Class and may result in immediate reduction of net asset value per unit of the Sub-Fund.

Distribution per unit - Class A HKD (Distribution) unit

Declaration date	2022 HKD per unit
1 June 2022	0.1019
4 July 2022	0.3244
1 August 2022	0.3125
1 September 2022	0.3544
3 October 2022	0.3147
1 November 2022	0.3178
1 December 2022	0.3078
3 January 2023	0.3187

#### 8 Taxation

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Overseas withholding tax was charged on certain investment income received during the period.

#### 9 Soft commission arrangements

The Manager confirms that there has been no soft commission arrangement existing during the period in relation to directing transactions of the Sub-Fund through a broker or dealer.



## **CFund – Dynamic Income**

### **(A Sub-Fund of CFund)**

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For the period from 12 May 2022 (Date of Commencement of Operations) to 31 December 2022

#### **Notes to the Financial Statements**

##### **10 Approval of financial statements**

The financial statements were approved by the Trustee and the Manager on 25 April 2023.

**CFund – Dynamic Income**  
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Annual Report and Financial Statements

Investment Portfolio (Unaudited)

As at 31 December 2022

	Holdings	Market Value USD	Net assets Value %
<b>Investments - Listed Debt Securities</b>			
<b><u>Australia</u></b>			
MACQUARIE GROUP LTD 1.201% S/A 14OCT2025 REGS	500,000	459,560	3.50%
		459,560	3.50%
<b><u>Bahamas</u></b>			
COMPETITION TEAM TECHNOLOGY LTD 3.75% S/A 12MAR2024	500,000	489,590	3.72%
		489,590	3.72%
<b><u>Cayman</u></b>			
ALIBABA GROUP HLDG LTD 3.6% S/A 28NOV2024	1,000,000	967,170	7.35%
MEITUAN DIANPING 2.125% S/A 28OCT2025 REGS	500,000	448,385	3.41%
MIZUHO FINANCIAL GROUP CAYMAN 3 LTD 4.6% S/A 27MAR2024 REGS	320,000	315,213	2.40%
		1,730,768	13.16%
<b><u>China</u></b>			
INDUSTRIAL & COMMERCIAL BANK OF CHINA LTD 3.58% A PERP	500,000	477,800	3.63%
		477,800	3.63%
<b><u>Hong Kong</u></b>			
AIRPORT AUTHORITY HONG KONG 2.1% S/A PERP	500,000	455,950	3.47%
CATHAY PACIFIC MTN FINANCING HK LTD 4.875 S/A 17AUG2026	500,000	479,305	3.65%
CNAC HK FINBRIDGE CO LTD 3.375% S/A 19JUN2024	500,000	484,295	3.68%
		1,419,550	10.80%
<b><u>United States</u></b>			
NISSAN MOTOR ACCEPTANCE CORP 1.125% S/A 16SEP2024 REGS	500,000	456,460	3.47%
		456,460	3.47%

**CFund – Dynamic Income**  
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Annual Report and Financial Statements

Investment Portfolio (Unaudited) (Continued)  
As at 31 December 2022

	Holdings	Market Value USD	Net assets Value %
<b>Investments - Listed Debt Securities (Continued)</b>			
<b><u>Indonesia</u></b>			
ADARO INDONESIA 4.25% S/A 31OCT2024 REGS	500,000	483,160	3.67%
TOWER BERSAMA INFRASTRUCTURE TBK 4.25% S/A 21JAN2025	500,000	482,580	3.67%
		<u>965,740</u>	<u>7.34%</u>
<b><u>Japan</u></b>			
MITSUBISHI UFJ FINANCIAL GROUP INC 0.953% S/A 19JUL2025	225,000	209,426	1.59%
MIZUHO FINANCIAL GROUP INC 3.922% S/A 11SEP2024	500,000	492,340	3.75%
MUFG BANK LTD 4.1% S/A 09SEP2023 REGS	200,000	198,789	1.51%
SUMITOMO MITSUI FINANCE & LEASING CO LTD 2.512% S/A 22JAN2025	500,000	470,235	3.58%
		<u>1,370,790</u>	<u>10.43%</u>
<b><u>Korea</u></b>			
KOREA ELECTRIC POWER CORP 3.625% S/A 14JUN2025 REGS	400,000	384,975	2.93%
KOREA EXPRESSWAY CORP 3.625% S/A 18MAY2025 REGS	500,000	482,975	3.67%
KOREA NATIONAL OIL CORP 1.75% S/A 18APR2025 REGS	500,000	461,775	3.51%
		<u>1,329,725</u>	<u>10.11%</u>
<b><u>Singapore</u></b>			
ABJA INVESTMENT CO PTE LTD 4.45% S/A 24JUL2023	500,000	496,785	3.78%
DBS GROUP HLDGS LTD 3.3% S/A PERP	500,000	466,260	3.54%
SINGAPORE AIRLINES LTD 3% S/A 20JUL2026	500,000	464,370	3.53%
UNITED OVERSEAS BANK LTD 3.875% S/A PERP	500,000	487,455	3.71%
		<u>1,914,870</u>	<u>14.56%</u>

**CFund – Dynamic Income**  
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Investment Portfolio (Unaudited) (Continued)

As at 31 December 2022

	Holdings	Market Value USD	Net assets Value %
<b>Investments - Listed Debt Securities (Continued)</b>			
<b><u>Virgin Island, BT</u></b>			
AMIPEACE LTD 2.5% S/A 05DEC2024	500,000	477,450	3.63%
CHINA HUANENG GROUP HONG KONG TREASURY MANAGEMENT HLDGS LTD 3.08% S/A PERP	500,000	465,085	3.54%
CHINA SHENHUA OVERSEAS CAPITAL CO LTD 3.875% S/A 20JAN2025	200,000	193,374	1.47%
CNOOC FINANCE 2013 LTD 3% S/A 09MAY2023	350,000	347,533	2.64%
HKT CAPITAL NO 2 LTD 3.625% S/A 02APR2025 REGS	500,000	479,370	3.65%
SINOPEC GROUP OVERSEAS DEVELOPMENT 2014 LTD 4.375% S/A 10APR2024 REGS	400,000	397,048	3.02%
		<u>2,359,860</u>	<u>17.95%</u>
<b>Total Listed Investments</b>		12,974,713	98.67%
<b>Other Net Assets</b>		<u>174,874</u>	<u>1.33%</u>
<b>Net Assets as at 31 December 2022</b>		<u>13,149,587</u>	<u>100.00%</u>
<b>Total Investments, at cost</b>		<u>13,314,874</u>	

## CFund – Dynamic Income

### (A Sub-Fund of CFund)

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#### Statement of Movements in Investment Portfolio (Unaudited)

For the period from 12 May 2022 (date of commencement of operations) to 31 December 2022

	At 12 May 2022  (date of commencement of operations)	Movement in holdings		At 31 December 2022
		Additions	Disposals	
<b>Listed Debt Securities</b>				
ABJA INVESTMENT CO PTE LTD 4.45% S/A 24JUL2023	-	500,000.00	-	500,000.00
ADARO INDONESIA 4.25% S/A 31OCT2024 REGS	-	500,000.00	-	500,000.00
AIA GROUP LTD 2.7% S/A PERP	-	500,000.00	(500,000.00)	-
AIRPORT AUTHORITY HONG KONG 2.1% S/A PERP	-	500,000.00	-	500,000.00
ALIBABA GROUP HLDG LTD 3.6% S/A 28NOV2024	-	11,000,000.00	-	1,000,000.00
AMIPEACE LTD 2.5% S/A 05DEC2024	-	500,000.00	-	500,000.00
BANK OF EAST ASIA LTD 5.825% S/A PERP	-	250,000.00	(250,000.00)	-
CATHAY PACIFIC MTN FINANCING HK LTD 4.875 S/A 17AUG2026	-	500,000.00	-	500,000.00
CHINA HUANENG GROUP HONG KONG TREASURY MANAGEMENT HLDGS LTD 3.08% S/A PERP	-	500,000.00	-	500,000.00
CHINA SHENHUA OVERSEAS CAPITAL CO LTD 3.875% S/A 20JAN2025	-	200,000.00	-	200,000.00
CHINA SOUTH CITY HLDGS LTD 11.5% S/A 12AUG2022	-	200,000.00	(200,000.00)	-
CNAC HK FINBRIDGE CO LTD 3.375% S/A 19JUN2024	-	500,000.00	-	500,000.00
CNOOC FINANCE 2013 LTD 3% S/A 09MAY2023	-	350,000.00	-	350,000.00
COMPETITION TEAM TECHNOLOGY LTD 3.75% S/A 12MAR2024	-	500,000.00	-	500,000.00
COUNTRY GARDEN HLDGS CO LTD 4.75% S/A 25JUL2022	-	200,000.00	(200,000.00)	-
DBS GROUP HLDGS LTD 3.3% S/A PERP	-	500,000.00	-	500,000.00
GLP CHINA HLDGS LTD 4.974% S/A 26FEB2024	-	250,000.00	(250,000.00)	-
GREENLAND GLOBAL INVESTMENT LTD 5.75% S/A 26SEP2022	-	200,000.00	(200,000.00)	-
HKT CAPITAL NO 2 LTD 3.625% S/A 02APR2025 REGS	-	500,000.00	-	500,000.00
INDUSTRIAL & COMMERCIAL BANK OF CHINA LTD 3.58% A PERP	-	500,000.00	-	500,000.00
KOREA ELECTRIC POWER CORP 3.625% S/A 14JUN2025 REGS	-	400,000.00	-	400,000.00

## CFund – Dynamic Income

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#### Statement of Movements in Investment Portfolio (Unaudited) (Continued)

For the period from 12 May 2022 (date of commencement of operations) to 31 December 2022

	At 12 May 2022  (date of commencement of operations)	Movement in holdings		At 31 December 2022
		Additions	Disposals	
<b>Listed Debt Securities (Continued)</b>				
KOREA NATIONAL OIL CORP 1.75% S/A 18APR2025 REGS	-	500,000.00	-	500,000.00
LONGFOR PROPERTIES CO LTD 3.875% S/A 13JUL2022	-	200,000.00 (200,000.00)		-
MACQUARIE GROUP LTD 1.201% S/A 14OCT2025 REGS	-	500,000.00	-	500,000.00
MEITUAN DIANPING 2.125% S/A 28OCT2025 REGS	-	500,000.00	-	500,000.00
MITSUBISHI UFJ FINANCIAL GROUP INC 0.953% S/A 19JUL2025	-	225,000.00	-	225,000.00
MIZUHO FINANCIAL GROUP CAYMAN 3 LTD 4.6% S/A 27MAR2024 REGS	-	320,000.00	-	320,000.00
MIZUHO FINANCIAL GROUP INC 3.922% S/A 11SEP2024	-	500,000.00	-	500,000.00
MUFG BANK LTD 4.1% S/A 09SEP2023 REGS	-	200,000.00	-	200,000.00
NISSAN MOTOR ACCEPTANCE CORP 1.125% S/A 16SEP2024 REGS	-	500,000.00	-	500,000.00
SINGAPORE AIRLINES LTD 3% S/A 20JUL2026	-	500,000.00	-	500,000.00
SOAR WISE LTD 4.05% S/A 08OCT2024	-	500,000.00 (500,000.00)		-
SUMITOMO MITSUI FINANCE & LEASING CO LTD 2.512% S/A 22JAN2025	-	500,000.00	-	500,000.00
TOWER BERSAMA INFRASTRUCTURE TBK 4.25% S/A 21JAN2025	-	500,000.00	-	500,000.00
UNITED OVERSEAS BANK LTD 3.875% S/A PERP	-	500,000.00	-	500,000.00
VEDANTA RESOURCES PLC 6.375% S/A 30JUL2022 REGS	-	200,000.00 (200,000.00)		-
GEMDALE EVER PROSPERITY INVESTMENT LTD 4.95% S/A 26JUL2022	-	200,000.00 (200,000.00)		-
KOREA EXPRESSWAY CORP 3.625% S/A 18MAY2025 REGS	-	500,000.00	-	500,000.00
SINOPEC GROUP OVERSEAS DEVELOPMENT 2014 LTD 4.375% S/A 10APR2024 REGS	-	400,000.00	-	400,000.00

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**Performance Table (Unaudited)**  
**As at 31 December 2022**

**Net Asset Value**

	Dealing net asset value	Dealing net asset value per Units
At 30 December 2022 (Note 1)		
Class A HKD (Distribution) Units	HKD 103,330,995	HKD 93.8025 (Note 2)

**Highest and Lowest Net Asset Value per Unit**

	Highest net asset value per unit HKD	Lowest net asset value per unit HKD
For the period from 12 May 2022 (date of commencement of operations) to 31 December 2022		
Class A HKD (Distribution) Units	100.00	92.44

\* The highest and lowest net asset value per unit shown above were based on the class subscription/redemption currency.

Note1: This is the last dealing day for the period ended 31 December 2022.

Note2: This is the last published dealing net asset value per unit for the period ended 31 December 2022.