



ZEAL Voyage China Fund

Semi-Annual Report 2023

For the period ended 30 June 2023

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Note: The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong ("SFC"). The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in Note 2 of the annual financial statements.

MANAGEMENT AND ADMINISTRATION

Manager

Zeal Asset Management Limited
Unit 1006A, 10/F
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Telephone No.: +852 3626 9700
Fax No.: +852 3626 9736

Directors of the Manager

CHOI Nga Chung
NGAN Wai Wah
POON Chun Pong Daniel

Trustee, Administrator and Registrar

BOCI-Prudential Trustee Limited
Suites 1501-1507 & 1513-1516, 15/F
1111 King's Road
Taikoo Shing
Hong Kong

Custodian

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

Legal Counsel to the Manager

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

Auditors

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

REPORT OF THE MANAGER

First half of 2023 Review

As 2023 kick-off, the Chinese equity market experienced an uptrend in January. Confidence was bolstered by recovery signals during Chinese New Year and the increased capital inflow from global investors. In February, the Chinese equity market saw a significant drawdown due to concerns over the US interest rate and US-China friction. In March, Chinese equity indices experienced gains, with the majority of the gains driven by a very limited number of companies under two hot trades - China's SOEs and Internet companies. In April, Chinese equity markets experienced a decline as investor sentiment deteriorated. Domestic investors were concerned about the sustainability of the economic recovery but generally believed that geopolitical tensions could be contained. On the other hand, overseas investors had the opposite view. May had been a challenging month for the Chinese equity market as negative sentiment prevailed. Investors were particularly worried about China's economic momentum, which had fallen short of expectations. In June, the Chinese equity market rose in the first half of June on optimism surrounding the potential easing of US-China geopolitical tensions and anticipated stimulus measures from Chinese policymakers. However, the market sentiment shifted in the second half of June as Federal Reserve Chair Jerome Powell hinted at the possibility of future rate hikes, causing a pullback in global equity markets. Throughout the month, major Chinese indices grinded higher, albeit with significant volatility driven by short-term factors.

Outlook

Overall, we believe that China's current situation is marked by weak credit demand, which stems from a lack of confidence. Both asset prices and GDP growth remain stable. The early repayment of mortgage loans can be attributed to the lower saving rate compared to the mortgage rate. Meanwhile, sluggish corporate credit demand is mainly due to the limited availability of high-quality investment opportunities at present.

We have also identified a new economic driver that we would like to highlight: companies expanding globally. As domestic growth slows and demographic challenges loom, exploring revenue opportunities in overseas markets can be a viable solution. We have observed B2B manufacturing goods making their way overseas, and gradually, B2C goods such as EVs are also gaining momentum in international markets.

Zeal Asset Management Limited

30 June 2023

DISCLAIMER: This document is based on management forecasts and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this document, we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources. All opinions or estimates contained in this document are entirely Zeal Asset Management Limited's judgment as of the date of this document and are subject to change without notice. Past performance is not indicative of future performance. There can be no assurance that the Fund's investment objective will be achieved and investment results may vary substantially over time. Investment in the Fund is not intended to be a complete investment program for any investor. Prospective investors should take into account their own circumstances and financial resources and carefully consider whether this investment is suitable for them personally.

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2023

	30 June 2023	31 December 2022
	HKD	HKD
ASSETS		
Financial assets at fair value through profit or loss	1,502,964,263	1,777,610,257
Amounts due from brokers	40,341,806	57,577,352
Subscription proceeds receivable	2,385,893	3,105,113
Interest receivable	–	200,877
Dividend receivable	6,790,621	437,580
Cash and cash equivalents	85,228,809	117,176,339
Prepayments and other receivables	402	–
	<u>1,637,711,794</u>	<u>1,956,107,518</u>
TOTAL ASSETS		
LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		
Financial liabilities at fair value through profit or loss	1,903,829	226,518
Amounts due to brokers	–	19,921,824
Redemption proceeds payable	8,957,519	8,291,105
Management fee payable	2,397,485	2,816,701
Trustee fee payable	171,931	369,440
Other accounts payable and accruals	299,884	458,829
	<u>13,730,648</u>	<u>32,084,417</u>
TOTAL LIABILITIES		
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
(calculated in accordance with IFRS)	<u>1,623,981,146</u>	<u>1,924,023,101</u>

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2023

	Note	30 June 2023 HKD	31 December 2022 HKD
INCOME			
Dividend income		14,607,822	28,716,893
Interest income		1,730,581	5,199,226
Other income		—	—
		<u>16,338,403</u>	<u>33,916,119</u>
EXPENSES			
Performance fees		—	—
Management fees		(16,130,986)	(35,063,834)
Transaction costs	1	(4,299,645)	(8,314,554)
Brokerage fees		(3,114,806)	(7,379,005)
Trustee fees		(1,132,524)	(2,428,617)
Custodian fees		(250,620)	(632,122)
Legal and professional fees		(42,992)	(132,157)
Dividend withholding tax		(312,694)	(1,014,932)
Audit fees		(141,882)	(285,806)
Other operating expenses	2	(473,175)	(1,068,494)
		<u>(25,899,324)</u>	<u>(56,319,521)</u>
Net Loss before investments and exchange differences		<u>(9,560,921)</u>	<u>(22,403,402)</u>
INVESTMENT AND EXCHANGE DIFFERENCES			
Net losses on financial assets and liabilities at fair value through profit or loss		(272,600,822)	(535,394,448)
Net foreign exchange differences		(1,873,810)	(1,640,018)
		<u>(274,474,632)</u>	<u>(537,034,466)</u>
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FROM OPERATIONS FOR THE PERIOD/YEAR BEFORE DISTRIBUTION		<u>(284,035,553)</u>	<u>(559,437,868)</u>
FINANCE COST			
Distributions to unitholders		—	—
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FROM OPERATIONS FOR THE PERIOD/YEAR		<u>(284,035,553)</u>	<u>(559,437,868)</u>

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) (Continued)

For the period ended 30 June 2023

Note 1: During the period ended 30 June 2023 and the year-end 2022, the transaction costs paid to the Trustee were as follow:

	For the period from 1 January 2023 to 30 June 2023 HKD	For the year ended 31 December 2022 HKD
BOCI-Prudential Trustee Limited	18,200	61,420

Note 2: During the period ended 30 June 2023 and the year-end 2022, the other operating expenses paid to the Trustee and its Connected Person of Trustee were as follow:

	For the period from 1 January 2023 to 30 June 2023 HKD	For the year ended 31 December 2022 HKD
Bank of China (Hong Kong) Limited	10,632	21,691
BOCI-Prudential Trustee Limited	4,958	10,000

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
(UNAUDITED)**

For the period ended 30 June 2023

	30 June 2023	31 December 2022
	HKD	HKD
Net assets attributable to unitholders at the beginning of the period / year	1,924,023,101	2,453,341,944
Proceeds from issue of units during the period / year	170,661,828	399,895,357
Payment on redeemed units during the period / year	(186,668,230)	(369,776,332)
Decrease in net assets attributable to unitholders from operations for the period / year	(284,035,553)	(559,437,868)
	<u>1,623,981,146</u>	<u>1,924,023,101</u>
Net assets attributable to unitholders at the end of the period / year	<u>1,623,981,146</u>	<u>1,924,023,101</u>

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
(UNAUDITED) (Continued)**

For the period ended 30 June 2023

Changes in Units Issued

	30 June 2023	31 December 2022
	Units	Units
HKD Units Class		
Units outstanding at the beginning of period / year	287,034,029.5804	312,644,523.3074
Units issued during the period / year	10,201,773.6897	32,756,233.0802
Units redeemed during the period / year	<u>(26,066,800.0390)</u>	<u>(58,366,726.8072)</u>
Units outstanding at the end of period / year	<u>271,169,003.2311</u>	<u>287,034,029.5804</u>
HKD (dist) Units Class		
Units outstanding at the beginning of period / year	180,285,057.4825	188,705,195.7247
Units issued during the period / year	6,119,274.7549	12,884,201.4968
Units redeemed during the period / year	<u>(15,580,331.4566)</u>	<u>(21,304,339.7390)</u>
Units outstanding at the end of period / year	<u>170,824,000.7808</u>	<u>180,285,057.4825</u>
USD Units Class		
Units outstanding at the beginning of period / year	100,902,873.6609	96,340,073.5837
Units issued during the period / year	10,651,156.1339	21,894,648.5198
Units redeemed during the period / year	<u>(9,721,271.3209)</u>	<u>(17,331,848.4426)</u>
Units outstanding at the end of period / year	<u>101,832,758.4739</u>	<u>100,902,873.6609</u>
AUD (hedged) Units Class		
Units outstanding at the beginning of period / year	129,714.5602	77,951.0578
Units issued during the period / year	2,154.1744	233,450.3271
Units redeemed during the period / year	<u>–</u>	<u>(181,686.8247)</u>
Units outstanding at the end of period / year	<u>131,868.7346</u>	<u>129,714.5602</u>
RMB (hedged) Units Class		
Units outstanding at the beginning of period / year	87,013,811.2549	73,073,018.9506
Units issued during the period / year	21,885,021.0715	45,814,025.7043
Units redeemed during the period / year	<u>(16,801,958.2381)</u>	<u>(31,873,233.4000)</u>
Units outstanding at the end of period / year	<u>92,096,874.0883</u>	<u>87,013,811.2549</u>

INVESTMENT PORTFOLIO (UNAUDITED)

30 June 2023

SECURITIES NAME	Number of shares/ Nominals	Fair Value as of 30 June 2023 HKD	% of Net Asset Value
Listed/ Quoted Investment			
EQUITY SECURITIES			
China			
China Construction Bank Corporation – A	5,970,770	40,284,952	2.48
Contemporary Amperex Technology Co., Limited – A	107,280	26,454,160	1.63
Kweichow Moutai Co., Ltd. – A	26,775	48,799,039	3.00
Shenzhen Mindray Bio-Medical Electronics Co., Ltd. - A	187,400	60,553,520	3.73
Wanhua Chemical Group Co., Ltd. – A	336,227	31,831,939	1.96
Wuliangye Yibin Co., Ltd. – A	165,593	29,193,341	1.80
		237,116,951	14.60
Hong Kong			
Alibaba Group Holding Ltd. – SW	1,760,900	142,985,081	8.81
Antengene Corporation Ltd. – B	6,324,000	9,802,200	0.60
Bank of China Ltd. – H Shares	16,158,000	50,736,120	3.12
Bank of Communications Co., Ltd. – H Shares	8,393,000	43,559,670	2.68
BeiGene, Ltd.	288,300	30,963,420	1.91
China Construction Bank Corporation – H Shares	6,550,000	33,208,500	2.04
China Mengniu Dairy Co. Ltd.	2,247,000	66,286,500	4.08
China Merchants Bank Co., Ltd. – H Shares	1,121,000	39,907,600	2.46
China Resources Power Holdings Co. Ltd.	7,470,000	132,219,000	8.15
China State Construction International Holdings Ltd.	1,776,000	15,859,680	0.98
Country Garden Services Holdings Co. Ltd.	5,205,000	52,674,600	3.24
Galaxy Entertainment Group Ltd.	673,000	33,448,100	2.06
Hong Kong Exchanges and Clearing Ltd.	166,200	49,062,240	3.02
JD.com, Inc. – SW	257,800	34,132,720	2.10
Li Ning Co. Ltd.	821,500	34,626,225	2.13
Meituan – W	32,700	3,999,210	0.25
Postal Savings Bank of China Co., Ltd. – H Shares	8,059,000	38,844,380	2.39
Samsonite International S.A.	1,827,600	40,389,960	2.49
Sany Heavy Equipment International Holdings Co. Ltd.	1,654,000	16,970,040	1.04
S-Enjoy Service Group Co., Ltd.	9,729,000	41,250,960	2.54
Shenzhou International Group Holdings Ltd.	1,302,200	97,339,450	6.00
Tencent Holdings Ltd.	316,800	105,050,880	6.47
WuXi Biologics (Cayman) Inc.	1,736,000	65,186,800	4.01
		1,178,503,336	72.57

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

30 June 2023

COLLECTIVE INVESTMENT SCHEME	Number of shares/ Nominals	Fair Value as of 30 June 2023 HKD	% of Net Asset Value
Hong Kong			
Link Real Estate Investment Trust	1,493,858	64,982,823	4.00
		<u>64,982,823</u>	<u>4.00</u>
DEPOSITARY RECEIPT			
United States			
Zai Lab Ltd – ADR	102,920	22,361,153	1.38
		<u>22,361,153</u>	<u>1.38</u>
FOREIGN CURRENCY FORWARDS			
Bank of China (Hong Kong) Limited			
- Buy AUD126,200.00/ Sell HKD656,795.28			
14/07/2023		(1,902)	-
Bank of China (Hong Kong) Limited			
- Buy CNY40,660,800.00/ Sell HKD45,296,131.20			
14/07/2023		(1,434,369)	(0.09)
Bank of China (Hong Kong) Limited			
- Buy CNY14,419,300.00/ Sell HKD15,832,391.40			
28/07/2023		(264,613)	(0.02)
Bank of China (Hong Kong) Limited			
- Buy CNY35,566,300.00/ Sell HKD38,632,115.06			
11/08/2023		(202,945)	(0.01)
		<u>(1,903,829)</u>	<u>(0.12)</u>
Total financial assets and liabilities at fair value through profit and loss (cost: HKD1,948,735,526)		1,501,060,434	92.43
Other net assets		<u>122,920,712</u>	<u>7.57</u>
Net assets as at 30 June 2023		<u><u>1,623,981,146</u></u>	<u><u>100.00</u></u>

DISTRIBUTION OF THIS SEMI-ANNUAL REPORT IN THE EUROPEAN ECONOMIC AREA (“EEA”) AND THE UNITED KINGDOM

In relation to each member state of the EEA and the United Kingdom (each a “Relevant State”) which has implemented the Alternative Investment Fund Managers Directive (Directive (2011/61/EU)) (the “AIFMD”) and/or as AIFMD forms part of local law of the Relevant State, this semi-annual report may only be distributed and Units may only be offered or placed in a Relevant State to the extent that (i) the Fund is permitted to be marketed to professional investors in the Relevant State in accordance with AIFMD (as implemented and as it forms part of the local law and regulations of the Relevant State) or (ii) this semi-annual report may otherwise be lawfully distributed and the Units may otherwise be lawfully offered or placed in that Relevant State (including at the initiative of the investor).

In relation to each Relevant State which, at the date of this semi-annual report, has not implemented AIFMD, this semi-annual report may only be distributed and Units may only be offered or placed to the extent that this semi-annual report may be lawfully distributed and the Units may lawfully be offered or placed in that Relevant State (including at the initiative of the investor).

This semi-annual report is being issued in the United Kingdom by Zeal Asset Management Limited to and/or is directed only at persons who are professional investors for the purposes of the Alternative Investment Fund Managers Regulations 2013 and is accordingly exempt from the financial promotion restriction in Section 21 of the Financial Services and Markets Act 2000 (“FSMA”) in accordance with regulation 29(3) of the FSMA (Financial Promotions) Order 2005. The opportunity to invest in the Fund is only available to such persons in the United Kingdom and this semi-annual report must not be relied or acted upon by any other persons in the United Kingdom.

No key information document has been prepared in respect of any Class of Units in accordance with Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (including as implemented into the domestic law of the United Kingdom). Accordingly, such Classes of Units are not available to, and no person may advise on, offer or sell such Classes of Units for or to, any retail client (as defined in the EU’s re-cast Markets in Financial Instruments Directive (2014/65/EU)) in a Relevant State.

INFORMATION FOR INVESTORS IN SWITZERLAND

The offering of the Units in Switzerland will be exclusively made to, and directed at, qualified investors (the “Qualified Investors”), as defined in Article 10 para. 3 and 3ter of the Swiss Collective Investment Schemes Act of 23 June 2006, as amended from time to time (“CISA”), to the exclusion of any high-net-worth individuals and their private investment structures with an opting-out pursuant to the Article 5 para. 1 of the Swiss Financial Services Act (“FinSA”). The Fund has not been and will not be approved by the Swiss Financial Market Supervisory Authority (“FINMA”) for offering to non-qualified investors. Therefore, the Explanatory Memorandum, any other offering materials and/or marketing materials relating to the Units may be made available in Switzerland solely to Qualified Investors.