

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A Sub-fund of BOCOM International Fund)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A Sub-fund of BOCOM International Fund)

REPORTS AND FINANCIAL STATEMENTS

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BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A Sub-fund of BOCOM International Fund)

MANAGEMENT AND ADMINISTRATION

Manager

BOCOM International Asset Management Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Central
Hong Kong

Directors of the Manager

LI Baohua (Appointed on 24 December 2021 and
resigned on 28 February 2022)
LI Wu (Appointed on 24 December 2021)
XI Xuanhua (Appointed on 24 December 2021)
CHENG Chuange (Ceased on 24 December 2021)
MENG Yu (Ceased on 24 December 2021)
SU Fen (Ceased on 24 December 2021)

Trustee and Registrar

Bank of Communications Trustee Limited
1/F, Far East Consortium Building
121 Des Voeux Road Central
Central
Hong Kong

PRC Custodian

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

Legal Counsel to the Manager

Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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REPORT OF THE MANAGER TO THE UNITHOLDERS

Market Review

A-share market performed fluctuated during 2021, which total return of CSI 300 index recorded negative 3.51 per cent, meanwhile, the sectors differentiated obviously. On one hand, due to carbon neutrality policy, the new energy sectors such as Photovoltaics, wind energy and new energy vehicle industrial chain have risen in turn. On the other hand, the overall performance of traditional consumer sectors such as household appliance, white alcohol showed downward trend. As loose expectation, we still hold optimistic view of A-share's performance in 2022 and believe that old economy sectors such as finance, metals & mining, and infrastructure sectors may perform better among the market.

Portfolio Review

For the year ended 31 December 2021, the Sub-Fund's Class R and Class I's total return was negative 1.85 per cent and negative 1.55 per cent respectively. We prefer to hold those "white-horse" stocks which have solid fundamentals in their related industries. Moreover, we will adjust some positions of growth stocks to valued stocks to keep balance of allocation.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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REPORT OF THE TRUSTEE TO THE UNITHOLDERS

**TO THE UNITHOLDERS OF BOCOM INTERNATIONAL CHINA DYNAMIC FUND (THE
“SUB-FUND”)**

We hereby confirm that, in our opinion, the Manager of the Sub-Fund has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 27 October 2010, as amended and all its supplemental deeds for the year ended 31 December 2021.



For and on behalf of
Bank of Communications Trustee Limited
27 April 2022

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A Sub-fund of BOCOM International Fund)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of BOCOM International China Dynamic Fund (the "Sub-Fund"), a sub-fund of BOCOM International Fund, which are set out on pages 7 to 29, comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2021, and of its financial transactions and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Sub-Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(CONTINUED)**
(A Sub-fund of BOCOM International Fund)

Responsibilities of the Management for the Financial Statements

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

In preparing the financial statements, the Management of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 27 October 2010, as amended (the "Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(CONTINUED)**

(A Sub-fund of BOCOM International Fund)

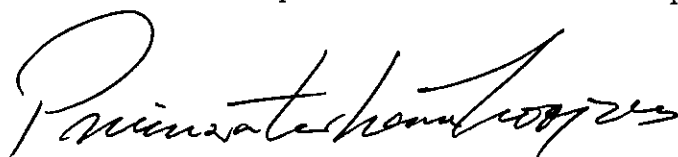
Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and 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 Appendix E of the SFC Code.



PricewaterhouseCoopers
Certified Public Accountants

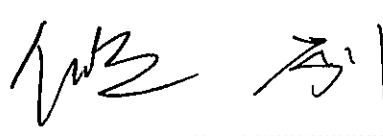
Hong Kong, 27 April 2022

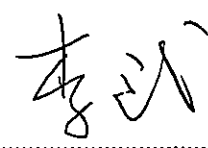
BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A Sub-fund of BOCOM International Fund)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 RMB	2020 RMB
Non-Current Assets			
Deposit reserve	3(d)	24,332	224,000
Current Assets			
Financial assets at fair value through profit or loss	3(a)	48,635,738	49,345,410
Interest receivable		22,893	18,676
Prepayment		4,451	30,000
Cash and cash equivalents	3(d), 7(a)	2,612,063	1,703,498
Total assets		<u>51,299,477</u>	<u>51,321,584</u>
Liabilities			
Management fee payable	7(b)	54,836	51,038
Trustee fee payable	7(c)	63,189	63,016
Sub-custodian fee payable	7(d)	4,362	4,052
Due to brokers		49,206	-
Accrued expense and other payables		324,022	388,256
Total liabilities (excluding net assets attributable to unitholders)		<u>495,615</u>	<u>506,362</u>
Net assets attributable to unitholders	6	<u>50,803,862</u>	<u>50,815,222</u>

Approved and authorised for issue by the Trustee and the Manager on 27 April 2022.


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For and on behalf of the Trustee
Bank of Communications Trustee Limited


.....
For and on behalf of the Manager
BOCOM International Asset Management Limited

The notes on pages 11 to 29 are an integral part of these financial statements.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A Sub-fund of BOCOM International Fund)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB	2020 RMB
Income			
Interest income on bank deposits	7(a)	10,051	9,778
Interest income on debt securities		106,902	79,667
Dividend income		350,341	323,463
Net gains on financial assets at fair value through profit or loss	5	860,050	20,459,181
Net foreign exchange gains/(losses)		1,271	(1,331)
Total income		<u>1,328,615</u>	<u>20,870,758</u>
Expenses			
Management fee	7(b)	631,441	517,524
Trustee fee	7(c)	744,001	744,000
Sub-custodian fee	7(d)	48,135	39,416
Audit fee		207,066	259,154
Transaction costs	8	54,306	196,553
Bank charges		4,535	5,298
Legal fee and professional fees		-	15,573
Other operating expenses		3,306	40,295
Reversal of provision of other operating expenses		(5,223)	-
Total operating expenses		<u>1,687,567</u>	<u>1,817,813</u>
(Loss)/profit before tax		<u>(358,952)</u>	<u>19,052,945</u>
Taxation	9	(36,371)	(35,565)
(Decrease)/increase in net assets attributable to unitholders from operations		<u><u>(395,323)</u></u>	<u><u>19,017,380</u></u>

The notes on pages 11 to 29 are an integral part of these financial statements.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 RMB	2020 RMB
Net assets attributable to unitholders at beginning of the year		50,815,222	36,238,694
Proceeds from units issued		9,042,040	729,849
Redemption of units		(8,658,077)	(5,170,701)
Net increase/(decrease) from unit transactions		383,963	(4,440,852)
Decrease/(increase) in net assets attributable to unitholders from operations		(395,323)	19,017,380
Net assets attributable to unitholders at end of the year	6	50,803,862	50,815,222

	Number of redeemable units	
	2021	2020
<u>Class I</u>		
Units in issue at beginning of the year	2,100,000.000	2,100,000.000
Units in issue at end of the year	2,100,000.000	2,100,000.000
<u>Class R</u>		
Units in issue at beginning of the year	463,898.056	739,410.492
Issue of units during the year	485,691.137	46,194.185
Redemption of units during the year	(443,829.460)	(321,706.621)
Units in issue at end of the year	505,759.733	463,898.056

The notes on pages 11 to 29 are an integral part of these financial statements.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RMB	2020 RMB
Cash flows from operating activities		
(Loss)/profit after tax	(395,323)	19,017,380
Adjustment for:		
Dividend income	(350,341)	(323,463)
Interest income on bank deposits	(10,051)	(9,778)
Interest income on debt securities	(106,902)	(79,667)
Taxation	36,371	35,565
	<hr/>	<hr/>
Operating cash flows before working capital changes	(826,246)	18,640,037
Change in operating assets and liabilities		
Decrease in deposit reserve	199,668	-
Decrease/(increase) in financial assets at fair value through profit or loss	709,672	(14,261,574)
Decrease in due from brokers	-	765,542
Decrease/(increase) in prepayment	25,549	(30,000)
Increase in management fee payable	3,798	11,138
Increase/(decrease) in trustee fee payable	173	(2,211)
Increase in sub-custodian fee payable	310	928
Increase/(decrease) in due to brokers	49,206	(996,311)
(Decrease)/increase in accrued expense and other payables	(64,234)	30,257
	<hr/>	<hr/>
Cash generated from operating activities	97,896	4,157,806
Bank deposit interest received	10,091	9,767
Debt securities interest received	102,645	76,127
Dividend received	350,341	323,463
Tax paid	(36,371)	(35,565)
	<hr/>	<hr/>
Net cash from operating activities	524,602	4,531,598
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issue of units	9,042,040	729,849
Payments on redemption of units	(8,658,077)	(5,170,701)
	<hr/>	<hr/>
Net cash from/(used in) financing activities	383,963	(4,440,852)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	908,565	90,746
Cash and cash equivalents at beginning of the year	1,703,498	1,612,752
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	2,612,063	1,703,498
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The notes on pages 11 to 29 are an integral part of these financial statements.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A Sub-fund of BOCOM International Fund)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

BOCOM International Fund (the “Trust”) is an umbrella unit trust governed by its Trust Deed dated 27 October 2010, as amended (the “Trust Deed”) made between BOCOM International Asset Management Limited as the Manager (the “Manager”) and Bank of Communications Trustee Limited as the Trustee (the “Trustee”). The terms of the Trust Deed are governed by the law of Hong Kong. The Trust is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) under 104(1) of the Hong Kong Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds issued by SFC.

BOCOM International China Dynamic Fund (the “Sub-Fund”) is one of the three sub-funds under the Trust available for investment as at 31 December 2021. The date of inception of the Sub-Fund was 4 July 2014.

The Sub-Fund seeks to achieve its investment objective by investing 70% to 95% of its net asset value in A-Shares of PRC companies listed in the PRC securities markets, currently Shanghai Stock Exchange and Shenzhen Stock Exchange, and/or convertible bonds trading on the interbank bond market and/or the exchange bond market issued or distributed within the PRC. The Sub-Fund may also invest 5% to 30% of its net asset value in Renminbi denominated and settled fixed income securities trading on the interbank bond market and/or the exchange bond market which include bonds issued or distributed within the PRC by governments, quasi-government organisations, financial institutions and other corporations, for example, government bonds and notes, corporate bonds, financial bonds and commercial papers. The Sub-Fund may hold up to 25% of its net asset value in cash in Renminbi.

The Manager is owned by BOCOM International Holdings Company Limited, which itself is a subsidiary of Bank of Communications Co., Ltd. (“BOCOM”, and together with BOCOM International Holdings Company Limited and its affiliates, the “BOCOM Group”).

The financial statements are prepared for the Sub-Fund only. The financial statements are presented in Renminbi (“RMB”), which is same as the functional currency of the Sub-Fund.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of BOCOM International China Dynamic Fund have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Trustee and the Manager to exercise their judgment in the process of applying the Sub-Fund’s accounting policies.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Standards and amendments to existing standards effective 1 January 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Sub-Fund.

New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

(b) Financial assets at fair value through profit or loss

Classification

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Sub-Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

As such, the Sub-Fund classifies all of its investment portfolio as financial assets at fair value through profit or loss. The Sub-Fund's policy requires the Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Financial assets at fair value through profit or loss (Continued)

Recognition, derecognition and measurement (Continued)

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the statement of comprehensive income within “net gains on financial assets at fair value through profit or loss” in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Sub-Fund’s right to receive payments is established.

Interest on debt securities at fair value through profit or loss is recognised in the statement of comprehensive income within interest income based on the effective interest rate.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Sub-Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

(c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less.

(d) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(d) Due from and due to brokers (Continued)

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Sub-Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(e) Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(f) Income

Interest income is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents and interest from debt securities.

Dividend income is recognised when the right to receive payment is established.

(g) Expenses

All expenses are accounted for on an accrual basis and are charged to the statement of comprehensive income.

(h) Redeemable units

The Sub-Fund's redeemable units, which are redeemable at the holder's option, represent puttable financial instruments of the Sub-Fund. The Sub-Fund classifies its puttable financial instruments as liabilities as the Sub-Fund issues more than one class of redeemable shares, which are redeemable at the holder's option and do not have identical rights.

Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units. In accordance with the provisions of the Sub-Fund's explanatory memorandum, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

(i) Taxation

No provision for Hong Kong profits tax has been made as the Sub-Fund was authorised as a collective investment scheme under Section 104 of the Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Inland Revenue Ordinance.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(i) Taxation (Continued)

The Sub-Fund currently incurs withholding taxes imposed by the PRC on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are shown as a separate item in the statement of comprehensive income.

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The Sub-Fund invests mainly in A-Share equity securities and debt securities in the PRC and the performance of the Sub-Fund is measured and reported to the unitholders in RMB. The Manager considers RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Sub-Fund’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within “net foreign currency gains/(losses)”.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within “net gains on financial assets at fair value through profit or loss”.

(k) Distribution to unitholders

Distribution to unitholders is recognised in the statement of comprehensive income when they are approved by the Manager.

(l) Transaction costs

Transaction costs are costs incurred to acquire financial assets at fair value through 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.

(m) Establishment costs

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

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management

The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The Sub-Fund uses different methods to measure and manage the various types of risk to which it is exposed. These methods are explained below.

(a) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The following table discloses the financial assets at fair value through profit or loss of the Sub-Fund by product types:

	2021 RMB	2020 RMB
Financial assets at fair value through profit or loss		
RMB denominated bonds	3,282,028	2,639,260
A-share equity securities	45,353,710	46,706,150
	<u>48,635,738</u>	<u>49,345,410</u>

The following table discloses the non-derivative financial assets at fair value through profit or loss of the Sub-Fund by industrial sectors:

	<u>2021</u>		<u>2020</u>	
	RMB	% of net asset value	RMB	% of net asset value
Basic Materials	5,277,350	10.39	4,369,920	8.60
Consumer, Cyclical	4,354,060	8.57	4,618,307	9.09
Consumer, Non-cyclical	7,257,800	14.29	19,411,273	38.20
Financial	3,339,900	6.57	4,281,538	8.43
Industrial	12,154,828	23.93	14,025,112	27.60
Government	3,244,160	6.39	2,639,260	5.19
Technology	6,323,132	12.45	-	-
Health Care	5,733,824	11.28	-	-
Energy	950,684	1.86	-	-
Grand Total	<u>48,635,738</u>	<u>95.73</u>	<u>49,345,410</u>	<u>97.11</u>

The Sub-Fund's market price risk is managed through diversification of the investment portfolio ratios by exposures to different industries.

There is no exposure to individual investments/issuers representing over 10% of the Sub-Fund's net asset value at the reporting date.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Market price risk (Continued)

At 31 December 2021, the Sub-Fund invests in A-Share equity securities and is susceptible to market price risk arising from uncertainties about future values of those investments. The A-Share equity securities are publicly traded. If the prices of A-Share equity securities had increased/decreased by 10% (2020: 10%), the Sub-Fund's pre-tax profits for the year would have resulted in an increase/decrease of RMB4,535,371 (2020: RMB4,670,615).

As the Sub-Fund invests in debt securities, the sensitivity analysis of market price risk is disclosed in the interest rate sensitivity analysis in note 3(b) below.

(b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

Certain financial assets and liabilities held by the Sub-Fund are interest bearing. As a result, the Manager considers that the Sub-Fund is subject to risks due to fluctuations in the prevailing levels of market interest rates. Change in the fair value of the interest bearing portfolio is monitored via risk measures such as interest rate duration and credit spread duration.

The tables below summarise the Sub-Fund's exposure to interest rate risks at the reporting date. Included in the table are the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2021

	Maturity up to 1 year RMB	Maturity 1-5 years RMB	No stated maturity RMB	Non-interest bearing RMB	Total RMB
Assets					
Investments					
- RMB denominated bonds	-	3,282,028	-	-	3,282,028
- A-Share equity securities	-	-	-	45,353,710	45,353,710
Interest receivable	-	-	-	22,893	22,893
Deposit reserve	-	-	24,332	-	24,332
Cash and cash equivalents	2,612,063	-	-	-	2,612,063
Prepayment	-	-	-	4,451	4,451
Total assets	2,612,063	3,282,028	24,332	45,381,054	51,299,477
Liabilities					
Management fee payable	-	-	-	54,836	54,836
Trustee fee payable	-	-	-	63,189	63,189
Sub-custodian fee payable	-	-	-	4,362	4,362
Amount due to brokers	-	-	-	49,206	49,206
Accrued expense and other payable	-	-	-	324,022	324,022
Net assets attributable to unitholders	-	-	-	50,803,862	50,803,862
Total liabilities	-	-	-	51,299,477	51,299,477
Total interest sensitivity gap	2,612,063	3,282,028	24,332		

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(b) Interest rate risk (Continued)

As at 31 December 2020

	Maturity up to 1 year RMB	Maturity 1-5 years RMB	No stated maturity RMB	Non-interest bearing RMB	Total RMB
Assets					
Investments					
- RMB denominated bonds	-	2,639,260	-	-	2,639,260
- A-Share equity securities	-	-	-	46,706,150	46,706,150
Interest receivable	-	-	-	18,676	18,676
Deposit reserve	-	-	224,000	-	224,000
Cash and cash equivalents	1,703,498	-	-	-	1,703,498
Prepayment	-	-	-	30,000	30,000
Total assets	1,703,498	2,639,260	224,000	46,754,826	51,321,584
Liabilities					
Management fee payable	-	-	-	51,038	51,038
Trustee fee payable	-	-	-	63,016	63,016
Sub-custodian fee payable	-	-	-	4,052	4,052
Accrued expense and other payable	-	-	-	388,256	388,256
Net assets attributable to unitholders	-	-	-	50,815,222	50,815,222
Total liabilities	-	-	-	51,321,584	51,321,584
Total interest sensitivity gap	1,703,498	2,639,260	224,000		

At 31 December 2021, the Sub-Fund has cash and cash equivalents of RMB2,612,063 (2020: RMB1,703,498). If interest rates had been 10 basis points (2020: 10 basis points) higher or lower with all other variables held constant, net assets attributable to unitholders of the Sub-Fund would have been RMB2,612 (2020: RMB1,703) higher or lower respectively as a result of higher or lower interest income.

The majority of the Sub-Fund's interest rate exposure on debt instruments denominated in RMB. Interest rate exposures are expressed in terms of rate of weighted modified duration. The Manager monitors the interest rate risks by quantifying market exposure in duration terms. The adjusted weighted modified duration is the modified duration multiplied by the allocation of net asset value and a sensitivity factor. As at 31 December 2021, the Sub-Fund invested in debt securities of RMB3,282,028 (2020: RMB2,639,260) and the portfolio weighted average modified duration of the Sub-Fund is 2.09 (2020: 2.18).

At 31 December 2021, should interest rates have lowered/risen by 25 basis points (2020: 25 basis points) with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately RMB17,149 (2020: RMB14,384) arising substantially from the increase/decrease in market values of debt securities.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. As at 31 December 2021 and 2020, the Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as a majority of their assets and liabilities are denominated in RMB, the Sub-Fund's functional and presentation currency. Accordingly, the Management considers that it is not necessary to present a sensitivity analysis of currency risk.

(d) Credit and counterparty risk

Credit and counterparty risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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 custodian has received payment. Payment is made on a purchase when the securities have been received by the custodian. The trade will fail if either party fails to meet its obligation.

The Trustee entered into a Global Custodial Services agreement with Citibank N.A., Hong Kong Branch on 25 January 2008. According to the Global Custodial Services agreement, the investment of the Sub-Fund is held in the name of the Trustee or such other name as the Trustee may reasonably designate and will indicate that the investments do not belong to the sub-custodian and are segregated from the sub-custodian's assets. The Sub-Fund's money is held in the name of the Trustee or such other name as the Trustee may reasonably designate and will be held by the sub-custodian.

The main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in debt securities. The Sub-Fund does not have explicit restrictions on the minimum credit ratings of securities it may hold. The Manager will actively manage the portfolio of the Sub-Fund. In case of credit rating downgrading, the Manager will adjust the positions in the portfolio using its credit analysis and rating systems that are designed to manage credit risks.

The table below summarises the credit quality of the Sub-Fund's debt portfolio, which represents 6.46% and 5.19% of the net asset value as at 31 December 2021 and 2020 respectively:

Debt securities by rating category:

Rating	2021 % of net asset value	2020 % of net asset value
Standard & Poor's		
A+	-	5.19
Non-rated	6.46	-
	<u>6.46</u>	<u>5.19</u>

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(d) Credit and counterparty risk (Continued)

The Manager has assessed the credit quality of the bonds based on the nature of the issuers and the historical information about the issuers' default rates. The majority of unrated securities have been assessed by the investment manager to have credit quality consistent with BBB/Baa rated securities. A BBB/Baa rating is the lowest rating a bond can have and still be considered investment-grade. An investment grade bond is a bond considered to have a relatively low risk of default. As at 31 December 2021 and 2020, there are no non-rated debt securities in default.

The Sub-Fund is also exposed to credit and counterparty risk on cash and cash equivalents.

The table below summarises the net exposure to the Sub-Fund's counterparties together with their credit ratings:

As at 31 December 2021

	RMB	Credit rating	Source of credit rating
Investments			
HSBC Bank (China) Company Limited	48,635,738	A+	Standard & Poor's
Cash and cash equivalents			
HSBC Bank (China) Company Limited	2,611,528	A+	Standard & Poor's
Bank of Communications Co., Ltd Hong Kong Branch ¹	535	A-	Standard & Poor's
Deposit reserve			
HSBC Bank (China) Company Limited	24,332	A+	Standard & Poor's

As at 31 December 2020

	RMB	Credit rating	Source of credit rating
Investments			
HSBC Bank (China) Company Limited	49,345,411	A+	Standard & Poor's
Cash and cash equivalents			
HSBC Bank (China) Company Limited	1,702,402	A+	Standard & Poor's
Bank of Communications Co., Ltd Hong Kong Branch ¹	1,096	A-	Standard & Poor's
Deposit reserve			
HSBC Bank (China) Company Limited	224,000	A+	Standard & Poor's

¹ Credit rating of its ultimate holding company Bank of Communications Co., Ltd. is used.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(d) Credit and counterparty risk (Continued)

All the Sub-Fund's investments, cash and cash equivalents and deposit reserve are held in major financial institutions, which the Sub-Fund believes are of high credit quality. The Manager considers that the Sub-Fund does not have a significant concentration of credit risk.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. As at 31 December 2021 and 2020, all deposit reserve, interest receivable, due from brokers and cash and cash equivalents can be realised within one to three months. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The Manager mitigates the counterparty risk associated with the Sub-Fund by putting in place appropriate counterparty risk management procedures. The Manager monitors the credit rating of the brokers on an ongoing basis.

(e) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of their assets in securities that are traded in an active market which can be readily disposed of.

Units are redeemed on demand at the unitholder's option. With a view to protect the interest of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Fund redeemed on any dealing day to 10% of the total number of units in issue. As at 31 December 2021, there were 1 (2020: 1) unitholder account each holding more than 10% of the Sub-Fund's units.

The table below analyses the Sub-Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

	Less than 3 months RMB
As at 31 December 2021	
Management fee payable	54,836
Trustee fee payable	63,189
Sub-custodian fee payable	4,362
Amount due to brokers	49,206
Accrued expenses and other payables	324,022
Net assets attributable to unitholders	50,803,862
Contractual cash outflow	<u><u>51,299,477</u></u>

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(e) Liquidity risk (Continued)

	Less than 3 months RMB
As at 31 December 2020	
Management fee payable	51,038
Trustee fee payable	63,016
Sub-custodian fee payable	4,052
Accrued expenses and other payables	388,256
Net assets attributable to unitholders	50,815,222
Contractual cash outflow	<u><u>51,321,584</u></u>

The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 3 months or less. The following table illustrates the expected liquidity of assets held:

	Less than 3 months RMB	Over 3 months RMB
As at 31 December 2021		
Total assets	<u>51,252,481</u>	<u>46,996</u>
As at 31 December 2020		
Total assets	<u>51,079,177</u>	<u>242,407</u>

(f) Fair value estimation

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Sub-Fund can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(f) Fair value estimation (Continued)

The determination of what constitutes “observable” requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets and liabilities measured at fair value at 31 December 2021 and 2020 respectively:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2021				
Assets				
Financial assets at fair value through profit or loss				
- RMB denominated bonds	3,282,028	-	-	3,282,028
- A-Share equity securities	45,353,710	-	-	45,353,710
Total assets	<u>48,635,738</u>	<u>-</u>	<u>-</u>	<u>48,635,738</u>
As at 31 December 2020				
Assets				
Financial assets at fair value through profit or loss				
- RMB denominated bonds	2,639,260	-	-	2,639,260
- A-Share equity securities	46,706,150	-	-	46,706,150
Total assets	<u>49,345,410</u>	<u>-</u>	<u>-</u>	<u>49,345,410</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed bonds and active listed equities. The Sub-Fund does 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. These included quoted debt securities. The quotes are periodically reviewed by the Manager.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2021 and 2020, there were no level 3 investment held by the Sub-Fund.

For the year ended 31 December 2021 and 2020, there were no transfers between levels.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(g) Capital risk management

The capital of the Sub-Fund is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions in investments that meet the Sub-Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions. The Management may:

- Redeem and issue new units in accordance with the constitutive documents of the Sub-Fund; and
- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders.

4 Financial instruments by category

Financial assets

Apart from financial assets at fair value through profit or loss as disclosed in the statement of financial position which are classified as at fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including interest receivable, prepayment, deposit reserve and cash and cash equivalents, are categorised as "loans and receivables".

Financial liabilities

All financial liabilities as disclosed in the statement of financial position, including management fee payable, trustee fee payable, sub-custodian fee payable and accrued expense and other payables, are categorised as "other financial liabilities".

5 Net gains on financial assets at fair value through profit or loss

	2021 RMB	2020 RMB
Change in unrealised gains/losses of financial assets at fair value through profit or loss	(2,389,929)	15,408,820
Net realised gains on sale of financial assets at fair value through profit or loss	3,249,979	5,050,361
	<u>860,050</u>	<u>20,459,181</u>

6 Number of units in issue and net assets attributable to unitholders per unit

As at 31 December 2021 and 2020, the Sub-Fund issued two classes of units – Class I and Class R. Class R units are available for sale to the retail public in Hong Kong. Class I units are offered to institutional investors.

Net assets attributable to unitholders represent a liability in the statement of financial position, carried at the redemption amount that would be payable at the statement of financial position date if the unitholders exercised the right to redeem the units.

The movements of the redeemable units are disclosed in the statement of changes in net assets attributable to unitholders.

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

The following table details the net asset value per unit of each class of units at the reporting date:

	Number of units outstanding	Net asset value per unit RMB
At 31 December 2021		
Class I	2,100,000.000	19.579
Class R	505,759.733	19.151
	<u> </u>	<u> </u>
At 31 December 2020		
Class I	2,100,000.000	19.887
Class R	463,898.056	19.511
	<u> </u>	<u> </u>

7 Transactions with related parties or connected persons

The following is a summary of transactions entered into during the year between the Sub-Fund and its related parties including the Manager, Trustee and their connected persons. Connected persons are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with the connected persons except for those disclosed below.

All transactions were entered into during the year between the Sub-Fund and the Manager, Trustee and their connected persons were carried out in the ordinary course of business and on normal commercial terms.

(a) Bank balances and investments

Bank balances deposited at 31 December 2021 and 2020 and interest income earned during the year on these bank balances are summarised below.

Bank balances are maintained with HSBC Bank (China) Company Limited, the connected person of the Manager and the Trustee:

	2021 RMB	2020 RMB
Investment held	48,635,738	49,345,410
	<u> </u>	<u> </u>
Bank balances deposited	2,611,528	1,702,402
	<u> </u>	<u> </u>
Deposit reserve deposited	24,332	224,000
	<u> </u>	<u> </u>
Interest income earned	8,728	7,647
	<u> </u>	<u> </u>

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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NOTES TO THE FINANCIAL STATEMENTS

7 Transactions with related parties or connected persons (Continued)

(a) Bank balances and investments (Continued)

Bank balances are maintained with Bank of Communications Co. Ltd HK Branch, the ultimate holding company of the Manager and the Trustee:

	2021 RMB	2020 RMB
Bank balances deposited	<u>535</u>	<u>1,096</u>
Interest income earned	<u>1,323</u>	<u>2,131</u>

(b) Management fee

The Manager is entitled to receive a management fee calculated and accrued on each dealing day and payable monthly in arrears. The Manager currently charges a rate of 1.5% per annum for Class R and 1.2% per annum for Class I.

The management fee charged for the year ended 31 December 2021 was RMB631,441 (2020: RMB517,524), of which RMB54,836 (2020: RMB51,038) was outstanding at 31 December 2021.

(c) Trustee fee

The Trustee is entitled to receive a trustee fee of up to 1% per annum of the net asset value of the Sub-Fund. Currently, the Trustee is entitled to receive a fee of 0.11% per annum of the net asset value of each class of the Sub-Fund, subject to a monthly minimum fee of RMB62,000 for the sub-fund (2020: RMB62,000 for each class of units). The fee is calculated and accrued daily and payable monthly in arrears.

The table below summarises the trustee fees and trustee fee payable by Sub-Fund as at 31 December 2021 and 2020:

	2021 RMB	2020 RMB
Trustee fee	<u>744,001</u>	<u>744,000</u>
Trustee fee payable	<u>63,189</u>	<u>63,016</u>

(d) Sub-custodian fee

During the year ended 31 December 2021, the Sub-Fund recognised a sub-custodian fee of RMB48,135 (2020: RMB39,416) charged by HSBC Bank (China) Company Limited, the connected person of the Manager and the Trustee, of which RMB4,362 (2020: RMB4,052) was outstanding at 31 December 2021.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
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7 Transactions with related parties or connected persons (Continued)

(e) Holdings of units of the Sub-Fund

The holdings of units of the Sub-Fund by the Manager and its connected persons as at 31 December 2021 and 2020 were as follows.

Units held by BOCOM International Holdings Company Limited, the parent company of the Manager and the Trustee:

<u>2021</u>	Units outstanding at 1 January 2021	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2021
Class I	2,000,000	-	-	2,000,000
	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
<u>2020</u>	Units outstanding at 1 January 2020	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2020
Class I	2,000,000	-	-	2,000,000
	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>

Units held by a director of the Manager:

<u>2021</u>	Units outstanding at 1 January 2021	Increase resulting from director appointments during the year	Units subscribed during the year	Units redeemed during the year	Decrease resulting from director cessations during the year	Units outstanding at 31 December 2021
Class R	50,000	-	-	-	(50,000)	-
	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
<u>2020</u>	Units outstanding at 1 January 2020	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2020		
Class R	50,000	-	-	50,000		
	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>		

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8 Transaction costs

Transaction costs include brokerage and commission fee for the purchases and sales of investments. The transaction costs charged for the year ended 31 December 2021 amounted to RMB54,306 (2020: RMB196,553).

9 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.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made for the Sub-Fund as the Sub-Fund is authorised as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

PRC Withholding Tax

For the year ended 31 December 2021 and 2020, the Sub-Fund had invested in RMB denominated A-shares and debt securities in PRC.

Under the general tax provision of PRC Corporate Income Tax Law (“PRC CIT Law”), the non-PRC residents with no place of effective management, establishment or place of business in the PRC may be subject to 10% PRC withholding income tax (“WIT”) on the capital gain derived from disposal of securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

During the years ended 31 December 2021 and 2020, there was no capital gain derived from disposal of debt securities in PRC by the Sub-Fund, as a result, no provision was made.

Temporary exemption of PRC WIT and Value-Added Tax (“VAT”) on bond interest income effective from 7 November 2018

On 7 November 2018, the Ministry of Finance (“MOF”) and the PRC State Taxation Administration (“STA”) jointly issued a notice Caishui [2018] No.108 (“Circular 108”) which stipulates that foreign institutional investors are temporarily exempted from PRC WIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021. On 22 November 2021, the MOF and the STA officially issued Public Notice [2021] No.34 to extend the CIT and VAT exemption treatment on the bond interest income for the foreign institutional investors investing in the domestic bond market from 6 November 2021 to 31 December 2025.

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9 Taxation (Continued)

The taxation of the Sub-Fund represents:

	2021 RMB	2020 RMB
Withholding tax on interest income	937	947
Withholding tax on dividend income	35,434	34,618
Taxation	<u>36,371</u>	<u>35,565</u>

The movement in provision for taxation during the year is as follows:

	2021 RMB	2020 RMB
At the beginning of the year	-	-
Taxation charged to the statement of comprehensive income	36,371	35,565
Tax paid	<u>(36,371)</u>	<u>(35,565)</u>
At the end of the year	<u>-</u>	<u>-</u>

10 Soft commission arrangements

During the year, the Manager and its connected persons did not enter into any soft dollar arrangements with brokers relating to dealing in the assets of the Sub-Fund.

11 Distribution to unitholders

The Sub-Fund did not make any distribution during the year ended 31 December 2021 and 2020.

12 Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 27 April 2022.

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A sub-fund of BOCOM International Fund)

INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 31 DECEMBER 2021

Investments (95.73%)	Holdings	Fair Value RMB	% of Net assets
Listed debt securities (6.46%)			
China			
CGB 3.40 04/17/23	3,200,000	3,244,160	6.39%
LXSHPI 0.2 11/03/26	30,000	37,868	0.07%
		<u>3,282,028</u>	<u>6.46%</u>
Listed equity securities (89.27%)			
China			
Midea Group Co Ltd	26,000	1,919,060	3.78%
China Minmetal	30,000	1,170,600	2.30%
Sieyuan Electr	11,000	541,310	1.07%
Zhejiang Sanhua Intelligent Controls Co Ltd	140,400	3,552,120	6.99%
Gem Co Ltd	65,000	672,750	1.32%
Luxshare Precision Industry Co Ltd	69,997	3,443,852	6.78%
Huizhou Desay	14,000	1,981,140	3.90%
Aier Eye Hospital Group Co Ltd	23,965	1,013,240	1.99%
East Money Information Co Ltd	90,000	3,339,900	6.58%
Sungrow Power	17,000	2,478,600	4.88%
Jafron Biomedical Co Ltd	25,000	1,332,500	2.62%
SG Micro Corp	3,000	927,000	1.82%
Contemporary Ampere Technology Co Ltd	7,000	4,116,000	8.10%
Shenzhen Mindray Bio-Medical Electronics Co Ltd	4,600	1,751,680	3.45%
Maxscend Micro	2,100	686,280	1.35%
Saic Motor	22,000	453,860	0.89%
Wanhua Chemical Group Co Ltd	34,000	3,434,000	6.76%
Kweichow Moutai Co Ltd	2,000	4,100,000	8.08%
Wolong Electri	27,000	493,830	0.97%
Shanxi Xinghuacun Fen Wine Factory Co Ltd	10,000	3,157,800	6.22%
WuXi AppTec Co Ltd	13,800	1,636,404	3.22%
Advanced Micro	10,000	1,266,000	2.49%
Beijing Sinohy	3,510	950,684	1.87%
Farasis Energy Gan Zhou Co Ltd	27,789	935,100	1.84%
		<u>45,353,710</u>	<u>89.27%</u>
Total investments		<u>48,635,738</u>	<u>95.73%</u>
Other net assets		<u>2,168,124</u>	<u>4.27%</u>
Total net assets as at 31 December 2021		<u>50,803,862</u>	<u>100%</u>
Total Investments at cost		<u>30,878,686</u>	

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A sub-fund of BOCOM International Fund)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2020	Holdings/principal			2021
		Additions	Corporate Actions	Disposals	
Investments					
CGB 3.40 04/17/23	2,600,000	600,000	-	-	3,200,000
LXSHPI 0.2 11/03/26	-	30,000	-	-	30,000
Advanced Micro	-	10,000	-	-	10,000
Aier Eye Hospital Group Co Ltd	-	21,000	2,965	-	23,965
Anhui Conch Cement Co Ltd	32,500	-	-	32,500	-
Avary Holding Shenzhen Co Ltd	15,000	6,000	-	21,000	-
Beijing SinoHy	-	3,510	-	-	3,510
China Minmetal	-	36,000	-	6,000	30,000
CITIC Securities Co Ltd	13,000	-	-	13,000	-
Contemporary Amperex Technology Co Ltd	12,000	-	-	5,000	7,000
East Money Information Co Ltd	75,000	-	15,000	-	90,000
Farasis Energy Gan Zhou Co Ltd	27,789	-	-	-	27,789
Foshan Haitian Flavouring & Food Co Ltd	6,000	-	1,800	7,800	-
Gem Co Ltd	-	65,000	-	-	65,000
Gigadevice Semiconductor Beijing Inc	-	6,000	-	6,000	-
Huizhou Desay	-	14,000	-	-	14,000
Jafron Biomedical Co Ltd	25,000	-	-	-	25,000
Jiangsu Hengru Medicine Co Ltd	38,400	-	-	38,400	-
Kweichow Moutai Co Ltd	2,300	-	-	300	2,000
Luxshare Precision Industry Co Ltd	69,997	-	-	-	69,997
Maxscend Micro	-	2,100	-	-	2,100
Midea Group Co Ltd	34,000	-	-	8,000	26,000
Ping An Insurance Group Co of China Ltd	18,100	-	-	18,100	-
Saic Motor	-	40,000	-	18,000	22,000
SG Micro Corp	-	3,500	-	500	3,000
Shanxi Xinghuacun Fen Wine Factory Co Ltd	11,000	-	4,000	5,000	10,000
Shenzhen Mindray Bio-Medical Electronics Co Ltd	4,600	-	-	-	4,600
Sieyuan Electr	-	11,000	-	-	11,000
Sungrow Power	-	17,000	-	-	17,000
Wanhua Chemical Group Co Ltd	48,000	-	-	14,000	34,000
Wolong Electri	-	27,000	-	-	27,000
WuXi AppTec Co Ltd	11,500	-	2,300	-	13,800
Zhejiang Sanhua Intelligent Controls Co Ltd	140,400	-	-	-	140,400
ZTE Corp	-	18,000	-	18,000	-

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A sub-fund of BOCOM International Fund)

PERFORMANCE TABLE (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Net asset values

	Net asset value RMB	Net asset value per unit RMB
At 31 December 2021 (Dealing NAV)		
Class I	50,803,862	19.579
Class R		19.151
		<u>19.151</u>
At 31 December 2020 (Dealing NAV)		
Class I	50,815,222	19.887
Class R		19.511
		<u>19.511</u>
At 31 December 2019 (Dealing NAV)		
Class I	36,238,664	12.816
Class R		12.611
		<u>12.611</u>

BOCOM INTERNATIONAL CHINA DYNAMIC FUND
(A sub-fund of BOCOM International Fund)

PERFORMANCE TABLE (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Highest and lowest net asset value per unit (Dealing NAV)

	Highest net asset value per unit RMB	Lowest net asset value per unit RMB
Year ended 31 December 2021		
Class I	22.330	17.205
Class R	21.900	16.868
	<u> </u>	<u> </u>
Year ended 31 December 2020		
Class I	19.887	11.433
Class R	19.511	11.242
	<u> </u>	<u> </u>
Year ended 31 December 2019		
Class I	13.336	10.083
Class R	13.129	9.951
	<u> </u>	<u> </u>
Year ended 31 December 2018		
Class I	15.854	10.143
Class R	15.692	10.011
	<u> </u>	<u> </u>
Year ended 31 December 2017		
Class I	15.283	11.477
Class R	15.134	11.394
	<u> </u>	<u> </u>
Year ended 31 December 2016		
Class I	12.628	10.570
Class R	12.575	10.524
	<u> </u>	<u> </u>
Year ended 31 December 2015		
Class I	20.135	11.468
Class R	20.086	11.430
	<u> </u>	<u> </u>
Period ended 31 December 2014 (from inception)		
Class I	14.409	9.751
Class R	14.393	9.745
	<u> </u>	<u> </u>

