

**TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW
MOMENTUM EQUITY FUND**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

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TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

MANAGEMENT AND ADMINISTRATION

Directors of the Manager

Wang Xiangyang (appointed on 30 January 2019)
Li Xudong (resigned on 30 January 2019)
Wu Jung Tung (resigned on 30 January 2019)
Li Hao
Wang Hegian

Manager

Taiping Assets Management (HK) Company Limited
Unit 1-2, 19th Floor,
18 King Wah Road,
North Point,
Hong Kong

Trustee and Registrar

BOCI-Prudential Trustee Limited
12/F & 25/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Hong Kong

Custodian

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

Legal Advisors to the Manager

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

REPORT OF THE MANAGER TO THE UNITHOLDERS

Market Review

Hong Kong stock market witnessed fluctuations throughout 2019, amid lingering Sino-U.S. trade war, slowing global economy as well as social unrest in HK. More specifically, market concerns significantly rose over the contraction of manufacturing activities in major countries and unexpected escalation of Sino-U.S. trade frictions. HSI once plunged to 25,197 in Aug., erasing all previous gains since the beginning of 2019. The Fed was back to monetary stimulus, including rate cuts and balance sheet expansion. China also turned to marginal easing by relaxing policy rates to cope with economic slowdown. In addition, China and U.S. has come to reach a phase one trade agreement, another catalyst to boost the sentiment. Hang Seng Index trended up in late 2019 and finally ended this year with a moderate gain of 9.1%.

The Taiping Greater China New Momentum Equity Fund (the "Sub-Fund") achieved a return of 18.7% in 2019, beating the benchmark index (MSCI Zhong Hua Index) by 1.5%. The outperformance was mainly due to successful stock pick and sector allocation. On 28th May 2019, the Sub-Fund declared its second dividend payment of HK\$4.3 per unit.

Looking ahead into 2020, we are facing bigger challenges. It's likely to take a longer-than-expected time to fully contained the highly infectious COVID-19. The overseas lockdowns are expected to send the global economy to recessions in a short to medium term, which could weigh more heavily on China's recovery starting in 2Q20. Corporate earnings are likely to continue reflecting the negative impacts from the spread of COVID-19 in the coming quarters of 2020. Despite these headwinds, there are also several good news. Certain countries have recently seen flattening curves in terms of major coronavirus indicators, and more encouraging signs might be expected in coming weeks. Global countries will maintain policy coordination and stimulation. Besides, China has adopted several effective measures to resume economic activities and market confidence. Compared with overseas countries, we believe China has bigger policy room for both monetary and fiscal sides. China's long-term momentum remains intact. We expect China's economy could get back firmly on track in the second half, with the pace faster than other major countries.

Despite of global uncertainties, we are still optimistic about the long-term growth prospects of Chinese economy. We will continue to adjust and optimize the fund's exposure by adhering to value investment. We will maintain major positions on quality stocks including both value and growth names. We will focus on investment opportunities in Consumers, China Financials and innovation-driven emerging sectors such as TMT and Health Care, and pay attention to the trading opportunities in other sectors.

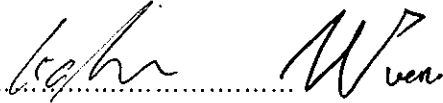


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Taiping Assets Management (HK) Company Limited
28 April 2020

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, to the best of our knowledge the Manager of the Taiping Greater China New Momentum Equity Fund (the "Sub-Fund") has, in all material respects, managed the Trust in accordance with the provisions of the Trust Deed dated 17 March 2009 and its supplemental deeds, for the year ended 31 December 2019.



BOCI-Prudential Trustee Limited
28 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of Taiping Greater China New Momentum Equity Fund (the "Sub-Fund"), a sub-fund of Taiping Investment Fund, set out on pages 7 to 30, which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2019, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

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

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

Independence

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

Other Information

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND (CONTINUED)

Responsibilities of the Management for the Financial Statements

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

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

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 17 March 2009, as amended ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW
MOMENTUM EQUITY FUND (CONTINUED)**

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

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

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

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

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

The logo for PricewaterhouseCoopers, written in a cursive, handwritten-style font.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2020

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 HK\$	2018 HK\$
ASSETS			
Current Assets			
Financial assets at fair value through profit or loss	5	348,590,464	278,521,315
Cash and cash equivalents	7	67,276,339	59,283,070
Interest receivables		39,723	-
Amounts due from brokers	8	6,169,799	17,376,242
Other receivables		14,738	14,824
TOTAL ASSETS		<u>422,091,063</u>	<u>355,195,451</u>
LIABILITIES			
Current Liabilities			
Amounts due to brokers	8	31,397,971	3,415,591
Other payables		1,180,108	1,135,676
TOTAL LIABILITIES		<u>32,578,079</u>	<u>4,551,267</u>
EQUITY			
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>389,512,984</u>	<u>350,644,184</u>

The financial statements on pages 7 to 30 are approved by:

李 紹

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Manager

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Trustee

The notes on pages 11 to 30 are an integral part of these financial statements.

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK\$	2018 HK\$
INCOME			
Net change in unrealised gains/losses on financial assets at fair value through profit or loss	6	36,812,792	(62,578,054)
Net realised gains on financial assets at fair value through profit or loss	6	26,994,788	18,547,742
Foreign exchange differences, net		(216,439)	(2,978,196)
Dividend income		9,776,422	8,710,853
Interest income	11	80,150	9,295
Total income/(loss)		<u>73,447,713</u>	<u>(38,288,360)</u>
EXPENSES			
Management fee	11	(5,579,776)	(6,043,483)
Transaction fees		(2,142,029)	(5,981,900)
Trustee and administration fee	11	(527,481)	(566,124)
Auditor's remuneration		(243,360)	(247,960)
Legal and professional fees		(10,000)	-
Bank charges	11	(480)	(480)
Other expenses		(137,359)	(121,800)
Total operating expenses		<u>(8,640,485)</u>	<u>(12,961,747)</u>
PROFIT/(LOSS) BEFORE TAX		<u>64,807,228</u>	<u>(51,250,107)</u>
Withholding taxes		(587,083)	(641,747)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		<u><u>64,220,145</u></u>	<u><u>(51,891,854)</u></u>

The notes on pages 11 to 30 are an integral part of these financial statements.

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK\$	2018 HK\$
Net assets attributable to unitholders at 1 January		350,644,184	416,999,862
Subscription of units during the year		12,847,398	22,507,424
Redemption of units during the year		(18,763,862)	-
Distributions to unitholders	12	(19,434,881)	(36,971,248)
Total comprehensive income/(loss) for the year		<u>64,220,145</u>	<u>(51,891,854)</u>
Net assets attributable to unitholders at 31 December		<u><u>389,512,984</u></u>	<u><u>350,644,184</u></u>

The notes on pages 11 to 30 are an integral part of these financial statements.

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK\$	2018 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		64,807,228	(51,250,107)
Adjustments for:			
Dividend income		(9,776,422)	(8,710,853)
Interest income		(80,150)	(9,295)
(Increase)/decrease in financial assets at fair value through profit or loss		(70,069,149)	118,794,018
Decrease/(increase) in amounts due from brokers		11,206,443	(1,149,561)
Decrease/(increase) in other receivables		86	(30)
Increase/(decrease) in amounts due to brokers		27,982,380	(13,528,868)
Increase/(decrease) in other payables		44,432	(86,112)
		<u>24,114,848</u>	<u>44,059,192</u>
Dividend received, net of withholding taxes		9,189,339	8,134,107
Interest received		40,427	9,295
Net cash flows generated from operating activities		<u>33,344,614</u>	<u>52,202,594</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		12,847,398	22,507,424
Payments on redemption of units		(18,763,862)	-
Distributions to unitholders	12	(19,434,881)	(36,971,248)
Net cash used in financing activities		<u>(25,351,345)</u>	<u>(14,463,824)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,993,269	37,738,770
Cash and cash equivalents at beginning of the year		<u>59,283,070</u>	<u>21,544,300</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>67,276,339</u>	<u>59,283,070</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank	7	<u>67,276,339</u>	<u>59,283,070</u>

The notes on pages 11 to 30 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Taiping Investment Fund (the "Fund") is an umbrella unit trust established in the Cayman Islands on 17 March 2009 under the Trusts Law by the Trust Deed dated 17 March 2009 and the supplemental deeds. The Fund currently consists of one sub-fund, Taiping Greater China New Momentum Equity Fund (the "Sub-Fund"), which commenced its operations on 26 March 2009.

The Fund and the Sub-Fund have been authorised by the Securities and Futures Commission of Hong Kong ("SFC") on 30 December 2009.

The investment objective of the Sub-Fund is to make investments (at least 70% of the Sub-Fund's non-cash assets) through a portfolio consisting of listed securities (which may include (but are not limited to) A Shares, B Shares, shares listed on the Hong Kong Stock Exchange ("SEHK") (including H Shares, Red Chips and other Hong Kong shares quoted in Hong Kong Dollar), and Other China Related Stocks) of companies that derive or are expected to derive a significant portion of their revenues from goods produced or sold, investments made or services performed in Greater China (which includes the People's Republic of China ("PRC"), the Special Administrative Regions of Hong Kong and Macau), in particular the listed securities of companies in Hong Kong that are expected to achieve stable and high dividend returns. The Sub-Fund may invest up to 20% of its non-cash assets in A Shares via the Shanghai-Hong Kong Stock Connect ("Stock Connect"). The Sub-Fund may also invest less than 30% of its non-cash assets in listed equity securities of companies which may have no connection with the Greater China region. Such equity securities are listed on exchanges worldwide including but not limited to the United States and also invest in financial derivative instruments for hedging purposes only.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued and the relevant disclosure provisions specified in Appendix E to the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code").

The financial statements have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest HK\$ except where otherwise indicated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Manager and the Trustee to exercise their judgement in the process of applying the Sub-Fund's accounting policies. The areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Standards and amendments to existing standards effective 1 January 2019

There are no standards and amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the financial statements of the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New standards, amendments and interpretations effective after 1 January 2019 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 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

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

Classification

The Sub-Fund classified its investments based on both the business model for managing those financial assets and the contractual cash flow characteristics of those financial assets. The investments are managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the performance and to make decisions. Consequently, investments are measured at fair value through profit or loss.

Recognition, derecognition and measurement

Purchases and sales of investments are recognised on trade date – the date on which the Sub-Fund commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for financial assets carried at fair value through profit or loss are expensed as incurred. Investments are subsequently re-measured at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statement of comprehensive income in the year in which they arise.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on last traded prices. When trading in the securities of an investee company is suspended, the investment is valued at the Manager's estimate of its fair value.

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

(c) Investment income and expenses

Dividend income is recognised on the ex-dividend date with the corresponding foreign withholding taxes recorded as a taxation charge.

Interest income is recognised on a time-proportion basis using the effective interest method.

Expenses are accounted for on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(d) Accounts receivables

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

(e) Accounts payables and accruals

Accounts payables and accruals are recognised initially at fair value and subsequently stated at amortised cost. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the "functional currency"). The performance of the Sub-Fund is measured and reported to the unitholders in Hong Kong Dollar ("HK\$"). The Manager considers Hong Kong Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong Dollar, which is the Sub-Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within "foreign exchange differences".

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "change in unrealised gains/losses on financial assets at fair value through profit or loss" and "realised gains/(losses) on financial assets at fair value through profit or loss".

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any.

(h) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Sub-Fund considers all of its investments in other funds ("Investee Funds") to be investments in unconsolidated structured entities. The Sub-Fund invests in Investee Funds whose objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The Investee Funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each Investee Fund is included in the statement of comprehensive income in "Net gain/(loss) on fair value on financial assets and financial liabilities at fair value through profit or loss".

(i) Redeemable units

The Sub-Fund issues redeemable units, which are redeemable at the unitholders' option.

Redeemable units are issued or redeemed at prices based on the Sub-Fund's net asset value per unit as at the close of business on the relevant dealing day. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding redeemable units.

3 Significant accounting judgements and estimates

The preparation of the Sub-Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Functional currency

The primary objective of the Sub-Fund is to generate returns in HK\$, its capital-rising currency. The liquidity of the Sub-Fund is managed on a day-to-day basis in HK\$ in order to handle the issue, acquisition and resale of the Sub-Fund's redeemable units. The Sub-Fund's performance is evaluated in HK\$. Therefore, management considers HK\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

NOTES TO THE FINANCIAL STATEMENTS

4 Taxation

PRC

The Sub-Fund is subject to PRC withholding tax of 10% on dividends paid by PRC during the year.

Hong Kong

The Sub-Fund is exempted from Hong Kong profits tax on profits arising from authorised activities under Section 26A (1A) of the Hong Kong Inland Revenue Ordinance. No Hong Kong profits tax has been provided as the Sub-Fund is exempted from Hong Kong profits tax.

5 Financial assets at fair value through profit or loss

	2019 HK\$	2018 HK\$
Financial assets at fair value through profit or loss		
<i>Listed equity securities, by geographical location</i>		
- Hong Kong	311,367,626	240,227,772
- United States of America	37,222,838	38,293,543
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Total financial assets at fair value through profit or loss	348,590,464	278,521,315
	<hr/> <hr/>	<hr/> <hr/>

6 Net gain/(loss) on financial assets at fair value through profit or loss

	2019 HK\$	2018 HK\$
Gains or losses recognised in relation to financial assets at fair value through profit or loss		
- realised gains	26,994,788	18,547,742
- change in unrealised gains/losses	36,812,792	(62,578,054)
	<hr/>	<hr/>
Net gain/(loss) on financial assets at fair values through profit or loss	63,807,580	(44,030,312)
	<hr/> <hr/>	<hr/> <hr/>

7 Cash and cash equivalents

The cash at bank of the Sub-Fund is held with Bank of China (Hong Kong) Limited, an affiliate company of the Trustee as at 31 December 2019. The carrying amount of the cash at bank approximates to their fair value. Refer to Note 11(b) for details.

	2019 HK\$	2018 HK\$
Cash and cash equivalents	67,276,339	59,283,070
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NOTES TO THE FINANCIAL STATEMENTS

8 Amount due from/to brokers

	2019 HK\$	2018 HK\$
Amounts due from brokers		
- receivables for securities sold but not yet settled	6,169,799	17,376,242
	<u>6,169,799</u>	<u>17,376,242</u>
Amounts due to brokers		
- payables for securities purchased but not yet settled	31,397,971	3,415,591
	<u>31,397,971</u>	<u>3,415,591</u>

The carrying amounts of amounts due from and to brokers approximate to their fair values.

9 Number of units in issue

As at 31 December 2019 and 2018, only Class B shares were in existence and the Sub-Fund concluded that these shares had all the features and met all the conditions for classification as equity instruments.

The movement of share capital is as follows:

Class B Units:

	2019 Number of units	2018 Number of units
At the beginning of the year	4,738,509	4,452,222
Issued during the year	160,995	286,287
Redeemed during the year	(218,769)	-
	<u>4,680,735</u>	<u>4,738,509</u>
At the end of the year	<u>4,680,735</u>	<u>4,738,509</u>
	HK\$	HK\$
Net assets attributable to unitholders per unit		
- Class B Units	<u>83.22</u>	<u>74.00</u>

10 Financial risk and management objectives and policies

The Sub-Fund is subject to various risks as the Sub-Fund invested in a number of financial instruments including listed equity securities and derivatives during the year. Further, the investment strategy and investment portfolio may result in higher concentration risk. The Sub-Fund's portfolio may not be well diversified in terms of the types of securities due to smaller geographical region that the Sub-Fund may invest in. Also, the Sub-Fund may be more volatile than a broad-based global equity fund.

The investment objective, strategy and restrictions apply to any investment at the time that investment is made. The Manager will be responsible for ensuring compliance at all times with the investment policies. Where any policy is breached, the Manager will ensure that immediate corrective action will be taken, except where the breach is due to appreciation or depreciation in the value of investments. Refer to Note 1 for the investment objective of the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

The Sub-Fund is exposed to market risk (including equity price risk, foreign currency risk and interest rate risk), credit and counterparty risk and liquidity risk.

The nature and extent of the financial instruments outstanding at the statement of financial position date and the risk management policies employed by the Manager to manage these risks are discussed below.

(a) Market risk

Market risk is the risk that value of financial assets will fluctuate as a result of changes in market prices, foreign currencies and interest rates whether those changes are caused by factors specific to the individual assets or factors affecting all assets in the market.

All securities investments present a risk of loss of capital. The Sub-Fund minimises its exposure to market price risk through (i) deliberate securities selection, and (ii) diversification of the investment portfolio. The Sub-Fund will not invest more than 10 per cent of the net asset value in the securities of a single issuer.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments present a risk of loss of capital. The Sub-Fund's price risk is managed through deliberate securities/industry sectors selection.

Management's best estimate of the effect on the profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in the index shown below would have resulted in an equivalent, but opposite, impact.

As at 31 December 2019, the Sub-Fund invested in equity securities and exchange-traded funds listed in Hong Kong and United States of America. (2018: Hong Kong and United States of America)

The table below summarises the Sub-Fund's concentration of investments in various types with the mark-to-market value of investments as a proportion to the NAV of the Sub-Fund.

	2019 % of net assets	2018 % of net assets
Investments in long positions		
Listed equity securities	77.56%	73.39%
Listed exchange-traded funds	11.93%	6.04%
	<u>89.49%</u>	<u>79.43%</u>

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

(a) Market risk (Continued)

A sensitivity analysis with the benchmarking index is presented below.

Market indices	Change in equity price % +/-	Effect on equity and on profit/(loss) for the year HK\$ +/-
<u>As at 31 December 2019</u>		
MSCI Zhong Hua Index	15.7	44,346,000
<u>As at 31 December 2018</u>		
MSCI Zhong Hua Index	20.4	54,133,000

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Sub-Fund has assets and liabilities denominated in currencies other than Hong Kong dollar, the Fund's functional and presentation currency. The Fund is therefore exposed to foreign currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Manager considers that there is no currency risk to the USD which is a linked currency with HKD.

The table below summarises the impact on the Fund's net assets in response to theoretical possible increases/decreases of key exchange rates to the exposures tabled above, which the Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% (2018: 5%) with all other variables held constant.

	Net exposure HK\$	Possible reasonable shift in exchange rate + / -	Impact on net assets + / - HK\$
At 31st December 2019			
Chinese Yuan	635,460	5%	31,773
Singapore Dollar	116	5%	6
At 31st December 2018			
Chinese Yuan	293,171	5%	14,659
Singapore Dollar	114	5%	6

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

(a) Market risk (Continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates. The Sub-Fund is exposed to interest rate risk as all its bank balances are placed in interest bearing accounts.

Manager considers that the Sub-Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. As the Sub-Fund has no investment on fixed income assets, the Manager considers that changes in their fair value in the event of a change in market interest rates will not be material.

(b) Credit and counterparty risk

Credit risk relates to the extent to which failures by counterparties to discharge their obligations could reduce the amount of future cash flows from financial assets on hand as at the statement of financial position date. The Sub-Fund minimises exposure to credit risk by only dealing with counterparties with high credit ratings.

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2019 and 31 December 2018, all other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of A- or higher and are due to be settled within 1 week. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

The Sub-Fund's financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank deposits and investments held with the financial institutions as set out below. The table below summaries the Sub-Fund's assets placed with bank and their related credit rating from Standard & Poor's.

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

(b) Credit and counterparty risk (Continued)

	HK\$	Credit Rating	Source of credit rating
As at 31 December 2019			
<u>Bank</u>			
Bank of China (Hong Kong) Limited	67,276,339	A-	Standard & Poor's
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	348,590,464	A-	Standard & Poor's
As at 31 December 2018			
<u>Bank</u>			
Bank of China (Hong Kong) Limited	59,283,070	A-	Standard & Poor's
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	278,521,315	A-	Standard & Poor's

The maximum credit risk exposure of the financial assets of Sub-Fund was equivalent to the carrying amount as shown in the statement of financial position.

The Manager considers that none of these assets are impaired nor past due as at 31 December 2019 and 2018.

(c) Liquidity risk

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. Exposure to liquidity risk arises because of the possibility that the Sub-Fund could be required to pay its liabilities or redeem its units earlier than expected. The Sub-Fund is exposed to cash redemptions of its redeemable units at the option of the unitholders. The Sub-Fund manages its obligation to redeem the units when required to do so and its overall liquidity risk by searching for new investors.

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

(c) Liquidity risk (Continued)

Liquidity risk may also result from an inability to sell a financial asset quickly at an amount close to its fair value. However, the Sub-Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Sub-Fund can be required to pay.

Financial assets

Analysis of equity securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

The following table summarises the maturity profile of the Sub-Fund's financial liabilities. Balances due within three months equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Sub-Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Sub-Fund's contractual commitments and liquidity.

As at 31 December 2019

	On demand HK\$	Less than 3 months HK\$	Total HK\$
Assets			
Financial assets at fair value through profit or loss	348,590,464	-	348,590,464
Cash and cash equivalents	67,276,339	-	67,276,339
Other receivables	-	6,224,260	6,224,260
Total financial assets	415,866,803	6,224,260	422,091,063
Liabilities			
Other payables	-	32,578,079	32,578,079
Total financial liabilities	-	32,578,079	32,578,079

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2018

	On demand HK\$	Less than 3 months HK\$	Total HK\$
<u>Assets</u>			
Financial assets at fair value through profit or loss	278,521,315	-	278,521,315
Cash and cash equivalents	59,283,070	-	59,283,070
Other receivables	-	17,391,066	17,391,066
Total financial assets	<u>337,804,385</u>	<u>17,391,066</u>	<u>355,195,451</u>
<u>Liabilities</u>			
Other payables	-	4,551,267	4,551,267
Total financial liabilities	<u>-</u>	<u>4,551,267</u>	<u>4,551,267</u>

Units are redeemed on demand at the unitholder's option. With a view to protecting the interests of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Fund redeemed on any dealing day to 10% of the total number of units in issue. As at 31 December 2019, there were two (2018: two) unitholders holding more than 10% of the Sub-Fund's units.

As at 31 December 2019, the total current assets of the Sub-Fund amounted to HK\$422,091,063 (2018: HK\$355,195,451). The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 1 month.

(d) Capital management

The Sub-Fund's objectives for managing capital are:

- To invest the capital in investments in order to achieve its investment objective;
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivatives and other advanced capital markets and by using various investment strategies and hedging techniques;
- To maintain sufficient liquidity to meet the expenses of the Sub-Fund, and to meet redemption requests as they arise; and
- To locate more investors.

(e) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the year end date. The Sub-Fund used the last traded market price as its fair valuation inputs for both financial assets and financial liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

(e) Fair value estimation (Continued)

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Sub-Fund for similar financial instruments.

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

- 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 or indirectly (level 2).
- Inputs for the asset or liability that are not observable market data (that is, unobservable inputs) (level 3).

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

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

As at 31 December 2019, all of the Sub-Fund's investments were Level 1. The Sub-Fund did not trade any Level 2 and 3 investments during the year.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2019.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets measured at fair value through profit or loss:				
- Equity securities	348,590,464	-	-	348,590,464

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

(e) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2018.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets measured at fair value through profit or loss:				
- Equity securities	278,521,315	-	-	278,521,315

As at 31 December 2019 and 2018, one listed equity investment was suspended for trading due to alleged misconduct of an employee and was valued at zero.

Equity securities

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 within Level 1 of the hierarchy. The Sub-Fund values these investments at last trade price for long and short positions 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.

During the year ended 31 December 2019 and 2018, there was no transfer of investment between levels.

(f) Interest in other entities

The Sub-Fund's investments in an investment fund are subject to the terms and conditions of the respective investment fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of such investment fund. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Sub-Fund's exposure to investments in exchange-traded funds at fair value is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

As at 31 December 2019			
Strategy	Net asset value of exchange- traded fund HK\$	Investment fair value HK\$	% of net asset value
Index	36,837,026,325	33,148,296	8.51%
Interest rate	2,575,397,420	13,303,550	3.42%
As at 31 December 2018			
Strategy	Net asset value of exchange- traded fund HK\$	Investment fair value HK\$	% of net asset value
Index	31,322,988,880	21,160,272	6.04%

NOTES TO THE FINANCIAL STATEMENTS

10 Financial risk and management objectives and policies (Continued)

(f) Interest in other entities (Continued)

The Sub-Fund's maximum exposure to loss from its interests in Investee funds is equal to the total fair value of its investments in investee funds. Once the Sub-Fund has disposed of its shares in an investee fund the Sub-Fund ceases to be exposed to any risk from that investee fund.

The Sub-Fund's investment strategy entails trading in other funds on a regular basis. Total purchases in investee funds during the year ended 31 December 2019 was HK\$77,825,923 (2018: HK\$31,555,173). The Sub-Fund intends to continue opportunistic trading in other funds. As at 31 December 2019 and 31 December 2018 there were no capital commitment obligations and no amounts due to investee funds for unsettled purchases.

During the year ended 31 December 2019 total net gain incurred on investments in Investee Funds were HK\$5,689,601 (2018: HK\$(837,694)).

11 Transactions with the Trustee and its affiliates and the Manager and its connected persons

Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year between the Sub-Fund 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 Manager's knowledge, the Sub-Fund does not have any other transactions with connected persons except for what is disclosed below.

(a) Investment transactions with connected persons of the Manager

	Aggregate value of purchases and sales of securities	Total commission paid	% of Sub-Fund's total transactions during the year	Average commission rate
	HK\$	HK\$	%	%
<u>2019</u>				
Taiping Securities (HK) Co Limited	114,998,522	114,912	10.05	0.10
<u>2018</u>				
Taiping Securities (HK) Co Limited	400,925,644	395,215	9.72	0.10

NOTES TO THE FINANCIAL STATEMENTS

11 Transactions with the Trustee and its affiliates and the Manager and its connected persons (Continued)

(b) Bank deposits and investments held by the Trustee

As at 31st December 2019, the Sub-Fund placed bank deposits amounted to HK\$67,276,339 (2018: HK\$59,283,070) and investments amounted HK\$348,590,464 (2018: HK\$278,521,315) with Bank of China (Hong Kong) Limited, a related company of the Trustee and Registrar. Refer to Note 7 and 5 respectively for further details.

(c) Interest income, bank charges and handling fee from/to the Trustee

The interest income received from and the bank charges paid to Bank of China (Hong Kong) Limited, an affiliate of the Trustee, amounted to HK\$80,150 and HK\$480 respectively for the year ended 31 December 2019. (2018: HK\$9,295 and HK\$480). The transaction handling fee charged by the BOCI-Prudential Trustee Limited for the year ended 31 December 2019 amounted to HK\$39,090 and the outstanding accrued fee amounted to HK\$3,050 as at 31 December 2019. (2018: HK\$63,530 and HK\$2,700)

(d) Holdings in the Sub-Fund

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund. The holdings in the Sub-Fund by the Manager and its connected persons as at 31 December 2019 and 2018 were as follows:

2019

Units held by Taiping Securities (HK) Co., Ltd, a connected person of Taiping Assets Management (HK) Company Limited, the Manager:

Class B Units:

	Units outstanding at 31 December 2018	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2019
Taiping Securities (HK) Co Limited	4,738,315	160,985	(218,770)	4,680,530

NOTES TO THE FINANCIAL STATEMENTS

11 Transactions with the Trustee and its affiliates and the Manager and its connected persons (Continued)

(d) Holdings in the Sub-Fund (Continued)

2018

Units held by Taiping Securities (HK) Co., Ltd, a connected person of Taiping Assets Management (HK) Company Limited, the Manager:

Class B Units:

	Units outstanding at 31 December 2017	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2018
Taiping Securities (HK) Co Limited	4,452,045	286,270	-	4,738,315

(e) Management fee

The Manager is entitled to receive a management fee from the Sub-Fund, at a rate of 1.5% per annum with respect to the net asset value of the Sub-Fund calculated and accrued on each valuation day and are paid monthly in arrears.

Total management fee for the year, including the outstanding accrued fees due to the Manager at end of the year, is as follows:

	2019 HK\$	2018 HK\$
Management fee for the year	5,579,776	6,043,483
Accrued at end of the year	498,473	456,606

(f) Trustee and administration fee

The Trustee is entitled to receive a trustee and administration fee from the Sub-Fund, at a rate of 0.15% per annum on the first HKD250 million of the net asset value of the Sub-Fund calculated, 0.125% per annum on the next HKD250 million of the net asset value of the Sub-Fund calculated and 0.11% per annum on the remaining balance of the net asset value of the Sub-Fund calculated subject to a minimum monthly fee of HK\$40,000, and accrued on each valuation day and is paid monthly in arrears.

The Trustee is entitled to receive a transaction fee from the Sub-Fund, HKD90 per each security settlement and HKD200 per each mutual fund or unit trust settlement, and accrued on each valuation day and is paid monthly in arrears.

NOTES TO THE FINANCIAL STATEMENTS

11 Transactions the Trustee and its affiliates and the Manager and its connected persons
(Continued)

(f) Trustee and administration fee (Continued)

Total trustee and administration fee for the year, including the outstanding accrued fees due to the Trustee at end of the year, is as follows:

	2019 HK\$	2018 HK\$
Trustee and administration fee for the year	527,481	566,124
Accrued at end of the year	47,019	43,359

(g) Investments in related parties

The Sub-Fund had the following additions and disposals with related parties during the year:

<u>Bank of China Hong Kong (Holdings) Limited</u>	Number of shares
At 1 January 2018	-
Additions	535,000
Disposals	(535,000)
	<hr/>
At 31 December 2018 and 1 January 2019	-
Additions	-
Disposals	-
	<hr/>
At 31 December 2019	-
	<hr/> <hr/>

During the year ended 31 December 2019, there is no additions and disposals of Bank of China Hong Kong (Holdings) Limited and there is no realized gain or loss incurred. (2018: realised loss of HK\$1,167,627).

NOTES TO THE FINANCIAL STATEMENTS

**11 Transactions the Trustee and its affiliates and the Manager and its connected persons
(Continued)**

(g) Investments in related parties (continued)

<u>H shares of Bank of China Limited</u>	Number of shares
At 1 January 2018	-
Additions	5,023,000
Disposals	(5,023,000)
	<hr/>
At 31 December 2018 and 1 January 2019	-
Additions	-
Disposals	-
	<hr/>
At 31 December 2019	<hr/> <hr/>

During the year ended 31 December 2019, there is no additions and disposals of H shares of Bank of China Limited and there is no realized gain or loss incurred (2018: realised loss of HK\$1,010,387).

12 Distributions

On 3 June 2019 the Sub-Fund declared a dividend of HK\$4.3 per unit, totaling HK\$19,434,881 (2018: HK\$8.304 per unit, totaling HK\$36,971,248), to the unitholders.

13 Soft commission arrangements

The Manager may enter into soft commission with some brokers, under which certain goods and services used to support investment decision making are obtained from third parties and are paid for by the brokers in consideration of transactions of the Sub-Fund directed to the brokers. These may include, for example, 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.

The Manager has not participated in any soft commission arrangements in respect of any transactions for the accounts of the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS

14 Financial instruments by category

Financial assets

Apart from financial assets at fair value through profit or loss as disclosed in the statement of financial position which are classified as at fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including dividend receivables, amounts due from brokers, other receivables and cash and cash equivalents, are categorised and carried at amortised cost.

Financial liabilities

All financial liabilities as disclosed in the statement of financial position, including amounts due to brokers and other payables, are categorised and carried at amortised cost.

15 Subsequent events

There were no significant events subsequent to the period end which require disclosure in the financial statements.

16 Approval of the financial statements

The financial statements were approved and authorised for issued by the Trustee and the Manager on 28 April 2020

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2019

	Holdings	Fair value HK\$	% of Net Assets
<u>LISTED EQUITY SECURITIES</u>			
<i>Hong Kong</i>			
AAC TECHNOLOGIES HLDGS INC	105,500	7,174,000	1.84%
AIA GROUP LTD	184,400	15,083,920	3.87%
CGN POWER CO LTD	2,570,000	5,345,600	1.36%
CHINA ANIMAL HEALTHCARE LTD	3,568,000	-	0.00%
CHINA CINDA ASSET MANAGEMENT CO LTD	7,884,000	13,954,680	3.57%
CHINA CITIC BANK CORP LTD-H	2,819,000	13,164,730	3.38%
CHINA COMMUNICATIONS CONSTRUCTION CO LTD-H	925,000	5,873,750	1.51%
CHINA CONSTRUCTION BANK CORP-H	3,873,000	26,065,290	6.69%
CHINA INTL CAPITAL CORP LTD	684,000	10,273,680	2.64%
CHINA LITERATURE LTD	280,800	9,126,000	2.34%
CHINA MERCHANTS BANK CO LTD-H	350,000	14,017,500	3.60%
CHINA OVERSEAS LAND & INVESTMENT LTD	216,000	6,555,600	1.68%
CHINA POWER INTL DEVELOPMENT LTD	7,530,000	12,575,100	3.23%
CHINA RESOURCES POWER HLDGS CO	1,156,000	12,646,640	3.25%
CHINA SHENHUA ENERGY CO LTD	544,500	8,864,460	2.28%
CIFI HLDGS GROUP CO LTD	1,588,000	10,464,920	2.69%
GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HLDGS CO LTD-H	150,000	3,990,000	1.02%
GUOTAI JUNAN INTL HLDGS LTD	3,267,000	4,508,460	1.16%
HAIDILAO INTL HLDG LTD	241,000	7,543,300	1.94%
HSBC HLDGS PLC	206,000	12,535,100	3.22%
LONKING HLDGS LTD	3,662,000	8,569,080	2.20%
MEITUAN DIANPING – CLASS B	103,600	10,556,840	2.71%
NEW CHINA LIFE INSURANCE CO LTD - H	174,700	5,852,450	1.50%
TENCENT HLDGS LTD	70,300	26,404,680	6.78%
YUEXIU PROPERTY CO LTD	7,650,000	13,770,000	3.54%
<i>United States of America</i>			
ALIBABA GROUP HLDG LTD – SPONSORED ADR	22,538	37,222,838	9.56%
		<hr/>	<hr/>
		320,138,618	77.56%

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2019 (Continued)

	Holdings	Fair value HK\$	% of Net Assets
<u>LISTED EXCHANGE-TRADED FUND</u>			
<i>Hong Kong</i>			
CHINAAMC CSI 300 INDEX ETF	323,800	15,024,320	3.86%
CSOP HONG KONG DOLLAR MONEY MARKET ETF	13,000	13,303,550	3.42%
CSOP FTSE CHINA A50 ETF-HKD	1,190,800	18,123,976	4.65%
		<u>46,451,846</u>	<u>11.93%</u>
Total investments, at fair value		<u>348,590,464</u>	<u>89.49%</u>
Total investments, at cost		<u>365,199,138</u>	

Note: Investments are accounted for on a trade date basis

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2019

	At 1 January 2019	Movement in holdings		At 31 December 2019
		Additions	Disposals	
<u>LISTED EQUITY SECURITIES</u>				
AAC TECHNOLOGIES HLDGS INC	-	224,500	(119,000)	105,500
AIA GROUP LTD	201,600	184,400	(201,600)	184,400
AIR CHINA LTD-H	-	884,000	(884,000)	-
ALIBABA GROUP HLDG LTD- SPONSORED ADR	29,296	9,802	(16,560)	22,538
ALIBABA PICTURES GROUP LTD	2,220,000	1,000,000	(3,220,000)	-
APPLE INC	-	11,955	(11,955)	-
BRILLIANCE CHINA AUTOMOTIVE HLDGS LTD	-	1,324,000	(1,324,000)	-
BYD ELECTRONIC (INTL) CO LTD	-	1,446,000	(1,446,000)	-
CGN POWER CO LTD-H	-	2,570,000	-	2,570,000
CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO LTD-H	-	93,000	(93,000)	-
CHINA ANIMAL HEALTHCARE LTD	3,568,000	-	-	3,568,000
CHINA CINDA ASSET MANAGEMENT CO LTD-H	-	7,884,000	-	7,884,000
CHINA CITIC BANK CORP LTD-H	-	2,819,000	-	2,819,000
CHINA COMMUNICATIONS CONSTRUCTION CO LTD-H	-	925,000	-	925,000
CHINA COMMUNICATIONS SERVICES CORP-H	-	872,000	(872,000)	-
CHINA CONSTRUCTION BANK CORP-H	3,002,000	871,000	-	3,873,000
CHINA EDUCATION GROUP HLDGS LTD	-	489,000	(489,000)	-
CHINA GALAXY SECURITIES CO LTD-H	-	1,483,000	(1,483,000)	-
CHINA INTL CAPITAL CORP LTD-H	-	684,000	-	684,000
CHINA LIFE INSURANCE CO LTD-H	-	400,000	(400,000)	-
CHINA LITERATURE LTD	-	468,000	(187,200)	280,800
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LTD	2,304,000	2,316,000	(4,620,000)	-
CHINA MENGNIU DAIRY CO LTD	353,000	-	(353,000)	-
CHINA MERCHANTS BANK CO LTD-H	706,000	499,000	(855,000)	350,000
CHINA MOBILE LTD	61,000	-	(61,000)	-
CHINA OVERSEAS LAND & INVESTMENT LTD	144,000	72,000	-	216,000
CHINA PETROLEUM & CHEMICAL CORP-H	452,000	2,788,000	(3,240,000)	-
CHINA POWER INTL DEVELOPMENT LTD	2,809,000	4,721,000	-	7,530,000
CHINA RESOURCES POWER HLDGS CO	-	1,156,000	-	1,156,000
CHINA SHENHUA ENERGY CO LTD-H	-	544,500	-	544,500

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2019 (Continued)

	At 1 January 2019	Movement in holdings		At 31 December 2019
		Additions	Disposals	
LISTED EQUITY SECURITIES				
CHINA SOUTHERN AIRLINES CO LTD-H	1,116,000	3,148,000	(4,264,000)	-
CHINA VANKE CO LTD-H	460,400	233,000	(693,400)	-
CIFI HLDGS GROUP CO LTD	-	1,588,000	-	1,588,000
CIMC ENRIC HLDGS LTD	-	152,000	(152,000)	-
CITIC SECURITIES CO LTD-H	204,000	491,000	(695,000)	-
CNOOC LTD	296,000	-	(296,000)	-
COUNTRY GARDEN SERVICES HLDGS CO LTD	563,000	646,000	(1,209,000)	-
GEELY AUTOMOBILE HLDGS LTD	-	307,000	(307,000)	-
GF SECURITIES CO LTD-H	-	611,200	(611,200)	-
GUANGZHOU AUTOMOBILE GROUP CO LTD-H	268,000	-	(268,000)	-
GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HLDGS CO LTD-H	40,000	270,000	(160,000)	150,000
GUANGZHOU R&F PROPERTIES CO LTD-H	-	234,400	(234,400)	-
GUOTAI JUNAN INTL HLDGS LTD	3,357,000	2,513,000	(2,603,000)	3,267,000
HAILILAO INTL HLDG LTD	-	311,000	(70,000)	241,000
HSBC HLDGS PLC	153,600	349,200	(296,800)	206,000
HUADIAN FUXIN ENERGY CORP LTD-H	-	160,000	(160,000)	-
HUANENG POWER INTL INC-H	940,000	960,000	(1,900,000)	-
HUATAI SECURITIES CO LTD-H	-	532,800	(532,800)	-
INDUSTRIAL & COMMERCIAL BK OF CHINA-H	-	3,600,000	(3,600,000)	-
JOYY INC-SOPNSORED ADR	-	10,475	(10,475)	-
LENOVO GROUP LTD	-	672,000	(672,000)	-
LONKING HLDGS LTD	-	3,662,000	-	3,662,000
MABPHARM LTD	-	1,956,000	(1,956,000)	-
MEITUAN DIANPING-CLASS B	-	175,600	(72,000)	103,600
MOMO INC-ADR	-	7,266	(7,266)	-
NEW CHINA LIFE INSURANCE CO LTD-H	109,100	320,700	(255,100)	174,700

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31 December 2019 (Continued)

	At 1 January 2019	Movement in holdings		At 31 December 2019
		Additions	Disposals	
<u>LISTED EQUITY SECURITIES</u>				
PING AN INSURANCE GROUP CO OF CHINA LTD-H SEMICONDUCTOR MANUFACTURING INTL CORP	208,000	85,500	(293,500)	-
SHANGHAI JIN JIANG CAPITAL CO LTD-H	-	2,462,000	(2,462,000)	-
SINO BIOPHARMACEUTICAL LTD	2,691,000	1,918,000	(4,609,000)	-
SKYWORTH GROUP LTD	-	3,886,000	(3,886,000)	-
SUNAC CHINA HLDGS LTD	-	131,000	(131,000)	-
SUNNY OPTICAL TECHNOLOGY GROUP CO LTD	136,600	46,300	(182,900)	-
TAL EDUCATION GROUP-ADR	32,737	29,627	(62,364)	-
TENCENT HLDGS LTD	104,000	10,500	(44,200)	70,300
TENCENT MUSIC ENTERTAINMENT GROUP-ADR	26	-	(26)	-
TRACKER FUND OF HONG KONG WH GROUP LTD	-	230,000	(230,000)	-
XIAOMI CORP-CLASS B SHARE	638,000	1,074,500	(1,712,500)	-
YUEXIU PROPERTY CO LTD	-	561,200	(561,200)	-
ZHUZHOU CRRR TIMES ELECTRIC CO LTD-H	-	7,650,000	-	7,650,000
	-	246,000	(246,000)	-
<u>LISTED EXCHANGE-TRADED FUND</u>				
CHINAAMC CSI 300 INDEX ETF	290,400	639,800	(606,400)	323,800
CSOP FTSE CHINA A50 ETF-HKD	953,200	1,476,600	(1,239,000)	1,190,800
CSOP HONG KONG DOLLAR MONEY MARKET ETF	-	13,000	-	13,000
ISHARES FTSE A50 CHINA INDEX ETF	-	519,700	(519,700)	-

TAIPING INVESTMENT FUND - TAIPING GREATER CHINA NEW MOMENTUM EQUITY FUND

PERFORMANCE TABLE (UNAUDITED)

As at 31 December 2019

Net Asset Value

Year	Total net asset value HK\$	Net asset value per Class A Units HK\$	Net asset value per Class B Units HK\$
As at 31 December 2019	389,512,984	-	83.22
As at 31 December 2018	350,644,184	-	74.00
As at 31 December 2017	416,999,862	-	93.66

Highest and lowest net asset value per unit

Financial year	Class A Units		Class B Units	
	Highest net asset value per unit HK\$	Lowest net asset value per unit HK\$	Highest net asset value per unit HK\$	Lowest net asset value per unit HK\$
Year ended 31 December 2019	-	-	88.21	71.49
Year ended 31 December 2018	-	-	105.50	72.60
Year ended 31 December 2017	-	-	100.32	82.81
Year ended 31 December 2016	-	-	89.51	77.52
Year ended 31 December 2015	-	-	127.22	88.24
Year ended 31 December 2014	98.64*	79.72*	104.85	99.44
Year ended 31 December 2013	94.51	75.25	-	-
Year ended 31 December 2012	101.47	82.20	-	-
Year ended 31 December 2011	119.38	80.23	-	-
Year ended 31 December 2010	122.57	95.59	-	-

*All Class A units have been converted to Class B units by unitholders by 24 December 2014.