

Haitong Middle Kingdom Fund

30 June 2017

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Management and administration

Manager

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

Directors of the Manager

Lo Wai Ho
Sun Tong (appointed on 25 January 2017)
Yang Jianxin
Zhang Xinjun
Zhang Yibin (resigned on 25 January 2017)

Trustee and Registrar

Bank of Bermuda (Cayman) Limited
PO Box 513
HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

Trustee's and Registrar's Agent

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

Solicitors

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central, Central
Hong Kong

Auditors

KPMG
PO Box 493
Century Yard, Cricket Square
Grand Cayman KY1-1106
Cayman Islands

Report of the Manager

Performance and Market Review

During the period under review, Haitong Middle Kingdom Fund gained 22.61% on net asset value (“NAV”) to NAV basis per unit. After volatile performance in the second half of 2016, Hong Kong equity market rallied in the first half of 2017 amid soaring market sentiment and solid corporate earnings.

Thanks to China’s upbeat economic data and improved risk appetite, Hong Kong stock market started the year on a strong note in 2017. Market sentiment was also lifted as Chinese yuan stabilized after US Treasury Secretary Steven Mnuchin saying no judgment to brand China as a currency manipulator. Hang Seng Index and Hang Seng China Enterprises Index gained 23.90% and 18.96% respectively during the period under review, led by technology and Chinese property stocks. On the macro front, China’s economic data continued to show signals of stabilization but the latest credit tightening policies negatively impacted the market. In order to control financial risk, Chinese policy makers rolled out a series of regulations to control the risk of non-traditional assets. Moody’s downgraded on China’s sovereign rating from Aa3 to A1 in May and Hong Kong also saw its debt rating cut due primarily to close economic and political linkages with the Mainland, which was Hong Kong’s first cut since Asian financial crisis. However, the downgrade had muted reaction on stock market. In Hong Kong, Hong Kong Monetary Authority launched new prudential measures to mitigate credit risk from developers and residential mortgages in May as home prices continued surging this year. New home sales remained momentum with home price index extended the gains by rising 20.78% year-on-year and 1.15% month-on-month in May, which was the fourteenth consecutive monthly increase and continued to hit historical high.

Market Outlook and Strategy

Looking forward, we are cautiously positive on the Hong Kong equity market. Solid corporate earnings and China’s stabilizing economic data would add to market optimism. In terms of investment strategy, we are positive on financial sector which will benefit from interest rate normalization and technology sector which deliver strong growth and is less sensitive to higher rates. However, we believe policy risk and geopolitical risk would continue to send jitters to global equity markets in the near term.

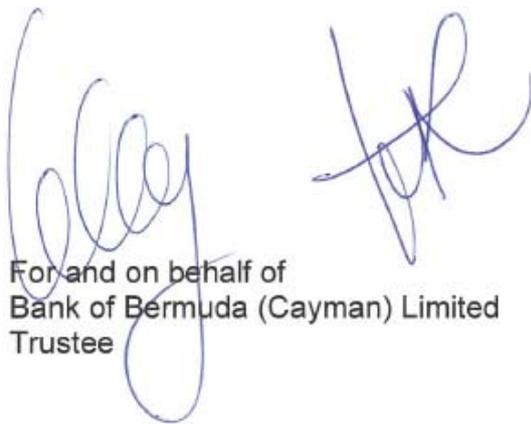


Haitong International Investment Managers Limited

25 October 2017

Trustee's report to the unitholders of Haitong Middle Kingdom Fund (the "Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund for the year ended 30 June 2017 in accordance with the provisions of the Trust Deed dated 18 April 1989, as amended.



For and on behalf of
Bank of Bermuda (Cayman) Limited
Trustee

25 October 2017



KPMG
P.O. Box 493
Century Yard, Cricket Square
Grand Cayman KY1-1106
Cayman Islands
Telephone +1 345 949 4800
Fax +1 345 949 7164
Internet www.kpmg.ky

Independent Auditors' Report to the Trustee

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Haitong Middle Kingdom Fund ("the Fund") set out on pages 7 to 33, which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial disposition of the Fund as at 30 June 2017, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other Than the Financial Statements and Auditors' Report Thereon

The Manager and the Trustee of the Fund are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditors' report thereon.

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



Independent Auditors' Report to the Trustee (continued)

Report on the Audit of Financial Statements (continued)

Information Other Than the Financial Statements and Auditors' Report Thereon (continued)

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

Responsibilities of the Manager and the Trustee of the Fund for the Financial Statements

The Manager and the Trustee of the Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the Manager and the Trustee of the Fund determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee of the Fund are responsible for assessing the 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 Manager and the Trustee of the Fund either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed, as amended, and the relevant disclosure provisions of Appendix E of the SFC Code.



Independent Auditors' Report to the Trustee (continued)

Report on the Audit of Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Fund.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' 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 auditors' report. However, future events or conditions may cause the 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 Manager and the Trustee of the Fund 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 provisions of the Trust Deed, as amended, and the relevant disclosure provisions of Appendix E of the SFC Code

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

A handwritten signature of the KPMG firm, written in blue ink, appearing as 'KPMG'.

25 October 2017

Statement of comprehensive income
for the year ended 30 June 2017
(Expressed in Hong Kong dollars)

	Note	2017	2016
Income			
Dividend income		\$ 4,321,856	\$ 5,455,959
Interest income	11(d)	808	-
Sundry income		-	4
Net foreign exchange (loss)/gain		(282)	371
		<u>\$ 4,322,382</u>	<u>\$ 5,456,334</u>
Expenses			
Management fee	11(a)	\$ 2,989,954	\$ 3,085,429
Trustee fee	11(c)	512,564	528,931
Transaction costs	11(b), 11(d)	371,907	947,081
Auditors' remuneration		307,560	152,119
Safe custody and bank charges	11(d)	24,364	31,964
Miscellaneous expenses		111,309	148,347
		<u>\$ 4,317,658</u>	<u>\$ 4,893,871</u>
Profit attributable to unitholders before net investment gain/(loss)		<u>\$ 4,724</u>	<u>\$ 562,463</u>
Net investment gain/(loss)			
Net unrealised gain/(loss) on investments	4	\$ 26,173,578	\$ (48,401,043)
Net realised gain/(loss) on sale of investments	4, 8(d)	8,989,608	(19,498,624)
		<u>\$ 35,163,186</u>	<u>\$ (67,899,667)</u>
Profit/(loss) attributable to unitholders before taxation		\$ 35,167,910	\$ (67,337,204)
Withholding tax expenses	5	(92,213)	(195,940)
Profit/(loss) attributable to unitholders and total comprehensive income for the year		<u>\$ 35,075,697</u>	<u>\$ (67,533,144)</u>

The notes on pages 12 to 33 form part of these financial statements.

Statement of financial position at 30 June 2017

(Expressed in Hong Kong dollars)

	Note	2017	2016
Assets			
Investments at fair value through profit or loss	6	\$ 175,998,080	\$ 140,879,242
Amount due from unitholders		-	17,337
Prepayments and other receivables		19,824	31,045
Amount due from brokers		230,000	-
Dividends receivable		1,238,818	1,842,237
Cash and cash equivalents	7, 11(d)	7,160,599	12,403,074
Total assets		<u>\$ 184,647,321</u>	<u>\$ 155,172,935</u>
Liabilities			
Amount due to unitholders		\$ -	\$ 87,547
Accrued expenses and other payables	11(a), 11(c), 11(d)	478,422	418,833
Total liabilities		<u>\$ 478,422</u>	<u>\$ 506,380</u>
Net assets attributable to unitholders			
Equity		<u>\$ 184,168,899</u>	<u>\$ 154,666,555</u>
Total number of units in issue	9	<u>2,856,323</u>	<u>2,941,141</u>
Net asset value per unit		<u>\$ 64.48</u>	<u>\$ 52.59</u>

Approved and authorised for issue by the Trustee and the Manager on 25 October 2017

) For and on behalf of
) Bank of Bermuda (Cayman)
) Limited, Trustee
)

) For and on behalf of
) Haitong International Investment
) Managers Limited, Manager
)

The notes on pages 12 to 33 form part of these financial statements.

Statement of changes in equity
 for the year ended 30 June 2017
 (Expressed in Hong Kong dollars)

	2017	2016
Balance at the beginning of the year	\$ 154,666,555	\$ 384,846,406
Issue of units	\$ 10,610,094	\$ 20,546,694
Redemption of units	(16,183,447)	(183,193,401)
Total transactions with unitholders	<u>\$ (5,573,353)</u>	<u>\$ (162,646,707)</u>
Profit/(loss) attributable to unitholders and total comprehensive income for the year	\$ 149,093,202	\$ 222,199,699
	<u>35,075,697</u>	<u>(67,533,144)</u>
Balance at the end of the year	<u>\$ 184,168,899</u>	<u>\$ 154,666,555</u>

The notes on pages 12 to 33 form part of these financial statements.

Cash flow statement for the year ended 30 June 2017 (Expressed in Hong Kong dollars)

	Note	2017	2016
Operating activities			
Profit/(loss) attributable to unitholders before taxation		\$ 35,167,910	\$ (67,337,204)
Adjustments for:			
Net unrealised (gain)/loss on investments		(26,173,578)	48,401,043
Net realised (gain)/loss on sale of investments		(8,989,608)	19,498,624
Dividend income		(4,321,856)	(5,455,959)
Interest income		(808)	-
		<hr/>	<hr/>
Operating losses before changes in working capital		\$ (4,317,940)	\$ (4,893,496)
Decrease in prepayments and other receivables		11,221	11,902
Increase/(decrease) in accrued expenses and other payables		59,589	(363,929)
		<hr/>	<hr/>
Cash used in operating activities		\$ (4,247,130)	\$ (5,245,523)
Proceeds from sale of investments		76,300,562	259,626,037
Purchase of investments		(76,486,214)	(118,838,056)
Settlement of futures transactions		-	(4,983,750)
Dividends received, net of withholding tax		4,833,062	6,454,690
Interests received		808	-
		<hr/>	<hr/>
Net cash provided by operating activities		\$ 401,088	\$ 137,013,398
Financing activities			
Proceeds from issue of units		\$ 10,627,431	\$ 22,459,805
Payments on redemption of units		(16,270,994)	(183,370,414)
		<hr/>	<hr/>
Net cash used in financing activities		\$ (5,643,563)	\$ (160,910,609)

Cash flow statement
for the year ended 30 June 2017 (continued)
(Expressed in Hong Kong dollars)

	Note	2017	2016
Net decrease in cash and cash equivalents		\$ (5,242,475)	\$ (23,897,211)
Cash and cash equivalents at the beginning of the year		<u>12,403,074</u>	<u>36,300,285</u>
Cash and cash equivalents at the end of the year	7	<u>\$ 7,160,599</u>	<u>\$ 12,403,074</u>

The notes on pages 12 to 33 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Background

Haitong Middle Kingdom Fund (the “Fund”) is a unit trust which is governed by its trust deed dated 18 April 1989, as amended (the “Trust Deed, as amended”). The Fund was established in the Cayman Islands and registered under the Mutual Funds Law of the Cayman Islands on 22 January 1998. The Fund is authorised by the Hong Kong Securities and Futures Commission under Section 104(1) of the Hong Kong Securities and Futures Ordinance, and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds (the “Code”).

The objective of the Fund is to achieve capital growth through investing in a portfolio of publicly quoted equity or equity-linked securities of companies within the Pacific region whose business relates substantially or in part to the People’s Republic of China (the “PRC”). It is envisaged that the majority of such investments will be made in Hong Kong companies or companies listed on The Stock Exchange of Hong Kong Limited but investment in the PRC itself as well as Taiwan, Singapore, Japan and other countries will be considered if deemed appropriate by the Manager.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure provisions of the Code issued by the Hong Kong Securities and Futures Commission. Summary of the significant accounting policies adopted by the Fund are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments are stated at their fair value as explained in the accounting policies set out below.

- financial instruments (see note 2(c)).

The financial statements are presented in Hong Kong dollars and rounded to the nearest dollar.

The Fund's units are issued in Hong Kong dollars as the units are marketed to investors who are more familiar with Hong Kong dollars than the local currency of the Cayman Islands. Consequently, the functional and presentation currency for the financial statements is Hong Kong dollars and not the local currency of the Cayman Islands, reflecting the fact that the units of the Fund are issued and redeemed in Hong Kong dollars.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by the Fund and are consistent with those used in the previous year.

(c) Financial instruments

(i) Classification

The Fund classifies all its investments as trading instruments which is a category of financial assets and financial liabilities at fair value through profit or loss. Trading instruments are those that the Fund has acquired principally for the purpose of short-term profit-taking. These include investments in equities.

Financial assets at amortised cost that are classified as loans and receivables include amount due from unitholders, prepayments and other receivables, amount due from brokers and dividends receivable.

Financial liabilities at amortised cost that are not classified as fair value through profit or loss include amount due to unitholders and accrued expenses and other payables.

2 Significant accounting policies (continued)

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date they become a party to the contractual provisions of the instruments.

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs of financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all trading instruments are measured at fair value through profit or loss with changes in fair value recognised in the statement of comprehensive income in the year in which they arise. Net unrealised gain or loss on investments and net realised gain or loss on sale of investments are included in the statement of comprehensive income.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest method.

(iv) Fair value measurement principles

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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at last traded price because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

2 Significant accounting policies (continued)

The Fund recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(v) Impairment

A financial asset not classified at fair value through profit or loss is assessed at each date of the statement of financial position to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is "impaired" if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through the statement of comprehensive income.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of comprehensive income. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

2 Significant accounting policies (continued)

(vii) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(d) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and demand deposits with banks and other financial institutions that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(e) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income is presented gross of any non-recoverable withholding taxes, which are separately disclosed in the statement of comprehensive income.

Interest income

Interest income is recognised in the statement of comprehensive income as it accrues, using the original effective interest method. Interest income on bank deposits is disclosed separately on the face of the statement of comprehensive income.

(f) **Expenses**

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(g) **Translation of foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period.

2 Significant accounting policies (continued)

Foreign currency exchange differences relating to investments at fair value through profit or loss are included in net unrealised gain or loss on investments or net realised gain or loss on sale of investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the statement of comprehensive income.

(h) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
- (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund.
- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Fund or to the Fund's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

(i) *Units in issue*

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund has only one class of units in issue and they are the most subordinate class of financial instruments in the Fund. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

The Fund's units meet all the criteria for equity classification and are classified as equity.

(j) *Futures contracts*

A futures contract is an agreement between two parties to buy and sell a security or currency at a specific price or rate at a future date. The daily change in contract value is recorded as an unrealised gain or loss and the Fund recognises a realised gain or loss when the contract is closed.

3 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Fund. Of these, the following amendments are relevant to the Fund:

- Annual Improvements to HKFRSs 2012 – 2014 Cycle
- Amendments to HKAS 1, *Presentation of financial statements – Disclosure initiative*

None of these developments have had a material effect on how the Fund's results and financial position for the current or prior periods have been prepared or presented. The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 13).

4 Net investments gain/(loss)

	2017	2016
Net unrealised gain/(loss) on investments	\$ 26,173,578	\$ (48,401,043)
Net realised gain/(loss) on sale of investments	8,989,608	(19,498,624)
	\$ 35,163,186	\$ (67,899,667)

5 Taxation

There are no taxes on income or gains in the Cayman Islands and the Fund has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes for a period of 50 years from the creation of the Fund. Accordingly, no provision for Cayman Islands taxes is included in these financial statements.

No provision for Hong Kong Profits Tax has been made in the financial statements as the income of the Fund is exempt from taxation under S26A (1A) of the Hong Kong Inland Revenue Ordinance.

Overseas withholding tax was charged on certain dividend income received during the year. Dividend income is recorded gross of such tax.

Foreign Account Tax Compliance Act

On 18 March 2010, the Hiring Incentives to Restore Employment Act of 2010 added chapter 4 to Subtitle A ("Chapter 4") of the US Internal Revenue Code ("the Code"). The provisions in Chapter 4 are commonly referred to as the Foreign Account Tax Compliance Act ("FATCA"). US Treasury regulations providing guidance on the due diligence, reporting, and withholding obligations under FATCA were passed and came into effect in January 2013 ("the Regulations").

5 Taxation (continued)

The Regulations require foreign financial institution (“FFI”) to provide the Internal Revenue Service (“IRS”) with information on certain U.S. persons invested in accounts outside of the U.S. and for certain non U.S. entities to provide information about any U.S. owners. The obligations of an FFI under FATCA may be modified by an Intergovernmental Agreement (“IGA”) between the US and the FFI’s country of organization. The Cayman Islands entered into a Model 1 IGA on 29 November 2013, which provides for reporting and enforcement by FFIs to be facilitated by local authorities. The Cayman Islands also entered into a similar IGA with the United Kingdom. Therefore, all Cayman Islands domiciled “financial institutions” are subject to domestic legislation and regulations that implement both the Foreign Account Tax Compliance Act (“US FATCA”) and its UK equivalent (“UK FATCA” and together, “FATCA”). The due diligence and reporting regimes introduced by the domestic legislation and regulations apply to all such financial institutions irrespective of whether they have US or UK based account holders and/or have US or UK assets or source income.

The Fund has registered for a Global Intermediary Identification Number (“GIIN”) for US FATCA purposes and the Fund’s GIIN is KM6F5D.99999.SL.136.

6 Investments at fair value through profit or loss

	2017	2016
Equities		
– Listed in Hong Kong	\$ 175,998,080	\$ 140,879,242
Investments at fair value through profit or loss	<u>\$ 175,998,080</u>	<u>\$ 140,879,242</u>

7 Cash and cash equivalents

	2017	2016
Cash at bank	<u>\$ 7,160,599</u>	<u>\$ 12,403,074</u>

8 Financial instruments and associated risks

The Fund maintains positions in a variety of financial instruments as dictated by its investment management strategy. The Fund's investment portfolio comprises of equity investments listed in Hong Kong.

The nature and extent of the financial instruments outstanding at the end of the reporting period and the risk management policies employed by the Fund are discussed below.

(a) Market risk

Market risk embodies the potential for both gains and losses and includes currency risk, interest rate risk and price risk.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective as stated in note 1. The Fund's overall market positions are monitored regularly by the Manager and the Trustee.

(i) Currency risk

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollars, the presentation currency.

The following table details the Fund's exposure at the end of reporting period to currency risk arising from recognised assets denominated in a currency other than the Fund's functional currency of Hong Kong dollars. For presentation purposes, the amounts of the exposure are expressed in Hong Kong dollars.

	2017		2016	
	Renminbi	United States Dollars	Renminbi	United States Dollars
Prepayments and other receivables	\$ -	\$ 16,798	\$ -	\$ 29,094
Dividends receivable	-	-	125,788	-
Accrued expenses and other payables	-	(11,589)	-	(10,940)
Net exposure to currency risk	<u>\$ -</u>	<u>\$ 5,209</u>	<u>\$ 125,788</u>	<u>\$ 18,154</u>

8 Financial instruments and associated risks (continued)

Sensitivity analysis

The following table indicates the instantaneous change on the Fund's profit and net assets attribute to unitholders that would arise if foreign exchange rates to which the Fund has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

	2017		2016	
	<i>Increase/ (decrease) in foreign exchange rates</i>	<i>Effect on profit and net assets attribute to unitholders</i>	<i>Increase/ (decrease) in foreign exchange rates</i>	<i>Effect on profit and net assets attribute to unitholders</i>
Renminbi	5%	\$ -	5%	\$ 6,289
	(5%)	-	(5%)	(6,289)

(ii) Interest rate risk

The Fund has negligible interest-bearing financial assets and therefore minimal exposure to interest rate risk. Consequently, changes in interest rates would have insignificant impact on the Fund's profit attributable to unitholders.

(iii) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net profit.

The Fund is exposed to price risk arising from changes in market price. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

8 Financial instruments and associated risks (continued)

Price sensitivity

Investments held by the Fund are shown in the investment portfolio. The impact of 10% increase in value of investments at 30 June 2017 and 2016, with all other variables held constant, would have increased the net assets attributable to unitholders and the profit attributable to unitholders per the statement of comprehensive income by \$17,599,808 (2016: \$14,087,924); an equal change in the opposite direction would have had an equal but opposite effect.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager and the Trustee on an ongoing basis.

As at 30 June 2017 and 2016, all of the Fund's financial assets were exposed to credit risk. These include all investments and cash placed with the Hongkong and Shanghai Banking Corporation Limited ("the Custodian") which has a credit rating of A (Standard and Poor's). Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to the investments and cash held by the Custodian to be delayed or limited. The Fund monitors the credit rating and financial position of the Custodian to mitigate this risk.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting period. As at 30 June 2017 and 2016, there were no significant concentrations of credit risk to counterparties except to the Custodian.

(c) Liquidity risk

The Fund's financial instruments include investments in listed equity investments, which are considered to be readily realisable as they are all listed on a major stock exchange.

The Fund is exposed to daily cash redemptions of units in accordance with its Explanatory Memorandum and all the financial liabilities of the Fund mature within three months. It therefore invests its assets in investments that are traded in active markets and can be readily disposed of.

(d) Specific instruments

Futures

Futures are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in futures contract values are marked to market daily. Futures contracts have little credit risk because the counterparties are futures exchanges.

8 Financial instruments and associated risks (continued)

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Fund. Trading in futures contracts may be subject to asset liquidity risk. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain preset limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

For the year ended 30 June 2017, no realised loss on futures (2016: realised loss of \$4,983,750) is included in the net realised gain/(loss) on sale of investments in the statement of comprehensive income. There was no futures outstanding at the end of the reporting period.

(e) Fair values of financial instruments

The Fund's financial instruments are measured at fair value on the date of the statement of financial position. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including amount due from unitholders, prepayments and other receivables, dividend receivables and accrued expenses and other payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Financial instruments measured at fair value

The Fund's accounting policy on fair value measurements is detailed in accounting policy in note 2(c)(iv).

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

8 Financial instruments and associated risks (continued)

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

When fair values of listed and quoted investments at the reporting date are based on quoted market prices or binding dealer price quotations in an active market, without any deduction for transactions costs, the instruments are included within Level 1 of the hierarchy.

The fair value of suspended equity securities is valued based on valuation techniques as set out in note 2(c)(iv). The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

As at 30 June 2017

Investments at fair value through profit or loss

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Listed equity securities	<u>\$ 175,998,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,998,080</u>

As at 30 June 2016

Investments at fair value through profit or loss

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Listed equity securities	<u>\$ 134,249,242</u>	<u>\$ 340,000</u>	<u>\$ 6,290,000</u>	<u>\$ 140,879,242</u>

8 Financial instruments and associated risks (continued)

Significant unobservable input used in measuring fair value

The table below sets out information about significant unobservable input used at 30 June 2017 and 30 June 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

<i>Description</i>	<i>Fair value as at 30 June 2017</i>	<i>Valuation technique</i>	<i>Unobservable input</i>	<i>Range</i>	<i>Sensitivity to changes in significant unobservable inputs</i>
Listed equity investment suspended for trading on the Hong Kong Stock Exchange	Nil	Provision on the total cost	Discount provision	100%	Not applicable

<i>Description</i>	<i>Fair value as at 30 June 2016</i>	<i>Valuation technique</i>	<i>Unobservable input</i>	<i>Range</i>	<i>Sensitivity to changes in significant unobservable inputs</i>
Listed equity investment suspended for trading on the Hong Kong Stock Exchange	6,290,000	Market approach using comparable multiples	Discount for lack of marketability Discount for company specific factor	0%-15% 0%-15%	The estimated fair value would decrease if the discounts were higher.

Significant unobservable inputs are developed as follows:

- Discounts for lack of marketability: Represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Management determines the discount for lack of marketability based on its judgement after considering market liquidity conditions.
- Discount for company specific factor: Represents the discount applied to reflect the latest development of the company.

Although the Fund believes that its estimate of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For measurement in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on net assets attributable to unitholders.

As at 30 June 2016, it is estimated that the cumulative effect of an increase/decrease in each of the discount rate applied to the valuation of the suspended shares by 15% would decrease/increase the net assets attributable to unitholders by \$1,887,000.

8 Financial instruments and associated risks (continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	<i>Listed equity investments suspended for trading on the Hong Kong Stock Exchange</i>
Balance at 1 July 2015	\$ -
Transfers into Level 3	6,290,000
	<hr/>
Balance at 30 June 2016 and 1 July 2016	\$ 6,290,000
Change in net unrealised gain on investments in the statement of comprehensive income	(6,290,000)
	<hr/>
Balance at 30 June 2017	<u><u>\$ -</u></u>

The investment with a carrying amount of \$6,290,000 as at 30 June 2016 was transferred into Level 3 of the fair value hierarchy, with unrealised gain on investment amounting to \$2,726,941 recognised in the statement of comprehensive income for the year ended 30 June 2016.

During the year ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 of the fair value hierarchy.

Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

8 Financial instruments and associated risks (continued)

As at 30 June 2017

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets				
Cash and cash equivalents \$	-	\$ 7,160,599	\$ -	\$ 7,160,599
Amount due from brokers	-	230,000	-	230,000
Prepayments and other receivables	-	19,824	-	19,824
Dividends receivable	-	1,238,818	-	1,238,818
	<u>\$ -</u>	<u>\$ 8,649,241</u>	<u>\$ -</u>	<u>\$ 8,649,241</u>
Financial liabilities				
Accrued expenses and other payables	<u>\$ -</u>	<u>\$ 478,422</u>	<u>\$ -</u>	<u>\$ 478,422</u>
	<u>\$ -</u>	<u>\$ 478,422</u>	<u>\$ -</u>	<u>\$ 478,422</u>

As at 30 June 2016

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets				
Cash and cash equivalents \$	-	\$ 12,403,074	\$ -	\$ 12,403,074
Amount due from unitholders	-	17,337	-	17,337
Prepayments and other receivables	-	31,045	-	31,045
Dividends receivable	-	1,842,237	-	1,842,237
	<u>\$ -</u>	<u>\$ 14,293,693</u>	<u>\$ -</u>	<u>\$ 14,293,693</u>
Financial liabilities				
Amount due to unitholders	<u>\$ -</u>	<u>\$ 87,547</u>	<u>\$ -</u>	<u>\$ 87,547</u>
Accrued expenses and other payables	<u>-</u>	<u>418,833</u>	<u>-</u>	<u>418,833</u>
	<u>\$ -</u>	<u>\$ 506,380</u>	<u>\$ -</u>	<u>\$ 506,380</u>

9 Units in issue

	2017	2016
Balance at the beginning of the year	2,941,141	5,818,046
Issue of units	184,001	355,563
Redemption of units	(268,819)	(3,232,468)
	<u>2,856,323</u>	<u>2,941,141</u>
Balance at the end of the year	<u>2,856,323</u>	<u>2,941,141</u>

The capital of the Fund is represented by the net assets attributable to unitholders which are subject to subscriptions and redemptions of units. The Fund does not have any externally imposed capital requirements.

Units may be acquired on any valuation date at the unit value determined on that day. The valuation date is every business day in Hong Kong except Saturday. The minimum initial investment amount for the Fund is HK\$5,000, with subsequent minimum investments of no less than HK\$5,000.

Units may be redeemed on any valuation date, at the redemption price applicable as at the close of business in Hong Kong on such day. The minimum amount which can be redeemed at any one time is HK\$5,000, and a unitholder may not make a partial redemption if this would result in his holding being less than the minimum holding of HK\$5,000.

10 Soft commission

During the year, the Manager entered into soft commission arrangements with brokers, under which certain goods and services which are of demonstrable benefit to the Fund were received. The goods and services received may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis and data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. The Manager does not make direct payment for these services but transacts business with the brokers on behalf of the Fund and commission is paid on these transactions.

11 Transactions with the Trustee, the Manager and connected persons

Connected persons are those as defined in the Code. All transactions entered into during the year between the Fund and the Trustee, the Manager and connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's and the Trustee's knowledge, the Fund does not have any other transactions with connected persons except those disclosed below.

(a) *Manager*

Haitong International Investment Managers Limited is the Manager of the Fund. The Manager is entitled under the Trust Deed, as amended, of the Fund to a management fee at a maximum rate of 2.5% per annum of the net asset value of the Fund. During the year, the Manager received a management fee at a rate of 1.75% (2016: 1.75%) per annum of the net asset value of the Fund.

The management fee is calculated and accrued daily and is payable monthly in arrears. During the year, the total management fee and the outstanding balances included in accrued expenses and other payables at the year end date are as follows:

	<i>Management fee</i>		<i>Management fee payable</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Haitong International Investment Managers Limited	<u>\$ 2,989,954</u>	<u>\$ 3,085,429</u>	<u>\$ 269,653</u>	<u>\$ 220,862</u>

(b) *Connected persons of the Manager*

During the year, the Fund utilised the services of Haitong International Securities Company Limited and Haitong International Futures Limited, fellow subsidiaries of the Manager, in the Fund's purchases and sales of investments. Details of such transactions executed during the year are as follows:

11 Transactions with the Trustee, the Manager and connected persons (continued)

	<i>Aggregate value of purchases and sales of securities</i>	<i>% of the total value of transactions of the Fund</i>	<i>Total brokerage commission paid</i>	<i>Average rate of commission</i>
Haitong International Securities Company Limited				
Year ended 30 June 2017	\$ 11,719,694	7.66%	\$ 11,720	0.10%
Year ended 30 June 2016	<u>81,933,872</u>	<u>21.67%</u>	<u>81,961</u>	<u>0.10%</u>
			<i>Notional amount of futures contracts</i>	<i>Total brokerage commission paid</i>
Haitong International Futures Limited				
Year ended 30 June 2017			\$ -	\$ -
Year ended 30 June 2016			<u>114,135,000</u>	<u>17,600</u>

As at 30 June 2017, Haitong International Finance Company Limited, a fellow subsidiary of the Manager, held 882,718.42 units (2016: 882,718.42 units) of the Fund. During the year ended 30 June 2017, Haitong International Finance Company Limited did not subscribe or redeem units (2016: subscribed nil unit and redeemed 2,648,154.43 units) of the Fund.

(c) **Trustee**

Bank of Bermuda (Cayman) Limited is the Trustee of the Fund. The Trustee is entitled under the Trust Deed, as amended, of the Fund to a trustee fee at a maximum rate of 0.5% per annum of the net asset value of the Fund. During the year, the Trustee received a trustee fee of 0.3% (2016: 0.3%) per annum of the net asset value of the Fund, subject to a minimum annual charge of \$125,000.

Trustee fee is calculated and accrued daily and is payable monthly in arrears. During the year, the total trustee fee was \$512,564 (2016: \$528,931). Included in accrued expenses and other payables at 30 June 2017 is the trustee fee payable of \$46,226 (2016: \$37,862).

11 Transactions with the Trustee, the Manager and connected persons (continued)

(d) Connected persons of the Trustee

During the year, the transaction handling fees charged by HSBC Institutional Trust Services (Asia) Limited, a fellow subsidiary of the Trustee, on purchases and sales of investments were \$10,292 (2016: \$22,192). Included in accrued expenses and other payables at 30 June 2017 is the transaction handling fee payable of \$11,589 (2016: \$10,940).

The Custodian of the Fund is the immediate holding company of the Trustee. At 30 June 2017, the cash balances and investments balances held in the Custodian amounted to \$7,160,599 (2016: \$12,403,074) and \$175,998,080 (2016: \$140,879,242) respectively. During the year, interest income on the cash balances held in the Custodian was \$808 (2016: Nil). During the year, safe custody and bank charges charged by the Custodian was \$24,364 (2016: \$31,964).

12 Segment reporting

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

The Manager considers that the Fund has a single operating segment which is investing in a diversified portfolio of equity securities with the objective as stated in the Explanatory Memorandum of the Fund.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and the statement of financial position.

13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 30 June 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund.

*Effective for
accounting periods
beginning on or after*

Amendments to HKAS 7, <i>Statement of cash flows: Disclosure initiative</i>	1 January 2017
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Trustee is in the process of making an assessment of what the impact of these amendments and new standard is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's financial statements.

14 Subsequent events

The Manager and the Trustee have evaluated subsequent events occurring through 25 October 2017, the date that these financial statements were available to be issued. There were no significant events subsequent to the year end which require disclosure in the financial statements.

Investment portfolio as at 30 June 2017 (unaudited)

(Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value</i>	<i>% of total net assets</i>
Listed investments			
Equities (95.56%)			
<i>Hong Kong (95.56%)</i>			
AAC Technologies Holdings Inc	79,000	\$ 7,710,400	4.19
AIA Group Ltd	120,000	6,846,000	3.72
Bank of China Ltd	1,448,000	5,545,840	3.01
BOC Hong Kong Holdings Ltd	240,000	8,964,000	4.87
China Mobile Ltd	35,000	2,899,750	1.57
China Resources Land Ltd	162,000	3,685,500	2.00
China Shanshui Cement Group Ltd	1,000,000	-	0.00
Fuyao Glass Industry Group Co Ltd	400,000	11,960,000	6.49
Guangdong Investment Ltd	600,000	6,456,000	3.51
Guangzhou Automobile Group Co Ltd	410,000	5,617,000	3.05
Haitian International Holdings Ltd	250,000	5,475,000	2.97
Hang Seng Bank Ltd	50,000	8,165,000	4.43
HKT Trust	290,000	2,969,600	1.61
Industrial and Commercial Bank of China Ltd	1,425,000	7,509,750	4.08
Melco International Development Ltd	280,000	5,852,000	3.18
Ping An Insurance Group Co of China Ltd	200,000	10,290,000	5.59
Power Assets Holdings Ltd	50,000	3,447,500	1.87
Shenzhen Expressway Co Ltd	900,000	6,399,000	3.47
Shenzhou International Group Holdings Ltd	162,000	8,310,600	4.51
Sun Hung Kai Properties Ltd	45,000	5,161,500	2.80
Sunny Optical Technology Group Co Ltd	182,000	12,740,000	6.92
Tencent Holdings Ltd	63,000	17,589,600	9.55
Wharf Holdings Ltd	82,000	5,305,400	2.88
Wynn Macau Ltd	336,000	6,128,640	3.33
Xinyi Glass Holdings Ltd	1,000,000	7,730,000	4.20
Yue Yuen Industrial (Holdings) Ltd	100,000	3,240,000	1.76
Total equities		<u>\$175,998,080</u>	<u>95.56</u>
Total investments		\$175,998,080	95.56
Other net current assets		<u>8,170,819</u>	<u>4.44</u>
Net assets attributable to unitholders		<u>\$184,168,899</u>	<u>100.00</u>
Total investments, at cost		<u>\$131,287,906</u>	

Statement of movements in investment portfolio
as at 30 June 2017 (unaudited)
(Expressed in Hong Kong dollars)

	<i>Holdings</i>			<i>Balance at 30 June 2017</i>
	<i>Balance at 1 July 2016</i>	<i>Additions</i>	<i>Deductions</i>	
Listed investments				
<i>Equities</i>				
<i>Hong Kong</i>				
AAC Technologies Holdings Inc	140,000	-	61,000	79,000
AIA Group Ltd	120,000	-	-	120,000
Bank of China Ltd	-	1,448,000	-	1,448,000
BOC Hong Kong Holdings Ltd	-	240,000	-	240,000
Cheung Kong Infrastructure Holdings Ltd	70,000	-	70,000	-
China Communications Services Corp Ltd	-	930,000	930,000	-
China Mobile Ltd	-	35,000	-	35,000
China Overseas Land & Investment Ltd	200,000	-	200,000	-
China Power International Development Ltd	1,000,000	-	1,000,000	-
China Resources Land Ltd	-	162,000	-	162,000
China Shanshui Cement Group Ltd	1,000,000	-	-	1,000,000
China State Construction International Holdings Ltd	400,000	-	400,000	-
Dongfeng Motor Group Co Ltd	600,000	-	600,000	-
Fuyao Glass Industry Group Co Ltd	400,000	-	-	400,000
Guangdong Investment Ltd	600,000	-	-	600,000
Guangzhou Automobile Group Co Ltd	-	410,000	-	410,000
Haitian International Holdings Ltd	-	250,000	-	250,000
Hang Seng Bank Ltd	50,000	-	-	50,000
HKT Trust	290,000	-	-	290,000
Industrial and Commercial Bank of China Ltd	-	1,425,000	-	1,425,000
Melco International Development Ltd	-	280,000	-	280,000
MTR Corp Ltd	200,000	-	200,000	-
Nexteer Automotive Group Ltd	-	330,000	330,000	-

Statement of movements in investment portfolio
as at 30 June 2017 (unaudited) (continued)
(Expressed in Hong Kong dollars)

	<i>Holdings</i>			<i>Balance at 30 June 2017</i>
	<i>Balance at 1 July 2016</i>	<i>Additions</i>	<i>Deductions</i>	
Listed investments (continued)				
<i>Equities (continued)</i>				
<i>Hong Kong (continued)</i>				
PCCW Ltd	620,062	-	620,062	-
PICC Property and Casualty Co Ltd	241,000	-	241,000	-
Ping An Insurance Group Co of China Ltd	200,000	-	-	200,000
Power Assets Holdings Ltd	50,000	-	-	50,000
Shenzhen Expressway Co Ltd	1,200,000	-	300,000	900,000
Shenzhou International Group Holdings Ltd	220,000	-	58,000	162,000
Sinopharm Group Co Ltd	84,000	-	84,000	-
Sun Hung Kai Properties Ltd	-	45,000	-	45,000
Sunny Optical Technology Group Co Ltd	370,000	-	188,000	182,000
Tencent Holdings Ltd	80,000	-	17,000	63,000
Wharf Holdings Ltd	-	82,000	-	82,000
Wynn Macau Ltd	-	336,000	-	336,000
Xinyi Automobile Glass Hong Kong Enterprises Ltd	125,000	-	125,000	-
Xinyi Glass Holdings Ltd	1,000,000	2,000,000	2,000,000	1,000,000
Yue Yuen Industrial (Holdings) Ltd	-	100,000	-	100,000

Performance table (unaudited)

(Expressed in Hong Kong dollars)

(a) Net asset value:

At 30 June 2017	\$184,168,899
At 30 June 2016	\$154,666,555
At 30 June 2015	\$384,846,406
At 30 June 2014	\$110,479,517

(b) Net asset value per unit:

At 30 June 2017	\$	64.48
At 30 June 2016	\$	52.59
At 30 June 2015	\$	66.15
At 30 June 2014	\$	55.13

(c) Performance record

<i>Financial year ended</i>	<i>Highest issue price per unit</i>	<i>Lowest redemption price per unit</i>
30 June 2017	\$ 64.94	\$ 51.64
30 June 2016	\$ 65.18	\$ 46.40
30 June 2015	\$ 72.86	\$ 54.42
30 June 2014	\$ 69.18	\$ 51.32
30 June 2013	\$ 66.87	\$ 45.94
30 June 2012	\$ 62.87	\$ 42.64
30 June 2011	\$ 72.83	\$ 51.91
30 June 2010	\$ 66.37	\$ 49.92
30 June 2009	\$ 57.31	\$ 24.54
30 June 2008	\$ 95.92	\$ 52.87
30 June 2007	\$ 60.98	\$ 33.19