



## VALUE CHINA A-SHARE ETF

Stock code: 03095 (HKD) | 83095 (RMB)

A Sub-Fund of Value Partners ETFs Trust

# 2020 ANNUAL REPORT

For the year ended 31 March 2020

**Value Partners Hong Kong Limited**

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*In the event of inconsistency, the English text of this Annual Report shall prevail over the Chinese text.  
This report shall not constitute an offer to sell or a solicitation of an offer to buy shares in any of the funds.  
Subscriptions are to be made only on the basis of the information contained in the prospectus, as  
supplemented by the latest semi-annual and annual reports.*

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## VALUE CHINA A-SHARE ETF

A Sub-Fund of Value Partners ETFs Trust  
(A Hong Kong Umbrella Unit Trust)

### GENERAL INFORMATION

#### Manager and RQFII Holder

Value Partners Hong Kong Limited  
43rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

#### Investment Adviser

Sensible Asset Management Hong Kong Limited  
43rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

#### Directors of Manager and RQFII Holder

Dato' Seri Cheah Cheng Hye  
Mr. So Chun Ki Louis  
Mr. Ho Man Kei, Norman

#### Directors of the Investment Adviser

Mr. So Chun Ki Louis  
Mr. Cheung Kin Yan  
Dr. Au King Lun  
(resigned on 27 April 2020)  
Mr. Quah Kung Beng David  
(resigned on 20 December 2019)

#### Trustee and Registrar

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

#### Custodian

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

#### PRC Custodian

HSBC Bank (China) Company Limited  
33/F, HSBC Building  
Shanghai IFC  
8 Century Avenue  
Pudong  
Shanghai 200120  
China

#### Legal Advisor

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

#### Auditor

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

#### Information available from:

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## GENERAL INFORMATION (Continued)

### Key awards and achievements

<b>Corporate awards (ETF)</b>	
<b>2018</b>	<ul style="list-style-type: none"><li>• <b>Benchmark Fund of the Year Awards 2018, Hong Kong</b> <b>Commodity ETF House: Best-In-Class</b> – <i>Benchmark</i></li></ul>
<b>2017</b>	<ul style="list-style-type: none"><li>• <b>Benchmark Fund of the Year Awards 2017, Hong Kong</b> <b>House Award (ETF) – Commodity ETF (Outstanding Achiever)</b> – <i>Benchmark</i></li></ul>
<b>2016</b>	<ul style="list-style-type: none"><li>• <b>ETF and Indexing Awards 2016</b><ul style="list-style-type: none"><li>– <b>Best ETF Launch</b></li><li>– <b>Best Commodity ETF</b></li><li>– <b>Best Smart Beta ETF</b></li><li>– <i>Asia Asset Management &amp; ETFI Asia</i></li></ul></li></ul>
<b>Value China A-Share ETF</b>	
<b>2017</b>	<ul style="list-style-type: none"><li>• <b>2017 HKCAMA – Bloomberg Offshore China Fund Awards</b> <b>Best Tracking Error (ETF) – First Runner-up</b> – <i>HKCAMA &amp; Bloomberg</i></li></ul>

## VALUE CHINA A-SHARE ETF

A Sub-Fund of Value Partners ETFs Trust  
(A Hong Kong Umbrella Unit Trust)

### MANAGER'S REPORT

Value China A-Share ETF ("the Sub-Fund") is an index-tracking exchange traded fund whose units are listed and traded on the Stock Exchange of Hong Kong Limited ("SEHK"). The Sub-Fund aims to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Value-Stocks China A-Share Index ("the Index") by holding a portfolio of the constituent stocks of the Index. The Index comprises 50 value stocks amongst Chinese companies' shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

As at 31 March 2020, the Net Asset Value ("NAV") per unit of the Sub-Fund was RMB5.8796, and 11,500,000 units were outstanding. The total size of the Sub-Fund was approximately RMB67.6 million.

A summary of the performance of Index and the Sub-Fund is given below.

	<b>From 1 April 2019 to 31 March 2020</b>	<b>2020 YTD (as at 31 March)</b>	<b>Since inception</b>
FTSE Value-Stocks China A-Share Index	-8.5%	-14.1%	+4.1%
Value China A-Share ETF	-10.8%	-14.7%	-4.4%

The difference in performance between the FTSE Value-Stocks China A-Share Index and the Value China A-Share ETF is mainly attributed to fees and expenses, and security misweightings. The historical tracking error for the NAV of the Sub-Fund against the FTSE Value-Stocks China A-Share Index was at 121 basis points on an annualized basis since its inception on 20 March 2015.

### Value Partners Hong Kong Limited

2 July 2020

*All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in RMB, NAV to NAV with dividends reinvested, as at 31 March 2020. Performance data is net of all fees.*

*Investors should note that investment involve risk. The price of units may go down as well as up and past performance is not indicative of future results.*

## **STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

### **Manager's responsibilities**

The Manager of Value China A-Share ETF is required by the Code on Unit Trusts and Mutual Funds established by the Hong Kong Securities and Futures Commission (the "SFC Code") and the Trust Deed dated 12 March 2015, as amended, (the "Trust Deed"), to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

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

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

### **Trustee's responsibilities**

The Trustee of the Sub-Fund is required to:

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

## **VALUE CHINA A-SHARE ETF**

A Sub-Fund of Value Partners ETFs Trust  
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### **TRUSTEE'S REPORT TO THE UNITHOLDERS OF VALUE CHINA A-SHARE ETF**

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed Value China A-Share ETF in accordance with the provisions of the Trust Deed of the Sub-Fund dated 12 March 2015, as amended by one supplemental deeds dated 1 January 2020, for the year ended 31 March 2020.

For and on behalf of  
**HSBC Institutional Trust Services (Asia) Limited**

Trustee  
2 July 2020



## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE PARTNERS ETFs TRUST - VALUE CHINA A-SHARE ETF**

### **Report on the audit of the financial statements**

#### ***Opinion***

We have audited the financial statements of Value China A-Share ETF (a sub-fund of Value Partners ETFs Trust (the "Trust") and referred to as the "Sub-Fund") set out on pages 12 to 40, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 March 2020, and of its financial performance and its cash flows for the year 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"). 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 Sub-Fund in accordance with the *Code of Ethics for Professional Accountants* ("the Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***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.

## VALUE CHINA A-SHARE ETF

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### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE PARTNERS ETFs TRUST - VALUE CHINA A-SHARE ETF (Continued)

Report on the audit of the financial statements (Continued)

#### Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of financial assets at fair value through profit or loss	
<p>The financial assets at fair value through profit or loss included in the statement of financial position of the Sub-Fund were listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as at 31 March 2020, which represented over 90% of the net asset value of the Sub-Fund. There were 50 constituent listed shares in the Sub-Fund which were held by a custodian. Due to the significance of the balance to the financial statements, this was deemed to be a key audit matter.</p> <p>Details of the financial assets at fair value through profit or loss are set out in Notes 2 and 10 to the financial statements.</p>	<p>We obtained an independent confirmation from the custodian of the entire investment portfolio held as at 31 March 2020, and agreed the quantity held to the accounting records. We tested the design and operating effectiveness of controls for the valuation of financial instruments. In addition, we independently checked the valuation of the financial assets at fair value through profit or loss that are quoted in active markets against third party sources at 31 March 2020.</p> <p>We reviewed the financial statement disclosures regarding the fair value hierarchy as set out in Note 10 to the financial statements against the requirements of IFRS.</p>

#### Other information included in the Annual Report

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE PARTNERS ETFs TRUST - VALUE CHINA A-SHARE ETF (Continued)**

### **Report on the audit of the financial statements (Continued)**

#### ***Responsibilities of the Trustee and the Manager for the financial statements***

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

In addition, the Trustee and the Manager of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 12 March 2015 as amended or supplemented from time to time ("the Trust Deed") and the relevant disclosure provisions of Appendix E of the *Code on Unit Trusts and Mutual Funds* (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

#### ***Auditor's responsibilities for the audit of the financial statements***

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

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

## VALUE CHINA A-SHARE ETF

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### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE PARTNERS ETFs TRUST - VALUE CHINA A-SHARE ETF (Continued)

#### Report on the audit of the financial statements (Continued)

#### *Auditor's responsibilities for the audit of the financial statements (Continued)*

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

We communicate with the Trustee and the Manager 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 Trustee and the Manager 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.

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE PARTNERS ETFs TRUST - VALUE CHINA A-SHARE ETF (Continued)**

**Report on the audit of the financial statements (Continued)**

***Auditor's responsibilities for the audit of the financial statements (Continued)***

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Christine Lin.

***Ernst & Young***

Certified Public Accountants  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

2 July 2020

## VALUE CHINA A-SHARE ETF

A Sub-Fund of Value Partners ETFs Trust  
(A Hong Kong Umbrella Unit Trust)

### STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 RMB	2019 RMB
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	4, 10	67,559,333	105,745,858
Due from the Manager	7(e)	3,450	–
Prepayments and other receivables		167,121	18,059
Cash and cash equivalents	4, 7(c)	<u>86,342</u>	<u>67,359</u>
<b>TOTAL ASSETS</b>		<u>67,816,246</u>	<u>105,831,276</u>
<b>LIABILITIES</b>			
Audit fees payable		75,169	151,876
Management fees payable	7(a)	6,128	31,044
Trustee and registrar fees payable	7(b)	6,128	8,293
Other payables		<u>113,658</u>	<u>204,442</u>
<b>TOTAL LIABILITIES</b>		<u>201,083</u>	<u>395,655</u>
<b>TOTAL EQUITY</b>		<u>67,615,163</u>	<u>105,435,621</u>
<b>Represented by:</b>			
Net assets attributable to unitholders		<u>67,615,163</u>	<u>105,435,621</u>
<b>Net asset value per unit based on 11,500,000 (2019: 15,500,000) units outstanding</b>	8, 11	<u>5.8796</u>	<u>6.8023</u>

Approved and authorised for issue by the Manager and the Trustee on 2 July 2020.

Signed by:

**Value Partners Hong Kong Limited, Manager**

**HSBC Institutional Trust Services (Asia) Limited, Trustee**

The notes on pages 16 to 40 form part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	<b>2020</b> <i>RMB</i>	<b>2019</b> <i>RMB</i>
Dividend income		3,292,789	3,102,528
Interest income		3,941	3,705
Net (losses)/gains from financial assets at fair value through profit or loss	5	(9,465,936)	2,906,890
Net foreign exchange losses		(17,059)	(11,683)
Other income		64,873	9,276
<b>Net investment (loss)/income</b>		<b>(6,121,392)</b>	<b>6,010,716</b>
Management fees	7(a)	94,486	97,577
Trustee and registrar fees	7(b)	94,486	88,381
Transaction fees		255,266	195,899
Auditor's remuneration		169,366	153,273
Legal and professional fees		440,854	113,596
Bank charges	7(c)	1,940	167
Listing fee		13,483	12,845
Information service fee		319,635	214,850
Other operating expenses		316,135	310,829
<b>Operating expenses</b>		<b>1,705,651</b>	<b>1,187,417</b>
<b>(Loss)/Profit before taxation</b>		<b>(7,827,043)</b>	<b>4,823,299</b>
Withholding tax	6	(329,615)	(310,570)
<b>(Loss)/Profit after taxation and total comprehensive income for the year</b>		<b>(8,156,658)</b>	<b>4,512,729</b>

The notes on pages 16 to 40 form part of these financial statements.

## VALUE CHINA A-SHARE ETF

A Sub-Fund of Value Partners ETFs Trust  
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### STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 RMB	2019 RMB
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>		105,435,621	106,651,642
Redemption of redeemable units	8	(26,828,800)	(3,093,750)
Net decrease from unit transactions		(26,828,800)	(3,093,750)
Distributions to unitholders	9	(2,835,000)	(2,635,000)
<b>TOTAL TRANSACTIONS WITH UNITHOLDERS</b>		(29,663,800)	(5,728,750)
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		(8,156,658)	4,512,729
<b>BALANCE AT THE END OF THE YEAR</b>		67,615,163	105,435,621

The notes on pages 16 to 40 form part of these financial statements.



**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	<b>2020</b> <i>RMB</i>	<b>2019</b> <i>RMB</i>
<b>OPERATING ACTIVITIES</b>			
Dividends received		3,292,789	3,102,528
Interest income received		3,934	3,706
Proceeds from sales of investments		78,828,948	52,561,099
Purchase of investments		(50,108,359)	(48,629,666)
Operating expenses paid		(2,004,914)	(1,191,539)
Withholding tax paid		<u>(329,615)</u>	<u>(310,570)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<u>29,682,783</u>	<u>5,535,558</u>
<b>FINANCING ACTIVITIES</b>			
Payments on redemption of redeemable units	8	(26,828,800)	(3,093,750)
Distributions paid to unitholders	9	<u>(2,835,000)</u>	<u>(2,635,000)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<u>(29,663,800)</u>	<u>(5,728,750)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		18,983	(193,192)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<u>67,359</u>	<u>260,551</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u><u>86,342</u></u>	<u><u>67,359</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at banks	7(c)	<u><u>86,342</u></u>	<u><u>67,359</u></u>

The notes on pages 16 to 40 form part of these financial statements.

## VALUE CHINA A-SHARE ETF

A Sub-Fund of Value Partners ETFs Trust  
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### NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL

Value China A-Share ETF (the “Sub-Fund”) is an open-ended unit trust governed by its Trust Deed dated 12 March 2015 (the “Trust Deed”), as amended from time to time under the laws of Hong Kong. The Sub-Fund is authorised by the Hong Kong Securities and Futures Commission (the “SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance (“HKSF”), and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds of the SFC (the “SFC Code”).

The Sub-Fund commenced trading under the stock codes 83095 (RMB counter) and 03095 (HKD counter) on the Stock Exchange of Hong Kong Limited (“SEHK”) on 24 March 2015.

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Value-Stocks China A-Share Index (the “Index”).

In seeking to achieve the Sub-Fund’s investment objective, Value Partners Hong Kong Limited (the “Manager”) will use a full replication strategy through investing directly in A Shares included in the Index in substantially the same weightings in which they are included in the Index, through the Renminbi Qualified Foreign Institutional Investor (“RQFII”) investment quota granted to the Manager by the State Administration of Foreign Exchange (“SAFE”) and the Shanghai-Hong Kong Stock Connect (“Stock Connect”). The Manager may invest up to 100% of the Sub-Fund’s net asset value through either RQFII and/or the Shanghai-Hong Kong Stock Connect. The Manager will not adopt representative sampling as an investment strategy.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Statement of compliance

The financial statements 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 of Appendix E of the SFC Code. A summary of the significant accounting policies adopted by the Sub-Fund is set out below.

The IASB has issued certain new and revised IFRSs that are available for early adoption for the current accounting period of the Sub-Fund.

The Sub-Fund has not applied any amendments and new standards that are not yet effective for the current accounting period (see Note 15).

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(b) Basis of preparation**

The functional currency of the financial statements of the Sub-Fund is Renminbi (“RMB”), reflecting the fact that most of the transactions are denominated in RMB.

The financial statements are prepared under the historical cost convention, except for financial instruments at fair value through profit or loss (“FVPL”). These financial statements are presented in RMB.

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

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

#### **(c) Foreign currency translation**

Transactions in foreign currencies are translated at foreign currency exchange rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the foreign currency closing exchange rate ruling at the end of the reporting period. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to RMB at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to trading investments are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the statement of comprehensive income.

## VALUE CHINA A-SHARE ETF

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Financial instruments

#### (i) Classification

In accordance with IFRS 9, the Sub-Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for trading if:

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

#### *Financial assets*

The Sub-Fund classifies its financial assets as subsequently measured at amortised cost or measured at FVPL on the basis of both:

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

#### *Financial assets measured at amortised cost*

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. The Sub-Fund includes in this category short-term non-financing receivables including accrued income.

#### *Financial assets measured at FVPL*

A financial asset is measured at FVPL if:

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

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Financial instruments (Continued)**

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

###### *Financial assets (Continued)*

###### *Financial assets measured at FVPL (Continued)*

The Sub-Fund includes in this category instruments held for trading. This category includes equity instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

###### *Financial liabilities*

###### *Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Sub-Fund includes in this category other short-term payables.

##### **(ii) Recognition**

The Sub-Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

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

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

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial instruments designated at fair value through profit or loss are expensed immediately, while on other financial instruments, they are amortised.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in the fair value recognised in profit or loss.

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

Financial liabilities are measured at amortised cost using the effective interest rate.

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A Sub-Fund of Value Partners ETFs Trust  
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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (d) Financial instruments (Continued)

##### (iv) Fair value measurement principles

The Sub-Fund measures its equity investments at fair value at the end of each reporting period. 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 their quoted market price at the end of the reporting period without any deduction for estimated future selling cost. The Sub-Fund utilises the last traded price for both listed financial assets and liabilities.

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

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 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on 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 Sub-Fund determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

##### (v) Derecognition

The Sub-Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

The Sub-Fund uses the weighted average method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(e) Impairment of financial assets**

The Sub-Fund holds only receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (“ECLs”) under IFRS 9 to all its trade receivables. Therefore the Sub-Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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

#### **(f) 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. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

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

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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 where applicable.

#### **(h) Income**

Interest income is recognised in profit or loss on a time-proportionate basis using the effective interest method.

Dividend income relating to exchange-traded equity securities is recognised in profit or loss on the ex-dividend date. In some cases, the Sub-Fund may choose to receive dividends in the form of additional shares rather than cash. In such cases, the Sub-Fund recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

## VALUE CHINA A-SHARE ETF

A Sub-Fund of Value Partners ETFs Trust  
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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (i) Net change in unrealised gains or losses on financial assets at FVPL

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

##### (j) Net realised gains or losses on financial assets at FVPL

Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the weighted average method. They represent the difference between an instrument's average cost and disposal amount.

##### (k) Expenses

All expenses, including management fees and trustee and registrar fees, are recognised in profit or loss on an accrual basis.

##### (l) Foreign exchange gains and losses

Foreign exchange gains and losses on financial instruments designated at fair value through profit or loss are recognised together with other changes in the fair value. In the statement of comprehensive income, net foreign exchange (losses)/gains are foreign exchange losses on monetary financial assets and financial liabilities other than those classified as designated at fair value through profit or loss.

##### (m) Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the income of the Sub-Fund is exempt from taxation under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

In some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Sub-Fund presents the withholding tax separately from the gross investment income 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.

##### (n) Redeemable units

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



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(n) Redeemable units (Continued)**

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

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

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

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

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

The Sub-Fund's redeemable units meet these conditions and are classified as equity.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognised directly in equity as a deduction from the proceeds or part of the acquisition cost.

#### ***Repurchase of redeemable units***

When redeemable units recognised as equity are redeemed, the amount paid on the redemption of the units is presented as a deduction from total equity.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (o) Related parties

A party is considered to be related to the Sub-Fund 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 Sub-Fund;
  - (ii) has significant influence over the Sub-Fund; or
  - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Sub-Fund 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 Sub-Fund 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 Sub-Fund or an entity related to the Sub-Fund;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-Fund or to the parent of the Sub-Fund.

##### (p) Segment reporting

An operating segment is a component of the Sub-Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Sub-Fund's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Sub-Fund is identified as the Manager.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(q) Distributions to unitholders**

Distributions are at the discretion of the Sub-Fund. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. A proposed distribution is recognised as a liability in the year in which it is approved by the Manager.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Sub-Fund's financial statements requires management 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.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Sub-Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Sub-Fund. Such changes are reflected in the assumptions when they occur.

#### **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.

#### ***Fair value of financial instruments***

When the fair values of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, the Sub-Fund may perform sensitivity analysis or use stress testing techniques.

## VALUE CHINA A-SHARE ETF

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. FINANCIAL RISK MANAGEMENT

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index.

The Sub-Fund invests in listed securities and it is exposed to market risk (which includes foreign exchange risk, price risk and interest risk), credit risk, liquidity risk and concentration risk arising from the financial instruments held.

The Sub-Fund's overall financial risk management programme focuses on the analysis, evaluation and management of financial risks and seeks to minimise potential adverse effects on the Sub-Fund's financial performance.

The risks and respective risk management policies employed by the Sub-Fund to manage these risks are discussed below.

##### (a) Market risk

###### (i) Foreign exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund's overall currency positions are monitored on a daily basis by the Manager.

As at 31 March 2020 and 2019, the Sub-Fund was not exposed to significant foreign currency risk. The majority of assets and liabilities are denominated in RMB, which is the functional currency of the Sub-Fund.

###### (ii) 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. Those changes may be caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund may trade in financial instruments, taking positions in traded and over-the-counter instruments, including derivatives, to take advantage of market movements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. FINANCIAL RISK MANAGEMENT (Continued)

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

##### (ii) Price risk (Continued)

All securities investments present a risk of loss of capital. The Manager makes investments in accordance with the provisions and specific limits as stated in the Trust Deed. The Sub-Fund's overall market positions are monitored on a daily basis by the Manager.

As at 31 March 2020 and 2019, the Sub-Fund's overall market exposures and estimated market sensitivity were as follows:

	Percentage change		Estimated impact on net assets	
	2020	2019	2020 RMB	2019 RMB
FTSE Value-Stocks China A-Share Index	+/-20%	+/-20%	+/-13,505,258	+/-21,148,673

##### (iii) Interest rate risk

The majority of the Sub-Fund's financial assets and liabilities are non-interest-bearing. As a result, the Sub-Fund is not subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund. Potential credit risk to the Sub-Fund principally relates to financial assets at fair value through profit or loss, cash and cash equivalents and other receivables.

The Sub-Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings or good reputation, and the Manager considers them to be well-established. All transactions in listed securities are settled/paid for upon delivery through approved and reputable brokers. The risk of default is considered to be minimal since delivery of securities sold is only made when the broker has made payment. In a purchase, payment is made when the securities have been delivered by the broker. If either party fails to meet its obligation, the trade will fail. Accordingly, there is no significant concentration of credit risk.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. FINANCIAL RISK MANAGEMENT (Continued)

##### (b) Credit risk (Continued)

The table below shows the major counterparties at the end of the reporting period. The credit ratings are issued by Standard & Poor's:

Counterparty	Credit rating		2020 RMB	2019 RMB
	2020	2019		
Bank A	AA-	AA-	86,342	67,359
PRC Custodian A	A+	A+	67,559,333	105,745,858

##### (c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability or selling a financial asset quickly at close to its fair value. The Manager monitors the liquidity of the Sub-Fund by conducting liquidity testing on the investment portfolio on a monthly and ad-hoc basis.

The Sub-Fund's equity investments are considered to be readily realisable under normal market conditions as they are all listed on the Stock Exchange.

The Sub-Fund is exposed to daily redemption of units. The Manager considered that there is no significant liquidity risk on redemption of units. The contractual maturity of all other liabilities is less than one year.

##### (d) Concentration risk

The SFC Code allows the Sub-Fund to invest in constituent securities issued by a single issuer for more than 10% of the Sub-Fund's net asset value, provided that:

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Concentration risk (Continued)

Constituent securities that account for more than 10% of the net asset value of the Sub-Fund were as follows:

	Respective weighting in the tracked index	Respective weighting in the Sub-Fund's net asset value
<b>As at 31 March 2020</b>		
China Merchants Bank Co Ltd A Shrs	10.07%	10.07%
<b>As at 31 March 2019</b>		
China Merchants Bank Co Ltd A Shrs	10.22%	10.25%

### 5. NET (LOSSES)/GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB	2019 RMB
Net realised gains/(losses)	1,103,244	(3,047,068)
Change in unrealised gains/losses	<u>(10,569,180)</u>	<u>5,953,958</u>
	<u><u>(9,465,936)</u></u>	<u><u>2,906,890</u></u>

### 6. TAXATION

#### Hong Kong

No provision for Hong Kong Profits Tax has been made in the financial statements as the income of the Sub-Fund is exempt from taxation under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

#### People's Republic of China ("PRC")

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.

Under PRC laws and regulations, foreign investors (such as the Sub-Fund) may be subject to a 10% withholding tax on income (such as dividend and interest) imposed on securities issued by PRC tax resident enterprises.

## VALUE CHINA A-SHARE ETF

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 6. TAXATION (Continued)

##### People's Republic of China ("PRC") (Continued)

###### *Distribution tax*

A 10% PRC withholding tax has been levied on dividend and interest payments from PRC companies to foreign investors. As such, the RQFII holder will pass on this tax liability to the Sub-Fund in the form of distribution tax, and therefore, the Sub-Fund is subject to a distribution tax of 10%. There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future. The distribution tax for the year ended 31 March 2020 was RMB329,615 (2019: RMB310,570).

	<b>2020</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>
Withholding tax on cash dividends	329,279	310,253
Withholding tax on non-cash dividends	<u>336</u>	<u>317</u>
	<u><u>329,615</u></u>	<u><u>310,570</u></u>

###### *Capital gains tax*

In view of the "Notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains from the transfer of equity investment assets such as PRC domestic stocks by Qualified Foreign Institutional Investor ("QFII") and RQFII" ("關於QFII和RQFII取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通告") Caishui [2014] No.79 (the "Notice") issued by the Ministry of Finance of the PRC (the "MoF"), the State Administration of Taxation of the PRC ("SAT") and the China Securities Regulatory Commission (the "CSRC"), no provision for capital gains tax was made for the year ended 31 March 2020 and the year ended 31 March 2019.



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **7. RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Sub-Fund entered into the following material related party transactions for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

#### **(a) Management fees**

The Sub-Fund appointed the Manager, an investment management company incorporated in Hong Kong, to implement the investment strategy as specified in the Trust Deed. With effect from 1 May 2017, the management fee was reduced to 0.10% per annum of the net asset value in accordance with the announcement dated 24 April 2017. The fees are accrued daily and calculated as at each dealing day and payable monthly in arrears. Management fees of RMB94,486 (2019: RMB97,577) were charged to profit or loss during the year. Included in liabilities as at 31 March 2020 were management fees payable of RMB6,128 (as at 31 March 2019: RMB31,044).

#### **(b) Trustee, registrar and custodian fees**

The Sub-Fund appointed HSBC Institutional Trust Services (Asia) Limited (the "Trustee"), a registered trust company incorporated in Hong Kong, to implement the responsibilities as specified in the Trust Deed. Trustee, registrar and custodian fees pertain to the amounts charged by the Trustee and The Hongkong and Shanghai Banking Corporation Limited ("the Custodian") and HSBC Bank (China) Company Limited (the "RQFII Custodian") as safe keeping and custodian fees, respectively. The Trustee pays the custodian fees (if any) of the Custodian and PRC Custodian. Such fees shall not be borne by the Sub-Fund.

The Trustee is entitled to receive trustee and registrar fees of 0.10% per annum of the net asset value of the Sub-Fund. For the years ended 31 March 2020, no trustee fee was waived (2019: 1 month waived). For the year ended 31 March 2020 and 2019, the minimum fee requirement of RMB31,050 per month was waived. The fees are accrued daily and calculated as at each dealing day and payable monthly in arrears.

Trustee and registrar fees of RMB94,486 (2019: RMB88,381) were charged to profit or loss during the year. Included in liabilities as at 31 March 2020 were trustee and registrar fees payable of RMB6,128 (as at 31 March 2019: RMB8,293).

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS (Continued)

##### (c) Transactions/balances with the group company of the Trustee

The Sub-Fund maintains interest-bearing bank accounts with Hongkong and Shanghai Banking Corporation Limited, which is the intermediate holding company of the Trustee and RQFII custodian. Information relating to the bank accounts is set out below:

	2020 RMB	2019 RMB
Cash and cash equivalents as at the year-end date		
Bank A	<u>86,342</u>	<u>67,359</u>
Bank charges for the year	<u>1,940</u>	<u>167</u>

##### (d) Manager's and its related parties' holdings in the Sub-Fund

Units held by the related parties of the Manager as at 31 March 2020 and 2019 are listed below:

	Number of units	
	2020	2019
Dato' Seri Cheah Cheng Hye <sup>i</sup>	<u>1,000,000</u>	<u>1,000,000</u>

*i Dato' Seri Cheah Cheng Hye is a director of the Manager.*

##### (e) Outstanding balance from the Manager

	2020 RMB	2019 RMB
Due from the Manager	<u>3,450</u>	<u>–</u>

The amount arising from expenses paid on behalf of the Manager is unsecured, non-interest-bearing and with no fixed terms of repayment.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS (Continued)**

**(f) Creation and redemption of the Sub-Fund**

The Manager and the Trustee entered into a participating agreement with participating dealers to effect applications for creation and redemption of the Sub-Fund. The holdings in the Sub-Fund by a related party of the Trustee and the Custodian for the years ended 31 March 2020 and 2019 were as follows:

	Units outstanding at 1 April 2019	Units subscribed/ transferred in	Units redeemed/ transferred out	Total units at 31 March 2020
Bank A	<u>9,000,000</u>	<u>–</u>	<u>(2,000,000)</u>	<u>7,000,000</u>
	Units outstanding at 1 April 2018	Units subscribed/ transferred in	Units redeemed/ transferred out	Total units at 31 March 2019
Bank A	<u>9,000,000</u>	<u>–</u>	<u>–</u>	<u>9,000,000</u>

**8. REDEEMABLE UNITS IN ISSUE**

	Number of units	
	2020	2019
<b>At the beginning of the year</b>	15,500,000	16,000,000
Redemption of redeemable units	<u>(4,000,000)</u>	<u>(500,000)</u>
<b>At the end of the year</b>	<u>11,500,000</u>	<u>15,500,000</u>

The rights attaching to each unit are as follows:

The holders of the units have the right to receive notice of, attend and vote at meetings of the Sub-Fund, and are entitled to receive all dividends declared and paid by the Sub-Fund.

Any distributable profits of the Sub-Fund may be accumulated or distributed by the Manager, in its absolute discretion. Where distributions are made, the distributable amounts are allocated rateably among the unitholders of the relevant class in accordance with the number of units of the relevant class held by the unitholders respectively on the final record date.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 8. REDEEMABLE UNITS IN ISSUE (Continued)

The Sub-Fund does not have any externally imposed capital requirements.

In accordance with the Trust Deed, the net assets of the Sub-Fund are computed at last traded prices of the underlying financial instruments for the purpose of calculating redemption amounts of the redeemable units.

#### 9. DISTRIBUTIONS TO UNITHOLDERS

	2020 <i>RMB</i>	2019 <i>RMB</i>
<b>Amount available for distribution at the beginning of the year</b>	760,920	603,962
Dividend income	3,292,789	3,102,528
Withholding tax	(329,615)	(310,570)
	2,963,174	2,791,958
<b>Distributions to unitholders</b>	(2,835,000)	(2,635,000)
<b>Amount available for distribution carried forward</b>	889,094	760,920
<b>Distribution history</b>		
Distribution per unit	RMB0.21	RMB0.17
Date of distribution	13 December 2019	28 December 2018

#### 10. FAIR VALUE INFORMATION

The Sub-Fund's financial instruments are carried at fair value in the statement of financial position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including accounts payable and accrued expenses, the carrying amounts approximate to their fair values due to the immediate or short-term nature of these financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10. FAIR VALUE INFORMATION (Continued)

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 13, with the fair value of the financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined in Note 2(d)(iv) to the financial statements.

	<b>2020</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>
<b>Financial assets designated as at fair value through profit or loss:</b>		
Listed equity securities	<u>67,559,333</u>	<u>105,745,858</u>

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets (by class) measured at fair value as at the reporting date.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>As at 31 March 2020</b>				
Listed equity securities	<u>67,559,333</u>	<u>–</u>	<u>–</u>	<u>67,559,333</u>
<b>As at 31 March 2019</b>				
Listed equity securities	<u>105,745,858</u>	<u>–</u>	<u>–</u>	<u>105,745,858</u>

During the year ended 31 March 2020, there were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy. During the year ended 31 March 2019, there were transfers of investments between Level 1 and Level 3 due to resumption of trading.

#### Transfers between Level 1 and Level 3

During the year ended 31 March 2019, the equity securities of Hainan Airlines Holding Co Ltd (stock code: 600221) and Lomon Billions Group Co Ltd (stock code: 002601), amounting to RMB1,503,150, which were the suspended equity securities in 2018, resumed trading from suspension and were reclassified from Level 3 to Level 1. These listed equity securities were partially disposed of during the year ended 31 March 2019. As at 31 March 2019, the Sub-Fund had no suspended listed equity securities.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 10. FAIR VALUE INFORMATION (Continued)

The following table presents the movement in Level 3 investments for the year. The transfer between Level 1 and Level 3 of the fair value hierarchy was deemed to have occurred at the end of the reporting period.

	2020 <i>RMB</i>	2019 <i>RMB</i>
Opening balance	–	1,503,150
Transfer out of Level 3 to Level 1	–	<u>(1,503,150)</u>
Closing balance	<u>–</u>	<u>–</u>
Change in unrealised gains for the year included in the statement of comprehensive income for the investments held at the end of the year	<u>–</u>	<u>–</u>

#### 11. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Number of units
<b>Units in issue at 1 April 2018</b>	16,000,000
Redemption of units during the year	<u>(500,000)</u>
<b>Units in issue at 31 March 2019 and 1 April 2019</b>	15,500,000
Redemption of units during the year	<u>(4,000,000)</u>
<b>Units in issue at 31 March 2020</b>	<u>11,500,000</u>
	<b>Net asset value per unit</b>
	<i>RMB</i>
<b>As at 31 March 2020</b>	<u>5.8796</u>
<b>As at 31 March 2019</b>	<u>6.8023</u>
	<b>Total net asset value</b>
	<i>RMB</i>
<b>As at 31 March 2020</b>	<u>67,615,163</u>
<b>As at 31 March 2019</b>	<u>105,435,621</u>

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **11. NET ASSET ATTRIBUTABLE TO UNITHOLDERS (Continued)**

The creation and redemption of units of the Sub-Fund 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 from the participating dealers for the creation of units and pay redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed.

Units are denominated in RMB and no fractions of a unit shall be created or issued by the Trustee. Units of the Sub-Fund are offered and issued at their dealing net asset value only in aggregation of a specified number of units (an "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 cash.

### **12. SEGMENT REPORTING**

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

The Manager considers that the Sub-Fund has a single operating segment which is investing in a diversified portfolio of equity securities with the objective as stated in the investment objective and policies of the Sub-Fund.

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

The Sub-Fund is established and domiciled in Hong Kong. The majority of the Sub-Fund's investment income was derived from its investments domiciled in the PRC for the years ended 31 March 2020 and 2019.

The Sub-Fund had no assets classified as non-current as at 31 March 2020 and 2019.

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### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **13. SOFT COMMISSION ARRANGEMENTS**

The Manager and/or any company associated with it and its delegates may enter into soft dollars/commission sharing arrangements with a broker through which brokerage transactions are entered into on behalf of clients under management. The Manager may receive, and is entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefits to the Sub-Fund (as may be permitted under applicable rules and regulations) from a broker and other persons through whom investment transactions are carried out (the "broker"). Soft dollars may be received from them, provided that the quality of transaction execution is consistent with best execution standards and brokerage rates are not in excess of the customary full-service brokerage rates.

Such soft dollar benefits may include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services and software incidental to the above goods and services; clearing and custodian services and investment-related publications. For the avoidance of doubt, soft dollar benefits do not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The Manager will consider many judgemental factors deemed relevant in determining whether a broker will provide the best execution. In general, investment orders will be allocated to a broker based on the range and overall quality of services offered by a broker. The core factors in determining the quality of services are the execution performance and capability of a broker. Other factors, such as the quality and quantity of research and investment ideas offered, access to potential investee companies and commission rate charges, would also be taken into consideration. Soft dollar benefits received from a broker should not be a determinant factor on allocating orders among a broker. The Manager has implemented policies and procedures to ensure that transactions executed with a broker pursuant to a soft dollar commission sharing arrangement are conducted in the best execution standard. Soft dollar benefits received by the Manager are used to facilitate in the Manager's investment management process, and such benefits assist the Manager in fulfilling its overall duty to clients and may be used in servicing any or all of the Manager's client accounts over which the Manager exercises investment discretion. The Manager does not usually attempt to allocate/attribute the soft dollar benefits to individual client accounts, as goods and services obtained may be beneficial to all clients in general, including those client accounts that do not generate credit to acquire the soft dollar benefits.

#### **14. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Sub-Fund has adopted the following new IFRS for the first time in the current year's financial statements, which is applicable to the Sub-Fund. The nature and the impact of the new standard are described below:



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **14. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

#### **IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment***

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- i. Whether the Sub-Fund considers uncertain tax treatments separately
- ii. The assumptions the Sub-Fund makes about the examination of tax treatments by taxation authorities
- iii. How the Sub-Fund determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- iv. How the Sub-Fund considers changes in facts and circumstances

The Sub-Fund determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Sub-Fund applies significant judgement in identifying uncertainties over income tax treatments. The Sub-Fund has assessed that the interpretation does not have a significant impact on the financial statements.

### **15. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Sub-Fund has not early applied any of the new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. Among the new and revised IFRSs, the following are expected to be relevant to the Sub-Fund's financial statements upon becoming effective:

#### **Amendments to IAS 1 and IAS 8 *Definition of Material*<sup>1</sup>**

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2020*

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Sub-Fund expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Sub-Fund's financial statements.

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### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **16. EVENTS AFTER THE REPORTING PERIOD**

In March 2020, the World Health Organisation (WHO) recognised the Coronavirus (“COVID-19”) outbreak as a Global Pandemic. This has resulted in significant market volatility and declines in global markets and disruptions to commerce and travel. Management will continue to monitor the development of the COVID-19 outbreak and assess the impact as the situation evolves.

Other than those disclosed above, no subsequent events have occurred that would require an adjustment or disclosure or have a material effect on the financial statements for the year ended 31 March 2020.

#### **17. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Manager and the Trustee on 2 July 2020.

**INVESTMENT PORTFOLIO (UNAUDITED)**

AS AT 31 MARCH 2020

	Holdings	Fair value RMB	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
<b>Listed Equity Securities</b>			
<b>China</b>			
Agricultural Bank of China Ltd A Shrs	829,300	2,794,741	4.13
Aisino Corp A Shrs	22,100	421,889	0.62
Baoshan Iron & Steel Co Ltd A Shrs	116,000	564,920	0.84
Bank of Beijing Co Ltd A Shrs	280,900	1,356,747	2.01
Bank of China Ltd A Shrs	465,900	1,621,332	2.40
Bank of Communications Co Ltd A Shrs	442,800	2,284,848	3.38
Bank of Shanghai Co Ltd A Shrs	131,068	1,080,001	1.60
China CITIC Bank Corp Ltd A Shrs	60,300	312,354	0.46
China Construction Bank Corp A Shrs	198,900	1,261,026	1.87
China Merchants Bank Co Ltd A Shrs	210,800	6,804,624	10.07
China Merchants Securities Co Ltd A Shrs	39,200	671,104	0.99
China Pacific Insurance (Group) Co Ltd A Shrs	55,700	1,571,854	2.32
China Shenhua Energy Co Ltd A Shrs	43,800	711,312	1.05
China Vanke Co Ltd A Shrs	140,000	3,591,000	5.31
China Yangtze Power Co Ltd A Shrs	87,600	1,514,604	2.24
CITIC Securities Co Ltd A Shrs	167,700	3,716,232	5.50
CRRC Corp Ltd A Shrs	164,500	1,079,120	1.60
Dong-E-E-Jiao Co Ltd A Shrs	10,700	275,418	0.41
Dongxu Optoelectronic Technology Co Ltd A Shrs	83,500	250,500	0.37
Fuyao Glass Industry Group Co Ltd A Shrs	29,600	567,728	0.84
Gemdale (Corp) A Shrs	63,000	887,670	1.31
Gree Electric Appliances Inc of Zhuhai A Shrs	93,000	4,854,600	7.19
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited A Shrs	10,400	327,392	0.48
Guosen Securities Co Ltd A Shrs	27,100	300,810	0.44
Guotai Junan Securities Co Ltd A Shrs	73,000	1,188,440	1.76
Haitong Securities Co Ltd A Shrs	132,200	1,697,448	2.51
Henan Shuanghui Investment & Development Co Ltd A Shrs	18,900	742,770	1.10
Hengtong Optic-electric Co Ltd A Shrs	26,400	427,152	0.63
Huatai Securities Co Ltd A Shrs	78,100	1,345,663	1.99
Industrial & Commercial Bank of China Ltd A Shrs	477,100	2,457,065	3.63
Industrial Bank Co Ltd A Shrs	301,486	4,796,642	7.09
New China Life Insurance Co Ltd A Shrs	14,600	581,080	0.86
Ping An Bank Co Ltd A Shrs	180,260	2,307,328	3.41

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### INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 MARCH 2020

	Holdings	Fair value RMB	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)</b>			
<b>Listed Equity Securities (Continued)</b>			
<i>China (Continued)</i>			
SAIC Motor Corp Ltd A Shrs	59,960	1,229,180	1.82
Sany Heavy Industry Co Ltd A Shrs	87,000	1,505,100	2.23
Seazen Holdings Co Ltd A Shrs	15,400	481,558	0.71
Shandong Hualu-Hengsheng Chemical Co Ltd A Shrs	23,500	368,950	0.55
Shanghai Fosun Pharmaceutical (Group) Co Ltd A Shrs	22,100	726,206	1.07
Shanghai International Port (Group) Co Ltd A Shrs	66,600	298,368	0.44
Shanghai Pudong Development Bank Co Ltd A Shrs	311,088	3,157,543	4.67
Shenwan Hongyuan Group Co Ltd A Shrs	139,400	614,754	0.91
Sichuan Chuantou Energy Co Ltd A Shrs	48,742	448,426	0.66
TBEA Co Ltd A Shrs	65,500	478,150	0.71
Weichai Power Co Ltd A Shrs	92,800	1,109,888	1.64
Xinjiang Goldwind Science & Technology Co Ltd A Shrs	48,385	459,658	0.68
Youngor Group Co Ltd A Shrs	60,800	387,296	0.57
Yunnan Baiyao Group Co Ltd A Shrs	7,200	615,960	0.91
Zhejiang Dahua Technology Co Ltd A Shrs	29,800	481,866	0.71
Zhejiang Nhu Co Ltd A Shrs	16,700	455,910	0.67
Zhengzhou Yutong Bus Co Ltd A Shrs	27,400	375,106	0.55
<b>Total financial assets at fair value through profit or loss</b>		67,559,333	99.91
Cash and cash equivalents		86,342	0.13
Other net liabilities		(30,512)	(0.04)
<b>Total net assets</b>		<u>67,615,163</u>	<u>100.00</u>
<b>Total investments, at cost</b>		<u>70,051,002</u>	

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**

FOR THE YEAR ENDED 31 MARCH 2020

	% of net assets	
	2020	2019
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
<b>Listed Equity Securities</b>		
China	99.91	100.29
<b>Total financial assets at fair value through profit or loss</b>	99.91	100.29
Cash and cash equivalents	0.13	0.06
Other net liabilities	(0.04)	(0.35)
<b>Total net assets</b>	100.00	100.00

## VALUE CHINA A-SHARE ETF

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### PERFORMANCE RECORD (UNAUDITED)

FOR THE YEAR ENDED 31 MARCH 2020

#### Net asset value

	<b>Net asset value per unit</b> <i>RMB</i>	<b>Net asset value</b> <i>RMB</i>
As at 31 March 2020	5.8796	67,615,163
As at 31 March 2019	6.8023	105,435,621
As at 31 March 2018	6.6657	106,651,642
As at 31 March 2017	6.1759	135,869,659

#### Highest and lowest net asset value per unit

	<b>Highest net asset value per unit</b> <i>RMB</i>	<b>Lowest net asset value per unit</b> <i>RMB</i>
Year ended 31 March 2020	7.2189	5.6202
Year ended 31 March 2019	6.9588	5.5105
Year ended 31 March 2018	7.7122	5.9762
Year ended 31 March 2017	6.6527	5.6209
Period ended 31 March 2016	9.0835	5.3097