



CFund-Dynamic Income

(a Sub-Fund of CFund)

Annual Report and Financial Statements

For the year ended 31 December 2023

CFund – Dynamic Income

(A Sub-Fund of CFund)

Annual Report and Financial Statements
For the year ended 31 December 2023

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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 2023, the global market's trajectory has been largely dictated by macroeconomic volatility and underscored by a multitude of factors.

The weak sentiment in China had continued in 2023. It was influenced by various factors, including financial difficulties experienced by several property developers. These challenges raised concerns about potential defaults and financial instability within the economy. Additionally, the Chinese economy experienced an unexpected slowdown. The country encountered obstacles such as changing domestic consumption patterns, trade tensions with other countries, and structural reforms aimed at rebalancing the economy.

It was also the year for Japan, a nation with longstanding economic challenges, implemented measures like negative interest rates and quantitative easing through the Bank of Japan. However, in 2023, Japan has seen a resurgence in business confidence, accompanied by a renewed wave of capital investment since the 1980s backed by several positive economic data.

Central bank policies shifted in 2023 with the Federal Reserve (Fed) decided to halt its aggressive rate hikes at the Federal Open Market Committee (FOMC) meeting in September. This decision was influenced by several factors, including the stabilization of inflation pressures in the United States and the Silicon Valley Bank banking crisis that occurred in March. Furthermore, there have been fewer interest rate hikes around the world, and credit spreads have generally tightened across various markets. This combination has contributed to positive total returns, even in traditionally considered risk-off assets like US Treasuries. The reduced frequency of rate hikes can be attributed to central banks' cautious approach to monetary policy tightening and their response to prevailing economic conditions, resulting in a more accommodative monetary environment.

The investment manager took decisive actions to control exposure and invested in high-quality, long-duration investment-grade credits with diversification across developed regions. This strategy helped to defend relatively well against the decline in US Treasury yields or a possibility of a hard landing in the US.

By December, there was observable tightening of credit spreads in both investment-grade credits for developed economies and some high-yield credits in certain Asian markets. This tightening reflected a more positive outlook for global credit.

However, the road ahead for the credit market may still be uncertain and challenging. Factors such as sticky inflation, uncertainty in the US economy, and ongoing weaker data from China could contribute to continued volatility and potential difficulties in the credit market.

For and on behalf of



Pickers Capital Management Limited
26 April 2024

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

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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 year ended 31 December 2023.



BOCI-Prudential Trustee Limited
26 April 2024

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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 34, comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information 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 2023, and of its financial transactions and its cash flows for the year ended in accordance with IFRS Accounting Standards.

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)**

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 IFRS Accounting Standards, 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)**

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, 26 April 2024

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

Statement of Financial Position

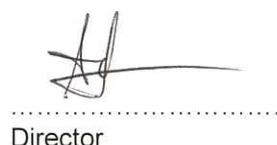
As at 31 December 2023

	Notes	As at 31 December 2023 USD	As at 31 December 2022 USD
Assets			
Current Assets			
Financial assets at fair value through profit or loss	3(a), 3(d)	13,137,544	12,974,713
Interest income receivable		162,386	106,724
Bank balances	3(d), 6(c)	197,032	211,372
Total Assets		<u>13,496,962</u>	<u>13,292,809</u>
Liabilities			
Current Liabilities			
Management fee payable	6(a)	14,131	14,044
Trustee fee payable	6(b)	5,000	5,000
Custodian fee payable	6(c)	301	298
Audit fee payable		19,800	19,500
Other payables and accruals	6(d)	33,072	59,448
Distributions payable to unitholders	7	45,739	44,932
Total Liabilities		<u>118,043</u>	<u>143,222</u>
Net Assets		<u>13,378,919</u>	<u>13,149,587</u>
Equity			
Net assets attributable to unitholders	5	<u>13,378,919</u>	<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 34 are an integral part of these financial statements.

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

Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	For the year ended 31 December 2023	Period from 12 May 2022(date of incorporation) to 31 December 2022
		USD	USD
Income			
Interest income on bank deposit	6(e)	1,422	262
Interest income on debt securities		506,817	300,322
Net realised loss on financial assets at fair value through profit or loss		(101,741)	(270,246)
Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss		521,135	(340,161)
Exchange loss		(1,997)	(7,345)
Total Net Income/(Loss)		<u>925,636</u>	<u>(317,168)</u>
Expenses			
Management fee	6(a)	165,860	106,991
Trustee fee	6(b)	60,000	38,065
Custodian fee	6(c)	3,726	2,220
Auditors' remuneration		20,470	19,500
Establishment costs	6(d)	-	58,159
Transaction and handling fees		2,400	1,920
Other general expenses	6(d)	2,136	1,454
Total Operating Expenses		<u>254,592</u>	<u>228,309</u>
Increase/(Decrease) in Net Assets Attributable to Unitholders		<u>671,044</u>	<u>(545,477)</u>

The notes on pages 12 to 34 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 year ended 31 December 2023

	Notes	For the year ended 31 December 2023 USD	Period from 12 May 2022 (date of incorporation) to 31 December 2022 USD
Net assets attributable to unitholders at the beginning of the year/period		13,149,587	-
Subscription of units		518,591	14,086,692
Redemption of units		(428,584)	(63,764)
Net increase from transactions with unitholders		13,239,594	14,022,928
Income/(loss) after tax and before distribution		671,044	(545,477)
Distributions to unitholders	7	(531,719)	(327,864)
Net assets attributable to unitholders at the end of the year/period		13,378,919	13,149,587
			<u>Class A HKD (Distribution) Units</u>
<u>31 December 2023</u>			
At the beginning of the year			1,101,580.6141
Subscriptions during the year			43,780.6004
Redemptions during the year			(36,805.3764)
At the end of the year			1,108,555.8381
			<u>Class A HKD (Distribution) Units</u>
<u>31 December 2022</u>			
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 34 are an integral part of these financial statements.

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

Statement of Cash Flows For the year ended 31 December 2023

	Notes	For the year ended 31 December 2023 USD	Period from 12 May 2022(date of incorporatio n) to 31 December 2022 USD
Cash flows from operating activities			
Income/(loss) before income tax		671,044	(545,477)
Adjustments for:			
Interest Income on bank deposits	6(e)	(1,422)	(262)
Interest income on debt securities		(506,817)	(300,322)
Net exchange loss		1,997	7,345
Operating income/(loss) before working capital changes		164,802	(838,716)
Increase in financial assets at fair value through profit and loss		(162,831)	(12,974,713)
Increase in interest income receivable		(55,662)	(106,724)
Increase in management fee payable		87	14,044
Increase in trustee fee payable		-	5,000
Increase in custodian fee payable		3	298
Increase in audit fee payable		300	19,500
(Decrease)/increase in other payables and accruals		(26,376)	59,448
Cash used in operating activities		(79,677)	(13,821,863)
Interest received on bank deposits		1,422	262
Interest income received on debt securities		506,817	300,322
Net Cash generated from/(used in) operating activities		428,562	(13,521,279)
Cash flows from financing activities			
Proceeds from subscription of units		518,591	14,086,692
Payments on redemption of units		(428,584)	(63,764)
Distributions paid to unitholders		(530,912)	(282,932)
Net cash (used in)/generated from financing activities		(440,905)	13,739,996
Net (decrease)/increase in cash and cash equivalents		(12,343)	218,717
Cash and cash equivalents at the beginning of the year/period		211,372	-
Net exchange loss		(1,997)	(7,345)
Cash and cash equivalents at the end of the year/period		197,032	211,372
Analysis of Balances of Cash and Cash Equivalents:			
Cash at bank		197,032	211,372

The notes on pages 12 to 34 are an integral part of these financial statements.

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

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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 date 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 material accounting policies

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

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

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 Accounting Standards 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)

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Notes to the Financial Statements

2 Summary of material accounting policies (Continued)

(a) Basis of preparation (Continued)

Standards and amendments to existing standards effective 1 January 2023

The Sub-Fund has applied the following new and amended standard for its annual reporting period commencing 1 January 2023:

- Definition of Accounting Estimates – amendments to IAS 8
- Disclosure of Accounting Policies – amendments to IAS 1 and IFRS Practice Statement 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, amendments and interpretation effective after 1 January 2023 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 2023 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 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 loss on financial assets at fair value through profit or loss".

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

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Notes to the Financial Statements

2 Summary of material 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/period 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)**

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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.

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

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2 Summary of significant accounting policies (Continued)

(h) 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.

As of year/period ended 31 December 2023 and 2022, the Sub-Fund only 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.

(i) 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.

(j) Establishment costs

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

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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 2023 and 2022, the Sub-Fund primarily invests in debt securities and the following table discloses these debt securities by geographical locations of the issuers:

	2023		2022	
	USD	% of NAV	USD	% of NAV
Listed debt securities				
Australia	1,510,828	11.29	459,560	3.50
Bahamas	-	-	489,590	3.72
Cayman Islands	1,089,404	8.14	315,213	2.40
Mainland China	-	-	2,551,814	19.40
France	401,628	3.00	-	-
Hong Kong	955,165	7.14	1,898,920	14.45
Indonesia	-	-	965,740	7.34
Japan	2,176,649	16.27	1,370,790	10.43
Korea	1,374,248	10.27	1,329,725	10.11
Netherlands	550,680	4.12	-	-
Singapore	959,360	7.17	1,914,870	14.56
United Kingdom	413,508	3.09	-	-
United States	3,020,768	22.58	456,460	3.47
British Virgin Islands	685,306	5.13	1,222,031	9.29
Total	<u>13,137,544</u>	<u>98.20</u>	<u>12,974,713</u>	<u>98.67</u>

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

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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:

	2023	
	USD	% of NAV
Listed debt securities		
Communications	1,993,020	14.90
Consumer, cyclical	965,015	7.21
Consumer, non-cyclical	1,041,305	7.78
Energy	1,051,277	7.86
Financial	6,188,549	46.26
Government	466,710	3.49
Industrial	354,728	2.65
Technology	680,368	5.09
Utilities	396,572	2.96
	<u>13,137,544</u>	<u>98.20</u>
	<u><u>13,137,544</u></u>	<u><u>98.20</u></u>
	2022	
	USD	% of NAV
Listed debt securities		
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>
	<u><u>12,974,713</u></u>	<u><u>98.67</u></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)

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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 2023

	Maturity up to 1 year USD	Maturity 1-5 years USD	Maturity over 5 years USD	Non- interest bearing USD	Total USD
Assets					
Financial assets at fair value through profit or loss					
- Listed debt securities	-	3,803,247	9,334,297	-	13,137,544
Interest income receivable	-	-	-	162,386	162,386
Cash and cash equivalents	197,032	-	-	-	197,032
Total assets	197,032	3,803,247	9,334,297	162,386	13,496,962
Liabilities					
Management fee payable	-	-	-	14,131	14,131
Trustee fee payable	-	-	-	5,000	5,000
Custodian fee payable	-	-	-	301	301
Audit fee payable	-	-	-	19,800	19,800
Other payables and accruals	-	-	-	33,072	33,072
Distributions payable to unitholders	-	-	-	45,739	45,739
Total liabilities	-	-	-	118,043	118,043
Total interest sensitivity gap	197,032	3,803,247	9,334,297	-	-

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

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3 Financial risk management (Continued)

(b) Interest rate risk (Continued)

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
Assets					
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
Total assets	1,254,479	10,066,511	1,865,095	106,724	13,292,809
Liabilities					
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
Total liabilities	-	-	-	143,222	143,222
Total interest sensitivity gap	1,254,479	10,066,511	1,865,095	-	-

At 31 December 2023, the Sub-Fund has bank balances of USD197,032 (2022: 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)

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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 2023, the Sub-Fund has invested in interest-bearing securities of USD13,137,544 (2022: USD12,974,713) and the portfolio weighted average modified duration of the Sub-Fund is 5.71 (2022: 1.8011).

As at 31 December 2023, should the relevant interest rates have risen/lowered by 100 basis points (2022: 200 basis points) with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year/period would amount to approximately USD743,148 (2022: 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 in 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.

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

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Notes to the Financial Statements

3 Financial risk management (Continued)

(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 2023 and 2022 together with its credit rating:

At 31 December 2023	USD	Credit rating	Source of credit rating
Financial assets at fair value through profit or loss			
Bank of China (Hong Kong) Limited	13,137,544	A+	Standard & Poor's
Cash and cash equivalents			
Bank of China (Hong Kong) Limited	197,032	A+	Standard & Poor's
At 31 December 2022	USD	Credit rating	Source of credit rating
Financial assets at fair value through profit or loss			
Bank of China (Hong Kong) Limited	12,974,713	A+	Standard & Poor's
Cash and cash equivalents			
Bank of China (Hong Kong) Limited	211,372	A+	Standard & Poor's

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.

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Notes to the Financial Statements

3 Financial risk management (Continued)

(d) Credit and counterparty risk (Continued)

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 2023

Credit rating agency	Rating	USD	% of NAV
Fitch	A+ - B	6,683,682	49.96%
Moody's	Aa2 - B1	5,022,137	37.54%
S&P	A - B-	466,710	3.49%
Not Rated	-	965,015	7.21%
		13,137,544	98.20%

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%
		12,974,713	98.67%

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 2023 and 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 2023 and 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 2023 and 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. Applying the requirements of IFRS 9, the expected credit loss is immaterial for the Sub-Fund and, as such, no expected credit loss has been recognised within the financial statements.

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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.

	As at 31 December 2023	As at 31 December 2022
	Less than 3 months USD	Less than 3 months USD
Total assets	13,496,962	13,292,809
Total financial assets	13,496,962	13,292,809
Management fee payable	14,131	14,044
Trustee fee payable	5,000	5,000
Custodian fee payable	301	298
Audit fee payable	19,800	19,500
Other payables and accruals	33,072	59,448
Distributions payable to unitholders	45,739	44,932
Total financial liabilities	118,043	143,222

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 2023, one unitholder held 95.9% (2022: 92.7%) of the Sub-Fund's units on nominee basis.

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

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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 2023 and 2022:

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
As at 31 December 2023				
Assets				
Financial assets at fair value through profit or loss				
- Listed debt securities	13,137,544	-	-	13,137,544
Total assets	<u>13,137,544</u>	<u>-</u>	<u>-</u>	<u>13,137,544</u>
As at 31 December 2022				
Assets				
Financial assets at fair value through profit or loss				
- Listed debt securities	12,974,713	-	-	12,974,713
Total assets	<u>12,974,713</u>	<u>-</u>	<u>-</u>	<u>12,974,713</u>

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 (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 2023 and 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 2023 and 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 2023 and 2022, there was no level 3 investment held by the Sub-Fund.

For the year ended 31 December 2023 and 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.

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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 2023, 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 2023 and during the period from 12 May 2022 (date of commencement of operations) to 31 December 2022.

<u>2023</u>	<u>Class A HKD (Distribution) Units</u>
At the end of the year	1,108,555.8381
	<hr/> <hr/>
<u>2022</u>	<u>Class A HKD (Distribution) Units</u>
At the end of the period	1,101,580.6141
	<hr/> <hr/>

Unitholders who wish to subscribe or redeem their units in the Sub-Fund may do on and 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 2023 HKD
Net assets attributable to unitholders per unit (per statement of financial position) Class A HKD (Distribution) Units	94.2753
	<hr/> <hr/>
	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
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5 Number of units in issue and net assets attributable to unitholders per unit (Continued)

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 2023, the unamortised establishment costs of the Sub-Fund was HK\$39,112 (2022: HK\$50,769). The accounting policy of the Fund for the purpose of financial statements preparation in compliance with IFRS Accounting Standards 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 Accounting Standards 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.

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

	Net asset value
	USD
<u>At 31 December 2023</u>	
Net assets attributable to unitholders as reported in the statement of financial position	13,378,919
Add: Adjustments for unamortised establishment costs	39,112
Adjustments for other differences (Note a)	45,810
	<hr/>
Dealing net asset value	13,463,841
	<hr/> <hr/>
Dealing net assets attributable to unitholders per unit	
- Class A HKD (Distribution) Units	HKD 94.8737
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CFund – Dynamic Income (A Sub-Fund of CFund)

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

	Net asset value
	USD
<u>At 31 December 2022</u>	
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/> <hr/>
Dealing net assets attributable to unitholders per unit	
- Class A HKD (Distribution) Units	HKD 93.8025
	<hr/> <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 29 December 2023 for the year ended 31 December 2023 (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 USD45,739 (2022: USD44,932) and net fee accruals of USD71 (2022: net fee accruals of USD441) which have been recognized in the net assets attributable to unitholders (in accordance with IFRS Accounting Standards).

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 year ended 31 December 2023 was USD165,860 (for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022: USD106,991) of which USD14,131 was outstanding as at 31 December 2023 (2022: USD14,044).

(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 year ended 31 December 2023 was USD60,000 (for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022: USD38,065) of which USD5,000 (2022: USD5,000) was outstanding as at 31 December 2023.

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

(c) Custodian fee

For the year ended 31 December 2023, custodian fee amounted to USD3,726 (for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022: USD2,220) was charged by the custodian with outstanding payable of USD301 (2022: USD298) as at 31 December 2023.

(d) Other fees

The Sub-Fund had following fees paid to the Trustee for the year ended 31 December 2023 with outstanding payables of USD505 (2022: USD3,140) as at 31 December 2023. The below fees were included in “establishment costs” or “other general expenses” respectively in the statement of comprehensive income.

	<u>2023</u>	<u>2022</u>
	USD	USD
Fund set up fee	-	2,500
Service fee	505	640

(e) Investments and Bank balances

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

	<u>2023</u>	<u>2022</u>
	USD	USD
Investments		
Bank of China (Hong Kong) Limited	13,137,544	12,974,713
	<u> </u>	<u> </u>
Bank balances		
Bank of China (Hong Kong) Limited	197,032	211,372
	<u> </u>	<u> </u>

Interest income amounted to USD1,422 (for the period from 12 May 2022 (date of commencement of operations) to 31 December 2022: USD262) has been earned on the bank balances in Bank of China (Hong Kong) Limited for the year ended 31 December 2023.

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

(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 2023 and 2022, the holdings in the Sub-Fund by the connected persons of the Manager was as follow:

	Number of Class A HKD (Accumulation) 2023 Units
Connected persons of the Manager	
As at 1 January 2023	1,044,676.4366
Units subscribed during the year	42,616.5974
Units redeemed during the year	(4,999.7283)
	<hr/>
As at 31 December 2023	1,082,293.3057
	<hr/> <hr/>
	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)
	<hr/>
As at 31 December 2022	1,044,676.4366
	<hr/> <hr/>

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Annual Report and Financial Statements
For the year ended 31 December 2023

Notes to the Financial Statements

7 Distributions payable to unitholders

	For the year ended 31 December 2023 USD
Undistributed income at the beginning for the year	-
Total income after tax and before distribution	<u>671,044</u>
Distributions to unitholders	<u>(531,719)</u>
Undistributed income carried forward at the ending of the year	<u>-</u>
	For the Period from 12 May 2022 (date of commencement of operations) to to 31 December 2022 USD
Undistributed income at the beginning for the period	-
Total loss after tax and before distribution	<u>(545,477)</u>
Distributions to unitholders	<u>(327,864)</u>
Undistributed loss carried forward at the ending of the period	<u>-</u>

As at 31 December 2023, distributions payable to unitholders amounted to USD45,739 (2022: 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

2023		2022	
Declaration date	HKD per unit	Declaration date	HKD per unit
1 February 2023	0.3219	1 June 2022	0.1019
1 March 2023	0.2886	4 July 2022	0.3244
3 April 2023	0.3210	1 August 2022	0.3125
2 May 2023	0.2906	1 September 2022	0.3544
1 June 2023	0.3383	3 October 2022	0.3147
3 July 2023	0.3058	1 November 2022	0.3178
1 August 2023	0.3146	1 December 2022	0.3078
4 September 2023	0.3140	3 January 2023	0.3187
3 October 2023	0.2876		
1 November 2023	0.3125		
1 December 2023	0.3038		
2 January 2024	0.3223		

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Notes to the Financial Statements

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 year/period.

9 Soft commission arrangements

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

10 Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 26 April 2024.

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Investment Portfolio (Unaudited)

As at 31 December 2023

	Holdings	Market Value USD	Net assets Value %
Investments - Listed Debt Securities			
<u>Australia</u>			
MACQUARIE BANK LTD 5.208% S/A 15JUN2026 REGS	400,000	402,344	3.01%
MACQUARIE GROUP LTD 4.442% S/A 21JUN2033 REGS	400,000	369,120	2.76%
QBE INSURANCE GROUP LTD 5.25% S/A PERP	400,000	383,252	2.86%
SCENTRE GROUP TRUST 2 5.125% S/A 24SEP2080 REGS	400,000	356,112	2.66%
		1,510,828	11.29%
		1,510,828	11.29%
<u>Cayman</u>			
ALIBABA GROUP HLDG LTD 4% S/A 06DEC2037	400,000	345,076	2.58%
BAIDU INC 3.425% S/A 07APR2030	400,000	363,788	2.72%
TENCENT HLDGS LTD 3.975% S/A 11APR2029 REGS	400,000	380,540	2.84%
		1,089,404	8.14%
		1,089,404	8.14%
<u>France</u>			
BPCE SA 5.748% S/A 19JUL2033 REGS	400,000	401,628	3.00%
		401,628	3.00%
		401,628	3.00%
<u>Hong Kong</u>			
AIRPORT AUTHORITY HONG KONG 2.1% S/A PERP	500,000	466,710	3.49%
CATHAY PACIFIC MTN FINANCING HK LTD 4.875% S/A 17AUG2026	500,000	488,455	3.65%
		955,165	7.14%
		955,165	7.14%

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Investment Portfolio (Unaudited) (Continued)

As at 31 December 2023

	Holdings	Market Value USD	Net assets Value %
Investments - Listed Debt Securities (Continued)			
<u>Japan</u>			
ASAHI MUTUAL LIFE INSURANCE CO 6.9% S/A PERP	500,000	513,725	3.83%
FUKOKU MUTUAL LIFE INSURANCE CO 6.8% S/A PERP	200,000	212,296	1.59%
MITSUBISHI UFJ FINANCIAL GROUP INC 5.406% S/A 19APR2034	400,000	414,084	3.10%
MIZUHO FINANCIAL GROUP INC 5.778% S/A 6JUL2029	400,000	411,880	3.08%
NOMURA HLDGS INC 5.386% S/A 06JUL2027	200,000	200,960	1.50%
SUMITOMO MITSUI FINANCIAL GROUP INC 5.766% S/A 13JAN33	400,000	423,704	3.17%
		2,176,649	16.27%
		2,176,649	16.27%
<u>Korea</u>			
GS CALTEX CORP 5.375% S/A 7AUG2028	200,000	201,992	1.51%
KOREA ELECTRIC POWER CORP 3.75% S/A 31JUL2026 REGS	200,000	202,146	1.51%
KOREA EXPRESSWAY CORP 3.625% S/A 18MAY2025 REGS	500,000	490,625	3.67%
KOREA NATIONAL OIL CORP 1.75% S/A 18APR2025 REGS	500,000	479,485	3.58%
		1,374,248	10.27%
		1,374,248	10.27%
<u>Netherlands</u>			
JT INTL FINANCIAL SERVICES BV 3.3% S/A 14SEP2051	800,000	550,680	4.12%
		550,680	4.12%
		550,680	4.12%
<u>Singapore</u>			
DBS GROUP HLDGS LTD 3.3% S/A PERP	500,000	482,800	3.61%
SINGAPORE AIRLINES LTD 3% S/A 20JUL2026	500,000	476,560	3.56%
		959,360	7.17%
		959,360	7.17%

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Investment Portfolio (Unaudited) (Continued)
As at 31 December 2023

	Holdings	Market Value USD	Net assets Value %
Investments - Listed Debt Securities (Continued)			
<u>United Kingdom</u>			
HSBC HLDGS PLC 6.161% S/A 9MAR2029	400,000	413,508	3.09%
		413,508	3.09%
		413,508	3.09%
<u>United States</u>			
APPLE INC 4.45% S/A 6MAY2044	400,000	390,408	2.92%
BERKSHIRE HATHAWAY FINANCE CORP 4.2% S/A 15AUG2048	400,000	369,456	2.76%
BOEING CO 3.6% S/A 01MAY2034	400,000	354,728	2.65%
GOLDMAN SACHS GROUP INC 6.75% S/A 01OCT2037	400,000	441,740	3.30%
META PLATFORMS INC 4.95% S/A 15MAY2033	400,000	412,736	3.09%
MICROSOFT CORP 3.041% S/A 17MAR2062	400,000	289,960	2.17%
SK BATTERY AMERICA INC 2.125% S/A 26JAN2026	400,000	369,800	2.76%
VISA INC 4.15% S/A 14DEC2035	400,000	391,940	2.93%
		3,020,768	22.58%
		3,020,768	22.58%
<u>Virgin Island, BT</u>			
CLP POWER HK FINANCE LTD 3.55% S/A PERP	200,000	194,426	1.46%
HKT CAPITAL NO 2 LTD 3.625% S/A 02APR2025 REGS	500,000	490,880	3.67%
		685,306	5.13%
		685,306	5.13%
Total Listed Investments		13,137,544	98.20%
Other Net Assets		241,375	1.80%
		13,378,919	100.00%
Net Assets as at 31 December 2023		13,378,919	100.00%
Total Investments, at cost		12,956,570	
		12,956,570	

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Statement of Movements in Investment Portfolio (Unaudited) For the year ended 31 December 2023

	At 1 January 2023	Movement in holdings		At 31 December 2023
		Additions	Disposals	
Listed Debt Securities				
ABJA INVESTMENT CO PTE LTD 4.45% S/A 24JUL2023	500,000	-	(500,000)	-
ADARO INDONESIA 4.25% S/A 31OCT2024 REGS	500,000	-	(500,000)	-
AIRPORT AUTHORITY HONG KONG 2.1% S/A PERP	1,000,000	-	-	500,000
ALIBABA GROUP HLDG LTD 3.6% S/A 28NOV2024	-	-	(1,000,000)	-
ALIBABA GROUP HLDG LTD 4% S/A 06DEC2037	500,000	400,000	-	400,000
AMIPEACE LTD 2.5% S/A 05DEC2024	-	-	(500,000)	-
APPLE INC 4.45% S/A 6MAY2044	-	400,000	-	400,000
ASAHI MUTUAL LIFE INSURANCE CO 6.9% S/A PERP	-	500,000	-	500,000
BAIDU INC 3.425% S/A 07APR2030	-	400,000	-	400,000
BERKSHIRE HATHAWAY FINANCE CORP 4.2% S/A 15AUG2048	-	400,000	-	400,000
BOEING CO 3.6% S/A 01MAY2034	-	400,000	-	400,000
BPCE SA 5.748% S/A 19JUL2033 REGS	500,000	400,000	-	400,000
CATHAY PACIFIC MTN FINANCING HK LTD 4.875 S/A 17AUG2026	500,000	-	-	500,000
CHINA HUANENG GROUP HONG KONG TREASURY MANAGEMENT HLDGS LTD 3.08% S/A PERP	200,000	-	(500,000)	-
CHINA SHENHUA OVERSEAS CAPITAL CO LTD 3.875% S/A 20JAN2025	-	-	(200,000)	-
CLP POWER HK FINANCE LTD 3.55% S/A PERP	500,000	200,000	-	200,000
CNAC HK FINBRIDGE CO LTD 3.375% S/A 19JUN2024	350,000	-	(500,000)	-
CNOOC FINANCE 2013 LTD 3% S/A 09MAY2023	500,000	-	(350,000)	-
COMPETITION TEAM TECHNOLOGY LTD 3.75% S/A 12MAR2024	500,000	-	(500,000)	-
DBS GROUP HLDGS LTD 3.3% S/A PERP	-	-	-	500,000
FUKOKU MUTUAL LIFE INSURANCE CO 6.8% S/A PERP	-	200,000	-	200,000
GOLDMAN SACHS GROUP INC 6.75% S/A 01OCT2037	-	400,000	-	400,000
GS CALTEX CORP 5.375% S/A 7AUG2028	500,000	200,000	-	200,000
HKT CAPITAL NO 2 LTD 3.625% S/A 02APR2025 REGS	-	-	-	500,000
HONG KONG GOVERNMENT INTL BOND 4.25% S/A 07JUN2026	-	200,000	(200,000)	-

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Statement of Movements in Investment Portfolio (Unaudited) (Continued) For the year ended 31 December 2023

	At 1 January 2023	Movement in holdings		At 31 December 2023
		Additions	Disposals	
Listed Debt Securities (Continued)				
HSBC HLDGS PLC 6.161% S/A 9MAR2029	-	400,000	-	400,000
INDUSTRIAL & COMMERCIAL BANK OF CHINA LTD 3.58% A PERP	500,000	-	(500,000)	-
JT INTL FINANCIAL SERVICES BV 3.3% S/A 14SEP2051	-	800,000	-	800,000
KOREA ELECTRIC POWER CORP 3.625% S/A 14JUN2025 REGS	400,000	-	(400,000)	-
KOREA ELECTRIC POWER CORP 3.75% S/A 31JUL2026 REGS	-	200,000	-	200,000
KOREA EXPRESSWAY CORP 3.625% S/A 18MAY2025 REGS	500,000	-	-	500,000
KOREA NATIONAL OIL CORP 1.75% S/A 18APR2025 REGS	500,000	-	-	500,000
MACQUARIE BANK LTD 5.208% S/A 15JUN2026 REGS	-	400,000	-	400,000
MACQUARIE GROUP LTD 1.201% S/A 14OCT2025 REGS	500,000	-	(500,000)	-
MACQUARIE GROUP LTD 4.442% S/A 21JUN2033 REGS	-	400,000	-	400,000
MEITUAN DIANPING 2.125% S/A 28OCT2025 REGS	500,000	-	(500,000)	-
META PLATFORMS INC 4.95% S/A 15MAY2033	-	400,000	-	400,000
MICROSOFT CORP 3.041% S/A 17MAR2062	-	400,000	-	400,000
MITSUBISHI UFJ FINANCIAL GROUP INC 0.953% S/A 19JUL2025	225,000	-	(225,000)	-
MITSUBISHI UFJ FINANCIAL GROUP INC 5.406% S/A 19APR2034	-	400,000	-	400,000
MIZUHO FINANCIAL GROUP CAYMAN 3 LTD 4.6% S/A 27MAR2024 REGS	320,000	-	(320,000)	-
MIZUHO FINANCIAL GROUP INC 3.922% S/A 11SEP2024(CALLED)	500,000	-	(500,000)	-
MIZUHO FINANCIAL GROUP INC 5.778% S/A 6JUL2029	-	400,000	-	400,000
MUFG BANK LTD 4.1% S/A 09SEP2023 REGS	200,000	-	(200,000)	-
NISSAN MOTOR ACCEPTANCE CORP 1.125% S/A 16SEP2024 REGS	500,000	-	(500,000)	-
NOMURA HLDGS INC 5.386% S/A 06JUL2027	-	200,000	-	200,000
QBE INSURANCE GROUP LTD 5.25% S/A PERP	-	400,000	-	400,000
SCENTRE GROUP TRUST 2 5.125% S/A 24SEP2080 REGS	-	400,000	-	400,000

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Statement of Movements in Investment Portfolio (Unaudited) (Continued)
For the year ended 31 December 2023

	At 1 January 2023	<u>Movement in holdings</u>		At 31 December 2023
		Additions	Disposals	
Listed Debt Securities (Continued)				
SINGAPORE AIRLINES LTD 3% S/A 20JUL2026	500,000	-	-	500,000
SINOPEC GROUP OVERSEAS DEVELOPMENT 2014 LTD 4.375% S/A 10APR2024 REGS	-	400,000	(400,000)	-
SK BATTERY AMERICA INC 2.125% S/A 26JAN2026	500,000	400,000	-	400,000
SUMITOMO MITSUI FINANCE & LEASING CO LTD 2.512% S/A 22JAN2025	-	-	(500,000)	-
SUMITOMO MITSUI FINANCIAL GROUP INC 5.766% S/A 13JAN33	-	400,000	-	400,000
TENCENT HLDGS LTD 3.975% S/A 11APR2029 REGS	500,000	400,000	-	400,000
TOWER BERSAMA INFRASTRUCTURE TBK 4.25% S/A 21JAN2025	500,000	-	(500,000)	-
UNITED OVERSEAS BANK LTD 3.875% S/A PERP (CALLED)	400,000	-	(500,000)	-
UNITED STATES OF AMERICA TREASURY BILL 0% A 16MAY2023	-	-	(400,000)	-
UNITED STATES OF AMERICA TREASURY BILL 0% A 19OCT2023	-	400,000	(400,000)	-
UNITED STATES OF AMERICA TREASURY BILL 0% A 20JUL2023	-	400,000	(400,000)	-
VISA INC 4.15% S/A 14DEC2035		400,000	-	400,000

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Performance Table (Unaudited)

As at 31 December 2023

Net Asset Value

	Dealing net asset value	Dealing net asset value per Units
At 29 December 2023 (Note 1)		
Class A HKD (Distribution) Units	HKD 105,172,797	HKD 94.8737 (Note 2)
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 year ended 31 December 2023		
Class A HKD (Distribution) Units	95.02	88.70
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 year/period ended 31 December 2023 and 2022.

Note2: This is the last published dealing net asset value per unit for the year/period ended 31 December 2023 and 2022.