

ChinaAMC Leveraged/Inverse
Series

**ChinaAMC Hang Seng Index Daily
(2x) Leveraged Product**

**ChinaAMC Hang Seng Index Daily
(-1x) Inverse Product**

Annual Report

For the period from 1 January 2020 to
18 February 2021 (Date of Last Valuation)



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

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

FOR THE PERIOD FROM 1 JANUARY 2020 TO 18 FEBRUARY 2021 (DATE OF
LAST VALUATION)

(PRODUCTS OF CHINAAMC LEVERAGED/INVERSE SERIES)

CHINAAMC LEVERAGED/INVERSE SERIES

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IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about the products of the ChinaAMC Leveraged/Inverse Series, please refer to the prospectus of the ChinaAMC Leveraged/Inverse Series which is available at our website:
http://www.chinaamc.com.hk/en/products.html?linkage_id=990351

Investors should not rely on the information contained in this report for their investment decisions.

CHINAAMC LEVERAGED/INVERSE SERIES

MANAGEMENT AND ADMINISTRATION

Manager

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

Directors of the Manager

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

Trustee and Registrar

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

Investment Adviser (terminated on 13 November 2020)

Rafferty Asset Management LLC
1301 Avenue of the Americas
28/F New York, NY10019
United States of America

Service Agent

HK Conversion Agency Services Limited
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

Legal Counsel to the Manager

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

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, CITIC Tower
1 Tim Mei Avenue
Hong Kong

Listing Agent

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Participating Dealers

ABN AMRO Clearing Hong Kong Limited
70/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

BNP Paribas Securities Services
21/F, PCCW Tower
Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central, Hong Kong

CitiBank N.A.
50/F, Champion Tower,
Three Garden Road,
Central, Hong Kong

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

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road
Central, Hong Kong

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

KGI Securities (Hong Kong) Limited
41/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CHINAAMC LEVERAGED/INVERSE SERIES

MANAGEMENT AND ADMINISTRATION (continued)

Participating Dealers (continued)

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

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

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

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

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS

1. ChinaAMC Hang Seng Index Daily (2x) Leveraged Product a Product of ChinaAMC Leveraged/Inverse Series

Introduction

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product ("HSIL") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of HSIL are traded on the SEHK like stocks. It is a futures-based product which invests directly in Hang Seng Index futures contracts ("HSI Futures") which are traded on the Hong Kong Futures Exchange Limited (the "HKFE") so as to give HSIL twice the daily performance of the Hang Seng Index ("HSI"). HSIL is denominated in Hong Kong dollars ("HK\$"). Creations and redemptions are in HK\$ only.

The manager, China Asset Management (Hong Kong) Limited (the "Manager") announced the proposed cessation of trading, termination, voluntary deauthorisation and delisting and non-applicability of certain provision of the Code on Unit Trusts and Mutual Funds on 30 December 2020. Subsequently, the units of HSIL ceased trading on the SEHK from 17 February 2021 and the distribution from realisation of HSIL's investment is expected to be payable on or around 13 April 2021. The Manager expects HSIL will be terminated on or around 19 April 2021 (the "Termination Date"), and that the deauthorization and the delisting will take place either on the Termination Date or shortly after the Termination Date.

Performance of HSIL

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

Since the units of HSIL have ceased trading on the SEHK from 17 February 2021, there is no performance data provided in this report.

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

2. ChinaAMC Hang Seng Index Daily (-1x) Inverse Product

a Product of ChinaAMC Leveraged/Inverse Series

Introduction

ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product ("HSII") is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of HSII are traded on the SEHK like stocks. It is a futures-based product which invests directly in HSI Futures which are traded on the HKFE so as to give HSII the inverse of the daily performance of the HSI. HSII is denominated in HK\$. Creations and redemptions are in HK\$ only.

The manager, China Asset Management (Hong Kong) Limited (the "Manager") announced the proposed cessation of trading, termination, voluntary deauthorisation and delisting and non-applicability of certain provision of the Code on Unit Trusts and Mutual Funds on 30 December 2020. Subsequently, the units of HSII ceased trading on the SEHK from 17 February 2021 and the distribution from realisation of HSII's investment is expected to be payable on or around 13 April 2021. The Manager expects HSII will be terminated on or around 19 April 2021 (the "Termination Date"), and that the deauthorization and the delisting will take place either on the Termination Date or shortly after the Termination Date.

Performance of HSII

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

Since the units of HSII have ceased trading on the SEHK from 17 February 2021, there is no performance data provided in this report.

China Asset Management (Hong Kong) Limited
13 April 2021

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

To the unitholders of

ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product)

ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product)

(collectively referred to as the "Products" of ChinaAMC Leveraged/Inverse Series)

We hereby confirm that, in our opinion, China Asset Management (Hong Kong) Limited, the manager of the ChinaAMC Leveraged/Inverse Series has, in all material respects, managed the Products, in accordance with the provisions of the Trust Deed dated 13 September 2016, as amended or supplemented from time to time for the period from 1 January 2020 to 18 February 2021 (date of last valuation).

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited

13 April 2021

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

China Asset Management (Hong Kong) Limited (the "Manager"), the manager of ChinaAMC Hang Seng Index Daily (2x) Leveraged Product ("HSIL") (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product ("HSII") (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product) (collectively referred to as the "Products"), the products of ChinaAMC Leveraged/Inverse Series (the "Trust"), is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code") and the trust deed dated 13 September 2016, as amended or supplemented from time to time (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Products at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Products will continue in operation unless it is inappropriate to assume this.

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

The Trust is an umbrella unit trust governed by its Trust Deed. As at 18 February 2021 (date of last valuation), the Trust has established seven products.

Trustee's responsibilities

The Trustee of the Products is required to:

- ensure that the Products are managed in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Products and rights attaching thereto; and
- report to the unitholders for each annual accounting on the conduct of the Manager in the management of the Products.

Independent auditor's report

To the unitholders of ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product) of ChinaAMC Leveraged/Inverse Series
(An umbrella unit trust established under the laws of Hong Kong)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product) (collectively, the "Products") set out on pages 12 to 48 which comprise the statements of financial position as at 18 February 2021 (date of last valuation), and the statements of comprehensive income, the statements of changes in net assets attributable to unitholders and statements of cash flows for the period from 1 January 2020 to 18 February 2021 (date of last valuation), and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial disposition of the Products as at 18 February 2021 (date of last valuation), and of their financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Products in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 2.1 to the financial statements which describes that the financial statements for the period from 1 January 2020 to 18 February 2021 (date of last valuation) have not been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent auditor's report (continued)

To the unitholders of ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product) of ChinaAMC Leveraged/Inverse Series (the "Products")
(An umbrella unit trust established under the laws of Hong Kong)

Key Audit Matters (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Net gains on financial assets and financial liabilities at fair value through profit or loss</i>	
<p>For the period from 1 January 2020 to 18 February 2021 (date of last valuation), the ChinaAMC Hang Seng Index Daily (2x) Leveraged Product recorded a net gain on financial assets and financial liabilities at fair value through profit or loss amounting to HK\$7,961,173 and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product recorded a net gain on financial assets and financial liabilities at fair value through profit or loss amounting to HK\$3,892,912.</p> <p>We focused on this area because the net gains on financial assets and financial liabilities at fair value through profit or loss represented the key component of the financial statements.</p> <p>Refer to disclosures on fair values of financial instruments in notes 13 to 15 to the financial statements.</p>	<p>We agreed the net gains on financial assets and financial liabilities at fair value through profit or loss by obtaining the trade confirmations and broker statements of selected trades and agreeing the details and settlement of the disposal of financial assets and financial liabilities at fair value through profit or loss to the accounting records. We assessed the adequacy of disclosures relating to financial assets and financial liabilities at fair value through profit or loss against the requirements of IFRS.</p>

Independent auditor's report (continued)

To the unitholders of ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product) of ChinaAMC Leveraged/Inverse Series (the "Products")
(An umbrella unit trust established under the laws of Hong Kong)

Information other than the financial statements and auditor's report thereon

The Manager and the Trustee of the Products are responsible for the other information. The other information comprises the information included in the annual report (the "Annual Report"), other than the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Manager and the Trustee for the Financial Statements

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

In preparing the financial statements, the Manager and the Trustee of the Products are responsible for assessing the Products' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee either intend to liquidate the Products or to cease operations or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Products are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 13 September 2016, as amended or supplemented from time to time (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the *Code on Unit Trusts and Mutual Funds* (the "SFC Code") issued by the Securities and Futures Commission of Hong Kong.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent auditor's report (continued)

To the unitholders of ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product) of ChinaAMC Leveraged/Inverse Series (the "Products")
(An umbrella unit trust established under the laws of Hong Kong)

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Products have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Products' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting. When such use is inappropriate and the Manager and the Trustee use an alternative basis of accounting, we conclude on the appropriateness of the Manager's and the Trustee's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report (continued)

To the unitholders of ChinaAMC Hang Seng Index Daily (2x) Leveraged Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product) and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product (formerly known as ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product) of ChinaAMC Leveraged/Inverse Series (the "Products")
(An umbrella unit trust established under the laws of Hong Kong)

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

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

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

From the matters communicated with the Manager and the Trustee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Man Kin.

Certified Public Accountants
Hong Kong
13 April 2021

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENTS OF FINANCIAL POSITION

As at 18 February 2021 (date of last valuation)

	Notes	<u>HSIL</u>		<u>HSII</u>	
		18 February 2021 (date of last valuation) HK\$	31 December 2019 HK\$	18 February 2021 (date of last valuation) HK\$	31 December 2019 HK\$
ASSETS					
Financial assets at fair value through profit or loss	13, 14	-	13,893,963	-	28,154,706
Prepayments and other receivables		-	13,271	-	15,303
Amounts due from the Manager		15,838	-	16,298	-
Amounts due from brokers	7	1,898,134	5,335,704	842,260	6,635,051
Cash and cash equivalents	6	7,942,320	16,161,532	13,059,273	41,573,550
TOTAL ASSETS		<u>9,856,292</u>	<u>35,404,470</u>	<u>13,917,831</u>	<u>76,378,610</u>
LIABILITIES					
Financial liabilities at fair value through profit or loss	13, 14	-	-	-	714,974
Amounts due to brokers	7	-	-	-	20,488
Auditor's remuneration payable		83,200	80,000	83,200	80,000
Management fee payable	5(a)	-	37,169	-	87,679
Trustee fee payable	5(b)	18,526	12,099	18,526	12,284
Other payables and accruals		464,401	261,802	464,861	265,103
TOTAL LIABILITIES		<u>566,127</u>	<u>391,070</u>	<u>566,587</u>	<u>1,180,528</u>
EQUITY					
Net assets attributable to unitholders	4	<u>9,290,165</u>	<u>35,013,400</u>	<u>13,351,244</u>	<u>75,198,082</u>
TOTAL LIABILITIES AND EQUITY		<u>9,856,292</u>	<u>35,404,470</u>	<u>13,917,831</u>	<u>76,378,610</u>
Number of units in issue	4	<u>800,000</u>	<u>3,200,000</u>	<u>3,000,000</u>	<u>13,200,000</u>
Net asset value per unit	4	<u>11.6127</u>	<u>10.9417</u>	<u>4.4504</u>	<u>5.6968</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES
STATEMENTS OF COMPREHENSIVE INCOME

For the period from 1 January 2020 to 18 February 2021 (date of last valuation)

	Notes	<u>HSIL</u>		<u>HSII</u>	
		For the period from 1 January 2020 to 18 February 2021 (date of last valuation) HK\$	Year ended 31 December 2019 HK\$	For the period from 1 January 2020 to 18 February 2021 (date of last valuation) HK\$	Year ended 31 December 2019 HK\$
INCOME					
Interest income		19,988	102,445	57,086	180,596
Other income		1,091	-	1,569	-
		<u>21,079</u>	<u>102,445</u>	<u>58,655</u>	<u>180,596</u>
EXPENSES					
Management fee	5(a)	(291,906)	(584,890)	(419,322)	(1,333,832)
Trustee fee	5(b)	(137,623)	(165,716)	(137,623)	(185,237)
Accounting and professional fees	5(c)	(68,812)	(69,001)	(68,812)	(69,000)
Auditor's remuneration		(95,000)	(80,000)	(95,000)	(80,000)
Legal and professional fees		(21,345)	(20,100)	(21,345)	(20,100)
Safe custody and bank charges	5(d)	(3,044)	(3,459)	(4,229)	(9,942)
Brokerage and other transaction fees	5(e), 11	(86,751)	(115,116)	(69,884)	(143,298)
Other operating expenses		(791,530)	(560,765)	(791,651)	(604,772)
		<u>(1,496,011)</u>	<u>(1,599,047)</u>	<u>(1,607,866)</u>	<u>(2,446,181)</u>
LOSSES BEFORE INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES					
		(1,474,932)	(1,496,602)	(1,549,211)	(2,265,585)
INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES					
Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss		8,763,250	10,502,559	3,984,973	(15,291,642)
Net change in unrealised (losses)/gains on financial assets/liabilities at fair value through profit or loss		(802,077)	(1,073,857)	(92,061)	756,251
Foreign exchange losses		(14,086)	(48,215)	(27,149)	(100,205)
		<u>7,947,087</u>	<u>9,380,487</u>	<u>3,865,763</u>	<u>(14,635,596)</u>
TOTAL COMPREHENSIVE INCOME		<u>6,472,155</u>	<u>7,883,885</u>	<u>2,316,552</u>	<u>(16,901,181)</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 1 January 2020 to 18 February 2021 (date of last valuation)

	<u>HSIL</u>		<u>HSII</u>	
	For the period from 1 January 2020 to 18 February 2021 (date of last valuation) HK\$	Year ended 31 December 2019 HK\$	For the period from 1 January 2020 to 18 February 2021 (date of last valuation) HK\$	Year ended 31 December 2019 HK\$
Net assets attributable to unitholders at the beginning of the period/year	35,013,400	55,464,835	75,198,082	148,900,063
Issue of units	71,579,110	-	17,180,980	9,803,820
Redemption of units	(103,774,500)	(28,335,320)	(81,344,370)	(66,604,620)
Total comprehensive income	<u>6,472,155</u>	<u>7,883,885</u>	<u>2,316,552</u>	<u>(16,901,181)</u>
Net assets attributable to unitholders at the end of the period/year	<u>9,290,165</u>	<u>35,013,400</u>	<u>13,351,244</u>	<u>75,198,082</u>
Number of units in issue at the beginning of the period/year	3,200,000	5,900,000	13,200,000	22,700,000
Number of units issued during the period/year	9,900,000	-	2,900,000	1,700,000
Number of units redeemed during the period/year	<u>(12,300,000)</u>	<u>(2,700,000)</u>	<u>(13,100,000)</u>	<u>(11,200,000)</u>
Number of units in issue at the end of the period/year	<u>800,000</u>	<u>3,200,000</u>	<u>3,000,000</u>	<u>13,200,000</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF CASH FLOWS

For the period from 1 January 2020 to 18 February 2021 (date of last valuation)

HSIL

	Note	For the period from 1 January 2020 to 18 February 2021 (date of last valuation) HK\$	Year ended 31 December 2019 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Total comprehensive income		6,472,155	7,883,885
Adjustment for:			
Interest income		(19,988)	(102,445)
Operating gain before changes in working capital		<u>6,452,167</u>	<u>7,781,440</u>
Decrease/(increase) in financial assets at fair value through profit or loss		13,893,963	(895,721)
Decrease/(increase) in prepayments and other receivables		12,478	(12,478)
Increase in amount due from the Manager		(15,838)	-
Decrease in amount due from broker		3,437,570	3,595,595
Increase in auditor's remuneration payable		3,200	170
Decrease in management fee payable		(37,169)	(10,638)
Increase/(decrease) in trustee fee payable		6,427	(11,555)
Increase/(decrease) in other payables and accruals		202,599	(358,299)
		<u>23,955,397</u>	<u>10,088,514</u>
Interest received		20,781	101,652
Net cash flows from operating activities		<u>23,976,178</u>	<u>10,190,166</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issue of units		71,579,110	-
Payments on redemption of units		(103,774,500)	(28,335,320)
Net cash flows used in financing activities		<u>(32,195,390)</u>	<u>(28,335,320)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS			
		(8,219,212)	(18,145,154)
Cash and cash equivalents at the beginning of the period/year		<u>16,161,532</u>	<u>34,306,686</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR		<u>7,942,320</u>	<u>16,161,532</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank	6	7,942,320	12,261,532
Non-pledged short-term deposits with original maturity of less than three months when acquired	6	-	3,900,000
		<u>7,942,320</u>	<u>16,161,532</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF CASH FLOWS (continued)

For the period from 1 January 2020 to 18 February 2021 (date of last valuation)

HSII

	Note	For the period from 1 January 2020 to 18 February 2021 (date of last valuation) HK\$	Year ended 31 December 2019 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Total comprehensive income		2,316,552	(16,901,181)
Adjustment for:			
Interest income		(57,086)	(180,596)
Operating gain/(loss) before changes in working capital		2,259,466	(17,081,777)
Decrease in financial assets at fair value through profit or loss		28,154,706	12,944,857
Decrease/(increase) in prepayments and other receivables		12,477	(12,477)
Increase in amount due from the Manager		(16,298)	-
Decrease in amount due from broker		5,792,791	7,307,349
Decrease in financial liabilities at fair value through profit or loss		(714,974)	(862,223)
(Decrease)/increase in amount due to broker		(20,488)	20,488
Increase in auditor's remuneration payable		3,200	170
Decrease in management fee payable		(87,679)	(40,234)
Increase/(decrease) in trustee fee payable		6,242	(11,370)
Increase/(decrease) in other payables and accruals		199,758	(314,527)
		<u>35,589,201</u>	<u>1,950,256</u>
Interest received		59,912	177,770
Net cash flows from operating activities		<u>35,649,113</u>	<u>2,128,026</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issue of units		17,180,980	9,803,820
Payments on redemption of units		(81,344,370)	(66,604,620)
Net cash flows used in financing activities		<u>(64,163,390)</u>	<u>(56,800,800)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS			
		(28,514,277)	(54,672,774)
Cash and cash equivalents at the beginning of the period/year		41,573,550	96,246,324
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR		<u>13,059,273</u>	<u>41,573,550</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank	6	13,059,273	27,673,550
Non-pledged short-term deposits with original maturity of less than three months when acquired	6	-	13,900,000
		<u>13,059,273</u>	<u>41,573,550</u>

The accompanying notes are an integral part of these financial statements

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

1. THE TRUST

ChinaAMC Leveraged/Inverse Series (the "Trust") is an umbrella unit trust governed by its trust deed dated 13 September 2016 (the "Trust Deed") as amended or supplemented from time to time between China Asset Management (Hong Kong) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee" and "Registrar"). The Trust Deed is governed by Hong Kong law.

As at 18 February 2021 (date of last valuation), the Trust has established seven products which are authorised by the Securities and Futures Commission of Hong Kong (the "SFC") pursuant to section 104(1) of the Securities and Futures Ordinance of Hong Kong. The products are listed on the Stock Exchange of Hong Kong ("SEHK") and the listing dates are as follows:

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

These financial statements are prepared for ChinaAMC Hang Seng Index Daily (2x) Leveraged Product ("HSIL") and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product ("HSII") (collectively, the "Products") only.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

1. THE TRUST (continued)

Change of names of HSIL and HSII

Effective from 13 November 2020 (the "Effective Date"), Rafferty Asset Management LLC ("RAM") ceased to be the investment adviser of the Products. At the same time, the word "Direxion" was deleted from the English name and the Chinese name of the Products. Therefore, the Products were renamed as ChinaAMC Hang Seng Index Daily (2x) Leveraged Product and ChinaAMC Hang Seng Index Daily (-1x) Inverse Product. From the Effective Date onwards, duties currently performed by RAM in relation to the Products were assumed by the Manager. The Products continued to operate in the same manner notwithstanding the termination of RAM's appointment. There was no change to the dealing arrangements or fee level/costs in relation to the Products as a consequence of the termination.

HSIL

The investment objective of HSIL (Stock code: 7221) is to provide daily investment results, before fees and expenses, which closely corresponds to twice the daily performance of the Hang Seng Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

HSII

The investment objective of HSII (Stock code: 7321) is to provide daily investment results, before fees and expenses, which closely corresponds to the inverse of the daily performance of the Hang Seng Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

Pursuant to the announcement dated 30 December 2020 (the "Announcement"), the Manager has notified all its existing unitholders regarding its liquidation plan for the Products. The Manager intends to liquidate the Products and eventually to wind up the Products by way of a voluntary liquidation. The last valuation date of the Products upon liquidation of all assets would be 18 February 2021. The Manager will declare the distribution to the unitholders who remained so as at 19 February 2021 (the "Distribution Record Date"). The first distribution will be declared on or around 12 April 2021 and paid on 13 April 2021 (the "Distribution Date"), while the termination date is expected to be 19 April 2021.

2.1 BASIS OF PREPARATION

The financial statements of the Products have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the *Code on Unit Trusts and Mutual Funds* of the SFC (the "SFC Code").

The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities classified as at fair value through profit or loss ("FVPL") that have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$") for HSIL and HSII, and all values are rounded to the nearest HK\$ except where otherwise indicated.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

2.1 BASIS OF PREPARATION (continued)

As mentioned in note 1 to the financial statements, the Manager intends to terminate the Products. The financial statements for the period from 1 January 2020 to 18 February 2021 (date of last valuation) have been prepared on a liquidation basis. All assets have been adjusted to their estimated net realisable values. The estimated expenses to discharge the fees of the Trustee and other service providers of the Products during the period between the date of the Announcement to the date of last valuation were recognised in the statement of comprehensive income for the period from 1 January 2020 to 18 February 2021 (date of last valuation). Any future costs, charges, expenses, claims and demands (including but not limited to any legal costs, auditors' fees, regulatory maintenance costs, termination related expenses and the fees payable to any other service providers to the Products) that the Trustee and the Manager may incur or make, during the period between the date of the Announcement up to and including the termination date (including if the termination date is extended), in connection with or arising out of the ongoing maintenance of the Products and the implementation of the termination (together, the "Future Costs"), to the extent not covered by the estimated expenses, will be borne by the Manager.

Due to the fact that these financial statements cover a period of more than twelve months from 1 January 2020 to 18 February 2021 (date of last valuation), the amounts presented in these financial statements and the related explanatory notes for the period from 1 January 2020 to 18 February 2021 (date of last valuation) are not entirely comparable with the amounts presented for the year ended 31 December 2019 which were extracted from the Products' financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than as adjusted for the adoption of the liquidation basis as disclosed in note 2.1 to the financial statements, the significant accounting policies applied in the preparation of these financial statements are set out below.

Financial instruments

(a) Classification

In accordance with IFRS 9, the Products classify their financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The Products classify their financial assets as subsequently measured at amortised cost or measured at FVPL on the basis of both:

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

Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. The Products include in this category cash and cash equivalents and short-term non-financing receivables including other receivables and amounts due from brokers.

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding, or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell, or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(a) Classification (continued)

Financial assets (continued)

Financial assets measured at FVPL (continued)

This category includes equity instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

Financial liabilities

Financial liabilities measured at amortised cost

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

Financial liabilities measured at FVPL

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

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

(b) Recognition

The Products recognise a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Products commit to purchase or sell the financial asset.

(c) Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those designated as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(d) Subsequent measurement

After initial measurement, the Products measure financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in "net change in unrealised losses/gains on financial assets/liabilities at FVPL" in profit or loss. Interest earned or paid on these instruments is recorded separately in interest revenue or expense in profit or loss.

Financial assets, other than those classified as at FVPL, are measured at amortised cost using the effective interest method ("EIR") less any allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the EIR. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The EIR is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

When calculating the effective interest rate, the Products estimate cash flows considering all contractual terms of the financial instruments, but do not consider expected credit losses ("ECLs"). The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(e) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Products have transferred its rights to receive cash flows from the asset, or have assumed an obligation to pay the received cash flows without material delay to a third party under a pass-through arrangement and the Products have:

- Transferred substantially all the risks and rewards of the asset, or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Products have transferred their rights to receive cash flows from an asset (or has entered into a pass-through arrangement) and have neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Products' continuing involvement in the asset. In that case, the Products also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Products have retained. The Products derecognise a financial liability when the obligation under the liability is discharged.

Impairment of financial assets

For financial assets measured at amortised cost, impairment allowances are recognised under the general approach where ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Products are required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Products' approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Fair value measurement

The Products measure their investments in financial instruments, such as derivatives and equity instruments, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Products.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Products determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivative financial instruments

Derivative financial instruments are recorded on a mark-to-market basis. Fair values are determined by using quoted market prices for futures contracts or calculated by reference to changes in specified prices of an underlying asset or otherwise a determined notional amount for swap contracts. All derivatives are carried as assets when amounts are receivable by the Products and as liabilities when amounts are payable by the Products.

Unrealised gains and losses arising from change in fair value, and realised gains and losses are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as cash and cash equivalents.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Products operate. The performance of the Products is measured and reported to the unitholders in HK\$.

The Management considers HK\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements of the Products are presented in HK\$, which is the Products' functional and presentation currency.

Foreign currency translations

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign currency transaction gains and losses on financial instruments classified as at FVPL are included in profit or loss in profit or loss.

Redeemable units

Redeemable units are classified as an equity instrument when:

- (a) The redeemable units entitle the holder to a pro-rata share of the Products' net assets in the event of the Products' liquidation.
- (b) The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- (c) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- (d) The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro-rata share of the Products' net assets.
- (e) The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Products over the life of the instrument.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

In addition to the redeemable units having all the above features, the Products must have no other financial instruments or contracts that have:

- (a) Total cash flows based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Products, and
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Products continuously assess the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Products will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Products will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

Upon issuance of redeemable units, the consideration received is included in equity. Transaction costs incurred by the Products in issuing or acquiring their own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

The Products' own equity instruments that are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

No gain or loss is recognised in profit or loss on the purchase, sale, issuance or cancellation of the Products' own equity instruments.

Interest income

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

Formation costs

Formation costs are recognised as an expense in the period in which it is incurred.

Net change in unrealised gains or losses on financial assets/liabilities at FVPL

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

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from the reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net realised gains or losses on financial assets/liabilities at FVPL

Realised gains and losses on disposal of financial instruments classified as at FVPL are calculated using the first-in-first-out method for derivative financial instruments and weighted average method for money market funds. For the former, it represents the difference between an instrument's initial carrying amount and disposal amount. For the latter, it represents the difference between an instrument's average cost and disposal amount.

Taxes

The Products are exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Products present the withholding tax separately from the gross investment gains in profit or loss. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

Transactions fees

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

Distributions to unitholders

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

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NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

or

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

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4. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The creation and redemption of units of the Products can only be facilitated by or through participating dealers. Investors other than the participating dealers make a request to create or redeem units through a participating dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a participating dealer.

The Trustee shall receive subscription proceeds or index securities constituting baskets plus remaining subscription proceeds from the participating dealers for the creation of units and pay redemption proceeds or index securities constituting baskets plus remaining redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed. Subscriptions and redemptions of units during the year are shown on the statement of changes in net assets attributable to unitholders.

Units are denominated in base currency and no fractions of a unit shall be created or issued by the Trustee. Units of the Products are offered and issued at their dealing net asset value ("NAV") only in aggregation of a specified number of application units ("Application Unit"). Units are redeemable only in an Application Unit or the multiple thereof at the dealing NAV. Currently, creation and redemption of units will be effected in securities and/or cash.

A reconciliation of the net assets attributable to holders of redeemable units as reported in the statement of financial position to the net assets attributable to holders of redeemable units as determined for the purposes of processing unit subscriptions and redemptions is provided below:

	<u>HSIL</u>		<u>HSII</u>	
	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$
Published net assets attributable to unitholders (Note)	9,290,165	35,241,826	13,351,244	75,426,618
Adjustment for transaction fees	-	1,233	-	1,123
Recognition of formation costs	-	(229,659)	-	(229,659)
Net assets attributable to unitholders (per financial statements)	<u>9,290,165</u>	<u>35,013,400</u>	<u>13,351,244</u>	<u>75,198,082</u>

Note:

The published net assets attributable to unitholders are calculated in accordance with the prospectus where formation costs are capitalised and to be amortised over the first five years of the operation of the Products, while for the net assets as reported in the audited financial statements, the formation costs are expensed as incurred as required under IFRSs. For HSIL and HSII, the formation cost was fully amortised as at 18 February 2021 (date of last valuation) (2019: unamortised amount: HK\$229,659 and the remaining months: 26 months).

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NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

4. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

The table below summarises the accounting NAV per unit calculated in accordance with IFRSs ("Accounting NAV") and the dealing NAV per unit calculated in accordance with the prospectus ("Dealing NAV") for each of the Products as at 18 February 2021 (date of last valuation) and 31 December 2019.

	Net assets attributable to unitholders		
		Accounting NAV	Dealing NAV
	Number of units in issue	Per unit at period/year end	Per unit at period/year end
As at 18 February 2021 (date of last valuation)			
HSIL	800,000	HK\$11.6127	HK\$11.6127
HSII	3,000,000	HK\$4.4504	HK\$4.4504
As at 31 December 2019			
HSIL	3,200,000	HK\$10.9417	HK\$11.0131
HSII	13,200,000	HK\$5.6968	HK\$5.7141

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

The following is a summary of significant related party transactions entered into during the period between the Products and connected persons of the Products, as defined in the SFC Code, including the Trustee, the Manager and their connected persons. All transactions entered into during the period between the Products, the Trustee, the Manager and their connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Products do not have any other transactions with connected persons except for those disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee of up to 1.5% per year of the net assets of each of the Products. Currently, the management fee is accrued daily and calculated at an annual rate of 0.99% (2019: 0.99% per annum) on the NAV of the Products as at each dealing day during the reporting period and payable monthly in arrears for all Products.

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

(b) Trustee fee and registrar fees

The Trustee receives out of the assets of each Product a monthly trustee's fee, payable in arrears, accrued daily and calculated as at each dealing day of up to the greater of 0.12% (2019: 0.12%) per year of the net assets of the Products and the applicable monthly minimum fee for all Products.

In respect of HSIL and HSII, the Trustee, acting as the Registrar, is also entitled to receive a registrar fee of HK\$115 per participating dealer per transaction for updating the register record of the Products and an administration transaction fee of up to HK\$2,500 per participating dealer per transaction, which is borne by the Manager, for handling any cash creation and redemption of units of the Products.

(c) Accounting and professional fees

For the period ended 18 February 2021 (date of last valuation), the Trustee was entitled to receive an accounting fee of HK\$68,812 (2019: HK\$69,000) each from the Products for preparing the interim and year-end financial statements.

(d) Safe custody and bank charges

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

(e) Brokerage and other transaction fees

Transaction fees

In respect of HSIL and HSII, the Trustee is entitled to receive transaction fees of HK\$115 on each open and closed futures position and HK\$117 on each listed mutual fund transaction.

Total transaction fees incurred during the period ended 18 February 2021 (date of last valuation) and year ended 31 December 2019 are as follows:

	For the period from 1 January 2020 to 18 February 2021 (date of last valuation) HK\$	Year ended 31 December 2019 HK\$
<u>HSIL</u>	17,766	16,116
<u>HSII</u>	19,709	22,203

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NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

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

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

Cash at bank

	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$
<u>HSIL</u>	4,392,813	6,061,532
<u>HSII</u>	6,459,518	13,873,550

Note: As at 18 February 2021 (date of last valuation) and 31 December 2019, these bank balances were held with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), an affiliate company of the Trustee.

Interest income from bank deposit

	For the period from 1 January 2020 to 18 February 2021 (date of last valuation) HK\$	Year ended 31 December 2019 HK\$
<u>HSIL</u>	764	92,225
<u>HSII</u>	4,307	165,734

The carrying accounts of the cash and cash equivalents approximate to their fair values. Interest income was earned at prevailing market rate on these cash and cash equivalents during the period from 1 January 2020 to 18 February 2021 (date of last valuation) and year ended 31 December 2019.

Bank charges of the Products for the period from 1 January 2020 to 18 February 2021 (date of last valuation) and year ended 31 December 2019 were charged by HSBC.

Financial assets at fair value through profit or loss

	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$
<u>HSIL</u>	-	13,263,121
<u>HSII</u>	-	28,154,706

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

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18 February 2021 (date of last valuation)

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

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

ChinaAMC Select Money Market Fund ("MMF")

	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$
<u>HSIL</u>	-	2,998,447
<u>HSII</u>	-	6,746,505

According to Chapter 7.11C of the SFC Code, where a scheme invests in any underlying schemes managed by the same management company or its connected persons, all initial charges and redemption charges on the underlying schemes must be waived. The Manager did not incur any initial and redemption charges on MMF for the period from 1 January 2020 to 18 February 2021 (date of last valuation) (2019: Nil). During the period from 1 January 2020 to 18 February 2021 (date of last valuation), the Products received management fee rebate from the MMF amounting to HK\$1,091 and HK\$1,569 for HSIL and HSII respectively (2019: Nil).

(h) Investment transactions with connected persons of the Trustee

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

	Aggregate value of purchases and sales of securities HK\$	Total commission paid HK\$	% of the Product's total transactions during the period/year %	Average commission rate %
For the period from 1 January 2020 to 18 February 2021 (date of last valuation)				
<u>HSIL</u>	8,612,594	-	12.92%	-
<u>HSII</u>	9,598,989	-	15.10%	-
Year ended 31 December 2019				
<u>HSIL</u>	3,000,000	-	3.69%	-
<u>HSII</u>	6,750,000	-	6.99%	-

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18 February 2021 (date of last valuation)

6. CASH AND CASH EQUIVALENTS

	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$
<u>HSIL</u>		
Cash at banks	7,942,320	12,261,532
Short-term deposits	-	3,900,000
	<u>7,942,320</u>	<u>16,161,532</u>
<u>HSII</u>		
Cash at banks	13,059,273	27,673,550
Short-term deposits	-	13,900,000
	<u>13,059,273</u>	<u>41,573,550</u>

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

7. AMOUNTS DUE FROM AND DUE TO BROKERS

As at 18 February 2021 (date of last valuation) and 31 December 2019, the Products had amounts due from brokers and as at 31 December 2019, HSII had amounts due to brokers, which represented receivables and payables for securities sold/purchased that have been contracted for, but not yet delivered on the reporting date respectively. Amounts due from brokers also included cash held at the brokers.

	Note	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$
<u>HSIL</u>			
<i>Amount due from broker</i>			
- Margin deposit	i	1,898,134	5,321,721
- Receivables for securities sold, but not yet delivered		-	13,983
		<u>1,898,134</u>	<u>5,335,704</u>

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NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

7. AMOUNTS DUE FROM AND DUE TO BROKERS (continued)

	Note	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$
<u>HSII</u>			
<i>Amount due from broker</i>			
- Margin deposit	i	842,260	6,635,051
- Receivables for securities sold, but not yet delivered		-	-
<i>Amount due to broker</i>			
- Payables for securities purchased, but not yet delivered		-	20,488

Note:

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

8. SOFT COMMISSION ARRANGEMENTS

The Manager and its connected persons have not received any soft dollar commissions nor entered into any soft dollar arrangements in respect of the management of the Products for the period from 1 January 2020 to 18 February 2021 (date of last valuation) (2019: Nil). The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

9. INCOME TAX

No provision for Hong Kong profits tax has been made for the Products as they are authorised as collective investment schemes under section 104 of the Hong Kong Securities and Futures Ordinance and are therefore exempt from Hong Kong Profits Tax under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

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NOTES TO FINANCIAL STATEMENTS

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10. DISTRIBUTIONS TO UNITHOLDERS

The Manager may in its absolute discretion distribute income to unitholders at such time or times as it may determine in each financial year or determine that no distribution shall be made in any financial year. The amount to be distributed to unitholders, if any, will be derived from the net income of the Products.

The Manager did not intend to pay or make any distributions or dividends during the period from 1 January 2020 to 18 February 2021 (date of last valuation) and year ended 31 December 2019.

11. BROKERAGE AND OTHER TRANSACTION FEES

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

12. INVESTMENT LIMITATION AND PROHIBITIONS

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

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

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

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

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

12. INVESTMENT LIMITATION AND PROHIBITIONS (continued)

There was no investment held by the Products as at 18 February 2021 (date of last valuation). There were money market funds that individually accounted for more than 10% of the NAV of the Products as at 31 December 2019 as follows:

	Respective weighting in the Product's NAV As at 31 December 2019
<i>UBS (IRL) Select Money Market Fund</i>	
<u>HSIL</u>	29.32%
<u>HSII</u>	28.47%

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

The prospectus stated that at least 80% of the NAV for HSIL and at least 90% of the NAV for HSII will be invested in cash (US\$ or HK\$), deposits with banks in Hong Kong and other US\$ or HK\$ denominated investment Products, of which up to 50% of the NAV for HSIL and 60% of the NAV for HSII may be invested in SFC authorised money market funds, and other money market funds (either recognised jurisdiction money market funds or non-recognised jurisdiction money market funds) in accordance with the requirements of the SFC Code.

	Respective weighting in the Product's NAV As at 18 February 2021 (date of last valuation)	Respective weighting in the Product's NAV As at 31 December 2019
<i>HK\$ denominated cash, deposits and money market funds</i>		
<u>HSIL</u>	85.49%	84.04%
<u>HSII</u>	97.81%	92.73%

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NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

12. INVESTMENT LIMITATION AND PROHIBITIONS (continued)

The prospectus also stated that no more than 20% of the NAV for HSIL and 10% of the NAV for HSII will be used as margin to acquire the futures contracts.

There was no investment held by the Products as at 18 February 2021 (date of last valuation). No initial margin requirement was noted as at 18 February 2021 (date of last valuation). Details of the Products' margin requirements as at 18 February 2021 (date of last valuation) and 31 December 2019 are disclosed below:

	As at 18 February 2021 (date of last valuation)		As at 31 December 2019	
<i>Initial margin requirement</i>	HK\$	% of NAV	HK\$	% of NAV
<u>HSIL</u>	-	-	5,171,240	14.77%
<u>HSII</u>	-	-	5,593,382	7.44%

	As at 18 February 2021 (date of last valuation)		As at 31 December 2019	
<i>Aggregate margin deposit</i>	HK\$	% of NAV	HK\$	% of NAV
<u>HSIL</u>	1,898,134	20.43%	5,321,721	15.20%
<u>HSII</u>	842,260	6.31%	6,635,051	8.82%

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

	Note	As at 18 February 2021 (date of last valuation) HK\$	As at 31 December 2019 HK\$
<u>HSIL</u>			
Financial assets at fair value through profit or loss:			
Futures contracts	14	-	630,842
Money market fund		-	13,263,121
		<u>-</u>	<u>13,893,963</u>
<u>HSII</u>			
Financial assets at fair value through profit or loss:			
Money market fund		-	28,154,706
Financial liabilities at fair value through profit or loss:			
Futures contracts	14	-	714,974

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NOTES TO FINANCIAL STATEMENTS

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14. DERIVATIVE FINANCIAL INSTRUMENTS

Futures contracts are a commitment to make or take future delivery of various commodities, currencies or financial instruments at a specified time and place. These commitments can be discharged by making or taking delivery of an approved grade of commodity, currency and financial instrument by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same (or a linked) exchange prior to the designated date of delivery.

There were no unsettled derivative contracts held by the Products as at 18 February 2021 (date of last valuation). The following derivative contracts were unsettled as at 31 December 2019.

Type of contract	Initial margin requirement per contract HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
<u>HSIL</u>				
<u>As at 31 December 2019</u>				
Futures	105,536	30 January 2020	69,261,500	630,842
<u>HSII</u>				
<u>As at 31 December 2019</u>				
Futures	105,536	30 January 2020	(74,915,500)	(714,974)

15. FAIR VALUE OF FINANCIAL INVESTMENTS

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

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

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

Financial assets and financial liabilities carried at fair value

There were no financial assets or financial liabilities held by the Products as at 18 February 2021 (date of last valuation). The following tables analyse within the fair value hierarchy of the Products' financial assets and financial liabilities (by class) measured at fair value as at 31 December 2019:

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

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NOTES TO FINANCIAL STATEMENTS

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15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

Valuation techniques

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

Financial instruments traded in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2 and they include money market funds.

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

During the period from 1 January 2020 to 18 February 2021 (date of last valuation) and year ended 31 December 2019, there were no transfers between levels.

Other financial assets and financial liabilities

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

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NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Investment objectives and investment policies

The investment objectives of the Products are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) of or twice (2x) the daily performance of the underlying index relevant to the respective Products. The Products will rebalance their position at or around the close of trading of the underlying market, by increasing exposure in response to the relevant index's daily gains or reducing exposure in response to the relevant index's daily losses, so that their daily inverse or leverage exposure ratio to the relevant index is consistent with the Products' investment objectives.

The Products themselves are subject to various risks. The main risks associated with the investments, assets and liabilities of the Products are set out below:

(a) Market risk

(i) *Market price risk*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Products are designated to track the performance of their respective indices, and therefore the exposures to market risk in the Products will be substantially the same as the tracked indices. The Manager manages the Products' exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked indices.

Sensitivity analysis in the event of a possible change in the tracked indices by sensitivity threshold as estimated by the Manager

There was no investment held by the Products as at 18 February 2021 (date of last valuation). As at 31 December 2019, if the tracked indices of the Products would increase by 5% with all other variables held constant, this would impact the net assets of the Products by the amounts stated in the following table. Conversely, if the tracked index would decrease by 5%, this would inversely impact the net assets of the Products by approximately equal amounts.

As at 31 December 2019

	Futures' fair value HK\$	% of net assets	Underlying index	Index movement %	Impact on net assets HK\$
<u>HSIL</u>	630,842	1.80	Hang Seng Index	5/(5)	3,463,075/ (3,463,075)
<u>HSII</u>	(714,974)	(0.95)	Hang Seng Index	5/(5)	(3,745,775)/ 3,745,775

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NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) *Interest rate risk*

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

The money market funds of the Products are subject to interest rate risks. There were no financial assets or liabilities held by the Products as at 18 February 2021 (date of last valuation). The annualised returns ranged from 1.15% to 2.23% as at 31 December 2019 where there were insignificant impacts on net assets due to changes in market interest rates.

(iii) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

All Products' assets and liabilities are denominated in their functional currency, HK\$. As a result, the Products were not exposed to significant currency risk as at 18 February 2021 (date of last valuation) and 31 December 2019. Hence, no sensitivity analysis is presented.

(b) Credit risk

Credit risk is the risk of loss to the Products that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Products' financial assets which are potentially subject to credit risk consist principally of securities and cash and cash equivalents. The Products limit their exposure to credit risk by transacting with well-established broker-dealers and banks with high credit ratings.

All transactions in securities are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Manager's policy is to closely monitor the creditworthiness of the Products' counterparties (e.g., brokers, custodians and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosure requirements or not.

Financial assets subject to IFRS 9's impairment requirements

The Products' financial assets subject to the expected credit loss model within IFRS 9 are cash and cash equivalents, other receivables, amounts due from the Manager and amounts due from brokers. As at 18 February 2021 (date of last valuation) and 31 December 2019, no loss allowance had been provided on cash and cash equivalents, other receivables, amounts due from the Manager and amounts due from brokers. It is considered that there is no concentration of credit risk within these assets. No assets are considered to be impaired and no amounts have been written off in the period.

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NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

Financial assets subject to IFRS 9's impairment requirements (continued)

For financial assets measured at amortised cost, the Products apply the general approach for impairment, there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. The financial assets therefore are still classified as stage 1 and presented in gross carrying amount.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. All the Products' cash and cash equivalents are held in major financial institutions located in Hong Kong, which the Manager believes are of high credit quality. The Manager considers the Products are not exposed to significant credit risk and no loss allowance has been made.

Financial assets not subject to IFRS 9's impairment requirements

The Products are exposed to credit risk on money market funds and derivatives assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under IFRS 9 represents the Products' maximum exposure to credit risk on financial instruments not subject to IFRS 9's impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

	<u>HSIL</u>		<u>HSII</u>	
	2020	2019	2020	2019
	HK\$	HK\$	HK\$	HK\$
<u>Banks</u>				
Bank of China (Hong Kong) Limited	900,000	-	2,000,000	-
Rating	A+	-	A+	-
Source of rating	S&P	-	S&P	-
Citibank, N.A. - Hong Kong Branch	1,249,460	-	2,599,683	-
Rating	A+	-	A+	-
Source of rating	S&P	-	S&P	-
HSBC	4,392,813	6,061,532	6,459,518	13,873,550
Rating	AA-	AA-	AA-	AA-
Source of rating	S&P	S&P	S&P	S&P
Industrial and Commercial Bank of China (Asia) Limited	1,400,047	6,200,000	2,000,072	13,800,000
Rating	A	A	A	A
Source of rating	S&P	S&P	S&P	S&P
Sumitomo Mitsui Banking Corporation	-	3,900,000	-	13,900,000
Rating	-	A	-	A
Source of rating	-	S&P	-	S&P

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

Financial assets not subject to IFRS 9's impairment requirements (continued)

	<u>HSIL</u>		<u>HSII</u>	
	2020	2019	2020	2019
	HK\$	HK\$	HK\$	HK\$
<u>Custodians</u>				
HSBC Institutional Trust Services (Asia)				
Limited	-	13,263,121	-	28,154,706
Rating	-	AA-	-	AA-
Source of rating	-	S&P	-	S&P
UBS & Co. Int'l plc.				
Rating	-	A-	-	-
Source of rating	-	S&P	-	-

The Manager of the Products considers that none of these financial assets is impaired or past due but not impaired as at 18 February 2021 (date of last valuation) and 31 December 2019.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The Products invest the majority of their assets in investments that are traded in an active market and can be readily disposed of. The Products' securities are considered readily realisable, as they are listed. It is the intent of the Manager to monitor the Products' liquidity positions on a daily basis.

The expected liquidity of all financial assets held as at 18 February 2021 (date of last valuation) and 31 December 2019 and the contractual undiscounted cash flow projection of all financial liabilities are within three months or less, except auditor's remuneration payable which was repayable between 3 and 12 months. The Products manage their liquidity risk by investing in securities that they expect to be able to liquidate within three months or less. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(d) Capital risk management

The Products' capital is represented by the net assets attributable to unitholders. The Products' objectives are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse of or twice the daily performance of the underlying index relevant to each Product. The Manager may:

- redeem and issue new units in accordance with the constitutive documents of the Products; or
- suspend the creation and redemption of units under certain circumstances stipulated in the Trust Deed.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

The Products present the fair value of its derivative assets and liabilities on a gross basis, no such assets or liabilities have been offset in the statement of financial position. Certain derivative financial instruments are subject to enforceable master netting arrangements.

The arrangements allow offsetting following an event of default, but not in the ordinary course of business, and the Products do not intend to settle these transactions on a net basis or settle the assets and liabilities on a simultaneous basis.

There were no amounts of recognised financial assets and liabilities that are subject to the above arrangement held by the Products as at 18 February 2021 (date of last valuation). The tables below set out the carrying amounts of recognised financial assets and liabilities that are subject to the above arrangement, together with collateral held or pledged against these assets and liabilities as at 31 December 2019.

HSIL

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in the statement of financial position	Effect of remaining rights of set-off that do not meet criteria for offsetting in the statement of financial position – cash and non-cash held as collateral	Net exposure
	HK\$	HK\$	HK\$	HK\$	HK\$
31 December 2019					
Financial assets					
Derivatives	630,842	-	630,842	-	630,842
Amount due from broker	5,321,721	-	5,321,721	-	5,321,721
Total	5,952,563	-	5,952,563	-	5,952,563

HSII

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in the statement of financial position	Effect of remaining rights of set-off that do not meet criteria for offsetting in the statement of financial position – cash and non-cash held as collateral	Net exposure
	HK\$	HK\$	HK\$	HK\$	HK\$
31 December 2019					
Financial assets					
Amount due from broker	6,635,051	-	6,635,051	(714,974)	5,920,077
Total	6,635,051	-	6,635,051	(714,974)	5,920,077
Financial liabilities					
Derivatives	(714,974)	-	(714,974)	714,974	-
Total	(714,974)	-	(714,974)	714,974	-

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

18 February 2021 (date of last valuation)

17. SEGMENT INFORMATION

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

The Manager considers that each Product is a single operating segment which is investing in futures as the Manager adopts a futures-based replication investment strategy to achieve the investment objectives of the respective Products' segments. The objectives of the Products are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse of or twice the daily performance of the underlying index relevant to each Product.

The internal financial information used by the Manager for the Products' assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

There were no changes in the reportable segment during the period from 1 January 2020 to 18 February 2021 (date of last valuation) and year ended 31 December 2019.

The Products are domiciled in Hong Kong. All of the Products' income is derived from investments in financial assets and financial liabilities at fair value through profit or loss. The Products have no assets or liabilities classified as non-current.

18. EVENTS AFTER THE REPORTING PERIOD

Other than those mentioned in note 1 to the financial statements in respect of the proposed voluntary liquidation of the Products, other payables and accruals amounting to HK\$118,990 and HK\$119,450 were settled by HSIL and HSII respectively on 13 April 2021. Pursuant to the distribution announcement on 12 April 2021, HSIL and HSII declared distribution of HK\$9,288,000 and HK\$13,350,000 respectively and the amounts were settled in full on 13 April 2021.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 13 April 2021.

CHINAAMC LEVERAGED/INVERSE SERIES

INVESTMENT PORTFOLIO

As at 18 February 2021 (date of last valuation)

The Products did not hold any investments as at 18 February 2021 (date of last valuation).

CHINAAMC LEVERAGED/INVERSE SERIES

MOVEMENTS IN INVESTMENT PORTFOLIO

For the period from 1 January 2020 to 18 February 2021 (date of last valuation)

HSIL

Investments	Holdings as at 1 January 2020	Additions	Disposals	Holdings as at 18 February 2021 (date of last valuation)
Money Market Instruments				
CHINAAMC SELECT MONEY MARKET FUND	298,751	218,674	(517,425)	-
UBS (IRL) SELECT MONEY MARKET FUND	12,604	6,669	(19,273)	-
Futures Contracts				
HANG SENG IDX FUT JAN 30/01/2020	49	4	(53)	-
HANG SENG IDX FUT FEB 27/02/2020	-	54	(54)	-
HANG SENG IDX FUT MAR 30/03/2020	-	104	(104)	-
HANG SENG IDX FUT APR 28/04/2020	-	104	(104)	-
HANG SENG IDX FUT MAY 28/05/2020	-	55	(55)	-
HANG SENG IDX FUT JUN 29/06/2020	-	56	(56)	-
HANG SENG IDX FUT JUL 30/07/2020	-	60	(60)	-
HANG SENG IDX FUT AUG 28/08/2020	-	49	(49)	-
HANG SENG IDX FUT SEP 29/09/2020	-	29	(29)	-
HANG SENG IDX FUT OCT 29/10/2020	-	96	(96)	-
HANG SENG IDX FUT NOV 27/11/2020	-	97	(97)	-
HANG SENG IDX FUT DEC 30/12/2020	-	12	(12)	-
HANG SENG IDX FUT JAN 28/01/2021	-	11	(11)	-
HANG SENG IDX FUT FEB 25/02/2021	-	11	(11)	-

CHINAAMC LEVERAGED/INVERSE SERIES

MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

For the period from 1 January 2020 to 18 February 2021 (date of last valuation)

HSII

Investments	Holdings as at 1 January 2020	Additions	Disposals	Holdings as at 18 February 2021 (date of last valuation)
Money Market Instruments				
CHINAAMC SELECT MONEY MARKET FUND	672,190	-	(672,190)	-
UBS (IRL) SELECT MONEY MARKET FUND	26,287	5,389	(31,676)	-
Futures Contracts				
HANG SENG IDX FUT JAN 30/01/2020	(53)	60	(7)	-
HANG SENG IDX FUT FEB 27/02/2020	-	70	(70)	-
HANG SENG IDX FUT MAR 30/03/2020	-	102	(102)	-
HANG SENG IDX FUT APR 28/04/2020	-	74	(74)	-
HANG SENG IDX FUT MAY 28/05/2020	-	44	(44)	-
HANG SENG IDX FUT JUN 29/06/2020	-	46	(46)	-
HANG SENG IDX FUT JUL 30/07/2020	-	48	(48)	-
HANG SENG IDX FUT AUG 28/08/2020	-	43	(43)	-
HANG SENG IDX FUT SEP 29/09/2020	-	23	(23)	-
HANG SENG IDX FUT OCT 29/10/2020	-	22	(22)	-
HANG SENG IDX FUT NOV 27/11/2020	-	16	(16)	-
HANG SENG IDX FUT DEC 30/12/2020	-	14	(14)	-
HANG SENG IDX FUT JAN 28/01/2021	-	12	(12)	-
HANG SENG IDX FUT FEB 25/02/2021	-	10	(10)	-

CHINAAMC LEVERAGED/INVERSE SERIES

INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS

For the period from 1 January 2020 to 18 February 2021 (date of last valuation)

Below is the summary of gross exposure and net derivative exposure arising from the use of financial derivative instruments during the period from 1 January 2020 to 18 February 2021 (date of last valuation) and the year ended 31 December 2019.

Gross exposure

	Lowest	Highest	Average
Period from 1 January 2020 to 18 February 2021 (date of last valuation)			
HSIL	182.47%	202.08%	196.52%
HSII	90.77%	100.71%	97.85%
For the year ended 31 December 2019			
HSIL	193.47%	201.40%	198.91%
HSII	98.01%	100.67%	99.47%

Net derivative exposure

	Lowest	Highest	Average
Period from 1 January 2020 to 18 February 2021 (date of last valuation)			
HSIL	182.47%	202.08%	196.52%
HSII	-90.77%	-100.71%	-97.85%
For the year ended 31 December 2019			
HSIL	193.47%	201.40%	198.91%
HSII	-98.01%	-100.67%	-99.47%

CHINAAMC LEVERAGED/INVERSE SERIES

PERFORMANCE RECORD

As at 18 February 2021 (date of last valuation)

NET ASSET VALUE (calculated in accordance with the prospectus)

		<u>As at</u> <u>18 February 2021</u> <u>(date of last valuation)</u>		<u>As at</u> <u>31 December 2019</u>		<u>As at</u> <u>31 December 2018</u>	
		Net asset value	Net asset value per unit	Net asset value	Net asset value per unit	Net asset value	Net asset value per unit
HSIL	HK\$	9,290,165	11.6127	35,241,826	11.0131	55,799,143	9.4575
HSII	HK\$	13,351,244	4.4504	75,426,618	5.7141	149,234,371	6.5742

HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT*

	<u>HSIL</u>		<u>HSII</u>	
	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$
Period from 1 January 2020 to 18 February 2021 (date of last valuation)	11.6127	6.2390	7.2716	4.4504
Year ended 31 December 2019	12.7242	8.8182	6.7977	5.5905
Year ended 31 December 2018	15.7585	8.7090	6.9712	5.4940
Period from 14 March 2017 (date of inception) to 31 December 2017	13.1018	7.9711	8.0125	6.0728

COMPARISON OF THE PRODUCT PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE*

	<u>HSIL</u> **		<u>HSII</u> ***	
	Index performance (%)	Product performance (%)	Index performance (%)	Product performance (%)
Period from 1 January 2020 to 18 February 2021 (date of last valuation)	12.09%	3.55%	12.09%	-21.47%
Year ended 31 December 2019	13.01%	16.40%	13.01%	-12.98%
Year ended 31 December 2018	-10.55%	-26.86%	-10.55%	-7.73%
Period from 14 March 2017 (date of inception) to 31 December 2017	29.83%	61.50%	29.83%	-24.00%

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

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

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

