

ChinaAMC Leveraged/Inverse Series

Annual Report

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

For the period from 28 September 2016 (date of inception) to 31
December 2017

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x)
Leveraged Product

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x)
Inverse Product

For the period from 14 March 2017 (date of inception) to 31 December
2017



华夏基金
ChinaAMC

ANNUAL REPORT

CHINAAMC DIREXION NASDAQ-100 DAILY (2x) LEVERAGED PRODUCT

CHINAAMC DIREXION NASDAQ-100 DAILY (-1x) INVERSE PRODUCT

FOR THE PERIOD FROM 28 SEPTEMBER 2016 (DATE OF INCEPTION) TO
31 DECEMBER 2017

CHINAAMC DIREXION HANG SENG INDEX DAILY (2x) LEVERAGED
PRODUCT

CHINAAMC DIREXION HANG SENG INDEX DAILY (-1x) INVERSE PRODUCT

CHINAAMC DIREXION HANG SENG CHINA ENTERPRISES INDEX DAILY
(2x) LEVERAGED PRODUCT

CHINAAMC DIREXION HANG SENG CHINA ENTERPRISES INDEX DAILY
(-1x) INVERSE PRODUCT

FOR THE PERIOD FROM 14 MARCH 2017 (DATE OF INCEPTION) TO 31
DECEMBER 2017

(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

Mr. Yang Minghui
Mr. Zhang Xiaoling
Mr. Gan Tian
Mr. Tang Xiaodong (appointed on 10 January 2018)

Trustee and Registrar

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

Investment Adviser

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

Service Agent

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

Legal Counsel to the Manager

Simmons & Simmons
13/F, One Pacific Place
88 Queensway, Hong Kong

Auditor

Ernst & Young
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 for:

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

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

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

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

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

Deutsche Securities Asia Limited
Level 52, International Commerce Centre
1 Austin Road West
Kowloon, 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

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

CHINAAMC LEVERAGED/INVERSE SERIES

MANAGEMENT AND ADMINISTRATION

Participating Dealers for

- **ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product**
- **ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product**
- **ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product**
- **ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product**

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

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

China 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.
Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

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

Deutsche Securities Asia Limited
Level 52, International Commerce Centre
1 Austin Road West
Kowloon, 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 Asia Limited
41/F Central Plaza
18 Harbour Road
Wanchai, Hong Kong

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
17th Floor, China Building
29 Queen's Road
Central, Hong Kong

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS

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

---a product of ChinaAMC Leveraged/Inverse Series

Introduction

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

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

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

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

Performance of NDL

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

The performance of NDL is in below (total returns in respective currency^{1,2,3}):

	1-Month	3-Month	Since Launch ⁴
The NAS100	0.52%	7.26%	33.11%
NDL (NAV-to-NAV)	0.42%	14.94%	64.58%
NDL (Market-to-Market)	3.78%	16.26%	67.74%

Activities of NDL

According to Bloomberg, the average daily trading volume of NDL was approximately 4,564 units from 1 January 2017 to 31 December 2017. As of 31 December 2017, there were 3,000,000 units outstanding.

¹ Source: Bloomberg, as of 31 December 2017.

² Past performance figures are not indicative of the future performance of NDL.

³ NDL seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of the NDL may not correspond to two times the return of the underlying index over a one-year period or any period beyond one day. .

⁴ Calculated since 28 September 2016.

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

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

---a product of ChinaAMC Leveraged/Inverse Series

Introduction

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

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

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

Performance of NDI

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

The performance of NDI is in below (total returns in respective currency^{5,6,7}):

	1-Month	3-Month	Since Launch ⁸
The NAS100	0.52%	7.26%	33.11%
NDI (NAV-to-NAV)	-0.62%	-7.82%	-26.51%
NDI (Market-to-Market)	-2.74%	-8.83%	-26.61%

Activities of NDI

According to Bloomberg, the average daily trading volume of NDI was approximately 11,099 units from 1 January 2017 to 31 December 2017. As of 31 December 2017, there were 3,500,000 units outstanding.

⁵ Source: Bloomberg, as of 31 December 2017.

⁶ Past performance figures are not indicative of the future performance of NDI.

⁷ NDI seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of NDI may not correspond to the opposite return of the underlying index over a one-year period or any period beyond one day.

⁸ Calculated since 28 September 2016.

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

3. ChinaAMC Direxion 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 ("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") and the Investment Adviser intend to adopt a futures-based replication investment strategy to achieve the investment objective of HSIL, through directly investing in the spot month HSI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the HSI. HSIL's exposure to HSI Futures will be 200% of its NAV. In entering the spot month HSI Futures, it is anticipated that no more than 20% of the NAV of HSIL from time to time will be used as margin to acquire the HSI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 80% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (HK\$ or US\$) such as deposits with banks in Hong Kong and other HK\$ or US\$ denominated investment products, of which up to 50% of the NAV 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, as amended by SFC from time to time. HSIL will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions

At or around the close of the trading of the underlying futures market on each business day, HSIL will seek to rebalance its portfolio, by increasing exposure in response to the HSI's daily gains or reducing exposure in response to the HSI's daily losses, so that its daily inverse exposure ratio to the HSI is consistent with HSIL's investment objectives.

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.

The performance of HSIL is in below (total returns in respective currency^{9,10,11}):

	1-Month	3-Month	Since Launch ¹²
The HSI	2.56%	8.84%	29.83%
HSIL (NAV-to-NAV)	3.70%	16.95%	61.65%
HSIL (Market-to-Market)	4.19%	17.03%	61.50%

Activities of HSIL

According to Bloomberg, the average daily trading volume of HSIL was approximately 1,864,083 units from 14 March 2017 to 31 December 2017. As of 31 December 2017, there were 19,200,000 units outstanding.

⁹ Source: Bloomberg, as of 31 December 2017.

¹⁰ Past performance figures are not indicative of the future performance of HSIL.

¹¹ HSIL seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of HSIL may not correspond to two times the return of the underlying index over a one-year period or any period beyond one day.

¹² Calculated since 14 March 2017.

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

4. ChinaAMC Direxion 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 and the Investment Adviser intend to adopt a futures-based replication investment strategy to achieve the investment objective of HSII, through directly investing in the spot month HSI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the HSI. In entering the spot month HSI Futures, it is anticipated that no more than 10% of the NAV of HSII from time to time will be used as margin to acquire the HSI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 90% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (HK\$ or US\$) such as deposits with banks in Hong Kong, and other HK\$ or US\$ denominated investment products of which up to 60% of the NAV 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, as amended by SFC from time to time. HSII will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

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

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.

The performance of HSII is in below (total returns in respective currency^{13,14,15}):

	1-Month	3-Month	Since Launch ¹⁶
The HSI	2.56%	8.84%	29.83%
HSII (NAV-to-NAV)	-2.10%	-8.48%	-23.92%
HSII (Market-to-Market)	-2.41%	-8.71%	-24.00%

Activities of HSII

According to Bloomberg, the average daily trading volume of HSII was approximately 1,509,639 units from 14 March 2017 to 31 December 2017. As of 31 December 2017, there were 27,800,000 units outstanding.

¹³ Source: Bloomberg, as of 31 December 2017.

¹⁴ Past performance figures are not indicative of the future performance of HSII.

¹⁵ HSII seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of HSII may not correspond to the opposite return of the underlying index over a one-year period or any period beyond one day.

¹⁶ Calculated since 14 March 2017.

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

5. ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product

---a product of ChinaAMC Leveraged/Inverse Series

Introduction

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

The Manager and the Investment Adviser intend to adopt a futures-based replication investment strategy to achieve the investment objective of HSCEIL, through directly investing in the spot month HSCEI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the HSCEI. HSCEIL's exposure to HSCEI Futures will be 200% of its NAV. In entering the spot month HSCEI Futures, it is anticipated that no more than 20% of the NAV of HSCEIL from time to time will be used as margin to acquire the HSCEI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 80% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (HK\$ or US\$) such as deposits with banks in Hong Kong, and other HK\$ or US\$ denominated investment products of which up to 50% of the NAV 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, as amended by SFC from time to time. HSCEIL will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

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

Performance of HSCEIL

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

The performance of HSCEIL is in below (total returns in respective currency^{17,18,19}):

	1-Month	3-Month	Since Launch ²⁰
The HSCEI	2.04%	7.33%	18.06%
HSCEIL (NAV-to-NAV)	2.95%	13.62%	32.39%
HSCEIL (Market-to-Market)	3.09%	13.38%	32.18%

Activities of HSCEIL

According to Bloomberg, the average daily trading volume of HSCEIL was approximately 2,632,629 units from 14 March 2017 to 31 December 2017. As of 31 December 2017, there were 15,100,000 units outstanding.

¹⁷ Source: Bloomberg, as of 31 December 2017.

¹⁸ Past performance figures are not indicative of the future performance of HSCEIL.

¹⁹ HSCEIL seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of HSCEIL may not correspond to two times the return of the underlying index over a one-year period or any period beyond one day.

²⁰ Calculated since 14 March 2017.

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

6. ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product

---a product of ChinaAMC Leveraged/Inverse Series

Introduction

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

The Manager and the Investment Adviser intend to adopt a futures-based replication investment strategy to achieve the investment objective of HSCEII, through directly investing in the spot month HSCEI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the HSCEI. In entering the spot month HSCEI Futures, it is anticipated that no more than 10% of the NAV of HSCEII from time to time will be used as margin to acquire the HSCEI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 90% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash (HK\$ or US\$) such as deposits with banks in Hong Kong, and other HK\$ or US\$ denominated investment products of which up to 60% of the NAV 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 as amended by SFC from time to time. HSCEII will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

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

Performance of HSCEII

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 HSCEI. HSCEII does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of HSCEII is in below (total returns in respective currency^{21,22,23}):

	1-Month	3-Month	Since Launch ²⁴
The HSCEI	2.04%	7.33%	18.06%
HSCEII (NAV-to-NAV)	-1.74%	-7.63%	-17.01%
HSCEII (Market-to-Market)	-1.93%	-7.56%	-17.19%

²¹ Source: Bloomberg, as of 31 December 2017.

²² Past performance figures are not indicative of the future performance of HSCEII.

²³ HSCEII seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of HSCEII may not correspond to the opposite return of the underlying index over a one-year period or any period beyond one day.

²⁴ Calculated since 14 March 2017.

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

6. ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product (continued)

---a product of ChinaAMC Leveraged/Inverse Series

Activities of HSCEII

According to Bloomberg, the average daily trading volume of HSCEII was approximately 1,630,520 units from 14 March 2017 to 31 December 2017. As of 31 December 2017, there were 22,800,000 units outstanding.

China Asset Management (Hong Kong) Limited
25 April 2018

CHINAAMC LEVERAGED/INVERSE SERIES

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

To the unitholders of

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

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

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

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

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product

ChinaAMC Direxion Hang Seng China Enterprises 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 periods ended 31 December 2017.

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited

25 April 2018

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

China Asset Management (Hong Kong) Limited (the "Manager"), the manager of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product ("NDL"), ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product ("NDI"), ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product ("HSIL"), ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product ("HSII"), ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product ("HSCEIL") and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product ("HSCEII") (collectively referred to as the "Products"), the products of ChinaAMC Leveraged/Inverse Series (the "Trust"), is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code") and the trust deed dated 13 September 2016, as amended or supplemented from time to time (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Products at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

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

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

The Trust is an umbrella unit trust governed by its Trust Deed. As at 31 December 2017, the Trust has established with six 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 Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Trust") (An umbrella unit trust established under the laws of Hong Kong)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product and ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product for the period from 28 September 2016 (date of inception) to 31 December 2017 and ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product for the period from 14 March 2017 (date of inception) to 31 December 2017 (collectively, the "Products") of the Trust set out on pages 18 to 60, which comprise the statements of financial position as at 31 December 2017, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial disposition of the Products as at 31 December 2017, and of their financial transactions and the cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We are also required to assess whether the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure 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 specified in Appendix E to the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report (continued)

To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Trust") (An umbrella unit trust established under the laws of Hong Kong)

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter		
<i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i>			
<p>As at 31 December 2017, the investments held by each of the Products mainly comprised exchange traded futures traded on Hong Kong Futures Exchange Limited and an investment fund, namely UBS (Irl) Select Money Market Fund in their respective financial statements, which were valued at:</p>	<p>We obtained independent confirmation from the custodians of the investment portfolio held as at 31 December 2017, and agreed the quantities held to the accounting records. We tested the design and operating effectiveness of controls for the valuation of financial instruments. In addition, we checked the valuation of the financial assets and financial liabilities at fair value through profit or loss that are quoted in active markets by independently agreeing the valuation to third party vendor sources such as Reuters or Bloomberg at 31 December 2017.</p>		
<table border="1"> <tr> <td data-bbox="165 1509 475 1641">ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product</td> <td data-bbox="475 1509 791 1641">Exchange traded futures: US\$147,329</td> </tr> </table>		ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product	Exchange traded futures: US\$147,329
ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product		Exchange traded futures: US\$147,329	
<table border="1"> <tr> <td data-bbox="165 1648 475 1760">ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product</td> <td data-bbox="475 1648 791 1760">Exchange traded futures: (US\$36,177)</td> </tr> </table>		ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product	Exchange traded futures: (US\$36,177)
ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product	Exchange traded futures: (US\$36,177)		
<table border="1"> <tr> <td data-bbox="165 1767 475 1991">ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product</td> <td data-bbox="475 1767 791 1991">Exchange traded futures: HK\$2,641,998 Money Market Fund: HK\$46,198,905</td> </tr> </table>	ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$2,641,998 Money Market Fund: HK\$46,198,905	
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$2,641,998 Money Market Fund: HK\$46,198,905		

Independent auditor's report (continued)

To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Trust") (An umbrella unit trust established under the laws of Hong Kong)

Key Audit Matters (continued)

Key audit matter		How our audit addressed the key audit matter
<i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i>		
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product	Exchange traded futures: (HK\$1,239,161) Money Market Fund: HK\$42,284,080	
ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product	Exchange traded futures: HK\$6,867,758 Money Market Fund: HK\$64,910,088	
ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product	Exchange traded futures: (HK\$2,352,851) Money Market Fund: HK\$47,772,347	
<p>We focused on this area because the financial assets and financial liabilities at fair value through profit or loss represented the principal element of the financial statements.</p> <p>Disclosures of the financial assets and financial liabilities at fair value through profit or loss are set out in the summary of significant accounting policies and notes 13 - 15.</p>		

Independent auditor's report (continued)

To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Trust") (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 are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, 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 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 disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in the SFC Code.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent auditor's report (continued)

To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Trust")
(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 disclosure 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 and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Products' abilities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Products to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report (continued)

To the unitholders of ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product, ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product, ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product, ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product and ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product of ChinaAMC Leveraged/Inverse Series (the "Trust")
(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 of the Products 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 also provide the Manager and the Trustee of the Products with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager and the Trustee of the Products, 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 disclosure 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 disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the SFC Code.

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

Certified Public Accountants
Hong Kong
25 April 2018

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		<u>NDL</u>	<u>NDI</u>	<u>HSIL</u>	<u>HSII</u>	<u>HSCEIL</u>	<u>HSCEII</u>
	Notes	2017 US\$	2017 US\$	2017 HK\$	2017 HK\$	2017 HK\$	2017 HK\$
ASSETS							
Financial assets at fair value through profit or loss	13	147,329	-	71,777,846	47,772,347	48,840,903	42,284,080
Cash and cash equivalents	7(d)	8,244,966	4,419,701	142,056,608	109,051,838	83,218,271	96,592,697
Amounts due from brokers	8	1,457,950	688,780	34,164,236	15,197,707	29,484,885	13,035,648
Prepayments and other receivables		4,139	4,139	11,425	11,425	11,425	11,425
TOTAL ASSETS		<u>9,854,384</u>	<u>5,112,620</u>	<u>248,010,115</u>	<u>172,033,317</u>	<u>161,555,484</u>	<u>151,923,850</u>
LIABILITIES							
Financial liabilities at fair value through profit or loss	13	-	36,177	-	2,352,851	-	1,239,161
Amount due to broker	8	-	-	-	21,158	-	4,292
Audit fee payable		10,000	10,000	80,454	80,454	80,453	80,453
Management fee payable	7(a)	9,249	4,313	211,812	156,487	139,114	148,122
Trustee fee payable	7(b)	1,121	523	25,674	18,968	16,862	17,954
Other payables and accruals		52,041	49,166	515,872	450,556	449,558	477,075
TOTAL LIABILITIES		<u>72,411</u>	<u>100,179</u>	<u>833,812</u>	<u>3,080,474</u>	<u>685,987</u>	<u>1,967,057</u>
EQUITY							
Net assets attributable to unitholders	5(a)	<u>9,781,973</u>	<u>5,012,441</u>	<u>247,176,303</u>	<u>168,952,843</u>	<u>160,869,497</u>	<u>149,956,793</u>
TOTAL LIABILITIES AND EQUITY		<u>9,854,384</u>	<u>5,112,620</u>	<u>248,010,115</u>	<u>172,033,317</u>	<u>161,555,484</u>	<u>151,923,850</u>
Number of units in issue	5(b)	<u>3,000,000</u>	<u>3,500,000</u>	<u>19,200,000</u>	<u>27,800,000</u>	<u>15,100,000</u>	<u>22,800,000</u>
Net asset value per unit	5(b)	<u>3.2607</u>	<u>1.4321</u>	<u>12.8738</u>	<u>6.0774</u>	<u>10.6536</u>	<u>6.5771</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENTS OF COMPREHENSIVE INCOME

Period ended 31 December 2017

		<u>NDL</u>	<u>NDI</u>	<u>HSIL</u>	<u>HSII</u>	<u>HSCEIL</u>	<u>HSCEII</u>
		For the period from 28 September 2016 (date of inception) to 31 December 2017	For the period from 28 September 2016 (date of inception) to 31 December 2017	For the period from 14 March 2017 (date of inception) to 31 December 2017	For the period from 14 March 2017 (date of inception) to 31 December 2017	For the period from 14 March 2017 (date of inception) to 31 December 2017	For the period from 14 March 2017 (date of inception) to 31 December 2017
	Notes	US\$	US\$	HK\$	HK\$	HK\$	HK\$
INCOME							
Interest income		9,550	6,477	19,152	13,150	10,419	10,343
		<u>9,550</u>	<u>6,477</u>	<u>19,152</u>	<u>13,150</u>	<u>10,419</u>	<u>10,343</u>
EXPENSES							
Management fee	7(a)	(197,797)	(152,199)	(2,894,321)	(2,138,579)	(2,069,385)	(2,412,765)
Trustee fee	7(b)	(23,976)	(18,448)	(350,827)	(259,222)	(250,834)	(292,456)
Accounting and professional fees		(9,000)	(9,000)	(69,000)	(69,000)	(69,000)	(69,000)
Audit fee		(10,000)	(10,000)	(80,000)	(80,000)	(80,000)	(80,000)
Legal fees		-	-	(4,658)	(4,658)	(4,658)	(4,658)
Safe custody and bank charges		-	-	(1,888)	(1,076)	(1,125)	(1,196)
Brokerage and other transaction fees		(16,817)	(8,833)	(580,601)	(238,972)	(1,041,934)	(649,454)
Formation costs	7(c)(i)	(166,176)	(166,176)	(537,336)	(537,336)	(537,330)	(537,330)
Other operating expenses		(81,627)	(79,298)	(565,231)	(502,648)	(497,994)	(525,857)
		<u>(505,393)</u>	<u>(443,954)</u>	<u>(5,083,862)</u>	<u>(3,831,491)</u>	<u>(4,552,260)</u>	<u>(4,572,716)</u>
LOSSES BEFORE INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES		(495,843)	(437,477)	(5,064,710)	(3,818,341)	(4,541,841)	(4,562,373)
INVESTMENT GAINS/(LOSSES) AND EXCHANGE DIFFERENCES							
Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss	6	8,118,068	(3,485,674)	174,303,212	(68,218,752)	80,335,422	(53,365,374)
Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss	6	147,329	(36,177)	7,130,546	(2,165,994)	2,821,555	(1,074,566)
Foreign exchange gains/(losses)		629	229	(18,685)	(17,850)	(13,479)	(15,364)
		<u>8,266,026</u>	<u>(3,521,622)</u>	<u>181,415,073</u>	<u>(70,402,596)</u>	<u>83,143,498</u>	<u>(54,455,304)</u>
TOTAL COMPREHENSIVE INCOME		<u>7,770,183</u>	<u>(3,959,099)</u>	<u>176,350,363</u>	<u>(74,220,937)</u>	<u>78,601,657</u>	<u>(59,017,677)</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

Period ended 31 December 2017

	<u>NDL</u>	<u>NDI</u>	<u>HSIL</u>	<u>HSII</u>	<u>HSCEIL</u>	<u>HSCEII</u>
	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
Net assets attributable to unitholders at the beginning of the period	-	-	-	-	-	-
Issue of units	17,801,920	18,226,960	407,741,520	369,036,840	349,153,030	435,066,150
Redemption of units	(15,790,130)	(9,255,420)	(336,915,580)	(125,863,060)	(266,885,190)	(226,091,680)
Total comprehensive income	<u>7,770,183</u>	<u>(3,959,099)</u>	<u>176,350,363</u>	<u>(74,220,937)</u>	<u>78,601,657</u>	<u>(59,017,677)</u>
Net assets attributable to unitholders at 31 December 2017	<u><u>9,781,973</u></u>	<u><u>5,012,441</u></u>	<u><u>247,176,303</u></u>	<u><u>168,952,843</u></u>	<u><u>160,869,497</u></u>	<u><u>149,956,793</u></u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF CASH FLOWS

For the period from 28 September 2016 (date of inception) to 31 December 2017

NDL

	Note	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income		7,770,183
Adjustment for:		
Interest income		(9,550)
Operating gain before changes in working capital		<u>7,760,633</u>
Changes in financial assets at fair value through profit or loss		(147,329)
Changes in prepayments and other receivables		(4,139)
Changes in amount due from broker		(1,457,950)
Changes in audit fee payable		10,000
Changes in management fee payable		9,249
Changes in trustee fee payable		1,121
Changes in other payables and accruals		52,041
Net cash flows generated from operations		<u>6,223,626</u>
Interest received		9,550
Net cash flows generated from operating activities		<u>6,233,176</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units		17,801,920
Payments on redemption of units		(15,790,130)
Net cash flows generated from financing activities		<u>2,011,790</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
		<u><u>8,244,966</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank	7(d)	<u><u>8,244,966</u></u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF CASH FLOWS (continued)

For the period from 28 September 2016 (date of inception) to 31 December 2017

NDI

	Note	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income		(3,959,099)
Adjustment for:		
Interest income		(6,477)
Operating loss before changes in working capital		<u>(3,965,576)</u>
Changes in prepayments and other receivables		(4,139)
Changes in amount due from broker		(688,780)
Changes in financial liabilities at fair value through profit or loss		36,177
Changes in audit fee payable		10,000
Changes in management fee payable		4,313
Changes in trustee fee payable		523
Changes in other payables and accruals		<u>49,166</u>
Net cash flows used in operations		<u>(4,558,316)</u>
Interest received		<u>6,477</u>
Net cash used in operating activities		<u>(4,551,839)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units		18,226,960
Payments on redemption of units		<u>(9,255,420)</u>
Net cash flows generated from financing activities		<u>8,971,540</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>4,419,701</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank	7(d)	<u><u>4,419,701</u></u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF CASH FLOWS (continued)

For the period from 14 March 2017 (date of inception) to 31 December 2017

HSIL

	Note	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income		176,350,363
Adjustment for:		
Interest income		<u>(19,152)</u>
Operating gain before changes in working capital		176,331,211
Changes in financial assets at fair value through profit or loss		(71,777,846)
Changes in prepayments and other receivables		(11,425)
Changes in amount due from broker		(34,164,236)
Changes in audit fee payable		80,454
Changes in management fee payable		211,812
Changes in trustee fee payable		25,674
Changes in other payables and accruals		<u>515,872</u>
Net cash flows generated from operations		<u>71,211,516</u>
Interest received		<u>19,152</u>
Net cash flows generated from operating activities		<u>71,230,668</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of units		407,741,520
Payments on redemption of units		<u>(336,915,580)</u>
Net cash flows generated from financing activities		<u>70,825,940</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
		<u><u>142,056,608</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank	7(d)	<u>142,056,608</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF CASH FLOWS (continued)

For the period ended 14 March 2017 (date of inception) to 31 December 2017

HSII

	Note	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income		(74,220,937)
Adjustment for:		
Interest income		<u>(13,150)</u>
Operating loss before changes in working capital		(74,234,087)
Changes in financial assets at fair value through profit or loss		(47,772,347)
Changes in prepayments and other receivables		(11,425)
Changes in amount due from broker		(15,197,707)
Changes in financial liabilities at fair value through profit or loss		2,352,851
Changes in amounts due to broker		21,158
Changes in audit fee payable		80,454
Changes in management fee payable		156,487
Changes in trustee fee payable		18,968
Changes in other payables and accruals		<u>450,556</u>
Net cash flows used in operations		<u>(134,135,092)</u>
Interest received		<u>13,150</u>
Net cash flows used in operating activities		<u>(134,121,942)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of units		369,036,840
Payments on redemption of units		<u>(125,863,060)</u>
Net cash flows generated from financing activities		<u>243,173,780</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>109,051,838</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank	7(d)	<u>109,051,838</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF CASH FLOWS (continued)

For the period ended 14 March 2017 (date of inception) to 31 December 2017

HSCEIL

	Note	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income		78,601,657
Adjustment for:		
Interest income		(10,419)
Operating gain before changes in working capital		<u>78,591,238</u>
Changes in financial assets at fair value through profit or loss		(48,840,903)
Changes in prepayments and other receivables		(11,425)
Changes in amount due from broker		(29,484,885)
Changes in audit fee payable		80,453
Changes in management fee payable		139,114
Changes in trustee fee payable		16,862
Changes in other payables and accruals		449,558
Net cash flows generated from operations		<u>940,012</u>
Interest received		10,419
Net cash flows generated from operating activities		<u>950,431</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of units		349,153,030
Payments on redemption of units		(266,885,190)
Net cash flows generated from financing activities		<u>82,267,840</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>83,218,271</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank	7(d)	<u>83,218,271</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF CASH FLOWS (continued)

For the period ended 14 March 2017 (date of inception) to 31 December 2017

HSCEII

	Note	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income		(59,017,677)
Adjustment for:		
Interest income		(10,343)
Operating loss before changes in working capital		<u>(59,028,020)</u>
Changes in financial assets at fair value through profit or loss		(42,284,080)
Changes in prepayments and other receivables		(11,425)
Changes in amount due from broker		(13,035,648)
Changes in financial liabilities at fair value through profit or loss		1,239,161
Changes in amount due to broker		4,292
Changes in audit fee payable		80,453
Changes in management fee payable		148,122
Changes in trustee fee payable		17,954
Changes in other payables and accruals		477,075
Net cash flows used in operations		<u>(112,392,116)</u>
Interest received		10,343
Net cash flows used in operating activities		<u>(112,381,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of units		435,066,150
Payments on redemption of units		(226,091,680)
Net cash flows generated from financing activities		<u>208,974,470</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>96,592,697</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank	7(d)	<u>96,592,697</u>

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. THE TRUST

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

As at 31 December 2017, the Trust has established six 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 Limited ("SEHK") and the listing dates are as follows:

<u>Name of products</u>	<u>Date of inception and listing date on the SEHK</u>
ChinaAMC Direxion NASDAQ-100 Daily (2x) Leveraged Product ("NDL")	28 September 2016
ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product ("NDI")	28 September 2016
ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product ("HSIL")	14 March 2017
ChinaAMC Direxion Hang Seng Index Daily (-1x) Inverse Product ("HSII")	14 March 2017
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (2x) Leveraged Product ("HSCEIL")	14 March 2017
ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product ("HSCEII")	14 March 2017

These financial statements relate to the above-mentioned products (the "Products"). The Manager and the Trustee (collectively, the "Management") are responsible for the preparation of the financial statements.

NDL

The investment objective of NDL (Stock code: 07261) is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the NASDAQ-100 Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

NDI

The investment objective of NDI (Stock code: 07331) is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the NASDAQ-100 Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

HSIL

The investment objective of HSIL (Stock code: 07221) is to provide daily investment results, before fees and expenses, which closely correspond 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.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. THE TRUST (continued)

HSII

The investment objective of HSII (Stock code: 07321) is to provide daily investment results, before fees and expenses, which closely correspond 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.

HSCEIL

The investment objective of HSCEIL (Stock code: 07267) is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the Hang Seng China Enterprises Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

HSCEII

The investment objective of HSCEII (Stock code: 07341) is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the Hang Seng China Enterprises Index. It does not seek to achieve its stated investment objective over a period of time greater than one day.

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 that have been measured at fair value.

The financial statements have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. The financial statements are presented in United States dollars ("US\$") for NDL and NDI and Hong Kong dollars ("HK\$") for HSIL, HSII, HSCEIL and HSCEII, and all values are rounded to the nearest US\$ and HK\$ respectively except where otherwise indicated.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Products have not early applied any of the new and revised IFRSs that have been issued but are not yet effective for the accounting periods ended 31 December 2017, in these financial statements. Among the new and revised IFRSs, the following are expected to be relevant to the Product' financial statements upon becoming effective:

IFRS 9	<i>Financial Instruments</i> ¹
IFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Products plan to adopt the new standard on the required effective date. Further information about the impact will be available nearer the implementation date of the standard. The Products do not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement, and impairment of their financial assets.

IFRS 15 was issued in May 2014 and amended in April 2016, and it establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Products plan to adopt the new standard on the required effective date 1 January 2018. The Products do not expect that the adoption of IFRS 15 will have a significant impact on the recognition of their revenue.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) Classification

The Products classify their financial assets and liabilities into the following categories, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets at fair value through profit or loss

Financial assets designated as at fair value through profit or loss upon initial recognition: these include equity investment and derivatives. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Products.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Products include in this category amounts relating to cash and cash equivalents, amounts due from brokers, prepayment and other receivables.

Financial liabilities

This category includes all financial liabilities. The Products include in this category amounts relating to amounts due to brokers, audit fee payable, management fee payable, trustee fee payable and other short term payables.

(ii) 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.

(iii) Initial measurement

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

Loans and receivables and financial liabilities 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

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Subsequent measurement

After initial measurement, the Products measure financial instruments, which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gains/losses on financial assets at fair value through profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense 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 instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or 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 future credit losses. 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.

(v) Derecognition

A financial asset (or, where applicable a part of a financial asset or 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 their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either;

- the Products have transferred substantially all the risks and rewards of the asset, or
- the Products have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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.

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 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.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Products assess at the end of each reporting period whether a financial asset or a group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as "credit loss expense".

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Products. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to profit or loss.

Interest revenue on impaired financial assets is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

Offsetting 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.

Cash and cash equivalents

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

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

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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 "functional currency"). The performance of the Products is measured and reported to the unitholders in US\$ for NDL and NDI and in HK\$ for HSIL, HSII, HSCEIL and HSCEII.

The Management considers US\$ and HK\$ as the currencies that most faithfully represent the economic effects of the underlying transactions, events and conditions. The financial statements of the Products are presented in the US\$ for NDL and NDI and in the HK\$ for HSIL, HSII, HSCEIL and HSCEII, which are the Products' functional and presentation currencies.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as 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 was determined.

Foreign exchange gains and losses arising from translation are included in profit or loss.

Foreign exchange gains and losses relating to cash and cash equivalents and the financial instruments classified as at fair value through profit or loss are included in profit or loss within "foreign exchange gains/(losses)".

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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' redeemable units meet the definition of puttable instruments classified as equity instruments under the revised IAS 32 and are classified as equity.

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

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

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

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

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

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income as it accrues, using the effective interest method.

Formation costs

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

Net change in unrealised gains/(losses) on financial assets/liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and financial liabilities as at fair value through profit or loss and excludes interest and dividend income and expenses.

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

Net realised gains/(losses) on financial assets/liabilities at fair value through profit or loss

Realised gains and losses on disposal of financial instruments classified as at fair value through profit or loss are calculated using the first in first out method for derivative financial instruments and weighted average method for money market fund. For the former one, it represents the difference between an instrument's initial carrying amount and disposal amount. For the latter one, it represents the difference between an instrument's average cost and disposal amount.

Taxes

In some jurisdictions, dividend income, interest income and capital gains are subject to withholding tax deducted at the source of the income. The Products present the withholding tax separately from the gross investment gains in the statement of comprehensive income.

For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

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.

Amounts due from and due to brokers

Amounts due from brokers includes cash held at the brokers and receivables for unsettled trades. Amounts due to brokers includes margin debt balances and payables for unsettled trades.

These amounts are measured initially at fair value plus any directly attributable incremental costs of acquisition or issue and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. Gains and losses are recognised in the profit or loss when the amounts due from brokers are derecognised or impaired and when the amount due to brokers is derecognised, as well as through the amortisation process.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGES IN ACCOUNTING ESTIMATES

The preparation of the Products' financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Going concern

The Manager has made an assessment of the Products' ability to continue as a going concern and is satisfied that the Products have the intention and resources to continue in business for the next 12 months after the year end date. Furthermore, the Manager is not aware of any material uncertainties that may cast significant doubt upon the Products' ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Taxation

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

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5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS

(a) 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 period 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 only in aggregations of a specified number of application units (the "Application Unit"). Units are redeemable only in an Application Unit or multiple thereof at the dealing net asset value. Currently, creation and redemption of units will be effected in securities and/or cash.

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NOTES TO FINANCIAL STATEMENTS

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5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS (continued)

(a) Net assets attributable to unitholders (continued)

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

	<u>NDL</u> 2017 US\$	<u>NDI</u> 2017 US\$	<u>HSIL</u> 2017 HK\$	<u>HSII</u> 2017 HK\$	<u>HSCEIL</u> 2017 HK\$	<u>HSCEII</u> 2017 HK\$
Published net assets attributable to unitholders (Note)	9,905,317	5,135,785	247,615,260	169,391,800	161,308,454	150,395,750
Recognition of formation costs	<u>(123,344)</u>	<u>(123,344)</u>	<u>(438,957)</u>	<u>(438,957)</u>	<u>(438,957)</u>	<u>(438,957)</u>
Net assets attributable to unitholders (per financial statements)	<u>9,781,973</u>	<u>5,012,441</u>	<u>247,176,303</u>	<u>168,952,843</u>	<u>160,869,497</u>	<u>149,956,793</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 the net assets as reported in the audited financial statements, the formation costs are expensed as incurred, as required under IFRSs.

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NOTES TO FINANCIAL STATEMENTS

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5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS (continued)

(b) Movement of units

The table below summarises the movement of units for the periods ended 31 December 2017, and the accounting NAV per unit calculated in accordance with IRFSs ("Accounting NAV") and the dealing NAV per unit calculated in accordance with the prospectus ("Dealing NAV") for each of the Products as at 31 December 2017.

As at 31 December 2017	Number of units				Net assets attributable to unitholders	
	Units in issue at beginning of the period	Creation during the period	Redemption during the period	Units in issue at end of period	Accounting NAV Per unit at period end	Dealing NAV Per unit at period end
NDL ¹	-	8,900,000	5,900,000	3,000,000	US\$3.2607	US\$3.3018
NDI ¹	-	9,100,000	5,600,000	3,500,000	US\$1.4321	US\$1.4674
HSIL ²	-	50,800,000	31,600,000	19,200,000	HK\$12.8738	HK\$12.8966
HSII ²	-	46,300,000	18,500,000	27,800,000	HK\$6.0774	HK\$6.0932
HSCEIL ²	-	43,300,000	28,200,000	15,100,000	HK\$10.6536	HK\$10.6827
HSCEII ²	-	54,900,000	32,100,000	22,800,000	HK\$6.5771	HK\$6.5963

¹ Period from 28 September 2016 (date of inception) to 31 December 2017

² Period from 14 March 2017 (date of inception) to 31 December 2017

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6. NET GAIN/(LOSS) ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is a breakdown of net gain/(loss) on financial assets/liabilities and at fair value through profit or loss:

	<u>NDL</u>	<u>NDI</u>	<u>HSIL</u>	<u>HSII</u>	<u>HSCEIL</u>	<u>HSCEII</u>
	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$	For the period from 28 September 2016 (date of inception) to 31 December 2017 US\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$	For the period from 14 March 2017 (date of inception) to 31 December 2017 HK\$
Net realised gain/(loss) on sale of financial assets/liabilities at fair value through profit or loss	8,118,068	(3,485,674)	174,303,212	(68,218,752)	80,335,422	(53,365,374)
Net change in unrealised gain/(loss) on financial assets/liabilities at fair value through profit or loss	147,329	(36,177)	7,130,546	(2,165,994)	2,821,555	(1,074,566)
	<u>8,265,397</u>	<u>(3,521,851)</u>	<u>181,433,758</u>	<u>(70,384,746)</u>	<u>83,156,977</u>	<u>(54,439,940)</u>

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7. 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, the Trustee, Manager and their connected persons. Connected persons of the Manager are those as defined in SFC Code. All transactions entered into during the period between the Products and the Manager and its 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 Products, accrued daily and calculated as at each dealing day and payable monthly in arrears. For each product, the Manager is entitled to receive a management fee as follows:

	<u>Maximum rate of the net assets in %</u>	<u>Annual rate of the net assets in % 2017</u>
NDL ¹	1.5%	0.99%
NDI ¹	1.5%	0.99%
HSIL ²	1.5%	0.99%
HSII ²	1.5%	0.99%
HSCEIL ²	1.5%	0.99%
HSCEII ²	1.5%	0.99%

¹ Period from 28 September 2016 (date of inception) to 31 December 2017

² Period from 14 March 2017 (date of inception) to 31 December 2017

(b) Trustee fees and Registrar fees

The Trustee receives out of the assets of each product a monthly trustee's fee, payable in arrears, accrued daily and calculated as at each dealing day of up to the greater of 0.12% per year of the net assets of the Products or the applicable monthly minimum. For each product, the Trustee is entitled to receive the trustee fee as follows:

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31 December 2017

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

(b) Trustee fees and Registrar fees (continued)

	<u>Annual rate³ of the net assets in % 2017</u>
NDL ¹	0.12%
NDI ¹	0.12%
HSIL ²	0.12%
HSII ²	0.12%
HSCEIL ²	0.12%
HSCEII ²	0.12%

¹ Period from 28 September 2016 (date of inception) to 31 December 2017

² Period from 14 March 2017 (date of inception) to 31 December 2017

³ The current standard annual rates for NDL and NDI are 0.12% per year of the net assets of each product, subject to a monthly minimum of US\$10,000 (waived until 25 March 2018 (but excluding) the listing date) and for HSIL, HSII, HSCEIL and HSCEII are 0.12% per year of the net assets of each product, subject to a monthly minimum of HK\$78,000 (waived for 12 months from (but excluding) the listing date).

In respect of NDL and NDI, the Trustee acting as the Registrar, is also entitled to receive a registrar fee of US\$15 per participating dealer per transaction for updating the register record of the Products and an administration transaction fee of US\$500 per participating dealer per transaction for handling any cash creation and redemption of units of the Products.

In respect of HSIL, HSII, HSCEIL and HSCEII, 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 HK\$3,900 per participating dealer per transaction, which is borne by the Manager, for handling any cash creation and redemption of units of the Products.

(c) Other expenses

(i) *Formation costs*

During the period ended 31 December 2017, the formation costs for establishing NDL, NDI, HSIL, HSII, HSCEIL and HSCEII are payable to the Manager.

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NOTES TO FINANCIAL STATEMENTS

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

- (d) Cash and cash equivalents and certain financial assets at fair value through profit or loss held by the Trustee's related company

Cash and cash equivalents

	2017
	US\$
<u>NDL</u>	8,244,966
<u>NDI</u>	4,419,701
	HK\$
<u>HSIL</u>	142,056,608
<u>HSII</u>	109,051,838
<u>HSCEIL</u>	83,218,271
<u>HSCEII</u>	96,592,697

Note

As at 31 December 2017, these bank balances were held with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

The carrying accounts of the cash and cash equivalents approximate to their fair values. Interest income was earned on these cash and cash equivalents during the periods ended 31 December 2017.

Bank charges of the Products for the periods ended 31 December 2017 were charged by The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

Financial assets at fair value through profit or loss

	2017
	HK\$
<u>HSIL</u>	64,910,088
<u>HSII</u>	47,772,347
<u>HSCEIL</u>	46,198,905
<u>HSCEII</u>	42,284,080

Note

As at 31 December 2017, these financial assets at fair value through profit or loss were held with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

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NOTES TO FINANCIAL STATEMENTS

31 December 2017

8. AMOUNTS DUE FROM AND DUE TO BROKERS

As at 31 December 2017, the Products have amounts due from and amounts due to brokers, which represent receivables and payables for securities sold/purchased that have been contracted for, but not yet delivered on the reporting date respectively. Amounts due from brokers also include cash held at the brokers.

	Note	2017 US\$
<u>NDL</u>		
Amount due from broker		
- Margin deposit	i	1,456,907
- Receivables for securities sold, but not yet delivered		1,043
		<u>1,457,950</u>
<u>NDI</u>		
Amount due from broker		
- Margin deposit	i	<u>688,780</u>
HK\$		
<u>HSIL</u>		
Amount due from broker		
- Margin deposit	i	<u>34,164,236</u>
<u>HSII</u>		
Amount due from broker		
- Margin deposit	i	<u>15,197,707</u>
Amount due to broker		
- Payables for securities purchased, but not yet delivered		<u>21,158</u>
<u>HSCEIL</u>		
Amount due from broker		
- Margin deposit	i	<u>29,484,885</u>
<u>HSCEII</u>		
Amount due from broker		
- Margin deposit	i	<u>13,035,648</u>
Amount due to broker		
- Payables for securities purchased, but not yet delivered		<u>4,292</u>

Notes

(i) The amounts due from brokers represented cash collateral for derivatives margin.

9. SOFT COMMISSION ARRANGEMENTS

The Manager and its connected persons have not received any soft dollar commissions or entered into any soft dollar arrangements in respect of the management of the Products for the periods ended 31 December 2017. The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

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NOTES TO FINANCIAL STATEMENTS

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10. TAXATION

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.

11. 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 period or determine that no distribution shall be made in any financial period. 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 ended 31 December 2017.

12. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The SFC Code allows the Products to invest in securities issued by a single issuer for more than 10% of the Products' net assets provided that the strategy is clearly disclosed in the Product Description Document/Hong Kong Offering Document of the ETF.

The prospectus stated that up to 50% of the NAV for HSIL and HSCEIL or 60% of the NAV for HSII and HSCEII 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.

There was a money market fund that individually accounted for more than 10% of the net asset value of the Products as at 31 December 2017 as follow:

<u>As at 31 December 2017</u>	Respective weighting in the product's net asset value
UBS (Irl) Select Money Market Fund	
<u>HSIL</u>	26.26%
<u>HSII</u>	28.28%
<u>HSCEIL</u>	28.72%
<u>HSCEII</u>	28.20%

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NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

NDL

	Note	2017 US\$
Financial assets designated as at fair value through profit or loss:		
Futures contracts	14	<u>147,329</u>

NDI

		2017 US\$
Financial liabilities designated as at fair value through profit or loss:		
Futures contracts	14	<u>36,177</u>

HSIL

		2017 HK\$
Financial assets designated as at fair value through profit or loss:		
Futures contracts	14	6,867,758
Money market fund		64,910,088
		<u>71,777,846</u>

HSII

		2017 HK\$
Financial assets designated as at fair value through profit or loss:		
Money market fund		<u>47,772,347</u>
Financial liabilities designated as at fair value through profit or loss:		
Futures contracts	14	<u>2,352,851</u>

HSCEIL

		2017 HK\$
Financial assets designated as at fair value through profit or loss:		
Futures contracts	14	2,641,998
Money market fund		46,198,905
		<u>48,840,903</u>

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

HSCEII

				2017 HK\$
Financial assets designated as at fair value through profit or loss:				
Money market fund				<u>42,284,080</u>
Financial liabilities designated as at fair value through profit or loss:				
Futures contracts		14		<u>1,239,161</u>

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.

The following derivative contracts were unsettled as at 31 December 2017.

NDL

Type of contract	Initial margin requirement US\$	Expiration	Nominal amount US\$	Fair value US\$
Futures	4,950	16 March 2018	19,738,950	147,329

NDI

Type of contract	Initial margin requirement US\$	Expiration	Nominal amount US\$	Fair value US\$
Futures	4,950	16 March 2018	(4,998,825)	(36,177)

HSIL

Type of contract	Initial margin requirement HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
Futures	99,152	30 January 2018	494,142,000	6,867,758

HSII

Type of contract	Initial margin requirement HK\$	Expiration	Nominal amount HK\$	Fair value HK\$
Futures	99,152	30 January 2018	(167,708,800)	(2,352,851)

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NOTES TO FINANCIAL STATEMENTS

31 December 2017

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

HSCEIL

Type of contract	Initial margin requirement	Expiration	Nominal amount	Fair value
	HK\$		HK\$	HK\$
Futures	39,235	30 January 2018	321,988,500	2,641,998

HSCEII

Type of contract	Initial margin requirement	Expiration	Nominal amount	Fair value
	HK\$		HK\$	HK\$
Futures	39,235	30 January 2018	(150,144,000)	(1,239,161)

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) are based on quoted market prices at the close of trading on the period end date. The Products used last traded market prices as their fair valuation inputs for financial assets.

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS

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15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

Financial assets and financial liabilities carried at fair value

The following tables analyse within the fair value hierarchy the Products' financial assets and financial liabilities (by class) measured at fair value as at 31 December 2017:

NDL

As at 31 December 2017

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss:				
Futures	147,329	-	-	147,329

NDI

As at 31 December 2017

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial liabilities at fair value through profit or loss:				
Futures	36,177	-	-	36,177

HSIL

As at 31 December 2017

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss:				
Futures	6,867,758	-	-	6,867,758
Money market fund	-	64,910,088	-	64,910,088
	<u>6,867,758</u>	<u>64,910,088</u>	<u>-</u>	<u>71,777,846</u>

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15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

HSII

As at 31 December 2017

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss:				
Money market fund	-	47,772,347	-	47,772,347
Financial liabilities at fair value through profit or loss:				
Futures	2,352,851	-	-	2,352,851

HSCEIL

As at 31 December 2017

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss:				
Futures	2,641,998	-	-	2,641,998
Money market fund	-	46,198,905	-	46,198,905
	2,641,998	46,198,905	-	48,840,903

HSCEII

As at 31 December 2017

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss:				
Money market fund	-	42,284,080	-	42,284,080
Financial liabilities at fair value through profit or loss:				
Futures	1,239,161	-	-	1,239,161

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NOTES TO FINANCIAL STATEMENTS

31 December 2017

15. FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

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

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

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

During the periods ended 31 December 2017, there were no transfers between levels.

Other financial assets and financial liabilities

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

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Strategy in using financial instruments

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:

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16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(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

As at 31 December 2017, if the tracked indices of the Products would increase by the following sensitivity thresholds 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 the same sensitivity threshold, this would inversely impact the net assets of the Products by approximately equal amounts.

	Futures fair value	% of net assets	Underlying index	Index movement	<u>2017</u> Impact on net assets
	US\$			%	US\$
NDL	147,329	1.51	NASDAQ-100 Index	5/(5)	7,366/(7,366)
NDI	(36,177)	(0.72)	NASDAQ-100 Index	5/(5)	(1,809)/1,809
	HK\$			%	HK\$
HSIL	6,867,758	2.78	Hang Seng Index	5/(5)	343,388/(343,388)
HSII	(2,352,851)	(1.39)	Hang Seng Index	5/(5)	(117,643)/117,643
HSCEIL	2,641,998	1.64	Hang Seng China Enterprises Index	5/(5)	132,100/(132,100)
HSCEII	(1,239,161)	(0.83)	Hang Seng China Enterprises Index	5/(5)	(61,958)/61,958

(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 majority financial assets and liabilities of NDL and NDI are non-interest-bearing and do not subject to significant interest rate risks.

The money market funds of HSIL, HSII, HSCEIL and HSCEII are subject to interest rate risks with annualised return of 0.44% as at 31 December 2017. There was insignificant impact on net assets due to changes in market interest rates.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(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, the US\$ and the HK\$. As a result, the Products were not exposed to significant currency risk as at 31 December 2017.

(c) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

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 Products' financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank deposits and assets held with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The tables below summarise the Products' assets placed with bank, brokers and custodians and their related credit ratings:

	<u>NDL</u> Net exposure to counterparty 2017 US\$	<u>NDI</u> Net exposure to counterparty 2017 US\$	<u>HSIL</u> Net exposure to counterparty 2017 HK\$	<u>HSII</u> Net exposure to counterparty 2017 HK\$	<u>HSCEIL</u> Net exposure to counterparty 2017 HK\$	<u>HSCEII</u> Net exposure to counterparty 2017 HK\$
<u>Bank and brokers</u>						
The Hongkong and Shanghai Banking Corporation Limited	8,244,966	4,419,701	142,056,608	109,051,838	83,218,271	96,592,697
Rating	A2	A2	A2	A2	A2	A2
Source of rating	Moody's	Moody's	Moody's	Moody's	Moody's	Moody's
ADM Investor Services, Inc.	1,457,950	688,780	-	-	-	-
Rating	A2	A2	-	-	-	-
Source of rating	Moody's	Moody's	-	-	-	-
Morgan Stanley & Co. Int'l plc.	-	-	34,164,236	15,197,707	29,484,885	13,035,648
Rating	-	-	A1	A1	A1	A1
Source of rating	-	-	Moody's	Moody's	Moody's	Moody's
<u>Custodians</u>						
HSBC Institutional Trust Services (Asia) Limited	-	-	64,910,088	47,772,347	46,198,905	42,284,080
Rating	-	-	A2	A2	A2	A2
Source of rating	-	-	Moody's	Moody's	Moody's	Moody's
ADM Investor Services, Inc.	147,329	-	-	-	-	-
Rating	A2	-	-	-	-	-
Source of rating	Moody's	-	-	-	-	-
Morgan Stanley & Co. Int'l plc.	-	-	6,867,758	-	2,641,998	-
Rating	-	-	A1	-	A1	-
Source of rating	-	-	Moody's	-	Moody's	-

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Accordingly, the Products have no significant credit risk. The maximum exposure to credit risk at period end is the carrying amount of the financial assets as shown on the statement of financial position. None of these financial assets is impaired nor past due but not impaired.

(d) 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 at 31 December 2017 and the contractual undiscounted cash-flow projection of all financial liabilities are within three months or less. 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.

(e) Capital risk management

The Products' capitals are 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 circumstance stipulated in the Trust Deed.

(f) Offsetting and amounts subject to master netting arrangements

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

The tables below set out the carrying amounts of recognised financial assets and liabilities that are subject to the above arrangement, together with collateral held or pledged against these assets and liabilities as at 31 December 2017:

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

NDL

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in 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
	US\$	US\$	US\$	US\$	US\$
Financial assets					
Derivatives	147,329	-	147,329	-	147,329
Amount due from broker	1,456,907	-	1,456,907	-	1,456,907
Total	1,604,236	-	1,604,236	-	1,604,236

NDI

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in 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
	US\$	US\$	US\$	US\$	US\$
Financial assets					
Amount due from broker	688,780	-	688,780	(36,177)	652,603
Total	688,780	-	688,780	(36,177)	652,603
Financial liabilities					
Derivatives	(36,177)	-	(36,177)	36,177	-
Total	(36,177)	-	(36,177)	36,177	-

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

HSIL

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in 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\$
Financial assets					
Derivatives	6,867,758	-	6,867,758	-	6,867,758
Amount due from brokers	34,164,236	-	34,164,236	-	34,164,236
Total	41,031,994	-	41,031,994	-	41,031,994

HSII

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in 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\$
Financial assets					
Amount due from brokers	15,197,707	-	15,197,707	(2,352,851)	12,844,856
Total	15,197,707	-	15,197,707	(2,352,851)	12,844,856
Financial liabilities					
Derivatives	(2,352,851)	-	(2,352,851)	2,352,851	-
Total	(2,352,851)	-	(2,352,851)	2,352,851	-

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

HSCEIL

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in 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\$
Financial assets					
Derivatives	2,641,998	-	2,641,998	-	2,641,998
Amount due from brokers	29,484,885	-	29,484,885	-	29,484,885
Total	32,126,883	-	32,126,883	-	32,126,883

HSCEII

	Gross carrying amounts before offsetting	Amount offset in accordance with offsetting criteria	Net amount presented in 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\$
Financial assets					
Amount due from brokers	13,035,648	-	13,035,648	(1,239,161)	11,796,487
Total	13,035,648	-	13,035,648	(1,239,161)	11,796,487
Financial liabilities					
Derivatives	(1,239,161)	-	(1,239,161)	1,239,161	-
Total	(1,239,161)	-	(1,239,161)	1,239,161	-

CHINAAMC LEVERAGED/INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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 have 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' segment. 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.

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

During the period between the periods' end and the date of authorisation of these financial statements, the subscriptions and redemptions of the Products are as follows:

	Subscription during the period Number of units	Redemption during the period Number of units
NDL	-	200,000
NDI	14,200,000	14,200,000
HSIL	-	4,500,000
HSII	2,000,000	-
HSCEIL	500,000	2,800,000
HSCEII	900,000	-

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 25 April 2018.

CHINAAMC LEVERAGED/INVERSE SERIES

INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2017

NDL	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u> US\$	<u>% of NAV</u>
Futures contracts				
NASDAQ 100 E-MINI FUT MAR 16/03/2018	16 March 2018	154	147,329	1.51
Total future contracts			<u>147,329</u>	<u>1.51</u>
Total derivative financial instruments, at fair value (Total investments, at cost: Nil)			147,329	1.51
Other net assets			<u>9,634,644</u>	<u>98.49</u>
Net asset attributable to unitholders			<u>9,781,973</u>	<u>100.00</u>

NDI	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u> US\$	<u>% of NAV</u>
Futures contracts				
NASDAQ 100 E-MINI FUT MAR 16/03/2018	16 March 2018	(39)	(36,177)	(0.72)
Total future contracts			<u>(36,177)</u>	<u>(0.72)</u>
Total derivative financial instruments, at fair value (Total investments, at cost: Nil)			(36,177)	(0.72)
Other net assets			<u>5,048,618</u>	<u>100.72</u>
Net asset attributable to unitholders			<u>5,012,441</u>	<u>100.00</u>

HSIL		<u>Holdings</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
Money market instrument				
UBS (IRL) SELECT MONEY MARKET FUND		82,739	64,910,088	26.26
Total money market instrument			<u>64,910,088</u>	<u>26.26</u>
Futures contracts				
HANG SENG IDX FUT JAN 30/01/2018	30 January 2018	330	6,867,758	2.78
Total future contracts			<u>6,867,758</u>	<u>2.78</u>
Total derivative financial instruments, at fair value (Total investments, at cost: HK\$64,647,300)			6,867,758	2.78
Other net assets			<u>175,398,457</u>	<u>70.96</u>
Net asset attributable to unitholders			<u>247,176,303</u>	<u>100.00</u>

LEVERAGED/INVERSE SERIES

INVESTMENT PORTFOLIO (UNAUDITED)(continued)

As at 31 December 2017

HSII

		<u>Holding</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
Money market instrument				
UBS (IRL) SELECT MONEY MARKET FUND		60,894	47,772,347	28.28
Total money market instrument			<u>47,772,347</u>	<u>28.28</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
Futures contracts				
HANG SENG IDX FUT JAN 30/01/2018	30 January 2018	(112)	(2,352,851)	(1.39)
Total future contracts			<u>(2,352,851)</u>	<u>(1.39)</u>
Total derivative financial instruments, at fair value			(2,352,851)	(1.39)
(Total investments, at cost: HK\$47,585,490)				
Other net assets			123,533,347	73.11
Net asset attributable to unitholders			<u>168,952,843</u>	<u>100.00</u>

HSCEIL

		<u>Holding</u>	<u>Fair value</u> HK\$	<u>% of NAV</u>
Money market instrument				
UBS (IRL) SELECT MONEY MARKET FUND		58,889	46,198,905	28.72
Total money market instrument			<u>46,198,905</u>	<u>28.72</u>
	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
Futures contracts				
H-SHARES IDX FUT JAN 30/01/2018	30 January 2018	549	2,641,998	1.64
Total future contracts			<u>2,641,998</u>	<u>1.64</u>
Total derivative financial instruments, at fair value			2,641,998	1.64
(Total investments, at cost: HK\$46,019,348)				
Other net assets			112,028,594	69.64
Net asset attributable to unitholders			<u>160,869,497</u>	<u>100.00</u>

CHINAAMC LEVERAGED/INVERSE SERIES

INVESTMENT PORTFOLIO (UNAUDITED) (continued)

As at 31 December 2017

HSCEII

	<u>Holding</u>	<u>Fair value</u> <u>HK\$</u>	<u>% of NAV</u>
Money market instrument			
UBS (IRL) SELECT MONEY MARKET FUND	53,899	42,284,080	28.20
Total money market instrument		<u>42,284,080</u>	<u>28.20</u>

	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair value</u>	<u>% of NAV</u>
Futures contracts				
H-SHARES IDX FUT JAN 30/01/2018	30 January 2018	(256)	(1,239,161)	(0.83)
Total future contracts			<u>(1,239,161)</u>	<u>(0.83)</u>
Total derivative financial instruments, at fair value			(1,239,161)	(0.83)
(Total investments, at cost: HK\$42,119,485)				
Other net assets			<u>108,911,874</u>	<u>72.63</u>
Net asset attributable to unitholders			<u>149,956,793</u>	<u>100.00</u>

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the period from 28 September 2016 (date of inception) to 31 December 2017

NDL

Investments	Holdings as at 28 September 2016 (date of inception)	Additions	Disposals	Holdings as at 31 December 2017
Future contracts				
NASDAQ 100 E-MINI FUT DEC 16	-	413	(413)	-
NASDAQ 100 E-MINI FUT MAR 17/03/2017	-	409	(409)	-
NASDAQ 100 E-MINI FUT MAR 16/06/2017	-	297	(297)	-
NASDAQ 100 E-MINI FUT SEP 15/09/2017	-	332	(332)	-
NASDAQ 100 E-MINI FUT DEC 15/12/2017	-	319	(319)	-
NASDAQ 100 E-MINI FUT MAR 16/03/2018	-	156	(2)	154

NDI

Investments	Holdings as at 28 September 2016 (date of inception)	Additions	Disposals	Holdings as at 31 December 2017
Future contracts				
NASDAQ 100 E-MINI FUT DEC 16	-	241	(241)	-
NASDAQ 100 E-MINI FUT MAR 17/03/2017	-	202	(202)	-
NASDAQ 100 E-MINI FUT MAR 16/06/2017	-	122	(122)	-
NASDAQ 100 E-MINI FUT SEP 15/09/2017	-	123	(123)	-
NASDAQ 100 E-MINI FUT DEC 15/12/2017	-	99	(99)	-
NASDAQ 100 E-MINI FUT MAR 16/03/2018	-	2	(41)	(39)

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (continued)

For the period from 14 March 2017 (date of inception) to 31 December 2017

HSIL

Investments	Holdings as at 14 March 2017 (date of inception)	Additions	Disposals	Holdings as at 31 December 2017
Money Market Instrument				
UBS (IRL) SELECT MONEY MARKET FUND	-	105,839	(23,100)	82,739
Futures contracts				
HANG SENG IDX FUT MAR 30/03/2017	-	681	(681)	-
HANG SENG IDX FUT APR 27/04/2017	-	646	(646)	-
HANG SENG IDX FUT 29/05/2017	-	674	(674)	-
HANG SENG IDX FUT JUN 29/06/2017	-	702	(702)	-
HANG SENG IDX FUT JUL 28/07/2017	-	634	(634)	-
HANG SENG INDEX FUT 30/08/2017	-	626	(626)	-
HANG SENG IDX FUT SEP 17	-	590	(590)	-
HANG SENG IDX FUT OCT 30/10/2017	-	552	(552)	-
HANG SENG IDX FUT NOV 29/11/2017	-	515	(515)	-
HANG SENG IDX FUT DEC 28/12/2017	-	427	(427)	-
HANG SENG IDX FUT JAN 30/01/2018	-	330	-	330

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (continued)

For the period from 14 March 2017 (date of inception) to 31 December 2017

HSII

Investments	Holdings as at 14 March 2017 (date of inception)	Additions	Disposals	Holdings as at 31 December 2017
Money Market Instrument				
UBS (IRL) SELECT MONEY MARKET FUND	-	65,894	(5,000)	60,894
Futures contracts				
HANG SENG IDX FUT MAR 30/03/2017	-	311	(311)	-
HANG SENG IDX FUT APR 27/04/2017	-	316	(316)	-
HANG SENG IDX FUT 29/05/2017	-	284	(284)	-
HANG SENG IDX FUT JUN 29/06/2017	-	267	(267)	-
HANG SENG IDX FUT JUL 28/07/2017	-	250	(250)	-
HANG SENG INDEX FUT 30/08/2017	-	225	(225)	-
HANG SENG IDX FUT SEP 17	-	208	(208)	-
HANG SENG IDX FUT OCT 30/10/2017	-	205	(205)	-
HANG SENG IDX FUT NOV 29/11/2017	-	160	(160)	-
HANG SENG IDX FUT DEC 28/12/2017	-	148	(148)	-
HANG SENG IDX FUT JAN 30/01/2018	-	13	(125)	(112)

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (continued)

For the period from 14 March 2017 (date of inception) to 31 December 2017

HSCEIL

Investments	Holdings as at 14 March 2017 (date of inception)	Additions	Disposals	Holdings as at 31 December 2017
Money Market Instrument				
UBS (IRL) SELECT MONEY MARKET FUND	-	68,889	(10,000)	58,889
Futures contracts				
H-SHARES IDX FUT MAR 30/03/2017	-	1,367	(1,367)	-
H-SHARES IDX FUT APR 27/04/2017	-	1,358	(1,358)	-
H-SHARES IDX FUT 29/05/2017	-	1,210	(1,210)	-
H-SHARES IDX FUT 29/06/2017	-	1,228	(1,228)	-
H-SHARES IDX FUT 28/07/2017	-	1,151	(1,151)	-
H-SHARES IDX FUT 30/08/2017	-	1,046	(1,046)	-
HSCEI FUT SEP 28/09/2017	-	1,029	(1,029)	-
HSCEI FUT OCT 30/10/2017	-	978	(978)	-
HSCEI FUT NOV 29/11/2017	-	902	(902)	-
HSCEI FUT DEC 28/12/2017	-	756	(756)	-
H-SHARES IDX FUT JAN 30/01/2018	-	567	(18)	549

CHINAAMC LEVERAGED/INVERSE SERIES

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (continued)

For the period from 14 March 2017 (date of inception) to 31 December 2017

HSCEII

Investments	Holdings as at 14 March 2017 (date of inception)	Additions	Disposals	Holdings as at 31 December 2017
Money Market Instrument				
UBS (IRL) SELECT MONEY MARKET FUND	-	62,899	(9,000)	53,899
Futures contracts				
H-SHARES IDX FUT MAR 30/03/2017	-	854	(854)	-
H-SHARES IDX FUT APR 27/04/2017	-	870	(870)	-
H-SHARES IDX FUT 29/05/2017	-	876	(876)	-
H-SHARES IDX FUT 29/06/2017	-	829	(829)	-
H-SHARES IDX FUT 28/07/2017	-	781	(781)	-
H-SHARES IDX FUT 30/08/2017	-	657	(657)	-
HSCEI FUT SEP 28/09/2017	-	586	(586)	-
HSCEI FUT OCT 30/10/2017	-	540	(540)	-
HSCEI FUT NOV 29/11/2017	-	442	(442)	-
HSCEI FUT DEC 28/12/2017	-	380	(380)	-
H-SHARES IDX FUT JAN 30/01/2018	-	23	(279)	(256)

CHINAAMC LEVERAGED/INVERSE SERIES

PERFORMANCE RECORD (UNAUDITED)

NET ASSET VALUE (calculated in accordance with the Prospectus)

		<u>2017</u>	
		Net asset value	Net asset value per unit
NDL	US\$	9,905,317	3.3018
NDI	US\$	5,135,785	1.4674
HSIL	HK\$	247,615,260	12.8966
HSII	HK\$	169,391,800	6.0932
HSCEIL	HK\$	161,308,454	10.6827
HSCEII	HK\$	150,395,750	6.5963

HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT*

		Highest issue price per unit	Lowest redemption price per unit
During the period ended			
NDL ¹	US\$	3.4340	1.9860
NDI ¹	US\$	1.9815	1.4407
HSIL ²	HK\$	13.1018	7.9711
HSII ²	HK\$	8.0125	6.0728
HSCEIL ²	HK\$	11.2303	7.4430
HSCEII ²	HK\$	8.2265	6.4798

COMPARISON OF THE PRODUCTS PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE*

	Index performance (%)	Product performance (%)
NDL ¹ **	33.11%	67.74%
NDI ¹ ***	33.11%	-26.61%
HSIL ² **	29.83%	61.50%
HSII ² ***	29.83%	-24.00%
HSCEIL ² **	18.06%	32.18%
HSCEII ² ***	18.06%	-17.19%

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

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

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

¹ Period from 28 September 2016 (date of inception) to 31 December 2017.

² Period from 14 March 2017 (date of inception) to 31 December 2017.



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