Independence
Intelligence
Integrity

i Capital China Fund

A Sub-Fund of *i* Capital Master Fund

Semi-Annual Report 2019

For the period ended 31 July 2019

CONTENTS

1-2	*i* Capital China Fund at a glance
3	Performance Review
3-5	Market Review and Outlook
6-8	Fund Performance
8	Portfolio Information
9-11	Other Information

i CAPITAL CHINA FUND AT A GLANCE

Investment Objective	To achieve long-term capital appreciation by primarily investing in equity securities issued by companies listed in Hong Kong, Shanghai and/or Shenzhen.
Investor Profile	Investors who are seeking to access capital growth over a long term investment horizon, and can tolerate short term volatility and fluctuations in returns.
Subscription Fee	Nil
Redemption Fee* **(% of redemption amount)**	5% for Units held for 1 year or less; Nil for Units held for more than 1 year
Management Fee*	1.5% (150 basis points)
Trustee Fee*	Up to 0.15% (15 basis points), subject to a minimum monthly fee of HK$40,000
Custodian Fee*	Up to 0.0275% (2.75 basis points)
Performance Fee*	10% (1000 basis points) of the outperformance of the Net Asset Value per Unit during a performance period over the High Water Mark
Inception Date	2 January 2018
Minimum Investment (USD)	$1,000
Additional Investment (USD)	$1,000
	Additional subscription form can be downloaded from the Manager's website or obtained directly from the Manager.

i CAPITAL CHINA FUND AT A GLANCE (Continued)

Dealing frequency	Weekly (last Hong Kong Business Day of every week before 3:00pm)
Manager	Capital Dynamics Asset Management (HK) Private Limited Suite 701, 7th Floor, Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay, Hong Kong Tel. No. : (852) 2153 1455 Fax No. : (852) 2153 1451 Email: enquiries@capitaldynamics.hk Website: http://www.capitaldynamics.hk
Directors of the Manager	Tan Teng Boo Wu Xiongwei Wu Chin-Shan, Richard
Solicitors to the Manager	Deacons
Trustee and Registrar	BOCI-Prudential Trustee Limited
Custodian	Bank of China (Hong Kong) Limited
Auditors	PricewaterhouseCoopers

*For more details on the above fees, please refer to the Fees and Expenses under the latest Explanatory Memorandum.

This Semi-Annual Report shall not constitute an offer to sell or a solicitation of an offer to buy units in any of the funds. Subscriptions are to be made only on the basis of the information contained in the relevant explanatory memorandum (and the documents referred to within it), supplemented by the most recent financial report.

PERFORMANCE REVIEW

For the period between 31 January 2019 and 31 July 2019, the NAV of the *i* Capital China Fund increased by 0.61% from USD0.8469 to USD0.8521.

This 6-month period witnessed a tug of war between positive and negative sentiment which drove continued volatility in global financial markets. The first quarter of the calendar year saw strong performance in major markets due to growing optimism for a trade deal between China and the US to resolve the trade war between the two countries which had started in 2018. That optimism was shattered in early May when US president Trump shocked markets by announcing higher tariffs on imports from China, which caused global markets to swoon. Markets then recovered in June based on renewed hopes that trade talks between the two sides would get back on track and reach eventual resolution. In the US, expectations that the Federal Reserve would cut interest rates for the first time in 11 years at the end of July (which they did) after their dovish comments in June also brought stability to the US market during that time. From January to July, Hong Kong's stock market underperformed China's domestic A-share market due to weakening sentiment caused by the increasingly violent and disruptive protests in Hong Kong which first started in March. Over this 6-month period, the Shanghai Composite Index rose by 13.5% in RMB terms (13.1% in USD terms) while Hong Kong's benchmark Hang Seng Index declined by 0.6%. Meanwhile, the US S&P 500 increased by 10.2%.

MARKET REVIEW AND PERFORMANCE

Given all the headlines about the trade war between the US and China, the Chinese domestic equity market in first half of 2019 was resilient. This was due a wide range of growth boosting polices and reforms announced by the Chinese government since last year.

Despite downward pressure from the trade war, the Chinese government has been confident and skilful in handling the difficult situation. With a focus on the very long-term, the government did not take the populist path of easing credit to bring about quick growth; instead, China stepped up efforts to push for a new round of reforms and opening-up. Tax reform has been the government's major task. The significant cut in personal income tax helps to stimulate consumer spending. The reform in value-added tax and enterprises' contribution to the social insurance reduced the cost of doing business and boost business confidence.

Another vital reform but much less covered in Western media is the reform of Hukou system and land administration laws to boost urbanization. Hukou is a system of household registration to grant a person a permanent residency in an area. The reform document announced by the National Development and Reform Commission (NDRC) on 4 Apr 2019 is to ease the Hukou requirements to move 100 million people to get a Hukou in cities from 2016 to 2020. According to the document, restrictions on Hukou would be scrapped in cities with a population between 1 million and 3 million. The definition of city population is to only include people living in the urban areas. That is to say, any person in China, no matter where he or she is originally from, can get a Hukou in some affluent coastal cities such as Fuzhou, Zhuhai, Wuxi and Foshan. For cities with population of 3 million to 5 million, the qualifications for Hukou would be "fully relaxed," and the restrictions for certain key groups of people to get such permits would be removed. These key groups are mainly migrant workers, college graduates, technical workers, graduates form technical and vocational schools, or people who have live in cities for more than 5 years. For example, young people from rural areas can easily get a Hukou in large cities such as Xi'an, Qingdao, Xiamen, and Suzhou, after learning some technical skills in schools. The NDRC document also demanded cities with population above 5 million to improve their policies and drastically expand the scale of permanent residency. One relaxation is to allow residents living in rented apartments to get a Hukou in large cities such as Wuhan, Chongqing, and Tianjin. A further step is the passing of the amendments to China's Law on Land Administration and the Law on Urban Real Estate Administration in the Standing Committee of the National People's Congress on 26 Aug 2019. Currently, the Chinese government monopolises land supply, and thus enjoys the biggest portion of land value appreciations. Only the government can convert rural lands to city usage, by taking up lands from the rural community and reselling them to the market. This process has caused a lot of disputes in China as farmers complained they are not adequately compensated by the government for the land expropriated. This August revision, which will be effective on 1 Jan 2020, will break the monopoly and let the rural collectives, mostly villages, to become a new supplier other than the government. Once approval from two thirds of villagers is obtained, the village can sell the collectively owned construction land to the market and the land has the same rights as the land owned by the government. Like most other reforms in China, this law revision is not perfect such as not addressing market entry for rural residential lands. But it is still a major breakthrough, because the previous wealth distribution pattern favouring governments and cities will be gradually changed to favouring individuals and villages. People in rural areas will get more from the land value appreciation, and thus create a new growth engine for China's domestic consumption and accelerate the urbanisation process in China. We believe these reforms will substantially increase urbanisation rates, promote the consumption, investment, employment and ultimately the development of real economy in long-term.

An unexpected benefit of the trade war is to force China to be more committed to more innovation. The science and technology innovation board at the Shanghai Stock Exchange was officially launched on 13 Jun 2019. By the end of Oct 2019, there are already 38 companies listed in the board. This new Nasdaq-like board will promote technology firms in areas such as integrated circuits, biomedicine, new material, artificial intelligence and 5G. Without requirement on past profitability, the new board could be one of the boldest reforms in China's security market. The expanding of new financing channels for technology firms will improve the structure of China's economy, and set an example for further reform of China's financial system.

An important technology advancement is the issuance of 5G commercial licenses to China Mobile, China Telecom, China Unicom and China Broadcasting Network (CBN) on 6 Jun 2019. By adopting the mid-band spectrum, together with other countries such as South Korea, Australia, Spain, Italy, Switzerland, Germany, and Japan, China will benefit from the economy of scale by developing and leading 5G technologies in the world. The most surprising news in China's license issuance is the inclusion of CBN, which owns the low-band spectrum at 700 MHz. This is a very strategic movement, as low-band spectrum can send signals very far, especially suitable for rural areas. Reaching more people with less infrastructure makes greater economic and social sense. Other than auctioning spectrum as US, China just assigned spectrum to operators with no charge, so Chinese operators will have more fund to invest. With already 10 times as many base stations as the US, and Chinese operators sharing base stations through their joint-venture China Tower Company, China is bound to lead the word in the 5G technology and applications.

Why China is willing to open up while other countries especially US are trying the opposite stance? One of the major reasons, as emphasized in the fourth meeting of China Central Committee for Financial and Economic Affairs on 22 Apr, is that China wants to make good use of high-level openness to force her own reform. That was the purpose of building the special economic zones such as Shenzhen many years ago, and the free trade zones in recent years. This kind of policy is further upgraded to support Shenzhen in building a pilot demonstration area for socialism with Chinese characteristics. China does not to want Shenzhen to replace Hong Kong by just following Hong Kong's way; instead she aims to explore a new path in building a great modern socialist country in an all-round way. One major difference from Hong Kong would be the emphasise on innovation, such as developing 5G, artificial intelligence, and biology, and to build Shenzhen with intensive research and development investment and world-class industrial innovation capacity by 2025. Another difference is to develop a modern industry system, including high-end manufacturing, healthcare, digital economy, and financial industry, rather than just relying on one industry. The aim of the guideline is to let Shenzhen set an example for other cities on how to better integrate local policy and mechanism support into national development. The central government will support Shenzhen in having more open and convenient entry/exit management and mechanisms to attract overseas talents. The policy also allows foreigners who have obtained permanent residency in China to launch science and technology enterprises in Shenzhen. The city will also give "citizen treatment" to Hong Kong and Macao residents who work there.

We believe China has very wisely to focus on her own affairs by continuing the reform and opening-up, and not let the trade war interfere with her long-term agenda. This kind of long-term perspective and strategy is similar our fund's investment philosophy, and we remain very optimistic about China's future.

As of 31 Jul 2019, your fund was invested in 12 stocks which accounted for 80.7% of its total NAV. In the short-term, markets are likely to stay turbulent and be buffeted by counter-vailing forces including continued schizophrenic behaviour by US president Trump regarding trade relations with China (among other issues). In such times, it is vital to stay the course and be invested for the long-term.

Best wishes.

陳鼎武

Tan Teng Boo
Managing Director
Capital Dynamics Asset Management
(HK) Private Limited

4 November 2019

FUND PERFORMANCE 1

ICCF Total Return (2 Jan 2018 to 31 July 2019)

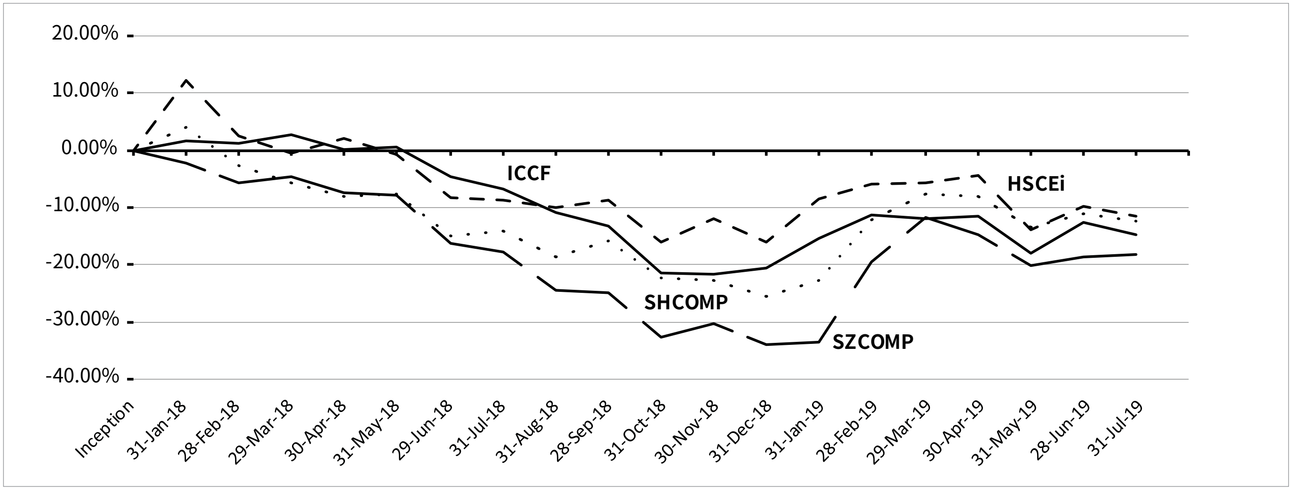

Table 1 Cumulative Total Return and Compound Return

	Cumulative Return (%)				Compound Return (%)
	1-Month-Return	6-Month-Return	12-Month-Return	Since Inception	Since Inception
ICCF (USD)	-2.57%	0.61%	-8.65%	-14.79%	-9.66%
SHCOMP	-1.56%	13.46%	1.95%	-12.42%	-8.07%
SZCOMP	0.57%	23.26%	-0.32%	-53.07%	-38.14%
HSCEi	-1.90%	-3.27%	-3.17%	-11.55%	-7.49%

Note : Past performance is not a reliable indicator of future performance. Performance is calculated in USD, net of ongoing fees and expenses and assumes reinvestment of distributions.

The Manager does not invest by reference to the weightings of any index or benchmark, and index returns are provided as a reference only.

FUND PERFORMANCE 2

Table 2 Top 2 Performing Stocks (in local currency)

	Ending 31 July 2019 (% of Change)
SHANGHAI INTL AIRPORT CO LTD-A	52.44%
ANHUI CONCH CEMENT CO LTD-A	13.85%

The table above represents the top 2 performing stocks your fund held at sometime within the referenced interim period. The stocks do not necessarily need to be bought at the start of the interim period (i.e. 31 Jan 2019), and held till the end of the interim period (i.e. 31 July 2019). Stock performance will only be measured over the specific period that your fund held the stock in the referenced interim period. This means that, for example, if Shanghai Intl Airport Co Ltd-A was bought on 23 April 2019 and sold on 31 July 2019, its performance is only measured over 23 April 2019 to 31 July 2019 and not over the full interim period. Similarly, if it was bought on 31 Jan 2019 and sold on 11 July 2019, its performance is measured over the period 31 Jan 2019 to 11 July 2019.

FUND PERFORMANCE 3

Table 3 shows the percentage gain or loss of each company held by your Fund as at 31 July 2019. This table assumes no impact from currency movements or constant exchange rates.

Table 3 Percentage gain or loss arising from stock price changes

	Average Cost (US$)	Price Jul 2019 (US$)	% Change
SHANGHAI INTL AIRPORT CO LTD-A	7.88	12.01	52.44%
ANHUI CONCH CEMENT CO LTD-A	5.04	5.74	13.85%
XIAMEN MEIYA PICO INFORMATION CO-A	2.50	2.55	1.72%
XIAMEN FARATRONIC CO LTD-A	6.56	6.33	-3.51%

ALIBABA GROUP HLDG LTD	183.10	173.11	-5.45%
CARPENTER TAN HLDGS LTD	0.64	0.60	-6.72%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD-B	0.87	0.80	-8.56%
CHINA SUNSINE CHEMICAL HLDGS LTD	0.92	0.83	-10.15%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	2.53	1.88	-25.54%
HANGZHOU ROBAM APPLIANCES CO LTD-A	5.91	3.62	-38.71%
PARKSON RETAIL GROUP LTD	0.13	0.08	-39.53%
YANGTZE OPTICAL FIBRE AND CABLE JOINT STOCK LTD CO-H	4.57	1.84	-59.75%

PORTFOLIO INFORMATION

Table 4 Percentage of assets held as cash

	Cash (%)	Equities (%)	Other net assets	Total
End of Jan 2019	55.17%	45.29%	-0.46%	100.00%
End of Jul 2019	19.70%	80.72%	-0.42%	100.00%

Table 5 Top 5 holdings as at end Jul 2019

	Holding/NAV
SHANGHAI INTL AIRPORT CO LTD-A	10.81%
ANHUI CONCH CEMENT CO LTD-A	10.33%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	9.05%
CHINA SUNSINE CHEMICAL HLDGS LTD	7.43%
HANGZHOU ROBAM APPLIANCES CO LTD-A	7.25%

OTHER INFORMATION

About *i* Capital China Fund

i Capital China Fund is a fund constituted in the form of a unit trust under *i* Capital Master Fund, an umbrella unit trust established under the laws of Hong Kong.

The fund seeks to achieve long-term capital appreciation by primarily investing in equity securities issued by companies listed in Hong Kong, Shanghai and/or Shenzhen.

Investors should note that the fund's allocation between instruments in the mainland China and the Hong Kong markets may change significantly from time to time. This may result in the fund's investment portfolio becoming more concentrated on either the mainland China market or the Hong Kong market from time to time.

The fund's investment strategy is driven by the Manager's long term value investing philosophy. The Manager adapts its value investing approach by considering political and economic factors, and aims at drawing on the intrinsic value of a company having regard to the principle of margin of safety (the difference between the intrinsic value of a stock and its market price) as its core investment philosophy. The fund's investment horizon will not be restricted by sector or market cap.

The fund aims to invest predominantly in listed securities whilst maintaining a cash buffer on a temporary basis (pending suitable investment opportunities and also for defensive purposes). The actual asset allocation is driven by the Manager's value investing philosophy which is based on two components: namely the valuation of a listed company AND its market price. When the Manager considers the market is undervalued and there are appropriate investment opportunities whereby listed companies are trading below their fair value, the fund may invest as much as 98% of its Net Asset Value in listed equity securities. In times of extreme market conditions such as when there are speculative bubbles in the mainland China and/or Hong Kong markets where the Manager considers that securities are overvalued and/or the mainland China or the Hong Kong economy is overheating, the fund's assets may invest up to 100% in cash/cash equivalent products on a temporary basis (such as money market instruments) in order to mitigate risk and/or maintain liquidity of the fund.

In seeking to achieve the long term capital appreciation investment objective of the fund, the Manager may consider a broad variety of factors and circumstances in the selection of securities and construction of the fund's portfolio. Such factors may include, but are not limited to, a company's profitability, debt, valuation, growth prospects, actual or future cash flows, volatility, availability and liquidity of securities, sector outlook or prospects, the overall economic, political, tax and regulatory environment affecting the relevant securities and markets in mainland China and/or Hong Kong.

OTHER INFORMATION (Continued)

About Capital Dynamics Group

Capital Dynamics is an independent global fund manager and investment adviser, not tied to any bank, insurer, stockbroker or political organization.

Having more than 30 years of investing experience, and with offices in Shanghai, Hong Kong, Sydney, Singapore and Kuala Lumpur, Capital Dynamics is the first Asian fund manager to go global. As a result of its research driven approach, Capital Dynamics has delivered strong long term returns for its clients over the last few decades.

Our managed funds and investment advisory services are all directly accessible by individual, corporate and institutional investors around the world, and we also offer individually managed accounts to professional investors. Our investment advisory service is provided via *i* Capital newsletter, a weekly publication, and www.icapital.biz. It is available in English and Chinese.

Capital Dynamics Asset Management (HK) Private Limited (CDHK) obtained the Type 9 (Asset Management) license issued by the Securities and Futures Commission Hong Kong (SFC) in January 2013. CDHK provides discretionary investment management service and the first client was onboarded in October 2015. CDHK manages the *i* Capital China Fund, a newly launched retail unit trust fund authorized by the SFC.

Capital Dynamics (S) Private Limited (CDPL), a global fund manager based in Singapore. CDPL commenced operations in June 2006. It manages the *i* Capital Global Fund, an open-end fund and discretionary accounts.

Capital Dynamics (Australia) Limited (CDAL) obtained its Australian Financial Services License (AFSL 326283) from the Australian Securities and Investments Commission in December 2008. This allows CDAL to provide fund management and financial advisory services to retail and wholesale investors.

Based in Sydney, CDAL manages the *i* Capital International Value Fund and individually managed accounts.

Capital Dynamics Asset Management Sdn Bhd (CDAM), based in Kuala Lumpur, manages icapital.biz Berhad, a closed-end fund listed on Bursa Malaysia and discretionary accounts.

For more information about Capital Dynamics, visit www.capitaldynamics.biz

OTHER INFORMATION (Continued)

Our Philosopies

Independence, intelligence and integrity drive all business and investment decisions at Capital Dynamics. Integrity is central to our corporate culture, and to our loyal clients of many years, our word has proven to be our bond. Capital Dynamics has some of the most stringent compliance policies in the industry.

As a global fund manager, our “Bamboo value investing” philosophy is unique, and has enabled Capital Dynamics to generate sustained superior returns. Based on long-term only investment principles, our value investing approach is given flexibility with the addition of macroeconomic factors and further investment intelligence from our team of fund managers and analysts. We go behind the commercial veneer of companies, travelling globally to research first hand.

icapital®

BY Capital Dynamics

INDEPENDENCE * INTELLIGENCE * INTEGRITY

Capital Dynamics Asset Management (HK) Private Limited

Suite 701, 7th Floor, Chinachem Leighton Plaza
29 Leighton Road, Causeway Bay, Hong Kong
Phone (852) 2153 1455
Fax (852) 2153 1451
Website http://www.capitaldynamics.hk
Email enquiries@capitaldynamics.hk