

Manulife Dragon Growth Fund

Annual Report

for the financial year ended 31 December 2020

MANULIFE DRAGON GROWTH FUND

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MANULIFE DRAGON GROWTH FUND

1 GENERAL INFORMATION

1.1 THE TRUST

The Fund commenced operations on 13 December 2016 and will continue its operations until terminated as provided under Clause 25 of the Deed.

Note: For fund performance purposes, the commencement date of the RM Hedged-Class starts from 9 December 2016 (when the first subscription was made) while the USD Class starts from 16 February 2017 (when the first subscription was made).

1.2 FUND TYPE / CATEGORY

Growth / Wholesale (feeder fund)

1.3 BASE CURRENCY

US Dollar (USD)

1.4 OBJECTIVE OF THE FUND

The Fund seeks to achieve capital appreciation over the medium- to long-term period.

Note: Any material change to the objective of the Fund would require Unit Holders' approval.

1.5 DISTRIBUTION POLICY

Distribution of income, if any, is incidental

1.6 PERFORMANCE BENCHMARK

MSCI Zhong Hua Index

Note: The risk profile of the Fund is not the same as the risk profile of this performance benchmark. The performance benchmark chosen for the Fund is the same as the Target Fund whereby it reflects the universe of the investment strategy and the representative asset class exposures within the Target Fund. The performance benchmark information is available in www.manulifeinvestment.com.my.

1.7 INVESTMENT STYLE AND STRATEGY

The Fund will invest at least 95% of the Fund's NAV in Share Class AA of the Target Fund, while the remaining NAV of the Fund will be in cash, money market instruments (including fixed income securities which have remaining maturity period of less than 365 days) and/or placement of deposits with financial institutions for liquidity purposes.

The Fund's portfolio will be closely monitored and rebalanced from time to time to ensure that the Fund's asset is allocated in accordance with its asset allocation.

During the financial year under review, the Fund remained guided by its investment objective, having invested at least 95% of its NAV in the Target Fund and with the balance NAV in cash and money market instruments.

MANULIFE DRAGON GROWTH FUND

2 MANAGER'S REPORT

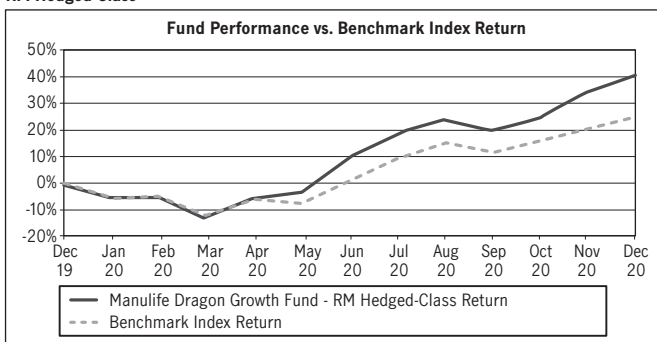
2.1 FUND PERFORMANCE

For the financial year ended 31 December 2020, the Target Fund rose 42.66%, outperforming its benchmark by 17.53% in USD terms. The outperformance was primarily on the back of stock selection and asset allocation decisions at the sector level. Stock selection in consumer discretionary and financials, and the overweight in consumer discretionary and healthcare contributed positively to performance.

The Feeder Fund increased in tandem, posting a return of 40.34% for its RM Hedged-Class compared with its benchmark return of 25.13% in the financial year ended 31 December 2020. The Feeder Fund's USD Class was also up 40.41% during the same period.

The graph below compares the 12-month performance of the Feeder Fund against its benchmark return for both share classes:

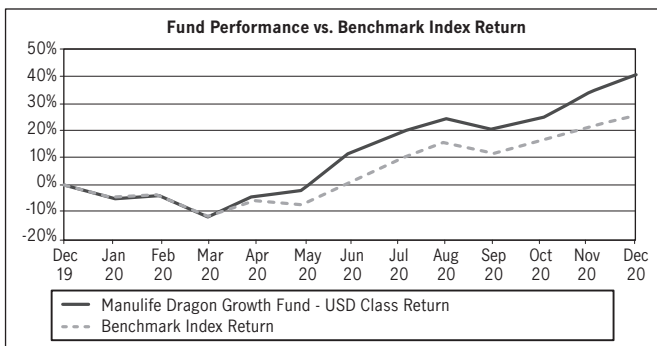
RM Hedged-Class



Source: Lipper, Bloomberg & RIMES

Note: The first subscription of the RM Hedged-Class was made on 9 December 2016, being the commencement date.

USD Class



Source: Lipper, Bloomberg & RIMES

Note: The first subscription of the USD class was made on 16 February 2017, being the commencement date.

MANULIFE DRAGON GROWTH FUND

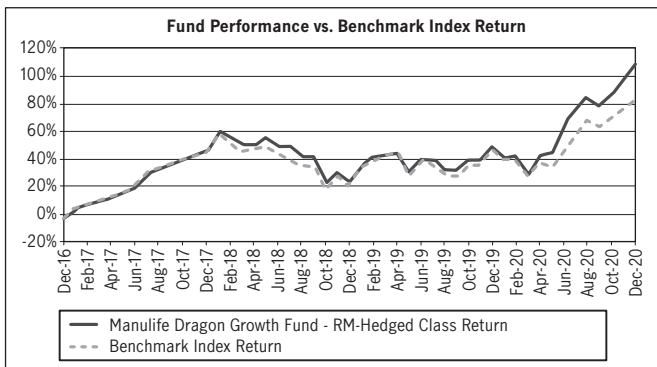
Fund Size

The Fund's total NAV increased from USD74.79mil to USD89.34mil during the financial year under review.

Fund Returns

- (a) The graph below compares the performance of the Feeder Fund since commencement against its benchmark return:

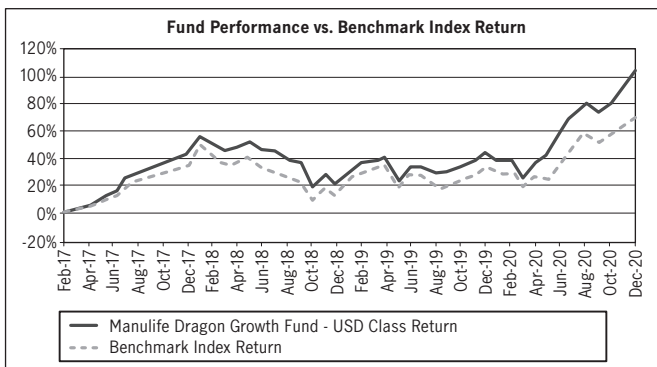
RM Hedged-Class



Source: Lipper, Bloomberg & RIMES

Note: The first subscription of the RM Hedged-Class was made on 9 December 2016, being the commencement date.

USD Class



Source: Lipper, Bloomberg & RIMES

Note: The first subscription of the USD class was made on 16 February 2017, being the commencement date.

MANULIFE DRAGON GROWTH FUND

(b) Average Total Return of the Fund:

RM Hedged-Class

For the financial year ended 31 December 2020	Fund (% p.a.)	Benchmark (% p.a.)
1 year	40.34	25.13
3 years	12.69	8.15
Since commencement	19.80	15.89
Commencement date: 13 December 2016		

Source: Lipper, Bloomberg & RIMES

Note: The first subscription of the RM Hedged-Class was made on 9 December 2016, being the commencement date.

USD Class

For the financial year ended 31 December 2020	Fund (% p.a.)	Benchmark (% p.a.)
1 year	40.41	25.13
3 years	12.51	8.15
Since commencement	20.04	14.69
Commencement date: 17 February 2017		

Source: Lipper, Bloomberg & RIMES

Note: The first subscription of the USD class was made on 16 February 2017, being the commencement date.

(c) Annual Total Return of the Fund:

RM Hedged-Class

For the financial year ended	Fund (% p.a.)	Benchmark (% p.a.)
31 December 2020	40.34	25.13
31 December 2019	20.66	20.71
31 December 2018	(15.50)	(16.25)
Since commencement to 31 December 2017	45.50	43.88
Commencement date: 13 December 2016		

Source: Lipper, Morningstar & RIMES

Note: The first subscription of the RM Hedged-Class was made on 9 December 2016, being the commencement date.

USD Class

For the Financial year ended	Fund (% p.a.)	Benchmark (% p.a.)
31 December 2020	40.41	25.13
31 December 2019	20.59	20.71
31 December 2018	(15.89)	(16.25)
Since commencement to 31 December 2017	42.40	34.39
Commencement date: 17 February 2017		

Source: Lipper, Morningstar & RIMES

Note: The first subscription of the USD class was made on 16 February 2017, being the commencement date.

The Fund has achieved its target of providing unit holders with medium[^]- to long-term[^] capital growth. Based on 3-year average total return, the RM Hedged-Class posted a gain 12.69% p.a. while the USD class rose 12.51% p.a. In terms of since commencement average total return, the RM Hedged-Class increased 19.80% p.a. while the USD Class surged 20.04% p.a.

[^] Note: Medium term is denoted as 3 years and long term is denoted as 5 years or since commencement.

MANULIFE DRAGON GROWTH FUND

BASES OF CALCULATION

1. Net Asset Value (NAV)

Net Asset Value of the Fund is determined by deducting the value of all the Fund's liabilities from the value of all the Fund's assets, at the valuation point.

2. Net Asset Value per unit

Net Asset Value per unit is the net asset value of the Fund divided by the total number of units in circulation, at the valuation point.

3. Fund's Return

Fund's return can be calculated based on the computation methods as follows:

$$\text{Daily Total Fund's Return} = \frac{\{[\text{End NAV (Ex-distribution)} - \text{Beginning NAV} + \text{Dividend Distribution}] / \text{Beginning NAV}\} \times 100\%}{}$$

$$\text{Total Fund's Return} = \text{Total fund's return for the period is derived from geometrically linking together the daily total fund's returns.}$$

The linking formula is $= [(1 + R_1) \times (1 + R_2) \times \dots (1 + R_n)] - 1$
 where: R_1 is the first daily return for the period,
 R_2 is the second daily return for the period, and
 R_n is the last daily return for the period.

$$\text{Average Total Return} = \text{Annualised Total Return} \\ = [(1 + \text{Total fund's return for the period})^{\frac{\text{Actual number of days in a year}}{\text{number of days during the year}}} - 1] \times 100\%$$

The following table shows other financial and performance data of the Fund for the financial year ended:

Fund Data	31 December 2020	31 December 2019	31 December 2018
NAV (USD)			
- RM Hedged-Class	78,922,957	63,617,643	66,290,678
- USD Class	10,415,448	11,170,503	12,495,056
Units in Circulation ('000)			
- RM Hedged-Class	152,398	175,362	222,675
- USD Class	5,136	7,734	10,433
NAV (per unit)-in respective currencies			
- RM Hedged-Class	2.0820	1.4835	1.2295
- USD Class	2.0280	1.4443	1.1977
Highest / Lowest NAV (per unit)-in respective currencies			
- RM Hedged-Class	2.0820/1.1864	1.4875/1.1798	1.6273/1.1892
- USD Class	2.0280/1.1550	1.4483/1.1493	1.5936/1.1574
Total Fund Return (%)			
- RM Hedged-Class	40.34	20.66	(15.50)
- NAV Return (%)	40.34	20.66	(15.50)
- Income Return (%)	-	-	-
Total Fund Return (%) - USD Class	40.41	20.59	(15.89)
- NAV Return (%)	40.41	20.59	(15.89)
- Income Return (%)	-	-	-
Management Expenses Ratio (%)	1.86	0.15	0.17
Portfolio Turnover Ratio (times)	0.88	0.16	0.32

MANULIFE DRAGON GROWTH FUND

NOTES

(i) Management Expenses Ratio (MER)

MER can be calculated based on the ratio of the sum of fees and the recovered expenses of the unit trust fund to the average value of the unit trust fund calculated on a daily basis.

$$\frac{\text{Fees of the unit trust fund} + \text{Recovered expenses of the unit trust fund}}{\text{Average value of the unit trust fund calculated on a daily basis}} \times 100$$

Where:

- Fees = All ongoing fees deducted / deductible directly from the unit trust fund in respect of the period covered by the management expenses ratio, expressed as a fixed amount, calculated on a daily basis. This would include the annual management fee, the annual trustee fee and any other fees deducted / deductible directly from the unit trust fund;
- Recovered expenses = All expenses recovered from/ charged to the unit trust fund, as a result of the expenses incurred by the operation of the unit trust fund, expressed as a fixed amount. This should not include expenses that would otherwise be incurred by an individual investor (e.g. brokerage, taxes and levies); and
- Average value of the unit trust fund = The NAV of the unit trust fund, including unit trust net income value of the fund, less expenses on an accrued basis, in respect of the period covered by the management expenses ratio, calculated on a daily basis.

The MER for the financial year remains increase as compared with previous year mainly due to increase in average NAV.

(ii) Portfolio Turnover Ratio (PTR)

PTR can be calculated based on the ratio of the average sum of acquisitions and disposals of the unit trust fund for the financial year to the average value of the unit trust fund for the financial year calculated on a daily basis.

$$\frac{[\text{Total acquisitions of the fund for the year} + \text{Total disposals of the fund for the year}]/2}{\text{Average value of the unit trust fund calculated on a daily basis}}$$

The PTR for the financial year is higher as compared to the previous financial year mainly due to the increase in trading activities.

The Manager wishes to highlight that past performance of the Fund is not an indication of its future performance.

The price of units and the investment returns may go down, as well as up.

MANULIFE DRAGON GROWTH FUND

2.2 ASSET ALLOCATION

Asset allocation for the financial year ended:

Sector Allocation	% of Net Asset Value		
	31 December 2020	31 December 2019	31 December 2018
Collective Investment Scheme	96.90	97.17	95.81
Other Assets & Liabilities	3.10	2.83	4.19

As at 31 December 2020, the Fund was 96.90% invested in Collective Investment Scheme and 3.10% in cash and cash equivalents. The Fund remained fully invested and a minimal level of cash was maintained for liquidity purposes.

Asset allocation of the Target Fund for the financial year ended:

Sector Allocation	% of Net Asset Value		
	31 December 2020	31 December 2020	31 December 2020
Financials	14.00	20.70	27.97
Consumer Discretionary	32.30	28.10	19.27
Telecommunication Services	16.40	14.10	15.91
Real Estate	4.30	8.40	9.08
Utilities	-	5.30	6.11
Healthcare	7.70	5.10	4.55
Energy	-	-	4.44
Industrial Products	4.10	3.00	3.95
Information Technology	9.60	6.90	3.87
Consumer Staples	-	3.00	1.71
Materials	5.50	-	1.44
Others	3.30	-	-
Cash	2.80	5.30	1.70

2.3 MARKET REVIEW

During the financial year ended 31 December 2020, the MSCI Zhong Hua Index rose by 25.13% in USD terms. Chinese equities moved higher and finished the eventful 2020 on a high note on the back of steady economic activities.

On the economic front, data continued to show a strong rebound. The Caixin Manufacturing Purchasing Managers' Index rose to a 10-year high in November (54.6), while both demand and supply side indicators showed continued momentum during the same month. Industrial profits and manufacturing fixed asset investments continued to point to a solid expansion in industrial and services activity.

On the policy front, the China Banking Regulatory Commission lifted the percentage of assets that insurers can allocate to equity from 30% to 45%. The government released the initial details of the 14th Five-Year Plan (2021-2025), which will focus on boosting domestic consumption and accelerating technological development in key industries. From a geopolitical perspective, the US government's naming of Chinese companies to an Entity List resulted in global indices providers deleting sanctioned companies from their indices. Nevertheless, such deletions did not cause spill-over effects to broader Chinese equities.

2.4 MARKET OUTLOOK AND INVESTMENT STRATEGY

Coming out of the disruptive 2020, we believe the resilient fundamentals and diversification benefits have raised the profile of Chinese equities. China's differentiated growth expectations and capital market liberalisation initiatives are likely to attract more foreign capital to renminbi-denominated assets or high-growth and well-managed Chinese enterprises.

MANULIFE DRAGON GROWTH FUND

In 2021, we remain positive towards our key investment themes, namely consumption upgrades, innovations and policy tailwinds. With China having laid out a clear path toward a more internally driven economy, we see opportunities in the technology and consumer sectors. On the technology front, we anticipate more home-grown innovation in areas like biotechnology and supply chains. These efforts will likely be bolstered by additional fiscal and policy support, such as tax incentives and low-cost funding to boost local research and development as well as reduce reliance on imports. Electric vehicle (EV) development is another attractive theme, backed by both domestic demand and the local industry's increasing presence in the global EV supply chain. A few domestic mid-end models tailored to Chinese consumers have been very well received, showcasing the capability of Chinese EV brands to adapt and cater to local needs and tastes. On the consumption front, there is still plenty of unmet demand for lifestyle-related services.

2.5 BREAKDOWN OF UNIT HOLDINGS BY SIZE AS AT 31 DECEMBER 2020

The following table presents the distribution of the Fund's unit holders according to size of unit holdings:

RM Hedged-Class

Size of Holdings	No. of Unit Holders	%	No. of Units Held ('000)	%
5,000 and below	238	16.00	551	0.36
5,001 to 10,000	491	33.02	3,353	2.20
10,001 to 50,000	637	42.84	13,452	8.83
50,001 to 500,000	113	7.60	11,861	7.78
Above 500,001	8	0.54	123,181	80.83
Manager's stock	-	-	-	-
Total	1,487	100.00	152,398	100.00

USD Class

Size of Holdings	No. of Unit Holders	%	No. of Units Held ('000)	%
5,000 and below	3	50.00	4	0.08
5,001 to 10,000	-	-	-	-
10,001 to 50,000	-	-	-	-
50,001 to 500,000	1	16.67	75	1.45
Above 500,001	2	33.33	5,057	98.47
Manager's stock	-	-	-	-
Total	6	100.00	5,136	100.00

2.6 STATE OF AFFAIRS

NOTIFICATION OF CHANGES

A new Second Supplemental Master Prospectus dated 27 January 2021 was issued to make the following general and administrative updates:

- amendment to the disclosure to indicate that the sales charge is non-negotiable;
- change to the Board of Directors of the Manager, with the appointment of Vibha Hamsi Coburn, replacing Lee Sang Hui;
- update to the address of Bintulu branch.

The Second Supplemental Master Prospectus dated 27 January 2021 is available in the company website: www.manulifeinvestment.com.my.

3 POLICY ON STOCKBROKING REBATES AND SOFT COMMISSIONS

The Management Company did not retain any rebates.

For the financial year ended 31 December 2020, the Manager and its Fund Manager did not receive any rebates or soft commissions.

MANULIFE DRAGON GROWTH FUND

4 STATEMENT BY THE MANAGER

We, Edmond Cheah Swee Leng and Chong Soon Min, being two of the Directors of Manulife Investment Management (M) Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying financial statements comprising the statement of comprehensive income, statement of financial position, statement of changes in net assets attributable to unit holders, statement of cash flows, summary of significant accounting policies and notes to the financial statements, are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2020 and of its financial performance, changes in net assets attributable to unit holders and cash flows of the Fund for the financial year ended 31 December 2020 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and the International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

MANULIFE INVESTMENT MANAGEMENT (M) BERHAD

EDMOND CHEAH SWEE LENG

DIRECTOR

CHONG SOON MIN

DIRECTOR

Kuala Lumpur
22 February 2021

MANULIFE DRAGON GROWTH FUND

5 TRUSTEE'S REPORT

TO THE UNITHOLDERS OF MANULIFE DRAGON GROWTH FUND

We have acted as Trustee of Manulife Dragon Growth Fund ("the Fund") for the financial year ended 31 December 2020. To the best of our knowledge, Manulife Investment Management (M) Berhad ("the Management Company"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deed, the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deed and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirement.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie

Senior Manager, Investment Compliance Monitoring

Kuala Lumpur
22 February 2021

6 INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF MANULIFE DRAGON GROWTH FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the financial statements of Manulife Dragon Growth Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 December 2020 and of its financial performance and its cash flows for the financial year ended 31 December 2020 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 34.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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 By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund 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 of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund 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.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

MANULIFE DRAGON GROWTH FUND

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, 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 of the Fund, 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 Fund's 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, 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 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.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
22 February 2021

MANULIFE DRAGON GROWTH FUND

7 STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
INVESTMENT INCOME			
Interest income from deposits with licensed financial institutions at amortised cost		1,019	1,191
Gross dividend income		-	314,871
Net gain on financial assets at fair value through profit or loss	5	23,094,753	16,363,838
Net gain on forward foreign currency contracts	6	1,563,163	614,622
Net foreign currency exchange (loss)/gain		(6,111)	7,663
		<u>24,652,824</u>	<u>17,302,185</u>
EXPENSES			
Manager's fee	2	1,155,615	1,484,361
Trustee's fee	3	25,680	32,986
Auditors' remuneration		1,433	1,402
Tax agent's fee		667	653
Other expenses		5,061	5,423
		<u>1,188,456</u>	<u>1,524,825</u>
PROFIT BEFORE TAXATION		23,464,368	15,777,360
TAXATION	4	<u>-</u>	<u>-</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>23,464,368</u>	<u>15,777,360</u>
Increase in net assets attributable to unit holders is made up as follows:			
Realised		7,575,481	394,021
Unrealised		15,888,887	15,383,339
		<u>23,464,368</u>	<u>15,777,360</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

MANULIFE DRAGON GROWTH FUND

8 STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	<u>31.12.2020</u> USD	<u>31.12.2019</u> USD
ASSETS			
Cash and cash equivalents	7	2,688,537	1,834,929
Financial assets at fair value through profit or loss	5	86,567,462	72,670,871
Derivative assets at fair value through profit or loss	6	442,044	680,294
Amount due from Manager		290,697	34,055
Amount due from dealer		174,592	430,807
TOTAL ASSETS		<u>90,163,332</u>	<u>75,650,956</u>
LIABILITIES			
Amount due to Manager			
- Manager's fee		7,352	6,103
- Cancellation of units		101,852	420,677
Amount due to Trustee		2,817	2,545
Amount due to Manager of Collective Investment Scheme			
- Purchase of collective investment scheme		528,197	-
Amount due to dealer		175,374	428,826
Derivative liabilities at fair value through profit or loss	6	2,660	-
Other payables	8	6,675	4,659
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>824,927</u>	<u>862,810</u>
NET ASSET VALUE OF THE FUND		<u>89,338,405</u>	<u>74,788,146</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>89,338,405</u>	<u>74,788,146</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS (USD)			
- RM Hedged-Class		78,922,957	63,617,643
- USD Class		10,415,448	11,170,503
		<u>89,338,405</u>	<u>74,788,146</u>
UNITS IN CIRCULATION (UNITS)			
- RM Hedged-Class	9(i)	152,397,790	175,361,670
- USD Class	9(ii)	5,135,724	7,734,267
		<u>157,533,514</u>	<u>183,095,937</u>
NET ASSET VALUE PER UNIT (USD)			
- RM Hedged-Class		<u>0.5179</u>	<u>0.3628</u>
- USD Class		<u>2.0280</u>	<u>1.4443</u>
NET ASSET VALUE PER UNIT PER UNIT IN RESPECTIVE CURRENCIES			
- RM Hedged-Class		<u>2.0820</u>	<u>1.4835</u>
- USD Class		<u>2.0280</u>	<u>1.4443</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

MANULIFE DRAGON GROWTH FUND

9 STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>2020</u> USD	<u>2019</u> USD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	74,788,146	78,785,735
Movement due to units created and cancelled during the financial year:		
Creation of units arising from applications		
- RM Hedged-Class	47,348,998	10,064,448
- USD Class	6,193,778	473,858
Cancellation of units		
- RM Hedged-Class	(52,606,634)	(26,206,890)
- USD Class	(9,850,251)	(4,106,364)
	<u>65,874,037</u>	<u>59,010,786</u>
Increase in net assets attributable to unit holders during the financial year	<u>23,464,368</u>	<u>15,777,360</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u><u>89,338,405</u></u>	<u><u>74,788,146</u></u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

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10 STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Sale of investments		60,691,471	21,921,699
Purchase of investments		(52,053,899)	(3,830,800)
Net realised gain on forward foreign currency contract		1,806,835	594,151
Net realised foreign exchange (loss)/gain		(34,409)	2,444
Interest income received		1,019	1,191
Manager's fee paid		(65,578)	(87,210)
Trustee's fee paid		(25,408)	(33,167)
Audit fee paid		(1,334)	(1,372)
Tax agent fee paid		(650)	(716)
Payment for other fees and expenses		(3,161)	(3,373)
Net cash generated from operating activities		<u>10,314,886</u>	<u>18,562,847</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		53,286,134	11,058,874
Payments for cancellation of units		(62,775,710)	(30,562,264)
Net cash used in financing activities		<u>(9,489,576)</u>	<u>(19,503,390)</u>
Net increase/(decrease) in cash and cash equivalents		825,310	(940,543)
Currency translation differences		28,298	(5,219)
Cash and cash equivalents at beginning of the financial year		<u>1,834,929</u>	<u>2,770,253</u>
Cash and cash equivalents at end of the financial year	7	<u><u>2,688,537</u></u>	<u><u>1,834,929</u></u>
Cash and cash equivalents comprise:			
Bank balance in a licensed bank	7	<u><u>2,688,537</u></u>	<u><u>1,834,929</u></u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

11 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. The policies have been consistently applied to all the financial years presented, unless otherwise stated.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and the International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement are based on the Manager's best knowledge of current events and actions, actual results may differ. There are no significant areas of judgement or complexity that have significant effect on the amounts recognised in the financial statements. There are no critical accounting estimates and assumptions used in the preparation of the financial statements of the Fund for the financial year ended 31 December 2020.

(i) Amendments to published standard and interpretations that are effective and relevant

The Fund has applied the following amendments and interpretations for the first time for the financial year beginning on 1 January 2020:

- Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108) effective 1 January 2020

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments also:

- Clarify that an entity assess materiality in the context of the financial statements as a whole.
- Explain the concept of obscuring information in the new definition. Information is obscured if it have the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- Clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

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- The Conceptual Framework for Financial Reporting ("Framework") (effective 1 January 2020)

The Framework was revised with the primary purpose to assist the International Accounting Standards Board ("IASB") to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The adoption of the amendments to published standards and revised Framework did not have any impact on the current year/period or any prior period and is not likely to affect future periods.

- (ii) Standards, amendments and interpretations that have been issued but not yet effective and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

B FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortised cost

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate quoted equities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale.

The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from Manager and amount due from dealer as financial assets at amortised costs as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager, amount due to Trustee, amount due to Manager of collective investment scheme, amount due to dealers and other payables as other financial liabilities measured at amortised cost.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the assets. Investments are initially recognised at fair value.

MANULIFE DRAGON GROWTH FUND

Financial liabilities, within the scope of MFRS 139, up to 31 December 2018, and MFRS 9 from 1 January 2019, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or has expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial year which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Collective investment schemes are valued based on the most recent published net asset value per unit or share of such collective investment scheme or, if unavailable, on the last published price of such unit or share (excluding any sales charge included in such selling price).

Derivative investment consists of forward foreign currency contract. Financial derivative position will be "marked to market" at the close of each valuation day. Foreign exchange gains or losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

(iii) Impairment

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any expected credit loss. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 months expected credit losses as any such impairment would be wholly insignificant to the Fund.

(iv) Significant increase in credit risk

A significant increase in credit risk is defined by The Manager as any contractual payment which is more than 30 days past due.

(v) Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

(vi) Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

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C CREATION AND CANCELLATION OF UNITS

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in two classes of units, known respectively as the RM - Hedged Class and USD Class which are cancelled at the unit holder's option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the unit holder exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unit holders' option at prices based on the Fund's net asset value per unit of respective classes at the close of business on the relevant dealing day. The Fund's net asset value per unit of respective classes is calculated by dividing the net assets attributable to unit holders of respective classes with the total number of outstanding units of respective classes.

D INCOME RECOGNITION

Interest income from deposits placed with licensed financial institutions is recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Dividend income on collective investment scheme is recognised on the ex-dividend date.

Realised gains or losses on disposal of collective investment scheme are calculated based on the differences between the net disposal proceeds and the carrying amount of the investments, determined on a weighted average cost basis.

E EXPENSES

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

F CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at bank and deposits held in highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

G AMOUNT DUE FROM/TO MANAGER OF COLLECTIVE INVESTMENT SCHEME

Amount due from and to manager of collective investment scheme represent receivables for collective investment scheme sold and payables for collective investment scheme purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due amount from manager of collective investment scheme is held for collection.

These amounts are measured initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from manager of collective investment scheme at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses.

Significant financial difficulties of the manager of collective investment scheme, probability that the manager of collective investment scheme will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due.

H FOREIGN CURRENCY

Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in United States Dollar ("USD"), which is the Fund's functional and presentational currency.

Due to mixed factor in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in USD primarily due to the following factors:

- (i) Significant portion of the net asset value is invested in the form of cash denominated in USD for the purpose of making settlement of the foreign trades; and
- (ii) Significant portion of the Fund's expenses are denominated in USD; and
- (iii) Significant portion of the Fund's investments are denominated in USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or valuations where items are remeasured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at financial year end and exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

I FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. The information presented herein represents the estimates of fair value as at the date of the statement of financial position.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

A range of methodologies and assumptions has been used in deriving the fair values of the Fund's financial instruments as at the date of statement of financial position. The total fair value of each financial instrument is not materially different from the total carrying value.

The fair values are based on the following methodologies and assumptions:

- (a) Short-term deposits with financial institutions

For deposits and placements with financial institutions with maturities of less than three months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of three months and above, the estimated fair value is based on discounted cash flows by using prevailing interbank money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

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(b) Collective investment schemes

The estimated fair value is based on the last published net asset value per unit or share of such collective investment schemes or, if unavailable, on the average of the last published buying price and the last published selling price of such unit or share (excluding any sales charge included).

(c) Other short-term financial instruments

Other short-term financial instruments comprise amount due from/to Manager, amount due from/to Manager of Collective Investment Scheme, amount due to Trustee, amount due from/to dealers and other payables. The carrying values of the assets and liabilities are assumed to approximate their fair values due to the short tenure of less than one year.

J MANAGEMENT FEE REBATE

Management fee rebate is derived from the collective investment scheme held by the Fund on an accrual basis to ensure no double charging of management fee. It is accrued daily based on the fair value of collective investment scheme held.

K TAXATION

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable profit earned during the financial year.

L DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statement of financial position with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note B to the financial statements.

MANULIFE DRAGON GROWTH FUND

12 NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 INFORMATION ON THE FUND

Manulife Dragon Growth Fund ("the Fund") was established pursuant to a Principal Deed dated 5 October 2016 (hereinafter referred to as "the Deed") between Manulife Investment Management (M) Berhad ("the Manager") and HSBC (Malaysia) Trustee Berhad ("the Trustee").

The principal activity of the Fund is to invest in "Investments" as defined under Clause 17 of the Deed, which includes one collective investment scheme having a similar objective, deposits and money market instruments, financial derivative instruments including but not limited to options, futures contracts, forward contracts and swaps for hedging purposes, and any other form of investments as may be determined by the Management Company from time to time that is in line with the Fund's objectives. The Fund commenced operations on 13 December 2016 and will continue its operations until terminated as provided under Clause 25 of the Deed.

The main objective of the Fund is to achieve capital appreciation over medium- to long-term period by investing in the Target Fund Manulife Global Fund-Dragon Growth Fund (MGF-DGF). The Target Fund aims to achieve capital growth by investing in a diversified portfolio of public companies which are listed on the Stock Exchange of Hong Kong Limited ("SEHK") and/or the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") and/or, although not incorporated or listed on either stock exchange in Hong Kong, are incorporated or listed on a stock exchange in any other jurisdiction and have substantial business interests in Hong Kong and/or derive a substantial portion of their revenue from their businesses carried in Hong Kong.

The Target Fund may invest directly in certain China A-Shares listed on the Shanghai Stock Exchange ("SSE") via Shanghai-Hong Kong Stock Connect. In any event where the Target Fund invests in China A-Shares, it is expected that the Fund will not hold more than 30% of its total net asset value in such shares. A proportion of the Target Fund may also be invested in equity warrants and convertible bonds issued by, or in respect of its target companies.

The Manager of the Fund, a company incorporated in Malaysia, is a wholly-owned subsidiary of Manulife Holdings Berhad, a public limited liability company, incorporated and domiciled in Malaysia, and listed on the main market of Bursa Malaysia. Its principal activities are the management of unit trusts and private retirement schemes, financial planning and fund management activities.

The financial statements were authorised for issue by the Manager on 22 February 2021.

2 MANAGER'S FEE

In accordance with the Deed, the Manager is entitled to Manager's fee at a rate of 1.80% per annum (2019: 1.80% per annum) of the net asset value of the Fund before deducting Trustee's fee and Manager's fee for the day, calculated on a daily basis.

As the Fund invests in collective investment schemes, the management fee charged by the collective investment scheme is fully refunded to the Fund. In accordance with the Fund's information memorandum, there is no double charging of management fee to the Fund. The Manager fee paid to the Manager is net of rebate. Rebate recognised at a rate 1.75% per annum (2019: 1.75% per annum) on the Collective Investment Scheme's fair value calculated and accrued daily.

There will be no further liability to the Manager in respect of Manager's fee other than the amount recognised above.

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3 TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to a fee of 0.04% per annum (2019: 0.04% per annum) of the net asset value of the Fund before deducting Trustee's fee and Manager's fee for the day, calculated on a daily basis, excluding foreign custodian fees and charges.

There will be no further liability to the Trustee in respect of Trustee's fee other than the amount recognised above.

4 TAXATION

	<u>2020</u>	<u>2019</u>
	<u>USD</u>	<u>USD</u>
Current taxation	-	-

Numerical reconciliation between profit before taxation multiplied by the Malaysian statutory tax rate and tax expenses of the Fund is as follows:

	<u>2020</u>	<u>2019</u>
	<u>USD</u>	<u>USD</u>
Profit before taxation	23,464,368	15,777,360
Tax calculated at Malaysian tax rate of 24% (2019: 24%)	5,631,448	3,786,566
Tax effect in respect of:		
- Expenses not deductible for tax purposes	6,648	8,361
- Restriction on tax deductible expenses for unit trust funds	278,582	357,597
- Investment income not subject to tax	(5,916,678)	(4,152,524)
Tax expenses	-	-

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>31.12.2020</u>	<u>31.12.2019</u>
	<u>USD</u>	<u>USD</u>
Financial assets at fair value through profit or loss		
- Collective investment scheme	86,567,462	72,670,871
Net gain on financial assets at fair value through profit or loss		
- Realised	5,904,468	(388,818)
- Unrealised	16,101,497	15,353,762
- Management fee rebate #	1,088,788	1,398,894
	23,094,753	16,363,838

In arriving at the fair value of collective investment schemes managed by the Manager, the management fee initially paid to the Manager of collective investment schemes has been considered as part of its net asset value. In order to prevent the double charging of management fee, management fee charged on the Fund's investment in collective investment schemes has been refunded to the Fund. Accordingly, any rebate of management fee received from the Manager of collective schemes is reflected as increase in the net asset value of the collective investment schemes.

MANULIFE DRAGON GROWTH FUND

COLLECTIVE INVESTMENT SCHEME	Quantity Units	Cost of shares USD	Fair value as at 31.12.2020 USD	Fair value as at 31.12.2020 expressed as percentage of value of Fund %
31.12.2020				
Manulife Global Fund- Dragon Growth Fund ("MGF-DGF")	40,105,380	66,986,702	86,567,462	96.90
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>40,105,380</u>	<u>66,986,702</u>	<u>86,567,462</u>	<u>96.90</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		19,580,760		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>86,567,462</u>		

COLLECTIVE INVESTMENT SCHEME	Quantity Units	Cost of shares USD	Fair value as at 31.12.2019 USD	Fair value as at 31.12.2019 expressed as percentage of value of Fund %
31.12.2019				
Manulife Global Fund- Dragon Growth Fund ("MGF-DGF")	47,907,489	69,191,608	72,670,871	97.17
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>47,907,489</u>	<u>69,191,608</u>	<u>72,670,871</u>	<u>97.17</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		3,479,263		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>72,670,871</u>		

MANULIFE DRAGON GROWTH FUND

6 DERIVATIVE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>31.12.2020</u> USD	<u>31.12.2019</u> USD
<u>Derivative assets</u>		
Forward foreign currency contract	442,044	680,294
<u>Derivative liabilities</u>		
Forward foreign currency contract	2,660	-
	<u>2020</u> USD	<u>2019</u> USD
Net realised gain on forward currency contracts	1,804,073	590,264
Net unrealised (loss)/gain on forward currency contracts	(240,910)	24,358
	<u>1,563,163</u>	<u>614,622</u>

As at 31 December 2020, the notional principal amount of the 2 (2019: 2) outstanding forward foreign currency contracts amounted to USD75,027,186 (2019: USD64,462,540). The USD/MYR forward foreign currency contract is entered into during the financial year to minimise the risk of foreign exchange exposure between the USD and the MYR for the Fund.

As the Fund has not adopted hedge accounting, the change in fair value of the forward foreign currency contract is recognised immediately in profit or loss.

7 CASH AND CASH EQUIVALENTS

	<u>31.12.2020</u> USD	<u>31.12.2019</u> USD
Bank balance in a licensed bank	2,688,537	1,834,929

8 OTHER PAYABLES

	<u>31.12.2020</u> USD	<u>31.12.2019</u> USD
Auditors' remuneration	1,501	1,402
Tax agent's fee	888	871
Sundry payables and accruals	4,286	2,386
	<u>6,675</u>	<u>4,659</u>

9 UNITS IN CIRCULATION

(i) RM Hedged-Class	<u>31.12.2020</u> No. of units	<u>31.12.2019</u> No. of units
At beginning of the financial year	175,361,670	222,675,000
Add: Creation of units	116,114,299	30,966,023
Less: Cancellation of units	(139,078,179)	(78,279,353)
At end of the financial year	<u>152,397,790</u>	<u>175,361,670</u>

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(ii) USD Class	31.12.2020	31.12.2019
	No. of units	No. of units
At beginning of the financial year	7,734,267	10,432,770
Add: Creation of units	3,465,366	361,598
Less: Cancellation of units	(6,063,909)	(3,060,101)
At end of the financial year	<u>5,135,724</u>	<u>7,734,267</u>

10 BROKERS' TRANSACTIONS

There were no transactions with brokers in relation to equities and fixed income securities for the financial year ended 31 December 2020 and 31 December 2019.

11 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
Manulife Investment Management (M) Berhad	The Manager
Manulife Financial Corporation ("Manulife")	Ultimate holding company of the Manager
Manulife Holdings Berhad	Immediate holding company of the Manager
Manulife Investment Management (Hong Kong) Limited	Subsidiaries and associate companies of the ultimate holding company of the Manager
Subsidiaries and associates of Manulife as disclosed in its financial statements	Subsidiaries and associate companies of the ultimate holding company of the Manager

Units held by the Manager and party related to the Manager:

(i) RM Hedged-Class

	MANAGER MANULIFE INVESTMENT MANAGEMENT (M) BERHAD *	
<u>As at:</u>	No. of units	USD
31.12.2020	-	-
31.12.2019	197,186	71,539

	CITIGROUP NOMINEES (M) BERHAD *	
<u>As at:</u>	No. of units	USD
31.12.2020	-	-
31.12.2019	7,406	2,687

2) USD Class

	MANAGER MANULIFE INVESTMENT MANAGEMENT (M) BERHAD *	
<u>As at:</u>	No. of units	USD
31.12.2020	-	-
31.12.2019	-	-

* The units are held legally and beneficially

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<u>Significant related party transactions</u>	<u>2020</u> <u>USD</u>	<u>2019</u> <u>USD</u>
Purchase of collective investment scheme:		
- Manulife Investment Management (Hong Kong) Limited	52,582,096	4,145,671
Disposal of collective investment scheme:		
- Manulife Investment Management (Hong Kong) Limited	60,691,470	21,921,700
Management fee rebates:		
- Manulife Investment Management (Hong Kong) Limited	1,088,788	1,398,894
Dividend income from collective investment scheme:		
- Manulife Investment Management (Hong Kong) Limited	-	314,871

Significant related party balances

Collective investment scheme managed by related party:		
Manulife Global Fund-Dragon Growth Fund		
- Class A	86,567,462	72,670,871

In addition to the related party disclosure mentioned elsewhere in the financial statements, there were no other significant related party transactions and balances.

The Manager is of the opinion that all transactions with related companies has been entered into at agreed terms between the related parties.

12 MANAGEMENT EXPENSES RATIO ("MER")

	<u>2020</u>	<u>2019</u>
	%	%
MER	1.86	0.15

MER represents expenses including Manager's fee, Trustee's fee, auditors' remuneration, tax agent's fee and other expenses (excluding SST on transaction costs and withholding tax) expressed as an annual percentage of the Fund's average net asset value calculated on a daily basis.

13 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2020</u>	<u>2019</u>
	%	%
PTR (times)	0.88	0.16

PTR represents the average of total acquisitions and disposals of investments in the Fund for the financial year over the Fund's average net asset value calculated on a daily basis.

MANULIFE DRAGON GROWTH FUND

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (including price risk, interest rate risk and currency risk), credit risk, liquidity risk, and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to all rules and regulations as stipulated by the Securities Commission's Guidelines on Unit Trust Funds.

Market risk

(a) Price risk

Price risk arises mainly from uncertainty about future prices of investments. It represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

The table below shows the assets of the Fund which are exposed to price risk.

	31.12.2020	31.12.2019
	USD	USD
Financial assets at fair value through profit or loss		
- Collective investment scheme	86,567,462	72,670,871

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movements of collective investment scheme as at end of reporting period. The analysis is based on the assumptions that the market price of collective investment schemes fluctuates by 5% with all other variables being held constant and that fair value of the Fund's Investments move according to the historical correlation of the Index. Disclosures below are shown in absolute terms, changes and impact could be positive or negative.

As at:	Changes in price	Impact on profit after taxation	Impact on net asset value
	%	USD	USD
31.12.2020			
Financial assets at fair value through profit or loss			
- Collective investment scheme	5	4,328,373	4,328,373
31.12.2019			
Financial assets at fair value through profit or loss			
- Collective investment scheme	5	3,633,544	3,633,544

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate.

The Fund's exposure to the interest rate risk is mainly confined to deposits with financial institutions. The Manager overcomes this exposure by way of maintaining deposits on short-term basis. Therefore, the Fund's exposure to interest rate fluctuation is minimal.

(c) Currency risk

For investments denominated in foreign currencies, the currency risk may have a significant impact on the returns of the Fund. The Manager will evaluate the likely direction of a foreign currency versus United States (US) dollar based on consideration of economic fundamentals such as interest rate differentials, balance of payment position, debt level and technical consideration.

MANULIFE DRAGON GROWTH FUND

The Fund's foreign currency risk concentrations is as follows:

<u>As at</u>	<u>Amount due from Manager</u>	<u>Cash and cash equivalents</u>	<u>Net assets attributable to unit holders</u>	<u>Total</u>
	USD	USD	USD	USD
<u>31.12.2020</u>				
MYR	275,845	4,974	78,922,957	79,203,776
<u>31.12.2019</u>				
MYR	34,055	769	63,617,643	63,652,467

The table below summarises the sensitivity of the Fund's profit after taxation and net asset value to changes in foreign exchange movements at the end of each reporting period. The analysis is based on the assumption that the foreign exchange rate fluctuates by 5%, with all other variables remaining constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

<u>As at:</u>	<u>Changes in foreign exchange</u>	<u>Impact on profit after taxation</u>	<u>Impact on net asset value</u>
	%	USD	USD
<u>31.12.2020</u>			
MYR	5	3,960,189	3,960,189
<u>31.12.2019</u>			
MYR	5	3,182,623	3,182,623

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Manager manages credit risk by undertaking credit evaluation to minimise such a risk.

Credit risk arising from placement of deposits with licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

For amount due from/to manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by the relevant regulatory authority in its home jurisdiction.

The settlement terms of the proceeds from the creation of units receivable by the Manager are governed by the Securities Commission Malaysia's Guidelines on unit Trust Funds.

The maximum exposure to credit risk before any credit enhancements in the carrying amount of the financial assets as set out below:

<u>Neither Past Due Nor Impaired</u>					
<u>As at</u>	<u>Cash and cash equivalents</u>	<u>Derivative assets at fair value through profit or loss</u>	<u>Amount due from Manager</u>	<u>Amount due from dealer</u>	<u>Total</u>
	USD	USD	USD	USD	USD
<u>31.12.2020</u>					
AAA	2,688,537	442,044	-	174,592	3,305,173
Not rated	-	-	290,697	-	290,697
	2,688,537	442,044	290,697	174,592	3,595,870

MANULIFE DRAGON GROWTH FUND

<u>As at</u>	<u>Neither Past Due Nor Impaired</u>				
	<u>Cash and cash equivalents</u>	<u>Derivative assets at fair value through profit or loss</u>	<u>Amount due from Manager</u>	<u>Amount due from dealer</u>	<u>Total</u>
<u>31.12.2019</u>	USD	USD	USD	USD	USD
AAA	1,834,929	680,294	-	430,807	2,946,030
Not rated	-	-	34,055	-	34,055
	<u>1,834,929</u>	<u>680,294</u>	<u>34,055</u>	<u>430,807</u>	<u>2,980,085</u>

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining a sufficient level of liquid assets to meet anticipated payments and cancellations of units by unit holders. The liquid assets comprise cash at bank, deposits with licensed financial institutions and other instruments which are capable of being converted into cash within 7 days.

The following table analyses the Fund's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the following table are the contractual undiscounted cash flows.

<u>As at</u>	<u>Within one year</u>	<u>No maturity date</u>	<u>Total</u>
<u>31.12.2020</u>	USD	USD	USD
<u>Financial assets</u>			
Cash and cash equivalents	-	2,688,537	2,688,537
Financial assets at fair value through profit or loss	-	86,567,462	86,567,462
Derivative assets at fair value through profit or loss	442,044	-	442,044
Amount due from Manager	290,697	-	290,697
Amount due from dealer	174,592	-	174,592
	<u>907,333</u>	<u>89,255,999</u>	<u>90,163,332</u>

Financial liabilities

Amount due to Manager			
- Manager's fee	7,352	-	7,352
- Cancellation of units	101,852	-	101,852
Amount due to Trustee	2,817	-	2,817
Amount due to dealer	175,374	-	175,374
Amount due to Manager of Collective Investment Scheme			
- Purchase of collective investment scheme	528,197	-	528,197
Derivative liabilities at fair value through profit or loss	2,660	-	2,660
Other payables	6,675	-	6,675
Net assets attributable to unit holders*	89,338,405	-	89,338,405
	<u>90,163,332</u>	<u>-</u>	<u>90,163,332</u>

MANULIFE DRAGON GROWTH FUND

<u>As at</u>	<u>Within one year USD</u>	<u>No maturity date USD</u>	<u>Total USD</u>
<u>31.12.2019</u>			
<u>Financial assets</u>			
Cash and cash equivalents	-	1,834,929	1,834,929
Financial assets at fair value through profit or loss	-	72,670,871	72,670,871
Derivative assets at fair value through profit or loss	680,294	-	680,294
Amount due from Manager	34,055	-	34,055
Other receivables	430,807	-	430,807
	<u>1,145,156</u>	<u>74,505,800</u>	<u>75,650,956</u>
<u>Financial liabilities</u>			
Amount due to Manager			
- Manager's fee	6,103	-	6,103
- Cancellation of units	420,677	-	420,677
Amount due to Trustee	2,545	-	2,545
Amount due from dealer	428,826	-	428,826
Other payables	4,659	-	4,659
Net assets attributable to unit holders*	<u>74,788,146</u>	<u>-</u>	<u>74,788,146</u>
	<u>75,650,956</u>	<u>-</u>	<u>75,650,956</u>

* Units are cancelled on demand at the unit holders' option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows as unit holders typically retain their units for the medium to long-term.

Capital risk

The capital of the Fund is represented by net assets attributable to unit holders of USD89,338,405 (2019: USD74,788,146). The amount of net asset attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders, and to maintain a strong capital base to support the development of the investment activities of the Fund.

Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial asset at fair value through profit or loss consisting of USD86,567,462 (2019: USD72,670,871) is classified within level 1.

MANULIFE DRAGON GROWTH FUND

15 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, could result in a deterioration of the Fund's net asset value per unit in the future.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

13 CORPORATE INFORMATION

MANAGER

Manulife Investment Management (M) Berhad
Registration No.: 200801033087 (834424-U)
13th Floor, Menara Manulife
No. 6, Jalan Gelenggang
Damansara Heights
50490 Kuala Lumpur

BOARD OF DIRECTORS

Dato' Md Agil Bin Mohd Natt (Independent)
Edmond Cheah Swee Leng (Independent)
Gianni Fiacco (Non-Independent)
Vibha Hamsi Coburn (Non-Independent)
Wong Boon Choy (Non-Independent)
Chong Soon Min (Jason) (Non-Independent Executive)

INVESTMENT COMMITTEE

Dato' Dr Zaha Rina Binti Zahari (Independent)
Dato' Md Agil Bin Mohd Natt (Independent)
Edmond Cheah Swee Leng (Independent)
Wong Boon Choy (Non-Independent)
Chong Soon Min (Jason) (Non-Independent)

INVESTMENT MANAGER

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TRUSTEE OF THE FUND

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Registration No: 193701000084 (1281-T)
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AUDITORS

PricewaterhouseCoopers PLT
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MANULIFE DRAGON GROWTH FUND

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Pusat Perdagangan Canning
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MANULIFE DRAGON GROWTH FUND

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Seremban

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Jalan Taman Komersil Senawang 1
Taman Komersil Senawang
70450 Seremban
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Fax: (06) 678-0016

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Taman Melaka Raya 1
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Fax: (06) 282-0587

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MANULIFE DRAGON GROWTH FUND

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