

Reports and financial statements

FOUNDATION FUND SERIES

(An open-ended unit trust established as an umbrella fund  
under the laws of Hong Kong)

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

31 December 2021

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

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**FOUNDATION FUND SERIES**

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

**ADMINISTRATION AND MANAGEMENT**

**MANAGER**

Foundation Asset Management (HK) Limited  
Suite 2703, 27/F, Tower One  
Lippo Centre, 89 Queensway  
Admiralty  
Hong Kong

**DIRECTORS OF THE MANAGER**

Liang Jiang, Michael  
Mui Tze Wah, Vivian

**LEGAL COUNSEL TO THE MANAGER**

Simmons & Simmons  
30th Floor One Taikoo Place  
979 King's Road  
Hong Kong

**TRUSTEE**

ICBC (Asia) Trustee Company Limited  
33/F, ICBC Tower  
3 Garden Road  
Central, Hong Kong

**CUSTODIAN**

Industrial and Commercial Bank of China (Asia) Limited  
33/F, ICBC Tower  
3 Garden Road  
Central, Hong Kong

**REGISTRAR AND TRANSFER AGENT**

ICBC (Asia) Trustee Company Limited  
33/F, ICBC Tower  
3 Garden Road  
Central, Hong Kong

**AUDITOR**

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

## FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

## REPORT OF THE MANAGER

### Foundation Global Income and Growth Fund

#### Global Market Review

Despite rise of new variants, 2021 brought hope for global economic recovery with development and widespread deployment of COVID-19 vaccines, following 2020's coronavirus caused downturns. The distribution of vaccines and the easing of lockdowns were followed by an economic rebound, but the emergence of new variants posed challenges on the path of recovery. While COVID-19 continued to dominate headlines, concerns also focused on inflation and its potential impact. Surging labour costs, supply chain pressure, energy and food prices have driven up inflation, rattling the bond markets.

The Bloomberg Global-Aggregate Total Return Index Value Unhedged USD, a measure of global investment grade debt including treasury, government, corporate fixed-rate bonds from both developed and emerging markets issuers, lost by 4.8% during the year. Amid ongoing challenges, global gross domestic product grew, completing the transition from recovery to expansion and eventually surpassing its pre-pandemic peak. The MSCI ACWI Index generated returns of 16.8% during the year. In addition to the effective vaccines, markets were buoyed by other positive developments, including strong corporate earnings and increased consumer demand.

#### Portfolio Strategy Review

For global financial markets, the second year of the COVID pandemic has been nearly as dramatic as the first. The same goes for the Foundation Global Income and Growth Fund, which 2021 was its second year since launching in March 2020. The Fund achieved 6.4% return for the year 2021, and outperformed the benchmark (50% MSCI ACWI Index + 50% Bloomberg Barclays Global Aggregate Total Return Index Value Unhedged USD) by 1.9 percentage points. For investors opted for share classes with distribution, monthly 0.55% distribution has been consistently delivered every month since inception. The Fund showed strong downside protection with low annualized volatility of 9.7% throughout the year.

In terms of sectors, we see long-term value in software, semiconductor and healthcare with innovative products and services and multi-year secular growth momentum. In terms of stock selection, we remain greatly focused on pursuit of our value investing philosophy by focusing on company fundamentals, quality of management, business model, free cash flow and valuations. In terms of fixed income, we continue to see value in Treasury Inflation Protected Securities who offers protection ahead on upcoming inflation.

#### Market Outlook

Escalating tensions in Ukraine lead to sanctions, surging commodity and energy prices, and uncertainty in Europe's macro economy outlook. Supply chain issues that partially fuelled inflation is yet to be resolved with another wave of surging cases in China as headwind. Inflation will likely continue into 2022, while Central Banks began to consider more aggressive approach towards interest rate hikes to contain it. Pivoting from easing to a tightening monetary policy has historically created volatility in the markets. Geopolitics risks have risen, but corporates with strong balance sheets, resilient margins and earnings, notably in the U.S., with further release of post-pandemic pent-up demand on services will support growth. Valuation differences within the markets remain wide, and our team continues to be upbeat about the prospects for stock selection. As active managers, we continue to find new ideas for inclusion in the portfolio that meet our strict criteria for quality and value creation.

## FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

REPORT OF THE MANAGER (continued)

### Foundation China Equity Fund

#### China Market Review

Overall China equity markets saw a strong start in the first 2 months of 2021 but ended up weak for the rest of the year. CSI300 index outperformed the Hang Seng Index with a 5.2% loss, with the Hang Seng Index retracting 14.1%. Such divergence started when Chinese internet names saw increased regulatory pressure from the government. Policymakers introduced regulatory measures on internet platforms to align with the common prosperity goal. Short term profitability of these companies was challenged. This was compounded by weakness in the property market, with liquidity of real estate developers at the forefront of investor's minds. 3rd quarter macro data slowed from high levels in the first half of the year. The Hang Seng Index dropped 9.9% in July and remained range bound for the rest of the year. CSI 300 performed better as the index contains less new economy and private developer names.

#### Portfolio Strategy Review

Foundation China Equity Fund registered a negative return of 4.7% for the year 2021, significantly outperforming the 14.1% decrease of the Hang Seng Index and 22.4% decrease of MSCI China. The Fund's annualized volatility of 14.5% since inception was significantly lower than the 21.0% of the Hang Seng Index and the 23.5% of MXCI China. The outperformance was attributable to our robust bottom-up stock picking technique, flexible hedging strategy and risk control ability. During the toughest period since the end of June, the Fund compared favorably with the benchmark, as the fund lost by 6.5% against Hang Seng Index's 18.8% drop. The Fund outperformed the benchmark as we avoided investing in sectors such education, ecommerce and real estate that were heavily impacted by the policy and regulation changes. We attribute this outperformance to our deep knowledge of China but also a differentiated global perspective.

We expect global inflation to remain sticky. Geopolitical tensions in Europe and Covid-19 outbreak in China will add uncertainties to the China stock market. However, we see numerous beneficiaries during these volatile times. Whilst keeping an eye on the long term value of those that have pricing power and strong moat, we continue to look for opportunities to exploit market mispricing's in intrinsic value, with focus on forming independent and differentiated analysis, which can provide solid returns and large margin of safety for shareholders during times with uncertainty. As active managers, we continue to generate ideas that meet our strict criteria for mispricing, quality and value creation.

#### Market Outlook

After the volatile year of 2021, we hold a cautious yet optimistic view for 2022. We see geopolitical tensions, inflation and other uncertainties somewhat priced in. Companies will face higher base effects resulting from a strong 1H 2021, plus raw material and commodity cost pressures. This could lead to softer demand in combination with the recent Covid-19 outbreaks in China. However, we also see the opportunity of an easier second half, with lower base effects and also acceleration from the economy. Meanwhile, government regulatory pressures have likely peaked and the focus should be to boost the economy and achieve the outlined GDP growth target. With our strong stock picking capability and robust risk management controls, our team is well positioned to manage such a dynamic market environment and deliver robust return to unitholders.

Foundation Asset Management (HK) Limited

29 April 2022

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

REPORT OF THE TRUSTEE

We hereby confirm that, in our opinion, the Manager, Foundation Asset Management (HK) Limited, has in all material aspects, managed Foundation Global Income and Growth Fund and Foundation China Equity Fund in accordance with the provisions of the Trust Deed dated 31 December 2019 for the year ended 31 December 2020 and 2021 respectively.

For and on behalf of  
ICBC (Asia) Trustee Company Limited  
29 April 2022

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Manager and the Trustee of Foundation Fund Series**

(An open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Foundation Global Income and Growth Fund and Foundation China Equity Fund (Sub-Funds of Foundation Fund Series (the "Trust") and referred to as the "Sub-Funds") set out on pages 8 to 56, which comprise the statement of net assets as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Funds as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Sub-Funds in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Information other than the financial statements and auditor's report thereon**

The Manager of the Sub-Funds is responsible for the other information, except the report of trustee, which the Trustee is responsible to issue. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon (the "Other Information").

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 (continued)**

### **To the Manager and the Trustee of Foundation Fund Series**

(Sub-Funds of Foundation Fund Series, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

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

The Manager of the Sub-Funds is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Manager 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 Manager of the Sub-Funds is responsible for assessing the Sub-Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Sub-Funds or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager of the Sub-Funds is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Principal Trust Deed dated 20 September 2018, the Amended and Restated Trust Deed dated 31 December 2019 and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

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

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

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



## **INDEPENDENT AUDITOR'S REPORT (continued)**

### **To the Manager and the Trustee of Foundation Fund Series**

(Sub-Funds of Foundation Fund Series, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Funds' 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-Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager and the Trustee 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 the relevant disclosure provisions of Appendix E of the SFC Code**

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

Certified Public Accountants  
Hong Kong  
29 April 2022

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

Foundation Global Income and Growth Fund

	Notes	Year ended 31 December 2021 USD	Period from 18 March 2020 (date of commencement of operations) to 31 December 2020 USD
<b>INCOME</b>			
Dividend income		619,910	78,735
Interest income on bank deposits		520	5,965
Other income		493,153	92,236
		<u>1,113,583</u>	<u>176,936</u>
<b>EXPENSES</b>			
Management fees	3	(846,232)	(175,302)
Trustee fees	3	(62,666)	(15,424)
Custodian fees	3	(50,691)	(26,813)
Professional fees		(32,348)	(22,000)
Commission and transaction fee	4	(199,139)	(114,030)
Establishment costs	5	-	(44,814)
Withholding tax expense	6	(181,312)	(22,178)
Other operating expenses		(6,495)	(2,120)
		<u>(1,378,883)</u>	<u>(422,681)</u>
<b>NET LOSS BEFORE INVESTMENT AND EXCHANGE DIFFERENCES</b>		<b>(265,300)</b>	<b>(245,745)</b>
<b>INVESTMENT AND EXCHANGE DIFFERENCES</b>			
Net realised gain on financial assets at fair value through profit or loss	7	2,110,084	3,065,677
Net change in unrealised (loss)/gain on financial assets at fair value through profit or loss	7	(959,576)	1,340,555
Net foreign exchange differences		(1,480)	(10)
		<u>1,149,028</u>	<u>4,406,222</u>
<b>FINANCE COST</b>			
Distribution to unitholders	11	(271,263)	(234,033)
<b>NET INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR/PERIOD</b>		<b>612,465</b>	<b>3,926,444</b>

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

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

Foundation China Equity Fund

	Notes	2021 HKD	2020 HKD
<b>INCOME</b>			
Dividend income		8,610,413	1,842,396
Interest income on bank deposits		169,875	15,367
Other income		-	737
		<u>8,780,288</u>	<u>1,858,500</u>
<b>EXPENSES</b>			
Management fees	3	(7,422,151)	(2,926,254)
Trustee fees	3	(544,810)	(239,981)
Custodian fees	3	(99,928)	(40,201)
Professional fees		(572,705)	(176,483)
Commission and transaction fee	4	(9,405,747)	(3,696,404)
Establishment costs	5	-	-
Performance fee	3	(548,380)	(14,004,513)
Withholding tax expense	6	(213,325)	(139,359)
Other operating expenses		(296,196)	(212,243)
		<u>(19,103,242)</u>	<u>(21,435,438)</u>
<b>NET LOSS BEFORE INVESTMENT AND EXCHANGE DIFFERENCES</b>		<b>(10,322,954)</b>	<b>(19,576,938)</b>
<b>INVESTMENT AND EXCHANGE DIFFERENCES</b>			
Net realised gain on financial assets at fair value through profit or loss	7	13,697,860	39,259,088
Net change in unrealised (loss)/gain on financial assets at fair value through profit or loss	7	(25,263,658)	35,168,862
Net foreign exchange differences		(14,927)	2,498
		<u>(11,580,725)</u>	<u>74,430,448</u>
<b>NET (DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR</b>		<b><u>(21,903,679)</u></b>	<b><u>54,853,510</u></b>

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

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

STATEMENT OF NET ASSETS

As at 31 December 2021

Foundation Global Income and Growth Fund

	Notes	2021 USD	2020 USD
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	7	54,360,478	31,533,930
Due from brokers	9	1,190,598	751,850
Other receivables		493,153	2,048
Subscription receivables		-	96,794
Dividend receivables		12,098	2,717
Cash and cash equivalents	8	7,948,182	2,175,681
<b>TOTAL ASSETS</b>		<u>64,004,509</u>	<u>34,563,020</u>
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit or loss	7	206,948	-
Due to brokers	9	-	1,273,345
Management fees payable	3	80,973	40,919
Trustee fee payable	3	10,956	4,877
Accrued expense and other payables		48,214	81,070
Withholding tax payable		2,910	571
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>350,001</u>	<u>1,400,782</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	10	<u>63,654,508</u>	<u>33,162,238</u>
<b>TOTAL LIABILITIES</b>		<u>64,004,509</u>	<u>34,563,020</u>

For the number of units in issue, please refer to Note 10 for details.

Approved by the Trustee and Manager on 29 April 2022.

.....  
For and on behalf of  
ICBC (Asia) Trustee Company Limited

.....  
For and on behalf of  
Foundation Asset Management (HK) Limited

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

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

STATEMENT OF NET ASSETS (continued)

As at 31 December 2021

		Foundation China Equity Fund	
	Notes	2021 HKD	2020 HKD
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	7	665,751,149	287,441,198
Due from brokers	9	20,686,328	17,664,524
Dividend receivables		51,966	176,218
Cash and cash equivalents	8	94,570,491	32,085,758
<b>TOTAL ASSETS</b>		<u>781,059,934</u>	<u>337,367,698</u>
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit or loss	7	4,579,554	1,892,793
Due to brokers	9	47,985,942	12,164,553
Management fees payable	3	757,456	377,917
Performance fee payable	3	-	12,894,071
Trustee fee payable	3	102,159	49,748
Accrued expense and other payables		171,293	294,017
Withholding tax payable		12,498	2,519
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>53,608,902</u>	<u>27,675,618</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	10	<u>727,451,032</u>	<u>309,692,080</u>
<b>TOTAL LIABILITIES</b>		<u>781,059,934</u>	<u>337,367,698</u>

For the number of units in issue, please refer to Note 10 for details.

Approved by the Trustee and Manager on 29 April 2022.

.....  
For and on behalf of  
ICBC (Asia) Trustee Company Limited

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For and on behalf of  
Foundation Asset Management (HK) Limited

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

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2021

Foundation Global Income and Growth Fund

	Number of units	USD
At 18 March 2020 (date of commencement of operation)	-	-
Subscription of units	39,214,550.34	36,444,959
Redemption of units	(11,927,500.52)	(7,209,165)
Increase in net assets attributable to unitholders during the period	-	3,926,444
At 31 December 2020 and 1 January 2021	<u>27,287,049.82</u>	<u>33,162,238</u>
Subscription of units	65,227,142.62	83,360,706
Redemption of units	(40,393,236.11)	(53,501,674)
Dividends reinvest	123,497.33	20,773
Increase in net assets attributable to unitholders during the year	-	612,465
At 31 December 2021	<u>52,244,453.66</u>	<u>63,654,508</u>

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

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

For the year ended 31 December 2021

Foundation China Equity Fund

	Number of units	HKD
At 1 January 2020	48,568,966.88	210,964,006
Subscription of units	23,738,092.30	210,218,819
Redemption of units	(33,590,827.39)	(166,344,255)
Increase in net assets attributable to unitholders during the year	-	54,853,510
At 31 December 2020 and 1 January 2021	<u>38,716,231.79</u>	<u>309,692,080</u>
Subscription of units	80,694,181.49	822,921,285
Redemption of units	(37,391,583.50)	(383,258,654)
Decrease in net assets attributable to unitholders during the year	-	(21,903,679)
At 31 December 2021	<u><u>82,018,829.78</u></u>	<u><u>727,451,032</u></u>

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

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

Foundation Global Income and Growth Fund

	Notes	Year ended 31 December 2021 USD	Period from 18 March 2020 (date of commencement of operations) to 31 December 2020 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net increase in net assets attributable to unitholders for the year/period		612,465	3,926,444
<b>Adjustments:</b>			
Interest income		(520)	(5,965)
Dividend income, net of withholding tax		(438,598)	(56,557)
Distribution to unitholders	11	<u>271,263</u>	<u>234,033</u>
		444,610	4,097,955
<b>Working capital adjustments:</b>			
Increase in financial assets at fair value through profit or loss		(22,826,548)	(31,533,930)
Increase in due from brokers		(438,748)	(751,850)
Increase in other receivables		(491,105)	(2,048)
Increase in financial liabilities at fair value through profit or loss		206,948	-
Increase in management fees payable		40,054	40,919
Increase in trustee fee payable		6,079	4,877
(Decrease)/increase in accrued expense and other payables		(32,856)	81,070
(Decrease)/increase in due to brokers		<u>(1,273,345)</u>	<u>1,273,345</u>
Cash flows used in operations		(24,364,911)	(26,789,662)
Interest received		520	5,965
Dividend received, net of withholding tax		<u>431,556</u>	<u>54,411</u>
Net cash flows used in operating activities		(23,932,835)	(26,729,286)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		83,478,273	36,348,165
Payments from redemption of units		(53,501,674)	(7,209,165)
Distribution paid to unitholders		<u>(271,263)</u>	<u>(234,033)</u>
Net cash flows generated from financing activities		29,705,336	28,904,967
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>5,772,501</b>	<b>2,175,681</b>
Cash and cash equivalents at beginning of the year/period		<u>2,175,681</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD</b>	<b>8</b>	<b><u>7,948,182</u></b>	<b><u>2,175,681</u></b>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	8	<u>7,948,182</u>	<u>2,175,681</u>

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



FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2021

Foundation China Equity Fund

	Note	2021 HKD	2020 HKD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (decrease)/increase in net assets attributable to unitholders for the year		(21,903,679)	54,853,510
Adjustments:			
Interest income		(169,875)	(15,367)
Dividend income, net of withholding tax		(8,397,088)	(1,703,037)
		<u>(30,470,642)</u>	<u>53,135,106</u>
Working capital adjustments:			
Increase in financial assets at fair value through profit or loss		(378,309,951)	(92,081,531)
Increase in due from brokers		(3,021,804)	(13,824,598)
Decrease in prepayments and other receivables		-	8,732
Increase in financial liabilities at fair value through profit or loss		2,686,761	1,762,243
Increase in due to brokers		35,821,389	12,164,553
Increase in management fees payable		379,539	107,672
(Decrease)/increase in performance fee payable		(12,894,071)	11,878,090
Increase in trustee fee payable		52,411	7,060
(Decrease)/increase in accrued expense and other payables		(122,724)	53,817
Cash flows used in operations		<u>(385,879,092)</u>	<u>(26,788,856)</u>
Interest received		169,875	15,367
Dividend received, net of withholding tax		8,531,319	1,529,338
Net cash flows used in operating activities		<u>(377,177,898)</u>	<u>(25,244,151)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		822,921,285	210,218,819
Payments from redemption of units		(383,258,654)	(166,344,255)
Net cash flows generated from financing activities		<u>439,662,631</u>	<u>43,874,564</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>62,484,733</b>	<b>18,630,413</b>
Cash and cash equivalents at beginning of the year		<u>32,085,758</u>	<u>13,455,345</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>8</b>	<b><u>94,570,491</u></b>	<b><u>32,085,758</u></b>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	8	<u>94,570,491</u>	<u>32,085,758</u>

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

## FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 1. THE Trust AND THE SUB-FUNDS

Foundation Fund Series (the "Trust") was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to a trust deed dated 20 September 2018, as amended and restated on 31 December 2019. Foundation China Equity Fund and Foundation Global Income and Growth Fund (the "Sub-Funds") are sub-funds under the Trust.

The manager of the Trust is Foundation Asset Management (HK) Limited (the "Manager") and the trustee is ICBC (Asia) Trustee Company Limited (the "Trustee"). The custodian is Industrial and Commercial Bank of China (Asia) Limited (the "Custodian").

The Trust and the Sub-Funds have been authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under section 104(1) of the Hong Kong Securities and Futures Ordinance and are required to comply with the Code on Unit Trusts and Mutual Funds (the "SFC Code") established by the SFC. Authorisation by the SFC does not imply official approval or recommendation. As at 31 December 2021, the Trust has two sub-funds namely Foundation China Equity Fund and Foundation Global Income and Growth Fund, in respect of which separate class of unit was issued. Foundation China Equity Fund was launched on 11 July 2019. Foundation Global Income and Growth Fund was launched on 18 March 2020 (date of commencement of operations).

The investment objective of Foundation China Equity Fund is to maintain a consistent value-investing approach with a focus on liquidity and high return by primarily investing in equities issued by companies that are incorporated in China or companies which have significant operations in or derive a significant portion of revenue or profits from China.

The investment objective of Foundation Global Income and Growth Fund is to provide income distribution and long-term capital growth by investing in global equities and debt securities.

### 2.1 BASIS OF PREPARATION

The financial statements of the Sub-Funds have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Accounting Standards Committee of the IASB, and the relevant provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E to the SFC Code.

The financial statements have been prepared on a historical basis, except for financial assets and liabilities (including derivatives financial instruments) at fair value through profit or loss ("FVPL") that have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HKD") and United States Dollar ("USD"), and all values are rounded to the nearest HKD and USD except where otherwise indicated.

## FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Sub-Funds have adopted the revised HKFRSs for the first time in the current year's financial statements, which are applicable to the Sub-Funds. There is no change in accounting policies and disclosures that has an impact on the Sub-Funds' financial statements.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Sub-Funds have not applied the following new and revised IFRS and interpretation that has been issued but is not yet effective in these financial statements.

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Sub-Funds are currently assessing the impact the amendments will have on current practice.

#### IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Sub-Funds will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Sub-Funds.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

#### Definition of Accounting Estimates - Amendments to IAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Sub-Funds.

#### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Sub-Fund is currently assessing the impact of the amendments to determine the impact they will have on the Sub-Funds' accounting policy disclosures.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial instruments

In the current year/period, the Sub-Funds have adopted IFRS 9 *Financial Instruments*.

#### (i) *Classification*

In accordance with IFRS 9, the Sub-Funds classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

#### **Financial assets**

The Sub-Funds classify its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

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

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

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

#### *Financial assets measured at fair value through profit or loss ("FVPL")*

A financial asset is measured at fair value through profit or loss if:

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

The Sub-Funds include in this category:

- Instruments held for trading. This category includes listed and open-ended equity securities and depositary receipts which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

#### **Financial liabilities**

##### *Financial liabilities measured at FVPL*

A financial liability is measured at FVPL if it meets the definition of held for trading.

The Sub-Funds includes in this category, derivative contracts in a liability position and its redeemable shares in this category and the Sub-Funds' accounting policy regarding the redeemable participating shares is described within this note.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

*Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at FVPL. The Sub-Funds include in this category management fees payable, due to brokers, performance fee payable, trustee fee payable and accrued expense and other payables.

(ii) *Recognition*

The Sub-Funds recognise a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Funds commit to purchase or sell the asset.

(iii) *Initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss. Embedded derivatives separated from the host are carried at fair value with changes in fair value recognised in profit or loss.

(iv) *Subsequent measurement*

After initial measurement, the Sub-Funds measure financial instruments which are classified as at fair value through profit or loss, at fair value. The fair value of financial instruments is based on their quoted market prices on a recognised exchange at the date of statement of financial position without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their last traded prices 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.

Subsequent changes in the fair value of financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss. Interest and dividend earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense.

Interest earned and dividend income elements of such instruments are recorded separately in "Interest income" and "Dividend income", respectively. Dividend expenses related to short positions are also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) *Subsequent measurement (continued)*

Debt instruments, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Sub-Funds estimate cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) *Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Sub-Funds have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either;

- (a) the Sub-Funds have transferred substantially all the risks and rewards of the asset, or
- (b) the Sub-Funds have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Funds have transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Funds' continuing involvement in the asset. In that case, the Sub-Funds also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Funds have retained.

The Sub-Funds derecognise a financial liability when the obligation under the liability is discharged, cancelled or has expired.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair value measurement

The Sub-Funds measure financial instruments at fair value at each reporting date.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (last trade price), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-Funds determine whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 5.

#### Impairment of financial assets

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

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

The Sub-Funds use the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.



FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment of financial assets (continued)

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

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

#### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Net gain or loss on financial assets and liabilities at FVPL

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as "held at fair value through profit or loss" and excludes interest and dividend income and expense.

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

Realised gains and losses on disposals of financial instruments classified as "at fair value through profit or loss" are calculated using the average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

#### Derivative financial instruments

Derivative financial instruments, which include future contracts, are initially recognised in the statement of financial position at cost and subsequently marked to market. Changes in their fair values are included in the statement of comprehensive income. Derivatives are carried as assets when amounts are receivable by the Sub-Funds and as liabilities when amounts are payable by the Sub-Funds. Realised gains and losses on derivatives are recognised in the statement of comprehensive income.

With respect to derivative financial instruments actively traded on any stock exchange, fair value is generally determined by reference to the last traded price within the bid-ask spread, respectively, at the close of business on the date of statement of financial position. Other derivative instruments are stated at their fair values as determined by the brokers, based on the estimated replacement value of the contracts at the date of statement of financial position.

#### Dividend income and expense

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend is quoted, when the Sub-Funds' right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of profit or loss and other comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Distributions to unitholders

It is currently intended that distributions will be made once per month for the Distribution Classes of Units, subject to the Manager's discretion. However, there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class.

A distribution to the Sub-Funds' unitholders are included in profit or loss. A distribution is recognised as a liability in the year in which it is approved by the Manager.

#### Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

#### Foreign currency transactions

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the statement of comprehensive income as part of the "Net realised and change in unrealised gains or losses on investments". Foreign exchange differences on other financial instruments are included in profit or loss in the statement of profit or loss and other comprehensive income as "Net foreign exchange differences".

#### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and time deposits with an original maturity of three months or less and which are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, including time deposits, which are not restricted as to use.

#### Related parties

A party is considered to be related to the Sub-Funds if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Sub-Funds;
  - (ii) has significant influence over the Sub-Funds; or
  - (iii) is a member of the key management personnel of the Sub-Funds or of a parent of the Sub-Funds; or

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Related parties (continued)

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

#### Due to/from broker

Due to/from broker include cash deposits held with prime broker and broker as collateral against open derivative contracts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

#### Fees and commissions

Fees and commissions are recognised on an accrual basis. Legal fees are included within "Legal and professional fees".

#### Withholding taxes

The Sub-Funds are exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income and is not significant for the Sub-Funds. The Sub-Funds present the withholding tax separately from the gross investment income in the statement of comprehensive income. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

#### Subscriptions and redemptions

The Sub-Funds recognise unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

The Sub-Funds classify capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Sub-Funds issue redeemable units, which are redeemable at the unitholder's option and are classified as financial liabilities in accordance with IAS 32 (amendment).

## FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Subscriptions and redemptions (continued)

Should the redeemable units' terms or conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in liabilities.

Redeemable units can be put back to the respective Fund at any time for cash equal to a proportionate share of the respective Fund's trading net asset value calculated in accordance with the Trust Deed.

### 3. FEES

#### Management fees

The Manager is entitled to receive a management fee from the Sub-Funds, at a rate of 1.5% per annum for Class A units and accrued on each valuation day and are paid monthly in arrears.

Management fees of Foundation China Equity Fund for the year ended 31 December 2021 were HKD7,422,151 (2020: HKD2,926,254). As at 31 December 2021, management fees of HKD757,456 (2020: HKD377,917) were payable to the Manager, which is interest-free, unsecured and repayable with less than three months.

Management fees of Foundation Global Income and Growth Fund for the year ended 31 December 2021 were USD846,232 (2020: USD175,302). As at 31 December 2021, management fees of USD80,973 (2020: USD40,919) were payable to the Manager, which is interest-free, unsecured and repayable with less than three months.

#### Performance fees

The Manager is entitled to receive a management fee from the Sub-Funds, at a rate of 15% of the amount by which the increase in net asset value per unit during the relevant performance period exceeds the high water mark and are paid monthly in arrears.

Performance fees of Foundation China Equity Fund for the year ended 31 December 2021 were HKD548,380 (2020: HKD14,004,513). As at 31 December 2021, there was no outstanding performance fee payable (2020: HKD12,894,071) to the Manager.

As at 31 December 2021, there was no performance fee (2020: Nil) for Foundation Global Income and Growth Fund. There was no outstanding performance fee payable to the Manager.

#### Trustee fees and custodian fees

The Trustee is entitled to receive trustee fees from the Sub-Funds, at current rates of 0.125% per annum based on the net asset value. A fee is payable to the custodian at current rate of 0.025% per annum base on the net asset value.

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund

- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3. FEES (continued)

Trustee fees and custodian fees (continued)

Trustee fees and custodian fees of Foundation China Equity Fund for the year ended 31 December 2021 were HKD544,810 and HKD99,928 (2020: HKD239,981 and HKD40,201) respectively. As at 31 December 2021, trustee fees HKD102,159 for Foundation China Equity Fund (2020: HKD HKD49,748) were payable to the Trustee. As at 31 December 2021 and 2020, no outstanding custodian fee was payable to the custodian.

Trustee fees and custodian fees of Foundation Global Income and Growth Fund for the year ended 31 December 2021 were USD62,666 and USD50,691 (2020: USD15,424, and USD26,813) respectively. As at 31 December 2021, trustee fees USD10,956 (2020: USD4,877) were payable to the Trustee. As at 31 December 2021 and 2020, no outstanding custodian fee was payable to the custodian.

4. COMMISSION AND TRANSACTION FEE

Commission and transaction fee is the cost incurred to acquire financial assets or financial liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction fee, when incurred, is immediately recognised in profit or loss as an expense.

5. ESTABLISHMENT COSTS

In accordance with the provisions of the Explanatory Memorandum, preliminary expenses of the Sub-Funds are amortised in the first five years. However, preliminary expenses as expensed as incurred, as required under IFRS. A reconciliation of the net assets attributable to unitholders as reported in the statement of net assets attributable to unitholders as determined for the purpose of processing unit subscriptions and redemptions are provided below:

**31 December 2021**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
Published net assets attributable to unitholders (calculated in accordance with Sub-Funds' Trust Deed)	63,682,577	727,794,473
Adjustment for establishment costs	<u>(28,069)</u>	<u>(343,441)</u>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>63,654,508</u>	<u>727,451,032</u>

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. ESTABLISHMENT COSTS (continued)

**31 December 2020**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
Published net assets attributable to unitholders (calculated in accordance with Sub-Funds' Trust Deed)	33,199,654	310,207,242
Adjustment for establishment costs	<u>(37,416)</u>	<u>(515,162)</u>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>33,162,238</u>	<u>309,692,080</u>

6. WITHHOLDING TAXES

No provision for Hong Kong profits tax has been made for the Sub-Funds as the interest/dividend income and realised gain and disposal of investment of the Sub-Funds are excluded from the charge to profits tax under Section 14, Section 26 or Section 26A of the Hong Kong Inland Revenue Ordinance.

Further, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at source. Dividend income is subject to withholding tax in certain foreign jurisdictions and is the only item subject to taxation. Tax expense withheld on dividend income by issuers of Foundation Global Income and Growth Fund and Foundation China Equity Fund for the year ended 31 December 2021 were USD181,312 and HKD213,325 (2020: USD22,178 and HKD139,359), respectively.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

**31 December 2021**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
Financial assets at fair value through profit or loss		
- Common stocks	18,602,518	655,044,340
- American depositary receipt	1,966,984	10,706,809
- Exchange traded funds	15,827,841	-
- Open-end funds	17,963,135	-
Total financial assets at fair value through profit or loss	<u>54,360,478</u>	<u>665,751,149</u>
Financial liabilities at fair value through profit or loss		
- Future contracts	<u>206,948</u>	<u>4,579,554</u>
Total financial liabilities at fair value through profit or loss	<u>206,948</u>	<u>4,579,554</u>
Gain/(Loss) recognised in relation to financial assets and liabilities at fair value through profit or loss:		
Net realised gain	2,110,084	13,697,860
Net change in unrealised loss	<u>(959,576)</u>	<u>(25,263,658)</u>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>1,150,508</u>	<u>(11,565,798)</u>

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

**31 December 2020**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
Financial assets at fair value through profit or loss		
- Common stocks	12,009,014	260,396,305
- American depositary receipt	663,617	27,044,893
- Exchange traded funds	2,566,156	-
- Open-end funds	16,295,143	-
Total financial assets at fair value through profit or loss	<u>31,533,930</u>	<u>287,441,198</u>
Financial liabilities at fair value through profit or loss		
- Future contracts	-	1,892,793
Total financial liabilities at fair value through profit or loss	<u>-</u>	<u>1,892,793</u>
Gain recognised in relation to financial assets and liabilities at fair value through profit or loss:		
Net realised gain	3,065,677	39,259,088
Net change in unrealised gain	<u>1,340,555</u>	<u>35,168,862</u>
Net gain on financial assets and liabilities at fair value through profit or loss	<u>4,406,232</u>	<u>74,427,950</u>

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the closing of trading on the year end date.

Valuation techniques

When fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included in Level 1 of the hierarchy. An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Sub-Funds categorises these investments as Level 2.



FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

The following table analyses within the fair value hierarchy the Sub-Funds' financial assets measured at fair value at 31 December 2021 and 2020:

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>31 December 2021</b>				
<u>Foundation Global Income and Growth Fund</u>				
Financial assets at fair value through profit or loss				
- Common stocks	18,602,518	-	-	18,602,518
- American depository receipt	1,966,984	-	-	1,966,984
- Exchange traded funds	15,827,841	-	-	15,827,841
- Open-end funds	-	17,963,135	-	17,963,135
	<u>36,397,343</u>	<u>17,963,135</u>	<u>-</u>	<u>54,360,478</u>
Financial liabilities at fair value through profit or loss				
- Futures contracts (note 14)	-	206,948	-	206,948
	<u>-</u>	<u>206,948</u>	<u>-</u>	<u>206,948</u>
	Level 1 HKD	Level 2 HKD	Level 3 HKD	Total HKD
<b>31 December 2021</b>				
<u>Foundation China Equity Fund</u>				
Financial assets at fair value through profit or loss				
- Common stocks	655,044,340	-	-	655,044,340
- American depository receipt	10,706,809	-	-	10,706,809
	<u>665,751,149</u>	<u>-</u>	<u>-</u>	<u>665,751,149</u>
Financial liabilities at fair value through profit or loss				
- Futures contracts (note 14)	-	4,579,554	-	4,579,554
	<u>-</u>	<u>4,579,554</u>	<u>-</u>	<u>4,579,554</u>

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>31 December 2020</b>				
<u>Foundation Global Income and Growth Fund</u>				
Financial assets at fair value through profit or loss				
- Common stocks	12,009,014	-	-	12,009,014
- American depositary receipt	663,617	-	-	663,617
- Exchange traded funds	2,566,156	-	-	2,566,156
- Open-end funds	-	16,295,143	-	16,295,143
	<u>15,238,787</u>	<u>16,295,143</u>	<u>-</u>	<u>31,533,930</u>

	Level 1 HKD	Level 2 HKD	Level 3 HKD	Total HKD
<b>31 December 2020</b>				
<u>Foundation China Equity Fund</u>				
Financial assets at fair value through profit or loss				
- Common stocks	260,396,305	-	-	260,396,305
- American depositary receipt	27,044,893	-	-	27,044,893
	<u>287,441,198</u>	<u>-</u>	<u>-</u>	<u>287,441,198</u>
Financial liabilities at fair value through profit or loss				
- Futures contracts (note 14)	-	1,892,793	-	1,892,793
	<u>-</u>	<u>1,892,793</u>	<u>-</u>	<u>1,892,793</u>

There are no financial assets and liabilities classified within Level 3 and no transfers between levels during the year ended 31 December 2021 (2020: Nil).

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. CASH AND CASH EQUIVALENTS

**31 December 2021**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
Cash at bank	<u>7,948,182</u>	<u>94,570,491</u>

**31 December 2020**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
Cash at bank	<u>2,175,681</u>	<u>32,085,758</u>

The bank balances are held in interest bearing accounts with Industrial and Commercial Bank of China (Asia) Limited, an affiliate company of the Trustee. The carrying amount of bank balances approximates to their fair value.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

9. DUE TO/FROM BROKERS

**31 December 2021**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
DUE FROM BROKERS		
Margin deposits	1,190,598	20,686,328
	<u>1,190,598</u>	<u>20,686,328</u>

DUE TO BROKERS		
Payables for securities purchased but not yet settled	-	47,985,942
	<u>-</u>	<u>47,985,942</u>

**31 December 2020**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
DUE FROM BROKERS		
Margin deposits	-	6,893,329
Receivables for securities sold but not yet settled	751,850	10,771,195
	<u>751,850</u>	<u>17,664,524</u>

DUE TO BROKERS		
Payables for securities purchased but not yet settled	1,273,345	12,164,553
	<u>1,273,345</u>	<u>12,164,553</u>

10. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The consideration received or paid for units issued or re-purchased respectively is based on the value of the Sub-Funds' net asset value per unit at the date of the transaction. In accordance with the provisions of the Trust Deed, Sub-Funds investment positions are valued based on the last traded market price or closing price for the purpose of determining the trading net asset value per unit for subscriptions and redemptions. The Sub-Funds' net asset value per unit is calculated by dividing the Sub-Funds' net assets with the total number of outstanding units.

Redeemable units can be issued and redeemed on each valuation day, i.e. every business day of the calendar year. The holders of redeemable units may subscribe or redeem the redeemable units on any business day by no later than 4:00p.m. (Hong Kong time) on the relevant business day. Both subscription and redemption prices are calculated by reference to the net asset value per unit of the relevant class as at the valuation day.

With a view to protecting the interests of all unitholders, the Manager may limit the number of units of any Sub-Funds redeemed on any redemption day to 10% of the total number of units of the relevant Sub-fund in issue. In this event, the limitation will apply pro rata so that all unitholders of the relevant Sub-fund who have validly requested to redeem units of the Sub-Funds on that redemption day will redeem the same proportion of such units of the Sub-Funds.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

10. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

The following tables summarises the numbers of units in issue and net assets attributable to unitholders per unit of the relevant classes in the respective sub-funds.

	Class A HKD USD Units	Class A HKD (Dist) USD Units	Class A USD USD Units	Class A USD (Dist) USD Units
<b>31 December 2021</b>				
<u>Foundation Global Income and Growth Fund</u>				
Net asset attributable to unitholders	248,813	772,433	57,574,407	5,058,855
Net asset value per unit	1.3742	1.2752	1.3691	1.2467
		Class A HKD HKD Units	Class A HKD (Dist) HKD Units	Class A USD HKD Units
<u>Foundation China Equity Fund</u>				
Net asset attributable to unitholders		3,030,082	10,647,434	713,773,516
Net asset value per unit		1.2897	1.3020	1.2808
	Class A HKD USD Units	Class A HKD (Dist) USD Units	Class A USD USD Units	Class A USD (Dist) USD Units
<b>31 December 2020</b>				
<u>Foundation Global Income and Growth Fund</u>				
Net asset attributable to unitholders	209,474	189,102	28,115,982	4,647,680
Net asset value per unit	1.3214	1.2889	1.3227	1.2684
		Class A HKD HKD Units	Class A HKD (Dist) HKD Units	Class A USD HKD Units
<u>Foundation China Equity Fund</u>				
Net asset attributable to unitholders		3,083,750	10,832,102	295,776,228
Net asset value per unit		1.3412	1.3540	1.3430

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

10. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

The published net asset value per unit issued is calculated in accordance with the explanatory memorandum of the Sub-Funds while the net asset value per unit as reported in the statement of net assets included audit adjustment for recognition of all establishment costs incurred in profit or loss for the year ended 31 December 2021 and 2020.

	Unit price (per financial statements)	Published unit price:
<b>31 December 2021</b>		
<u>Foundation Global Income and Growth Fund</u>		
Class A HKD units		
Net assets attributable to unitholders per unit	<u>HKD 1.3742</u>	<u>HKD 1.3745</u>
Class A HKD (Dist) units		
Net assets attributable to unitholders per unit	<u>HKD 1.2752</u>	<u>HKD 1.2758</u>
Class A USD units		
Net assets attributable to unitholders per unit	<u>USD 1.3691</u>	<u>USD 1.3696</u>
Class A USD (Dist) units		
Net assets attributable to unitholders per unit	<u>USD 1.2467</u>	<u>USD 1.2472</u>
<u>Foundation China Equity Fund</u>		
Class A HKD units		
Net assets attributable to unitholders per unit	<u>HKD 1.2897</u>	<u>HKD 1.2903</u>
Class A HKD (Dist) units		
Net assets attributable to unitholders per unit	<u>HKD 1.3020</u>	<u>HKD 1.3025</u>
Class A USD units		
Net assets attributable to unitholders per unit	<u>USD 1.2808</u>	<u>USD 1.2813</u>

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

10. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

	Unit price (per financial statements)	Published unit price:
<b>31 December 2020</b>		
<u>Foundation Global Income and Growth Fund</u>		
Class A HKD units		
Net assets attributable to unitholders per unit	<u>HKD 1.3214</u>	<u>HKD 1.3226</u>
Class A HKD (Dist) units		
Net assets attributable to unitholders per unit	<u>HKD 1.2889</u>	<u>HKD 1.2901</u>
Class A USD units		
Net assets attributable to unitholders per unit	<u>USD 1.3227</u>	<u>USD 1.3242</u>
Class A USD (Dist) units		
Net assets attributable to unitholders per unit	<u>USD 1.2684</u>	<u>USD 1.2696</u>
<u>Foundation China Equity Fund</u>		
Class A HKD units		
Net assets attributable to unitholders per unit	<u>HKD 1.3412</u>	<u>HKD 1.3434</u>
Class A HKD (Dist) units		
Net assets attributable to unitholders per unit	<u>HKD 1.3540</u>	<u>HKD 1.3562</u>
Class A USD units		
Net assets attributable to unitholders per unit	<u>USD 1.3430</u>	<u>USD 1.3446</u>

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

11. DISTRIBUTION TO UNITHOLDERS

The Manager may in its discretion make distributions to unitholders on a monthly basis as the Manager considers appropriate, having regard to the net income and capital assets of the Sub-Funds.

Foundation  
Global Income  
and  
Growth Fund  
2021  
USD

**USD DIST Class A (distribution)**

USD0.0055 on 1 unit paid on January 2021	20,153
USD0.0055 on 1 unit paid on February 2021	20,307
USD0.0055 on 1 unit paid on March 2021	20,209
USD0.0055 on 1 unit paid on April 2021	20,220
USD0.0055 on 1 unit paid on May 2021	19,363
USD0.0055 on 1 unit paid on June 2021	19,392
USD0.0055 on 1 unit paid on July 2021	19,392
USD0.0055 on 1 unit paid on August 2021	19,478
USD0.0055 on 1 unit paid on September 2021	20,058
USD0.0055 on 1 unit paid on October 2021	20,058
USD0.0055 on 1 unit paid on November 2021	20,088
USD0.0055 on 1 unit paid on December 2021	21,968

**HKD DIST Class A (distribution)**

HKD0.0055 on 1 unit paid on January 2021	807
HKD0.0055 on 1 unit paid on February 2021	2,698
HKD0.0055 on 1 unit paid on March 2021	2,802
HKD0.0055 on 1 unit paid on April 2021	2,496
HKD0.0055 on 1 unit paid on May 2021	2,506
HKD0.0055 on 1 unit paid on June 2021	2,489
HKD0.0055 on 1 unit paid on July 2021	2,496
HKD0.0055 on 1 unit paid on August 2021	2,502
HKD0.0055 on 1 unit paid on September 2021	2,802
HKD0.0055 on 1 unit paid on October 2021	2,807
HKD0.0055 on 1 unit paid on November 2021	2,817
HKD0.0055 on 1 unit paid on December 2021	3,355



FOUNDATION FUND SERIES  
 - Foundation Global Income and Growth Fund  
 - Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

11. DISTRIBUTION TO UNITHOLDERS (continued)

Foundation  
 Global Income  
 and  
Growth Fund  
 2020  
 USD

**USD DIST Class A (distribution)**

USD0.0055 on 1 unit paid on April 2020	24,641
USD0.0055 on 1 unit paid on May 2020	24,641
USD0.0055 on 1 unit paid on June 2020	28,851
USD0.0055 on 1 unit paid on July 2020	28,915
USD0.0055 on 1 unit paid on August 2020	28,143
USD0.0055 on 1 unit paid on September 2020	24,354
USD0.0055 on 1 unit paid on October 2020	24,258
USD0.0055 on 1 unit paid on November 2020	24,331
USD0.0055 on 1 unit paid on December 2020	20,153

**HKD DIST Class A (distribution)**

HKD0.0055 on 1 unit paid on May 2020	4,506
HKD0.0055 on 1 unit paid on June 2020	35
HKD0.0055 on 1 unit paid on July 2020	35
HKD0.0055 on 1 unit paid on August 2020	35
HKD0.0055 on 1 unit paid on September 2020	35
HKD0.0055 on 1 unit paid on November 2020	545
HKD0.0055 on 1 unit paid on December 2020	555

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES

Investment in the Sub-Funds is subject to market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The performance of the Sub-Funds will be affected by a number of risk factors, including the following:

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value.

The Sub-Funds assume market risk in trading activities. The Sub-Funds distinguish market risk as price risk, interest rate risk, and foreign exchange risk.

Price risk

The Sub-Funds' market price risk is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals. The Manager considers that the table below summarises the overall market exposures of the Sub-Funds and the impact of increases/decreases from the Sub-Funds' financial assets at fair value through profit or loss on the Sub-Funds' net asset value as at 31 December 2021. The analysis is based on the assumption that the underlying investments in equity securities increased/decreased by a reasonable possible shift, with all other variables held constant. However, this does not represent a prediction of the future movement in the corresponding key markets.

	Carrying value of financial assets at fair value through profit or loss USD	Shift in underlying securities increase/ (decrease) %	Estimated possible change in net asset value increase/ (decrease) USD
<u>Foundation Global Income and Growth Fund</u>			
<b>As at 31 December 2021</b>			
Financial assets at fair value through profit or loss	54,360,478	5 (5)	2,718,024 (2,718,024)
<b>As at 31 December 2020</b>			
Financial assets at fair value through profit or loss	31,533,930	5 (5)	1,576,697 (1,576,697)

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Market risk* (continued)

Price risk (continued)

	Carrying value of financial assets at fair value through profit or loss HKD	Shift in underlying securities increase/ (decrease) %	Estimated possible change in net asset value increase/ (decrease) HKD
<u>Foundation China Equity Fund</u>			
<b>As at 31 December 2021</b>			
Financial assets at fair value through profit or loss	665,751,149	5 (5)	33,287,557 (33,287,557)
<b>As at 31 December 2020</b>			
Financial assets at fair value through profit or loss	287,441,198	5 (5)	14,372,060 (14,372,060)

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 interest-bearing assets and liabilities and their future cash flows.

Foundation Global Income and Growth Fund has no significant interest-bearing financial assets and liabilities except for cash and cash equivalents and due from brokers amounted to USD7,948,182 (2020: USD2,175,681) and USD1,190,598 (2020: USD92,236). At the date of statement of financial position, assuming all other factors unchanged, should interest rates increase/decrease by 50 basis points, increase/decrease in total comprehensive income of Foundation Global Income and Growth Fund would amount to USD45,694 (2020: USD11,340).

Foundation China Equity Fund has no significant interest-bearing financial assets and liabilities except for cash and cash equivalents and due from brokers amounted to HKD94,570,491 (2020: HKD32,085,758) and HKD20,686,328 (2020: HKD6,893,329). At the date of statement of financial position, assuming all other factors unchanged, should interest rates increase/decrease by 50 basis points, increase/decrease in total comprehensive income of Foundation China Equity Fund would amount to HKD576,284 (2020: HKD194,896).

FOUNDATION FUND SERIES  
 - Foundation Global Income and Growth Fund  
 - Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Market risk (continued)*

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The functional currency of the Sub-Funds are United States Dollar for Foundation Global Income and Growth Fund and Hong Kong dollar for Foundation China Equity Fund. The Sub-Funds are thus exposed to foreign currency risk which arises from its United States dollar and China renminbi financial assets at fair value through profit or loss, cash and cash equivalents and due from brokers. Management monitors this risk on an ongoing basis and considers the Sub-Funds' exposure to United States dollar to be minimal as the Hong Kong dollar is currently pegged to the United States dollar.

Foundation Global Income and Growth Fund has no China renminbi denominated monetary items, and thus it is not exposed to foreign currency risk as at 31 December 2021 and 2020.

The following table demonstrates the sensitivity at the end of the reporting period to 5% change in the renminbi exchange rate, with all other variables held constant, of Foundation China Equity Fund's profit or losses and other comprehensive income (due to changes in the book value of monetary assets).

	Increase/ (decrease) in exchange rate %	(Decrease)/ increase in profit before tax HKD
<b>2021</b>		
<u>Foundation China Equity Fund</u>		
If the Hong Kong dollar against the Renminbi	5	(14,775,215)
If the Hong Kong dollar against the Renminbi	(5)	14,775,215
<b>2020</b>		
<u>Foundation China Equity Fund</u>		
If the Hong Kong dollar against the Renminbi	5	(4,391,872)
If the Hong Kong dollar against the Renminbi	(5)	4,391,872

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Liquidity risk*

Liquidity risk is the risk that the Sub-Funds 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-Funds are exposed to the daily redemptions of the units by its investors. The investment in listed equity securities should be readily disposed of to meet the redemption payment within reasonable time.

In accordance with the Sub-Funds' policies, although the Manager will seek to select underlying equity securities which offer the opportunity to have their shares or unites redeemed within a reasonable timeframe, there can be no assurance that the liquidity of the equity securities will always be sufficient to meet redemption request. In particular, the underlying equity securities may impose redemption gats in certain situations, which means that the underlying equity securities may not always be able to satisfy redemption requests from the Sub-Funds as and when made.

The table below analyses the Sub-Funds' non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of net assets date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

<b>As at 31 December 2021</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 – 12 months</b>	<b>Other</b>	<b>Total</b>
	USD	USD	USD	USD	USD
<b>Financial liabilities</b>					
<u>Foundation Global Income and Growth Fund</u>					
Financial liabilities at fair value through profit or loss	206,948	-	-	-	206,948
Management fees payable	-	80,973	-	-	80,973
Trustee fee payable	-	10,956	-	-	10,956
Withholding tax payable	-	-	2,910	-	2,910
Accrued expense and other payables	-	-	48,214	-	48,214
Net assets attributable to unitholders*	-	-	-	63,654,508	63,654,508
<b>Total financial liabilities</b>	<b>206,948</b>	<b>91,929</b>	<b>51,124</b>	<b>63,654,508</b>	<b>64,004,509</b>

\*Subject to the redemption policy stated in the Trust Deed.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Liquidity risk* (continued)

<b>As at 31 December 2020</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 – 12 months</b>	<b>Other</b>	<b>Total</b>
	USD	USD	USD	USD	USD
<b>Financial liabilities</b>					
<u>Foundation Global Income and Growth Fund</u>					
Management fees payable	-	40,919	-	-	40,919
Trustee fee payable	-	4,877	-	-	4,877
Withholding tax payable	-	-	571	-	571
Accrued expense and other payables	-	-	81,070	-	81,070
Due to brokers	1,273,345	-	-	-	1,273,345
Net assets attributable to unitholders*	-	-	-	33,162,238	33,162,238
	<hr/>				
Total financial liabilities	1,273,345	45,796	81,641	33,162,238	34,563,020

<b>As at 31 December 2021</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>Other</b>	<b>Total</b>
	HKD	HKD	HKD	HKD
<b>Financial liabilities</b>				
<u>Foundation China Equity Fund</u>				
Financial liabilities at fair value through profit or loss	4,579,554	-	-	4,579,554
Due to brokers	47,985,942	-	-	47,985,942
Management fees payable	-	757,456	-	757,456
Trustee fee payable	-	102,159	-	102,159
Withholding tax payable	-	-	12,498	12,498
Accrued expense and other payables	-	-	171,293	171,293
Net assets attributable to unitholders*	-	-	727,451,032	727,451,032
	<hr/>			
Total financial liabilities	52,565,496	859,615	727,634,823	781,059,934

\*Subject to the redemption policy stated in the Trust Deed.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Liquidity risk* (continued)

<b>As at 31 December 2020</b>	<b>On demand</b>	<b>Less than 3</b>	<b>Other</b>	<b>Total</b>
	HKD	months	HKD	HKD
		HKD		
<b>Financial liabilities</b>				
<u>Foundation China Equity Fund</u>				
Financial liabilities at fair value through profit or loss	1,892,793	-	-	1,892,793
Due to brokers	12,164,554	-	-	12,164,554
Management fees payable	-	377,917	-	377,917
Performance fee payable	-	12,894,071	-	12,894,071
Trustee fee payable	-	49,748	-	49,748
Withholding tax payable	-	-	2,519	2,519
Accrued expense and other payables	-	-	294,017	294,017
Net assets attributable to unitholders*	-	-	309,692,080	309,692,080
	<u>14,057,347</u>	<u>13,321,736</u>	<u>309,988,616</u>	<u>337,367,699</u>
Total financial liabilities	<u>14,057,347</u>	<u>13,321,736</u>	<u>309,988,616</u>	<u>337,367,699</u>

The Sub-Funds invest a majority portion of the assets in equity securities. In particular, the Sub-Funds may invest in equity securities trading in Hong Kong or other countries and such investments are also easily disposed of for cash.

The following table illustrates the expected liquidity of assets held:

<b>As at 31 December 2021</b>	<b>On demand</b>	<b>Less than 3</b>	<b>Other</b>	<b>Total</b>
	HKD	months	HKD	HKD
		HKD		
<b>Financial assets</b>				
<u>Foundation Global Income and Growth Fund</u>				
Financial assets at fair value through profit or loss	54,360,478	-	-	54,360,478
Due from brokers	1,190,598	-	-	1,190,598
Other receivables	493,153	-	-	493,153
Dividend receivables	12,098	-	-	12,098
Cash and cash equivalents	7,948,182	-	-	7,948,182
	<u>64,004,509</u>	<u>-</u>	<u>-</u>	<u>64,004,509</u>
Total financial assets	<u>64,004,509</u>	<u>-</u>	<u>-</u>	<u>64,004,509</u>

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Liquidity risk* (continued)

**As at 31 December 2020**

	On demand HKD	Less than 3 months HKD	Other HKD	Total HKD
<b>Financial assets</b>				
<u>Foundation Global Income and Growth Fund</u>				
Financial assets at fair value through profit or loss	31,533,930	-	-	31,533,930
Due from brokers	751,850	-	-	751,850
Other receivables	2,048	-	-	2,048
Subscription receivables	96,794	-	-	96,794
Dividend receivables	2,717	-	-	2,717
Cash and cash equivalents	2,175,681	-	-	2,175,681
Total financial assets	<u>34,563,020</u>	<u>-</u>	<u>-</u>	<u>34,563,020</u>

**As at 31 December 2021**

	On demand HKD	Less than 3 months HKD	Other HKD	Total HKD
<b>Financial assets</b>				
<u>Foundation China Equity Fund</u>				
Financial assets at fair value through profit or loss	665,751,149	-	-	665,751,149
Due from brokers	20,686,328	-	-	20,686,328
Dividend receivables	51,966	-	-	51,966
Cash and cash equivalents	94,570,491	-	-	94,570,491
Total financial assets	<u>781,059,934</u>	<u>-</u>	<u>-</u>	<u>781,059,934</u>

**As at 31 December 2020**

	On demand HKD	Less than 3 months HKD	Other HKD	Total HKD
<b>Financial assets</b>				
<u>Foundation China Equity Fund</u>				
Financial assets at fair value through profit or loss	287,441,198	-	-	287,441,198
Due from brokers	17,664,524	-	-	17,664,524
Dividend receivables	176,218	-	-	176,218
Cash and cash equivalents	32,085,758	-	-	32,085,758
Total financial assets	<u>337,367,698</u>	<u>-</u>	<u>-</u>	<u>337,367,698</u>



FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

#### *Credit risk and counterparty risk*

The Sub-Funds are exposed to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when they fall due.

All transactions in collective investment schemes are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of the units of the collective investment schemes sold is only made when the brokers has received payment. Payment is only made on a purchase when the nits of the collective investment schemes have been received by the brokers. The trade will fail if either party fails to meet its obligation.

For credit risk, it primarily arises from investments in the underlying equity securities and cash and cash equivalents held with financial institutions. Credit risk arises from the underlying equity securities ability to realise their investments to meet any redemptions made by the Sub-Funds. This risk is measured by reference to the available net assets in the underlying equity securities.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Credit risk and counterparty risk (continued)*

**Financial assets subject to IFRS 9's impairment requirements**

The Sub-Funds' financial assets subject to the ECL model within IFRS 9 are dividend receivables, other receivables, due from brokers and cash and cash equivalents. No loss allowance had been provided. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the year.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. At 31 December 2021 and 2020 no loss allowance had been provided. No assets are considered impaired and no amounts have been written off in the period.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: dividend receivables, other receivables, due from brokers and cash and cash equivalents. All the Sub-Funds' due from brokers and cash and cash equivalents are held in major financial institutions which the Manager believes are of high credit quality. The Manager considers the Sub-Funds are not exposed to significant credit risk and no loss allowance has been made.

*Maximum exposure and period-end staging as at 31 December 2021 and 2020*

The table below shows the credit quality and the maximum exposure to credit risk based on the Sub-Funds' credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period-end staging classification as at 31 December 2021 and 2020:

As at 31 December 2021	<u>12-month</u>	<u>Lifetime</u>			Simplified Approach USD	Total USD
	<u>expected</u>	<u>Expected</u>				
	<u>credit</u>	Stage 2	Stage 3			
	<u>losses</u>	Stage 1	Stage 3			
		USD	USD	USD		
<u>Foundation Global Income and Growth Fund</u>						
<b>Financial assets</b>						
Due from brokers						
- Not yet past due	1,190,598	-	-	-	-	1,190,598
Other receivables						
- Not yet past due	493,153	-	-	-	-	493,153
Dividend receivables						
- Not yet past due	12,098	-	-	-	-	12,098
Cash and cash equivalents						
- Not yet past due	7,948,182	-	-	-	-	7,948,182
<b>Total financial assets</b>	<b>9,644,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,644,031</b>

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Credit risk and counterparty risk (continued)*

**Financial assets subject to IFRS 9's impairment requirements (continued)**

As at 31 December 2021	<u>12-month expected credit losses</u>	<u>Lifetime Expected Credit losses</u>		Simplified Approach HKD	Total HKD
	Stage 1 HKD	Stage 2 HKD	Stage 3 HKD		
<u>Foundation China Equity Fund</u>					
<b>Financial assets</b>					
Due from brokers					
- Not yet past due	20,686,328	-	-	-	20,686,328
Dividend receivables					
- Not yet past due	51,966	-	-	-	51,966
Cash and cash equivalents					
- Not yet past due	94,570,491	-	-	-	94,570,491
<b>Total financial assets</b>	<b>115,308,785</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,308,785</b>
As at 31 December 2020	<u>12-month expected credit losses</u>	<u>Lifetime Expected Credit losses</u>		Simplified Approach USD	Total USD
	Stage 1 USD	Stage 2 USD	Stage 3 USD		
<u>Foundation Global Income and Growth Fund</u>					
<b>Financial assets</b>					
Due from brokers					
- Not yet past due	751,850	-	-	-	751,850
Other receivables					
- Not yet past due	2,048	-	-	-	2,048
Dividend receivables					
- Not yet past due	2,717	-	-	-	2,717
Subscription receivables					
- Not yet past due	96,794	-	-	-	96,794
Cash and cash equivalents					
- Not yet past due	2,175,681	-	-	-	2,175,681
<b>Total financial assets</b>	<b>3,029,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,029,090</b>

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Credit risk and counterparty risk (continued)*

**Financial assets subject to IFRS 9's impairment requirements (continued)**

As at 31 December 2020	<u>12-month</u> <u>expected</u> <u>credit</u> <u>losses</u>	<u>Lifetime</u> <u>Expected</u> <u>Credit losses</u>			Simplified Approach HKD	Total HKD
	Stage 1 HKD	Stage 2 HKD	Stage 3 HKD			
<u>Foundation China Equity Fund</u>						
<b>Financial assets</b>						
Due from brokers						
- Not yet past due	17,664,524	-	-	-	-	17,664,524
Dividend receivables						
- Not yet past due	176,218	-	-	-	-	176,218
Cash and cash equivalents						
- Not yet past due	<u>32,085,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,085,758</u>
<b>Total financial assets</b>	<u>49,926,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,926,500</u>

**Financial assets not subject to IFRS 9's impairment requirements**

The Sub-Funds are exposed to credit risk on equity securities and debt securities. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL. The carrying value of these assets, under IFRS 9 represents the Sub-Funds' maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates.

The Sub-Funds' financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank deposits and assets held with the custodians. The table below summarises the credit rating of banks and custodians with which the Sub-Funds' assets are held as at 31 December 2021 and 2020.

**As at 31 December 2021**

	USD	Credit rating	Source of credit rating
<u>Foundation Global Income and Growth Fund</u>			
<u>Bank</u>			
Industrial and Commercial Bank of China (Asia) Limited	7,948,182	A	Standard & Poor's
<u>Custodian</u>			
Industrial and Commercial Bank of China (Asia) Limited	54,360,478	A	Standard & Poor's

FOUNDATION FUND SERIES  
 - Foundation Global Income and Growth Fund  
 - Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Credit risk and counterparty risk (continued)*

**As at 31 December 2021  
 (continued)**

	HKD	Credit rating	Source of credit rating
<u>Foundation China Equity Fund</u>			
<u>Bank</u>			
Industrial and Commercial Bank of China (Asia) Limited	94,570,491	A	Standard & Poor's
<u>Custodian</u>			
Industrial and Commercial Bank of China (Asia) Limited	665,751,149	A	Standard & Poor's

**As at 31 December 2020**

	USD	Credit rating	Source of credit rating
<u>Foundation Global Income and Growth Fund</u>			
<u>Bank</u>			
Industrial and Commercial Bank of China (Asia) Limited	2,175,681	A	Standard & Poor's
<u>Custodian</u>			
Industrial and Commercial Bank of China (Asia) Limited	31,533,930	A	Standard & Poor's

	HKD	Credit rating	Source of credit rating
<u>Foundation China Equity Fund</u>			
<u>Bank</u>			
Industrial and Commercial Bank of China (Asia) Limited	32,085,758	A	Standard & Poor's
<u>Custodian</u>			
Industrial and Commercial Bank of China (Asia) Limited	287,441,198	A	Standard & Poor's

FOUNDATION FUND SERIES  
 - Foundation Global Income and Growth Fund  
 - Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVE AND POLICIES (continued)

*Capital management risk*

The Sub-Funds' objectives for managing capital are to invest the capital in investments in order to achieve its investment objective while maintaining sufficient liquidity to meet the expenses of the Sub-Funds, and to meet redemption requests as they arise.

13. TRANSACTIONS WITH THE TRUSTEE AND THE MANAGER AND THEIR CONNECTED PERSONS

Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year/period between the Sub-Funds and the Trustee, and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Funds do not have any other transactions with connected persons except for those disclosed in note 3 to the financial statements.

(a) Bank deposits and investment held by the affiliate companies of the Trustee

The Sub-Funds' bank deposits, including cash balances and time deposits, and investments were held by Industrial and Commercial Bank of China (Asia) Limited, an affiliate company of the Trustee. Further details of the balances held are described in note 7 and 8 to the financial statements. During the year/period, the Trustee has also provided foreign currency exchange services to the Sub-Funds. During the year/period, interest income on these bank balances were:

**31 December 2021**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
Interest income	<u>520</u>	<u>169,875</u>

**31 December 2020**

	Foundation Global Income and Growth Fund USD	Foundation China Equity Fund HKD
Interest income	<u>5,965</u>	<u>15,367</u>

(b) Holdings in the Sub-Funds

The Sub-Funds allow the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Funds.

During the year ended 31 December 2021, Essence International Securities (Hong Kong) Limited, the broker of the Sub-Funds, had subscriptions of 2,736,469.97 units amounted to HKD3,561,442 in Class A HKD (Dist), subscriptions and redemptions of 734,327.63 units amounted to HKD1,000,000 and HKD990,532, respectively, in Class A HKD in Foundation Global Income and Growth Fund. It incurs a loss of HKD9,468 from the redemption of Class A HKD. As at 31 December 2021, it holds 642,042.19 units in Class A USD and 2,736,469.97 units in Class A HKD (Dist).

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

**(b) Holdings in the Sub-Funds (continued)**

During the year ended 31 December 2021, GF Securities (Hong Kong) Brokerage Limited, another broker of the Sub-Funds, had subscriptions of 302,632.53 units amounted to HKD395,000 in Class A HKD, subscriptions of 215,874.45 units amounted to HKD286,000 and redemptions of 37,996.80 units amounted to HKD49,320 in Class A HKD (Dist) in Foundation China Equity Fund. As at 31 December 2021, it holds 302,632.53 units in Class A HKD and 177,877.65 units in Class A HKD (Dist).

During the year ended 31 December 2021, Foundation Global Income and Growth Fund had subscriptions of 13,687,576.89 units amounted to USD18,650,313 and redemptions of 7,074,660.01 units amounted to USD9,356,435 in Class A USD in Foundation China Equity Fund. As at 31 December 2021, it holds 14,019,460.91 units in Class A USD.

During the year ended 31 December 2021, the Manager had subscriptions of 716,794.49 units amounted to USD1,000,000 in Class A USD in Foundation China Equity Fund. As at 31 December 2021, the Manager holds 2,719,282.06 Class A USD units in Foundation China Equity Fund and does not have any holdings in Foundation Global Income and Growth Fund.

During the year ended 31 December 2021, the Directors and senior management of the Manager had no subscriptions or redemptions in Foundation Global Income and Growth Fund.

During the year ended 31 December 2021, the Directors and senior management of the Manager had redemptions of USD2,945,811.62 in Class A USD in Foundation China Equity Fund.

As at 31 December 2021, the Directors and senior management of the Manager holds 77,700.07 units in Class A HKD in Foundation Global Income and Growth Fund and 82,946.25 units in Class A HKD in Foundation China Equity Fund. The movement of the units held by the Directors and senior management of the Manager during the year is as follows:

**31 December 2021**

Foundation Global Income and Growth Fund

	Units outstanding at 1 January 2021	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2021
Class A HKD	77,700.07	-	-	77,700.07
<u>Foundation China Equity Fund</u>				
Class A HKD	82,946.25	-	-	82,946.25
Class A USD	2,019,615.81	-	(2,019,615.81)	-

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

**(b) Holdings in the Sub-Funds (continued)**

During the year ended 31 December 2020, Essence International Securities (Hong Kong) Limited, the broker of the Sub-Funds, had subscriptions of 642,042.19 units amounted to USD820,000 in Class A USD in Foundation Global Income and Growth Fund.

During the year ended 31 December 2020, Foundation Global Income and Growth Fund had subscriptions of 7,406,544.03 units amounted to HKD70,251,992 in Class A USD in Foundation China Equity Fund.

During the period/year ended 31 December 2020, the Manager had no subscriptions or redemptions in Foundation Global Income and Growth Fund and Foundation China Equity Fund.

As at 31 December 2020, the Manager holds 2,002,488 Class A USD units of the Foundation China Equity Fund and does not have any holdings in Foundation Global Income and Growth Fund.

During the period ended 31 December 2020, the Directors and senior management of the Manager had subscriptions of USD812,826 in Class A HKD (Dist), USD840,657 in Class A USD (Dist), USD12,903 in Class A HKD and redemptions of USD840,657 in Class A HKD (Dist), USD860,103 in Class A USD (Dist) in Foundation Global Income and Growth Fund. The directors and senior management are entitled to USD27,831 and USD19,446 of profit from the redemption of Class A HKD (Dist) and Class A USD (Dist) units respectively.

During the year ended 2020, the Directors and senior management of the Manager had subscriptions of HKD32,106,533 in Class A USD, HKD100,000 in Class A HKD and redemptions of HKD15,796,840 in Class A HKD (Dist), HKD16,309,693 in Class A USD in Foundation China Equity Fund. The directors and senior management are entitled to USD512,853 of profit from the redemption of Class A USD units.

As at 31 December 2020, the Directors and senior management of the Manager holds 77,700.07 units in Class A HKD in Foundation Global Income and Growth Fund, 82,946.25 units in Class A HKD and 2,019,615.81 units in Class A USD in Foundation China Equity Fund. The movement of the units held by the Directors and senior management of the Manager during the period/year is as follows:

**31 December 2020**  
Foundation Global Income  
and Growth Fund

	Units outstanding at 18 March 2020 (date of Commencement of operations)	Units subscribed during the period	Units redeemed during the period	Units outstanding at 31 December 2020
Class A HKD	-	77,700.07	-	77,700.07
Class A HKD (Dist)	-	6,300,000.00	(6,300,000.00)	-
Class A USD (Dist)	-	759,606.83	(759,606.83)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>



FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

**(b) Holdings in the Sub-Funds (continued)**

Foundation China  
Equity Fund

	Units outstanding at 1 January 2020	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2020
Class A HKD	-	82,946.25	-	82,946.25
Class A HKD (Dist)	15,800,000.00	-	(15,800,000.00)	-
Class A USD	-	4,039,231.62	(2,019,615.81)	2,019,615.81
	<u>-</u>	<u>4,039,231.62</u>	<u>(2,019,615.81)</u>	<u>2,019,615.81</u>

**(c) Cross-trade**

During the year ended 31 December 2021 and 31 December 2020, there were no investment holdings which were bought from other funds also managed by the Manager of the Sub-Funds.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments held by the Sub-Funds as at 31 December 2021 and 2020 are summarised below:

Future contracts

Futures contracts are commitments to make or take future delivery of various commodities, currencies or financial instruments at a specified time and place. These commitments can be discharged by making or taking delivery of an approved grade of commodity, currency and financial instrument by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same (or a linked) exchange prior to the designated date of delivery.

The details of future contracts as at 31 December 2021 and 2020 are as follows:

Description	Lots Size	Position	Fair value	Notional value (at cost)
<b>2021</b>				
<u>Foundation Global Income and Growth Fund</u>				
E-mini S&P 500 Futures Mar22	40	Short	(USD206,948)	USD9,310,052
<b>2021</b>				
<u>Foundation China Equity Fund</u>				
HANG SENG IDX FUT JAN22	94	Short	(HKD1,885,740)	HKD108,333,960
E-mini S&P 500 Futures Mar22	39	Short	(HKD2,693,814)	USD8,933,513

## FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Description	Lots Size	Position	Fair value	Notional value (at cost)
<b>2020</b>				
<u>Foundation China Equity Fund</u> HANG SENG IDX FUT JAN21	34	Short	HKD1,892,793	HKD44,366,400

### 15. SOFT COMMISSION ARRANGEMENT

The Manager and its connected persons may enter into soft commission arrangements with brokers under which certain goods and services used to support investment decision making will be received. The Manager and its connected persons will not make direct payment for these services but will transact an agreed amount of business with brokers on behalf of the Sub-Funds and commission will be paid on these transactions.

The goods and services must be of demonstrable benefit to the Sub-Funds and may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis and data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications.

For the year ended 31 December 2021, the Manager had participated in soft commission arrangements in respect of transactions executed during the year amounted to HKD4,218,387,274 (2020: HKD1,286,403,308) for the accounts of Foundation China Equity Fund and USD74,287,215 (2020: USD55,155,440) for Foundation Global Income and Growth Fund. HKD940,368 (2020: HKD371,778) and USD22,286 (2020: USD16,547) have been paid by the Manager related to the investment research and monitoring services for Foundation China Equity Fund and Foundation Global Income and Growth Fund respectively.

### 16. EVENTS AFTER THE REPORTING PERIOD

During the period between the reporting date and the date of authorisation of these financial statements, Foundation Global Income and Growth Fund has subsequently received subscriptions in Class A HKD (Dist), Class A HKD, Class A USD (Dist) and Class A USD amounted to USD39,362, USD6,444, USD6,501 and USD9,000,000, respectively, paid redemptions in Class A HKD (Dist), Class A HKD, Class A USD (Dist) and Class A USD amounted to USD58,634, USD6,035, USD35,476 and USD20,000,000, respectively and declared dividends in Class A HKD (Dist) and Class A USD (Dist) amounted to USD12,580 and USD88,872, respectively.

During the period between the reporting date and the date of authorisation of these financial statements, Foundation China Equity Fund has subsequently received subscriptions in Class A HKD and Class A USD amounted to HKD81,000 and HKD53,219,214, respectively and paid redemptions in Class A HKD and Class A USD amounted to HKD489,730 and HKD161,300,987, respectively.

### 17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 29 April 2022.

FOUNDATION FUND SERIES  
- Foundation Global Income and Growth Fund  
- Foundation China Equity Fund

INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2021

Foundation Global Income and Growth Fund

<u>EQUITY SECURITIES</u>	Nominal value/ Holding	Fair value USD	% of net assets
Nutrien Ltd	20,052	1,507,910	2.37
Foundation China Equity Fund - Class A USD	14,019,461	17,963,135	28.22
Adobe Inc	2,136	1,211,240	1.90
Advanced Micro Devices Inc	8,251	1,187,319	1.87
Alphabet Inc - Class A	477	1,381,888	2.17
Amazon.com Inc	194	646,862	1.02
Apple Inc	3,524	625,757	0.98
Autodesk Inc	2,234	628,178	0.99
Enphase Energy Inc	3,284	600,775	0.94
Intuitive Surgical Inc	2,061	740,517	1.16
iShares TIPS Bond ETF	47,035	6,076,922	9.55
iShares 1-3 Year Treasury Bond ETF	43,855	3,751,357	5.89
LVMH Moet Hennessy Louis Vuitton SE	4,359	721,415	1.13
MP Materials Corp	28,143	1,278,255	2.01
Microsoft Corp	4,116	1,384,293	2.17
Netflix Inc	1,019	613,886	0.96
NVIDIA Corp	4,308	1,267,026	1.99
Pfizer Inc	25,132	1,484,045	2.33
S&P Global Inc	2,986	1,409,183	2.21
ServiceNow Inc	1,932	1,254,081	1.97
Taiwan Semiconductor Manufacturing Co Ltd	10,353	1,245,569	1.96
Vanguard Short-Term Inflation-Protected Securities	116,723	5,999,562	9.43
ASML Holding NV	1,735	1,381,303	2.17
Total equity securities		<u>54,360,478</u>	<u>85.39</u>
<u>FUTURES</u>			
E-mini S&P 500 Futures Mar22	(40)	(206,948)	(0.33)
Other net assets		9,500,978	14.94
Net assets attributable to unitholders as at 31 December 2021		<u>63,654,508</u>	<u>100.00</u>
Total investment, at cost		<u>53,772,552</u>	

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

INVESTMENT PORTFOLIO (UNAUDITED) (continued)

As at 31 December 2021

Foundation China Equity Fund

<u>EQUITY SECURITIES</u>	Nominal value/ Holding	Fair value HKD	% of net assets
LVMH Moet Hennessy Louis Vuitton SE	2,793	3,603,379	0.50
Taiwan Semiconductor Manufacturing Co Ltd	7,574	7,103,430	0.98
CK Infrastructure Holdings Ltd	257,500	12,784,875	1.76
Nutrien Ltd	11,049	6,477,119	0.89
NARI Technology Co Ltd - A	601,003	29,518,116	4.06
BYD Co Ltd - H	55,500	14,796,300	2.03
Great Wall Motor Co Ltd - H	545,000	14,606,000	2.01
Shanghai Hanbell Precise Machinery Co Ltd	451,000	14,735,813	2.02
Lier Chemical Co Ltd	353,501	14,629,632	2.01
Shenzhen Inovance Technology Co Ltd - A	337,281	28,388,497	3.90
Sungrow Power Supply Co Ltd - A	169,247	30,276,447	4.16
LONGi Green Energy Technology Co Ltd	286,719	30,324,255	4.17
Hangzhou First Applied Material Co Ltd	97,806	15,666,384	2.15
Will Semiconductor Ltd	76,734	29,258,586	4.02
Contemporary Amperex Technology Co Ltd - A	40,935	29,532,385	4.06
Shenzhen Mindray Bio-Medical Electronics Co Ltd	62,598	29,247,167	4.02
Shanghai Friendess Electronic Technology Corp	62,805	29,702,975	4.08
Shenzhen New Industries Biomedical Engineering	263,167	14,223,411	1.95
HKT Trust & HKT Ltd	1,362,000	14,273,760	1.96
CLP Holdings Ltd	182,000	14,332,500	1.97
Hong Kong & China Gas Co Ltd	1,181,200	14,339,768	1.97
China Mengniu Dairy Co Ltd	646,000	28,553,200	3.92
China State Construction International Holdings Ltd	3,050,000	29,554,500	4.06
ENN Energy Holdings Ltd	195,600	28,714,080	3.95
Li Ning Co Ltd	350,000	29,872,500	4.10
Tencent Holdings Ltd	32,500	14,846,000	2.04
Tingyi Cayman Islands Holding Corp	1,856,000	29,733,120	4.09
Zhongsheng Group Holdings Ltd	238,500	14,500,800	1.99
Adobe Inc	1,624	7,178,870	0.99
Advanced Micro Devices Inc	6,036	6,770,973	0.93
Alphabet Inc - Class A	315	7,113,873	0.98
Amazon.com Inc	135	3,509,011	0.48
Apple Inc	2,578	3,568,565	0.49
Autodesk Inc	1,635	3,583,923	0.49

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

INVESTMENT PORTFOLIO (UNAUDITED) (continued)

As at 31 December 2021

Foundation China Equity Fund (continued)

<u>EQUITY SECURITIES</u>	Nominal value/ Holding	Fair value HKD	% of net assets
Enphase Energy Inc	2,475	3,529,595	0.48
Intuitive Surgical Inc	1,136	3,181,827	0.44
MP Materials Corp	20,590	7,290,285	1.00
Microsoft Corp	2,709	7,102,361	0.98
Netflix Inc	757	3,555,091	0.49
NVIDIA Corp	3,049	6,990,500	0.96
Pfizer Inc	15,937	7,336,139	1.01
S&P Global Inc	1,946	7,159,150	0.98
ServiceNow Inc	1,414	7,154,986	0.98
ASML Holding NV	1,149	7,131,001	0.98
Total equity securities		<u>665,751,149</u>	<u>91.48</u>
 <u>FUTURES</u>			
E-mini S&P 500 Futures Mar22	(39)	(2,693,814)	(0.37)
HANG SENG IDX FUT JAN22	(94)	(1,885,740)	(0.26)
Underlying asset: Hang Seng Index			
Issuer: Essence Futures (Hong Kong) Limited			
Other net assets		66,279,437	9.15
Net assets attributable to unitholders as at 31 December 2021		<u>727,451,032</u>	<u>100.00</u>
Total investment, at cost		<u><u>639,752,025</u></u>	

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

Year ended 31 December 2021

Foundation Global Income and Growth Fund

	At 31 December 2020	<u>Movement in holdings</u>		At 31 December 2021
<u>EQUITY SECURITIES</u>		Additions	Disposals	
Microsoft Corp	2,933	15,503	(14,320)	4,116
Apple Inc	5,112	15,291	(16,879)	3,524
Adobe Inc	1,298	4,174	(3,336)	2,136
Amazon.com Inc	202	709	(717)	194
NVIDIA Corp	1,169	11,549	(8,410)	4,308
SPDR Bloomberg Barclays Convertible Securities ETF	15,732	87,775	(103,507)	-
Illumina Inc	1,768	10,409	(12,177)	-
Facebook Inc - Class A	2,215	-	(2,215)	-
Advanced Micro Devices Inc	6,762	46,370	(44,881)	8,251
PayPal Holdings Inc	2,739	12,404	(15,143)	-
Foundation China High Yield Income Fund - Class A USD	6,399,015	5,393,901	(11,792,915)	-
Vanguard Short-Term Inflation-Protected Securities ETF	24,730	143,186	(51,193)	116,723
Foundation China Equity Fund - Class A USD	7,406,544	13,687,577	(7,074,660)	14,019,461
Autodesk Inc	2,169	7,794	(7,729)	2,234
Raytheon Technologies Corp	8,575	-	(8,575)	-
ServiceNow Inc	1,188	9,647	(8,903)	1,932
Moderna Inc	3,996	29,057	(33,053)	-
Boeing Co/The	2,649	5,130	(7,779)	-
MP Materials Corp	22,853	147,522	(142,232)	28,143
Taiwan Semiconductor Manufacturing Co Ltd	6,086	36,545	(32,278)	10,353
Freeport-McMoRan Inc	26,324	181,291	(207,615)	-
CrowdStrike Holdings Inc	2,956	-	(2,956)	-
Nutrien Ltd	13,805	87,282	(81,035)	20,052
Luminar Technologies Inc	18,088	-	(18,088)	-
Airbnb Inc	-	5,582	(5,582)	-
Alphabet Inc - Class A	-	1,367	(890)	477
Berkshire Hathaway Inc	-	10,578	(10,578)	-
BHP Group Ltd	-	14,561	(14,561)	-
Cboe Global Markets Inc	-	9,943	(9,943)	-
Citigroup Inc	-	36,324	(36,324)	-
Coinbase Global Inc - Class A	-	5,487	(5,487)	-
Corteva Inc	-	38,096	(38,096)	-
Costco Wholesale Corp	-	3,213	(3,213)	-

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

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

Year ended 31 December 2021

Foundation Global Income and Growth Fund

	At 31 December 2020	<u>Movement in holdings</u>		At 31 December 2021
<u>EQUITY SECURITIES</u>		Additions	Disposals	
Deere & Co	-	16,066	(16,066)	-
Walt Disney Co	-	10,668	(10,668)	-
Enphase Energy Inc	-	5,485	(2,201)	3,284
Intuitive Surgical Inc	-	4,385	(2,324)	2,061
iShares TIPS Bond ETF	-	69,312	(22,277)	47,035
iShares 20+ Year Treasury Bond ETF	-	45,996	(45,996)	-
iShares 1-3 Year Treasury Bond ETF	-	169,022	(125,167)	43,855
iShares 3-7 Year Treasury Bond ETF	-	30,148	(30,148)	-
LVMH Moet Hennessy Louis Vuitton SE	-	16,808	(12,449)	4,359
Merck & Co Inc	-	19,129	(19,129)	-
Netflix Inc	-	1,243	(224)	1,019
NIKE Inc	-	8,503	(8,503)	-
Pfizer Inc	-	25,132	-	25,132
PIMCO 0-5 Year High Yield Corporate Bond Index Exchange-Traded Fund	-	62,482	(62,482)	-
Plug Power Inc	-	10,487	(10,487)	-
S&P Global Inc	-	5,708	(2,722)	2,986
Texas Instruments Inc	-	5,915	(5,915)	-
Visa Inc	-	12,317	(12,317)	-
Volkswagen AG	-	41,886	(41,886)	-
Zoom Video Communications Inc	-	3,060	(3,060)	-
ASML Holding NV	-	9,165	(7,430)	1,735
<u>FUTURES</u>				
E-mini S&P 500 Futures Mar22	-	-	(40)	(40)
E-mini S&P 500 Futures Dec21	-	28	(28)	-
HANG SENG IDX FUT JAN22	-	67	(67)	-
HANG SENG IDX FUT SEP21	-	21	(21)	-
HANG SENG IDX FUT OCT21	-	54	(54)	-
HANG SENG IDX FUT NOV21	-	39	(39)	-
HANG SENG IDX FUT DEC21	-	87	(87)	-

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

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

Year ended 31 December 2021

Foundation China Equity Fund

<u>EQUITY SECURITIES</u>	At 31 December 2020	<u>Movement in holdings</u>		At 31 December 2021
		Additions	Disposals	
HKT Trust & HKT Ltd	-	4,725,000	(3,363,000)	1,362,000
Zhongsheng Group Holdings Ltd	191,500	872,500	(825,500)	238,500
AIA Group Ltd	-	582,600	(582,600)	-
Visa Inc	-	6,658	(6,658)	-
S&P Global Inc	-	3,176	(1,230)	1,946
Adobe Inc	747	2,671	(1,794)	1,624
Boeing Co/The	1,524	3,263	(4,787)	-
TENCENT HOLDINGS LTD	10,200	120,300	(98,000)	32,500
Amazon.com Inc	116	407	(388)	135
Midea Group Co Ltd - A	108,781	-	(108,781)	-
Kweichow Moutai Co Ltd	5,522	7,000	(12,522)	-
Microsoft Corp	1,687	7,923	(6,901)	2,709
Facebook Inc - Class A	1,265	-	(1,265)	-
Weichai Power Co Ltd - H	-	4,437,000	(4,437,000)	-
Meituan Dianping - Class B	19,400	64,500	(83,900)	-
Nine Dragons Paper Holdings Ltd	-	906,000	(906,000)	-
PayPal Holdings Inc	1,637	5,866	(7,503)	-
Apple Inc	2,941	8,077	(8,440)	2,578
ENN Energy Holdings Ltd	54,800	468,900	(328,100)	195,600
NVIDIA Corp	682	7,658	(5,291)	3,049
Shenzhen Mindray Bio-Medical Electronics Co Ltd - A	26,546	121,041	(84,989)	62,598
Illumina Inc	1,048	4,568	(5,616)	-
ASM Pacific Technology Ltd	115,100	32,300	(147,400)	-
Advanced Micro Devices Inc	3,867	28,038	(25,869)	6,036
Bosideng International Holdings Ltd	4,692,000	182,000	(4,874,000)	-
COSCO SHIPPING Holdings Co Ltd - H	1,311,000	3,980,500	(5,291,500)	-
Contemporary Amperex Technology Co Ltd	30,635	115,300	(105,000)	40,935
Autodesk Inc	1,296	3,779	(3,440)	1,635
Xinjiang Goldwind Science & Technology Co Ltd - H	774,800	529,000	(1,303,800)	-
Smooere International Holdings Ltd	203,000	869,000	(1,072,000)	-
Li Ning Co Ltd	235,500	628,000	(513,500)	350,000
Raytheon Technologies Corp	4,933	-	(4,933)	-
Jiangsu Hengli Hydraulic Co Ltd	105,838	-	(105,838)	-
ServiceNow Inc	682	5,282	(4,550)	1,414
Moderna Inc	2,299	13,050	(15,349)	-
Great Wall Motor Co Ltd - H	518,000	1,572,500	(1,545,500)	545,000



FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

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

Year ended 31 December 2021

Foundation China Equity Fund

	At 31 December 2020	Movement in holdings		At 31 December 2021
		Additions	Disposals	
<b><u>EQUITY SECURITIES</u></b>				
MP Materials Corp	9,965	80,412	(69,787)	20,590
Daqo New Energy Corp	24,081	71,590	(95,671)	-
Sungrow Power Supply Co Ltd	152,979	457,547	(441,279)	169,247
Taiwan Semiconductor Manufacturing Co Ltd	3,499	26,085	(22,010)	7,574
Baidu Inc	7,978	2,963	(10,941)	-
Freeport-McMoRan Inc	15,106	98,354	(113,460)	-
CrowdStrike Holdings Inc	1,766	-	(1,766)	-
Lier Chemical Co Ltd	247,855	2,486,058	(2,380,412)	353,501
Nutrien Ltd	8,324	43,741	(41,016)	11,049
Luminar Technologies Inc	11,183	-	(11,183)	-
CK Infrastructure Holdings Ltd	-	913,500	(656,000)	257,500
COSCO SHIPPING Ports Ltd	-	1,454,000	(1,454,000)	-
Inner Mongolia Yili Industrial Group Co Ltd	-	267,081	(267,081)	-
Yuan Longping High-tech Agriculture Co Ltd	-	531,300	(531,300)	-
Angel Yeast Co Ltd	-	304,300	(304,300)	-
NARI Technology Co Ltd - A	-	601,003	-	601,003
China Yangtze Power Co Ltd - A	-	1,597,400	(1,597,400)	-
Sinoma Science & Technology Co Ltd - A	-	510,400	(510,400)	-
BYD Co Ltd - H	-	112,000	(56,500)	55,500
China Shenhua Energy Co Ltd - H	-	1,172,000	(1,172,000)	-
Ping An Insurance Group Co of China Ltd	-	239,000	(239,000)	-
Zijin Mining Group Co Ltd	-	3,016,000	(3,016,000)	-
Shanghai Hanbell Precise Machinery Co Ltd	-	451,000	-	451,000
China Tourism Group Duty Free Corp Ltd - A	-	71,400	(71,400)	-
China Longyuan Power Group Corp Ltd	-	1,607,000	(1,607,000)	-
Shenzhen Inovance Technology Co Ltd - A	-	593,181	(255,900)	337,281
LONGi Green Energy Technology Co Ltd	-	638,319	(351,600)	286,716
Shanghai Fosun Pharmaceutical Group Co Ltd - H	-	388,000	(388,000)	-
Fuyao Glass Industry Group Co Ltd	-	453,200	(453,200)	-
Hangzhou First Applied Material Co Ltd	-	97,806	-	97,806
Mango Excellent Media Co Ltd	-	295,117	(295,117)	-
A-Living Services Co Ltd - H	-	343,750	(343,750)	-

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

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

Year ended 31 December 2021

Foundation China Equity Fund

	At 31 December 2020	Additions	Disposals	At 31 December 2021
<b><u>EQUITY SECURITIES</u></b>				
Will Semiconductor Ltd	-	220,834	(144,100)	76,734
Shanghai Friendess Electronic Technology Corp Ltd	-	62,805	-	62,805
Shenzhen New Industries Biomedical Engineering Co Ltd	-	263,167	-	263,167
Haier Smart Home Co Ltd	-	2,027,800	(2,027,800)	-
Genertec Universal Medical Group Co Ltd	-	1,804,000	(1,804,000)	-
CLP Holdings Ltd	-	559,000	(377,000)	182,000
Hong Kong & China Gas Co Ltd	-	3,609,200	(2,428,000)	1,181,200
Power Assets Holdings Ltd	-	1,271,500	(1,271,500)	-
Guangdong Investment Ltd	-	1,360,000	(1,360,000)	-
China Resources Power Holdings Co Ltd	-	3,932,000	(3,932,000)	-
China Power International Development Ltd	-	3,819,000	(3,819,000)	-
ANTA Sports Products Ltd	-	142,000	(142,000)	-
Bilibili Inc	-	26,800	(26,800)	-
China Resources Land Ltd	-	434,000	(434,000)	-
China Mengniu Dairy Co Ltd	-	828,000	(182,000)	646,000
China Risun Group Ltd	-	1,781,000	(1,781,000)	-
China Literature Ltd	-	129,000	(129,000)	-
China State Construction International Holdings Ltd	-	5,570,000	(2,520,000)	3,050,000
Country Garden Services Holdings Co Ltd	-	195,000	(195,000)	-
Health & Happiness H&H International Holdings Ltd	-	361,000	(361,000)	-
Pop Mart International Group Ltd	-	185,600	(185,600)	-
Sands China Ltd	-	342,000	(342,000)	-
Sunac Services Holdings Ltd	-	698,000	(698,000)	-
Tingyi Cayman Islands Holding Corp	-	3,878,000	(2,022,000)	1,856,000
VIVA CHINA HOLDINGS LTD	-	8,024,000	(8,024,000)	-
Wharf Real Estate Investment Co Ltd	-	227,000	(227,000)	-
Wuxi Biologics Cayman Inc	-	279,000	(279,000)	-
Airbnb Inc	-	3,787	(3,787)	-
Alphabet Inc - Class A	-	817	(502)	315
Berkshire Hathaway Inc	-	4,801	(4,801)	-
BHP Group Ltd	-	9,423	(9,423)	-
Cboe Global Markets Inc	-	4,829	(4,829)	-
Citigroup Inc	-	24,507	(24,507)	-
Coinbase Global Inc - Class A	-	4,377	(4,377)	-

FOUNDATION FUND SERIES

- Foundation Global Income and Growth Fund
- Foundation China Equity Fund

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

Year ended 31 December 2021

Foundation China Equity Fund

	At 31 December 2020	Additions	Disposals	At 31 December 2021
<u>EQUITY SECURITIES</u>				
Corteva Inc	-	23,982	(23,982)	-
Costco Wholesale Corp	-	1,575	(1,575)	-
Deere & Co	-	8,265	(8,265)	-
Walt Disney Co	-	6,341	(6,341)	-
Enphase Energy Inc	-	3,603	(1,128)	2,475
Intuitive Surgical Inc	-	2,604	(1,468)	1,136
iShares 20+ Year Treasury Bond ETF	-	15,249	(15,249)	-
iShares 1-3 Year Treasury Bond ETF	-	62,154	(62,154)	-
iShares 3-7 Year Treasury Bond ETF	-	23,326	(23,326)	-
KE Holdings Inc	-	47,311	(47,311)	-
LVMH Moët Hennessy Louis Vuitton SE	-	9,929	(7,136)	2,793
Merck & Co Inc	-	14,112	(14,112)	-
Netflix Inc	-	855	(98)	757
NIKE Inc	-	5,076	(5,076)	-
MINISO Group Holding Ltd	-	62,796	(62,796)	-
Pfizer Inc	-	15,937	-	15,937
Plug Power Inc	-	6,336	(6,336)	-
RLX Technology Inc	-	219,575	(219,575)	-
Texas Instruments Inc	-	3,637	(3,637)	-
Vanguard Short-Term Inflation-Protected Securities ETF	-	43,817	(43,817)	-
Volkswagen AG	-	27,530	(27,530)	-
Zoom Video Communications Inc	-	1,650	(1,650)	-
ASML Holding NV	-	5,125	(3,976)	1,149
<u>FUTURES</u>				
E-mini S&P 500 Futures Mar22	-	-	(39)	(39)
HANG SENG IDX FUT JAN21	(34)	58	(24)	-
HANG SENG IDX FUT JAN22	-	101	(195)	(94)
HANG SENG IDX FUT FEB21	-	81	(81)	-
HANG SENG IDX FUT MAR21	-	115	(115)	-
HANG SENG IDX FUT APR21	-	136	(136)	-
HANG SENG IDX FUT MAY21	-	126	(126)	-
HANG SENG IDX FUT Jun21	-	56	(56)	-
HANG SENG IDX FUT JUL21	-	61	(61)	-
HANG SENG IDX FUT AUG21	-	304	(304)	-
HANG SENG IDX FUT SEP21	-	244	(244)	-
HANG SENG IDX FUT OCT21	-	263	(263)	-
HANG SENG IDX FUT NOV21	-	160	(160)	-
HANG SENG IDX FUT DEC21	-	218	(218)	-

FOUNDATION CHINA EQUITY FUND

PERFORMANCE TABLE (UNAUDITED)

31 December 2021

Published net assets attributable to unitholders  
(Calculated in accordance with the Sub-Funds' Trust Deed)

	Net assets attributable to unitholders per unit	Net assets attributable to unitholders
As at 31 December 2021		
<u>Foundation Global Income and Growth Fund</u>		
- Class A HKD	HKD 1.3745	HKD1,940,096
- Class A HKD (Dist)	HKD 1.2758	HKD6,024,537
- Class A USD	USD 1.3696	USD57,599,836
- Class A USD (Dist)	USD 1.2472	USD5,061,038
<u>Foundation China Equity Fund</u>		
- Class A HKD	HKD 1.2903	HKD3,031,513
- Class A HKD (Dist)	HKD 1.3025	HKD10,652,461
- Class A USD	USD 1.2813	USD91,606,095
As at 31 December 2020		
<u>Foundation Global Income and Growth Fund</u>		
- Class A HKD	HKD 1.3226	HKD1,625,717
- Class A HKD (Dist)	HKD 1.2901	HKD1,467,611
- Class A USD	USD 1.3242	USD28,148,692
- Class A USD (Dist)	USD 1.2696	USD4,651,996
<u>Foundation China Equity Fund</u>		
- Class A HKD	HKD 1.3434	HKD3,088,880
- Class A HKD (Dist)	HKD 1.3562	HKD10,850,121
- Class A USD	USD 1.3446	USD38,209,696

FOUNDATION CHINA EQUITY FUND

PERFORMANCE TABLE (UNAUDITED) (continued)

31 December 2021

Highest issue price and lowest redemption price per unit

	Highest issue price per unit	Lowest redemption price per unit
<u>Foundation Global Income and Growth Fund</u>		
Year ended to 31 December 2021		
- Class A HKD	HKD 1.4381	HKD 1.3221
- Class A HKD (Dist)	HKD 1.3912	HKD 1.2626
- Class A USD	USD 1.4401	USD 1.3237
- Class A USD (Dist)	USD 1.3688	USD 1.2331
<u>Foundation China Equity Fund</u>		
Year ended 31 December 2021		
- Class A HKD	HKD 1.5376	HKD 1.2647
- Class A HKD (Dist)	HKD 1.5522	HKD 1.2768
- Class A USD	USD 1.5362	USD 1.2589
<u>Foundation Global Income and Growth Fund</u>		
Period from 18 March 2020 (date of commencement of operations) to 31 December 2020		
- Class A HKD	HKD 1.3922	HKD 0.9968
- Class A HKD (Dist)	HKD 1.2901	HKD 0.9950
- Class A USD	USD 1.3945	USD 0.9978
- Class A USD (Dist)	USD 1.3551	USD 0.9978
<u>Foundation China Equity Fund</u>		
Year ended 31 December 2020		
- Class A HKD	HKD 1.3434	HKD 0.8990
- Class A HKD (Dist)	HKD 1.3562	HKD 0.8990
- Class A USD	USD 1.3446	USD 0.9062

## FOUNDATION GLOBAL INCOME AND GROWTH FUND

### INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED)

31 December 2021

<u>Gross exposure</u>			<u>Net exposure</u>		
Highest	Lowest	Average exposure	Highest	Lowest	Average exposure
<b>32.13%</b>	4.98%	14.73%	(4.98%)	(32.13%)*	(14.73%)

\*The financial derivative instrument is considered as being acquired for hedging purpose, which is not subject to the 50% limit under Clause 7.26 of the SFC Code.

## FOUNDATION CHINA EQUITY FUND

### INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED)

31 December 2021

<u>Gross exposure</u>			<u>Net exposure</u>		
Highest	Lowest	Average exposure	Highest	Lowest	Average exposure
<b>54.83%</b>	8.05%	25.61%	(8.05%)	(54.83%)*	(25.61%)

\*The financial derivative instrument is considered as being acquired for hedging purpose, which is not subject to the 50% limit under Clause 7.26 of the SFC Code.