

China Life Franklin Global Fund -  
Global Growth Fund

For the year ended 31 December 2023

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## Administration and management

### **Manager**

China Life Franklin Asset Management Co., Limited  
27/F, One Exchange Square,  
8 Connaught Place Central,  
Hong Kong

### **Directors of the Manager**

Liu Xiaodong  
Greg Eugene McGowan  
Chen Yingshun  
Wang Yijiang  
Li Guoan  
Vivatrat Jing Su  
Shang Gang  
Huang Xiumei

### **Legal adviser to the Manager**

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

### **Trustee, transfer agent and registrar**

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

### **Auditor**

KPMG  
8/F, Prince's Building  
10 Chater Road,  
Central  
Hong Kong

### **Custodian**

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

# Report of the Manager to the Unitholders

## Market review & outlook

2023 was another difficult year for China equity market with MSCI China index and Hang Seng Index falling 13.2% and 13.8%, respectively, making it the worst performing major equity market globally. After a short-lived reopening driven rebound in the beginning of the year, economic recovery momentum failed to meet expectations. Investor sentiment was hurt by property developers' defaults, local government financing problems, lackluster domestic consumption, and weak private-sector investment. In addition, as geopolitical tensions elevated, extreme investor pessimism resulted in continuous outflow from China equity markets.

2023 was another difficult year for China equity market with MSCI China index and Hang Seng Index falling 13.2% and 13.8%, respectively, making it the worst performing major equity market globally. After a short-lived reopening driven rebound in the beginning of the year, economic recovery momentum failed to meet expectations. Investor sentiment was hurt by property developers' defaults, local government financing problems, lackluster domestic consumption, and weak private-sector investment. In addition, as geopolitical tensions elevated, extreme investor pessimism resulted in continuous outflow from China equity markets.

Looking forward, we remain cautious in global equity market in 2024 given the uncertainties in policies and geopolitical tension. We anticipate the Chinese government to introduce more policies to promote private sector development and boost economic recovery as well as confidence from foreign investors, while the property sector remains one of the biggest overhangs in the country. We are optimistic on the long-term development around artificial intelligence, yet also be mindful of near-term volatilities due to the elevated valuation as well as expectations on the ramp up of monetization.

## GHG Emission

As of 31 December 2023, the portfolio carbon footprint of the Fund is 42.18 tCO<sub>2</sub> per million dollar invested. The calculation of carbon footprint covered 91.22% of assets in the portfolio in terms of market value. 8.78% of the assets are not covered in the calculation of carbon footprint.

**Methodology:** Scope 1 and Scope 2 GHG emissions from investments and debts are allocated to the reporting institution based on the proportional share of investment or debt against the enterprise value of the investee company. Enterprise value means the sum, at financial year end, of the market capitalisation of ordinary and preferred shares and the book value of total debt and non-controlling interests, without deducting cash or cash equivalents. The value is then divided by portfolio NAV to normalise the data.

**Limitation 1:** Scope 1 and Scope 2 GHG emissions data is obtained with the use of third-party data vendor, sourcing from publicly accessible data which includes but is not limited to annual reports and sustainability reports. When such data is not available, a proprietary estimation model is employed to provide a reasonable approximation of GHG emission data. There is no guarantee as to the accuracy of such estimation.

## Report of the Manager to the Unitholders (continued)

Limitation 2: Changes in the enterprise value of underlying companies may affect the portfolio carbon footprint without actual changes in Scope 1 and Scope 2 GHG emissions.

Limitation 3: Sovereign fixed income instruments, are not covered in the calculation due to the lack of standardized approach in calculating GHG emissions.

China Life Franklin Asset Management Co., Limited

## Report of the Trustee to the Unitholders

We hereby confirm that, in our opinion, the Manager, China Life Franklin Asset Management Co., Limited, has, in all material respects, managed China Life Franklin Global Fund - Global Growth Fund for the year ended 31 December 2023, in accordance with the provisions of the Trust Deed dated 5 October 2020, the First Supplemental Deed dated 9 November 2020 and the Second Supplemental Deed dated 22 June 2021.

On behalf of

BOCI-Prudential Trustee Limited, the Trustee

# Independent Auditor's Report to the Unitholders of China Life Franklin Global Fund - Global Growth Fund

*(a sub-fund of China Life Franklin Global Fund, an open-ended unit trust established under the laws of Hong Kong)*

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of Global Growth Fund (a sub-fund of China Life Franklin Global Fund (the "Trust") and referred to as the "Sub-Fund") set out on pages 9 to 35, which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year ended 31 December 2023 and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial disposition of the Sub-Fund as at 31 December 2023 and of its financial transactions and cash flows for the year ended 31 December 2023 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 ("HSAs") 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Statements and Auditor's Report Thereon

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises all 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 China Life Franklin Global Fund - Global Growth Fund (continued)

*(a sub-fund of China Life Franklin Global Fund, an open-ended unit trust established under the laws of Hong Kong)*

## **Responsibilities of the Manager and the Trustee of the Sub-Fund for the Financial Statements**

The Manager and the Trustee of the Sub-Fund are 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 Manager and the Trustee of the Sub-Fund determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee of the Sub-Fund are 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 Manager and the Trustee of the Sub-Fund either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 5 October 2020, as amended ("the Trust Deed"), and the relevant disclosure provisions of Appendix E to the Code on Unit Trusts and Mutual Funds ("the SFC Code") issued by the Hong Kong Securities and Futures Commission.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 provisions of the Trust Deed and the relevant disclosure provisions of Appendix E to the SFC Code.



# Independent Auditor's Report to the Unitholders of China Life Franklin Global Fund - Global Growth Fund (continued)

*(a sub-fund of China Life Franklin Global Fund, an open-ended unit trust established under the laws of Hong Kong)*

## **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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

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

We communicate with the Manager and the Trustee of the Sub-Fund 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.

**Independent Auditor's Report to the Unitholders of China Life Franklin Global Fund - Global Growth Fund (continued)**  
*(a sub-fund of China Life Franklin Global Fund, an open-ended unit trust established under the laws of Hong Kong)*

**Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E to the SFC Code**

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

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

## Statement of comprehensive income for the year ended 31 December 2023 (Expressed in USD)

	Note	2023 USD	2022 USD
<b>Income</b>			
Dividend income		267,841	275,953
Interest income		15,489	1,007
		<u>283,330</u>	<u>276,960</u>
<b>Expenses</b>			
Management fees	4,12	(89,418)	(93,365)
Transaction costs	4,12	(21,661)	(53,668)
Trustee fees	4,12	(29,919)	(29,920)
Custodian fees	4,12	(5,854)	(10,637)
Preliminary expenses		-	-
Audit fees		(14,013)	(12,735)
Other operating expenses		(2,597)	(3,943)
		<u>(163,462)</u>	<u>(204,268)</u>
Net gain/(loss) before investments and exchange differences		119,868	72,692
<b>Investment and exchange differences</b>			
Net loss on financial assets at fair value through profit or loss	5	313,523	(4,838,027)
Net foreign exchange differences		(8,985)	(78,602)
		<u>304,538</u>	<u>(4,916,629)</u>
Profit/(loss) before taxation		<u>424,406</u>	<u>(4,843,937)</u>
Withholding tax		(13,333)	(19,282)
Profit/(loss) and total comprehensive income for the year		<u>411,073</u>	<u>(4,863,219)</u>

The notes on pages 15 to 35 form part of these financial statements.

## Statement of financial position as at 31 December 2023 (Expressed in USD)

	Note	31 December 2023 USD	31 December 2022 USD
<b>Assets</b>			
Financial assets at fair value through profit or loss	5	11,498,155	10,705,495
Prepaid expenses and other receivables		11,766	1,426
Cash and cash equivalents	7	527,235	874,891
<b>Total assets</b>		<u>12,037,156</u>	<u>11,581,812</u>
<b>Liabilities</b>			
Management fee payable	4,12	51,547	7,139
Trustee fee payable	4,12	2,339	2,420
Other accounts payable and accrual		63,189	63,258
<b>Total liabilities</b>		<u>117,075</u>	<u>72,817</u>
<b>Net assets attributable to unitholders</b>			
Financial liabilities	9	<u>11,920,081</u>	<u>11,508,995</u>
<b>Number of units in issue, Class B (USD)</b>		-	-
<b>Number of units in issue, Class I (USD)</b>		1,539,000	1,539,000
<b>Number of units in issue, Class A (HKD)</b>		22	10
<b>Net asset value per unit, Class B (USD)</b>		-	-
<b>Net asset value per unit, Class I (USD)</b>		7.7453	7.4782
<b>Net asset value per unit, Class A (HKD)</b>		8.0444	7.7730

Approved by the Manager and the Trustee on .

China Life Franklin Asset Management  
Co., Limited

BOCI-Prudential Trustee Limited

The notes on pages 15 to 35 form part of these financial statements.

## Statement of changes in equity for the year ended 31 December 2023 (Expressed in USD)

	<i>For the year ended 31 December 2023</i>	
	<i>Number of units</i>	<i>USD</i>
At 1 January 2023	1,539,010	11,508,995
<b>Transaction with unitholders, recognised directly in equity</b>		
Subscription of units		
- Class B (USD)	-	-
- Class I (USD)	-	-
- Class A (HKD)	12	13
	<hr/>	<hr/>
	12	13
Redemption of units		
- Class B (USD)	-	-
- Class I (USD)	-	-
- Class A (HKD)	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>
	1,539,022	
<b>Profit and total comprehensive income for the year</b>		<hr/> 411,073
<b>Balance at the end of the year</b>		<hr/> <hr/> 11,920,081

Statement of changes in equity  
for the year ended 31 December 2023 (continued)  
(Expressed in USD)

	<i>For the year ended 31 December 2022</i>	
	<i>Number of units</i>	<i>USD</i>
At 1 January 2022	1,939,000	19,071,441
<b>Transaction with unitholders, recognised directly in equity</b>		
Subscription of units		
- Class B (USD)	-	-
- Class I (USD)	-	-
- Class A (HKD)	10	13
	<u>10</u>	<u>13</u>
Redemption of units		
- Class B (USD)	(400,000)	(2,699,240)
- Class I (USD)	-	-
- Class A (HKD)	-	-
	<u>(400,000)</u>	<u>(2,699,240)</u>
	<u>1,539,010</u>	<u>16,372,214</u>
<b>Loss and total comprehensive income for the year</b>		<u>(4,863,219)</u>
<b>Balance at the end of the year</b>		<u>11,508,995</u>

The notes on pages 15 to 35 form part of these financial statements.

## Statement of cash flow for the year ended 31 December 2023 (Expressed in USD)

	<i>Note</i>	<i>For the year ended 31 December 2023 USD</i>	<i>For the year ended 31 December 2022 USD</i>
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year/period		411,073	(4,863,219)
Adjustments for:			
Interest income		(15,489)	(1,007)
Dividend income, net of withholding tax		(254,508)	(256,671)
		<hr/>	<hr/>
<b>Operating loss before working capital changes</b>		141,076	(5,120,897)
Net change in unrealised gain/loss on financial assets at fair value through profit or loss	5	(876,123)	(303,678)
Net realised loss on financial assets at fair value through profit or loss	5	562,600	5,141,705
Purchase of financial assets at fair value through profit or loss		(8,403,861)	(19,217,309)
Proceeds from sale of financial assets at fair value through profit or loss		7,924,724	16,380,781
Decrease in other receivables		1,426	1,091
Increase in management fee payable		44,408	563
Decrease in trustee fee payable		(81)	(80)
Decrease in other accounts payable and accruals		(69)	(818)
		<hr/>	<hr/>
		(605,900)	(3,118,642)
Interest received		15,489	1,007
Dividends received		242,742	255,245
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>		<u>(347,669)</u>	<u>(2,862,390)</u>

**Statement of cash flow**  
**for the year ended 31 December 2023 (continued)**  
*(Expressed in USD)*

	<i>For the year ended 31 December 2023 USD</i>	<i>For the year ended 31 December 2022 USD</i>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	13	13
Payment on redemptions of redeemable participating shares	-	(2,699,240)
	<u>13</u>	<u>(2,699,227)</u>
<b>Net cash generated/(used in) from financing activities</b>	<u>13</u>	<u>(2,699,227)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(347,656)	(5,561,617)
<b>Cash and cash equivalents at beginning of the year</b>	<u>874,891</u>	<u>6,436,508</u>
<b>Cash and cash equivalents at end of year</b>	<u>527,235</u>	<u>874,891</u>

The notes on pages 15 to 35 form part of these financial statements.



# Notes to the financial statements

(Expressed in USD)

## 1 The Sub-Fund

China Life Franklin Global Fund (the “Trust”) was constituted as an open-ended unit trust established under the laws of Hong Kong pursuant to a trust deed dated 5 October 2020, as amended (the “Trust Deed”).

The Trust is an open-ended unit trust and is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the “SFC Code”). Authorisation by the SFC does not imply official approval or recommendation.

China Life Franklin Global Fund-Global Growth Fund (the “Sub-Fund”) commenced its operation on 20 September 2021. As at 31 December 2023, there were two other sub-funds established by the Trust, namely Select High Yield Bond Fund and Short Term Bond Fund. Each of the sub-funds is constituted as a separate sub-fund of the Trust. The sub-funds are authorized by the Hong Kong Securities and Futures Commission under Section 104(1) of the Securities and Futures Ordinance and are required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC.

The Manager of the Trust and the Sub-Fund are China Life Franklin Asset Management Co., Limited (the “Manager”) and the Trustee is BOCI-Prudential Trustee Limited (the “Trustee”). The Custodian is Bank of China (Hong Kong) Limited (the “Custodian”).

The investment objective of the Sub-Fund is to achieve long-term capital appreciation by discovering opportunities that are overlooked or under-appreciated. To achieve this objective, the Sub-Fund will focus on long-term investment opportunities while taking advantage of short-term market volatilities, with preference over companies with a leading market position and competitive advantages that offer steady growth. The Sub-Fund aims to maximize portfolio returns by picking high quality stocks via fundamental bottom up research while reducing downside risk with thorough valuation analysis.

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E to 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. These financial statements are presented in United States dollars (USD) and all values are rounded to the nearest dollar except where otherwise indicated.

## 2.2 Changes in accounting policies and disclosures

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Sub-Fund. None of these developments have had a material effect on how the Sub-Fund's result and financial position for the current or prior periods have been prepared or presented.

The Sub-Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 2.3).

## 2.3 Issued but not yet effective Hong Kong financial reporting standards

The Sub-Fund has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Sub-Fund.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The Sub-Fund is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

## 2.4 Summary of material accounting policies

### (a) *Financial instruments*

#### (i) Classification

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

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

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

#### Financial assets

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

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

#### Financial assets measured at amortised cost

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

## 2.4 Summary of material accounting policies (continued)

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

A financial asset is measured at FVPL if:

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

The Sub-Fund includes in this category equity instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

### Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. The Sub-Fund has no financial liabilities measured at FVPL as at 31 December 2022.

### Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at FVPL. The Sub-Fund includes in this category amount due to brokers, management fee payable, trustee fee payable, other accounts payable and accrual.

#### (ii) Recognition

The Sub-Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

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

#### (iii) Initial measurement

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

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

## 2.4 Summary of material accounting policies (continued)

### (iv) Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as at FVPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets at FVPL in the statement of comprehensive income. Interests and dividends earned or paid on these instruments are recorded separately in 'interest income' and 'dividend income' in the statement of comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

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

### (v) Derecognition

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

- the Sub-Fund has transferred substantially all the risks and rewards of the asset, or
- the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

## 2.4 Summary of material accounting policies (continued)

The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### (vi) Determination of fair value

The Sub-Fund measures its investments classified as financial assets at fair value through profit or loss at fair value at each reporting date.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Sub-Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted prices or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques, such as, recent arm's length market transactions, quotes from brokers and market makers, deemed to be appropriate in the circumstances.

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

Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

## 2.4 Summary of material accounting policies (continued)

### (vii) Impairment of financial assets

The Sub-Fund recognises an allowance for expected credit losses (“ECLs”) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Sub-Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

At each reporting date, the Sub-Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Sub-Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Sub-Fund considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Sub-Fund may also consider a financial asset to be in default when internal or external information indicates that the Sub-Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Sub-Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable and contract assets which apply the simplified approach.

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

## 2.4 Summary of material accounting policies (continued)

### (viii) Offsetting financial instruments

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

### (b) *Functional and presentation currency*

The Sub-Fund's functional currency is USD, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance is evaluated and its liquidity is managed in USD. Therefore, the USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Sub-Fund's presentation currency is also USD.

### (c) *Foreign currency transactions*

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

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

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss as part of the 'net gains or losses on financial assets at fair value through profit or loss'. Exchange differences on other financial instruments are included in profit or loss as 'net foreign exchange differences'.

### (d) *Redeemable units*

Redeemable units are classified as an equity instrument when:

- a) The redeemable units entitle the holder to a pro rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation.
- b) The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- c) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- d) The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Sub-Fund's net assets.
- e) The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund over the life of the instrument.



## 2.4 Summary of material accounting policies (continued)

In addition to the redeemable units having all of the above features, the Sub-Fund has no other financial instrument or contract that has:

- a) Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund
- b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders

The Sub-Fund has three classes of redeemable units in issue - "Class A (HKD)", "Class B (USD)" and "Class I (USD)". These are the most subordinate classes of financial instruments in the Sub-Fund and rank pari passu in all material respects and have different terms and conditions. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' unit in the Sub-Fund's net assets at each redeemable date, and also in the event of the Sub-Fund's liquidation. The redeemable units classified as financial liabilities and are measured at the present value of the redemption amount as at 31 December 2023 and 2022.

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

### (e) **Distributions to unitholders**

Distributions are at the discretion of the Sub-Fund. A dividend distribution to the Sub-Fund's unitholders is accounted for as a deduction from equity.

### (f) **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the statement of cash flow, cash at bank as defined above, net of outstanding bank overdrafts when applicable.

### (g) **Interest income**

Interest income is recognised in profit or loss for all interest-bearing financial instruments using the effective interest method.

### (h) **Net gains or losses on financial assets at fair value through profit or loss**

This item includes changes in the fair value of financial assets as 'at fair value through profit or loss' and excludes interest income.

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

## 2.4 Summary of material accounting policies (continued)

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount or cash payments.

### (i) Fees and commissions

Fees and commissions are recognised on an accrual basis.

### (j) Related parties

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

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

## 2.4 Summary of material accounting policies (continued)

### (k) Taxes

In some jurisdiction, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Sub-Fund presents the withholding tax separately from the gross investment income in the statement of comprehensive income. For the purpose of the statement of cash flow, cash inflows from investments are presented net of withholding taxes, when applicable.

### (l) Segment reporting

An operating segment is a component of the Sub-Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Sub-Fund's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Sub-Fund is identified as the Manager, China Life Franklin Asset Management Co., Limited.

## 3 Significant accounting judgments and estimates

The preparation of the Sub-Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

## 4 Fees

### Management fee

The Manager is entitled to a management fee from the Sub-Fund, at a rate of 1.5% which can be increased to 3% maximum per annum with respect to the net asset value of Class A units and at a rate of 0.75% which can be increased to 3% maximum per annum with respect to the net asset value of Class I units. No management fee is charged for Class B units. Management fees were calculated and accrued on a daily basis.

The management fee for the year ended 31 December 2023 was USD89,418 (for the year ended 31 December 2022: USD93,365) and USD51,547 (2022: USD7,139) was payable to the Manager as at 31 December 2023.

#### 4 Fees (continued)

##### Trustee fee

The Trustee is entitled to receive a trustee fee from the Sub-Fund, at a rate up to 0.5% per annum with respect to the net asset value of the Sub-Fund, subject to a monthly minimum fee of USD5,000. The fee was calculated and accrued on a daily basis.

The trustee fee for the year ended 31 December 2023 was USD29,919 (for the year ended 31 December 2022: USD29,920) and USD2,339 (2022: USD2,420) was payable to the Trustee as at 31 December 2023.

##### Custodian fee

The Custodian is entitled to receive custodian fee from the Sub-Fund, at a rate of 0.05% per annum with respect to the net asset value of the Sub-Fund which was calculated on a monthly basis. The Custodian is also entitled to reimbursement for any out-of-pocket expenses or third-party charges incurred in the course of its duties.

The custodian fee for the year ended 31 December 2023 was USD5,854 (for the year ended 31 December 2022: USD10,637) and USDnil (2022: USD nil) was payable to the Custodian as at 31 December 2023.

##### Transaction costs

	2023 USD	2022 USD
Brokerage commission	10,141	25,512
Stamp duty	9,610	24,971
Other transaction handling fees	1,910	3,185
	<u>21,661</u>	<u>53,668</u>

#### 5 Financial assets at fair value through profit or loss

	2023 USD	2022 USD
Financial assets at fair value through profit or loss		
- listed equity securities	10,895,267	10,338,030
- listed collective investment schemes	602,888	367,465
	<u>11,498,155</u>	<u>10,705,495</u>
Total financial assets at fair value through profit or loss	<u>11,498,155</u>	<u>10,705,495</u>

## 5 Financial assets at fair value through profit or loss (continued)

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

	2023 USD	2022 USD
Financial assets at fair value through profit or loss		
- realised losses	(562,600)	(5,141,705)
- change in unrealised gains/losses	876,123	303,678
	<hr/>	<hr/>
Total net gains/(losses) on financial assets at fair value through profit or loss	<u>313,523</u>	<u>(4,838,027)</u>

## 6 Income tax

No provision for Hong Kong profits tax has been made as the Sub-Fund is authorised as collective investment schemes under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

## 7 Cash and cash equivalents

The balances represent cash held with Bank of China (Hong Kong). The bank balances are interest-bearing.

## 8 Units in issue

As at 31 December 2023, the Sub-Fund has offered two classes of unit in issue. The units can be issued and redeemed on each valuation day, i.e. every business day of the calendar year. The holders of units may redeem the units on any valuation day by no later than the dealing deadline, i.e. no later than the 4:00 p.m. (Hong Kong time) of a business day of the calendar year. Redemption requests received after such time will be deemed to have been received on the next business day.

The calculation of net asset value per unit is based on the total net assets attributable to holders of redeemable units of each class and the number of redeemable units in issue of each class at the end of the reporting period.

The number of units in issue and the net asset value per unit as at the end of the year is stated in the statement of financial position.

### Capital management

The Sub-Fund's objectives for managing capital are to invest the capital in investments in order to achieve its investment objective while maintaining sufficient liquidity to meet the expenses of the Sub-Fund, and to meet redemption requests as they arise. The Trust and the Sub-Fund do not have any externally imposed capital requirements.

## 9 Reconciliation of net asset value

The following schedule shows the reconciliation between the NAV determined in accordance with the Private Placement Memorandum of the Trust and Supplement of the Sub-Fund and the NAV determined in accordance with HKFRS.

The Private Placement Memorandum of the Trust and Supplement of the Sub-Fund state that the preliminary expenses should be amortised in 5 years, while the HKFRS requires that preliminary expenses should be expensed immediately. As at 31 December 2023, the remaining amortisation period and amount is 2 years and USD 23,411 (2022: 3 years and USD35,102).

	2023 USD	2022 USD
Net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions	11,943,492	11,544,097
Adjustment to preliminary expenses	<u>(23,411)</u>	<u>(35,102)</u>
Net assets attributable to unitholders (per financial statements)	<u>11,920,081</u>	<u>11,508,995</u>

## 10 Financial risk and management objective and policies

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

### Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and indirectly observable variables such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation, etc., which may have significant impact on the value of the investments. Market movement may therefore result in substantial fluctuation in the net asset value of redeemable units of the Sub-Fund.

The maximum risk resulting from financial instruments equals their fair value.

The Sub-Fund assumes market risk in trading activities. The Sub-Fund distinguishes market risk as price risk and foreign exchange risk.

## 10 Financial risk and management objective and policies (continued)

### Price risk

The Sub-Fund's market price risk is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals. The table below summarises the sensitivity of the Sub-Fund's net assets value to equity price movements. For the year ended 31 December 2023, the analysis is based on the sensitivity of the Sub-Fund's investments to a reasonable possible increase of 10% as at 31 December 2023.

	<i>Carrying value of financial instruments at fair value through profit or loss USD</i>	<i>Percentage change %</i>	<i>Estimated possible change in net asset value USD</i>
		+/-	+/-
As at 31 December 2023			
Equity securities	10,895,267	10%	1,089,527
Collective investment schemes	602,888	10%	60,289

	<i>Carrying value of financial instruments at fair value through profit or loss USD</i>	<i>Percentage change %</i>	<i>Estimated possible change in net asset value USD</i>
		+/-	+/-
As at 31 December 2022			
Equity securities	10,338,030	10%	1,033,803
Collective investment schemes	367,465	10%	36,747

### Foreign exchange risk

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

Accordingly, the value of the Sub-Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore, the Sub-Fund will necessarily be subject to foreign currencies exchange risk.

## 10 Financial risk and management objective and policies (continued)

As at 31 December 2023, had the USD strengthened by 5% in relation to all other currencies, with all other variables held constant, the NAV would have increased by the amounts shown below.

	<i>Net exposure to respective currency USD</i>	<i>Percentage change %</i>	<i>Estimated possible change in net asset value USD</i>
		+/-	+/-
As at 31 December 2023			
Currency			
Chinese yuan renminbi	252,780	5%	12,639

	<i>Net exposure to respective currency USD</i>	<i>Percentage change %</i>	<i>Estimated possible change in net asset value USD</i>
		+/-	+/-
As at 31 December 2022			
Currency			
Chinese yuan renminbi	629,993	5%	31,500

As HKD is pegged to the Sub-Fund's functional currency, the Sub-Fund has insignificant immediate exposure to currency risk in respect of the HKD. As such, HKD is not presented here as the Sub-Fund considers the possible movements on exchange rates between the USD and the HKD are limited and the effects to the operations of the Sub-Fund are minimal.

### Liquidity risk

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in meeting obligations arising from its financial liabilities.

The Sub-Fund's financial assets at fair value through profit or loss are considered to be readily realisable as they are listed on recognised exchanges, or actively traded in public market.

The Sub-Fund's other liabilities are short-term in nature.

The table below shows the remaining contractual maturities of the Sub-Fund's financial liabilities, based on undiscounted cash flows at the reporting date.

<i>As at 31 December 2023</i>	<i>On demand USD</i>	<i>Within 3 months USD</i>	<i>3 months to 1 year USD</i>	<i>More than 1 year USD</i>	<i>Total USD</i>
Management fee payable	-	51,547	-	-	51,547
Trustee fee payable	-	2,339	-	-	2,339
Other payables	-	63,189	-	-	63,189
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	-	117,075	-	-	117,075
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## 10 Financial risk and management objective and policies (continued)

<i>As at 31 December 2022</i>	<i>On demand USD</i>	<i>Within 3 months USD</i>	<i>3 months to 1 year USD</i>	<i>More than 1 year USD</i>	<i>Total USD</i>
Management fee payable	-	7,139	-	-	7,139
Trustee fee payable	-	2,420	-	-	2,420
Other payables	-	63,258	-	-	63,258
Total financial liabilities	-	72,817	-	-	72,817

### Credit and counterparty risk

The Sub-Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

The Sub-Fund's financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank balances and investments held with the Custodian. The exposures and credit rating from Standard & Poor's ("S&P") are summarised below:

As at 31 December 2023

<i>Custodian</i>	<i>Credit rating</i>
Bank of China (Hong Kong)	A+

As at 31 December 2022

<i>Custodian</i>	<i>Credit rating</i>
Bank of China (Hong Kong)	A+

## 11 Fair value information

The Sub-Fund's financial instruments are measured at fair value on the date of the statement of financial position. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates.

### Valuation of financial instruments

The Sub-Fund's accounting policy on fair value measurements is detailed in accounting policy in note 2.4(a)(vi).

## 11 Fair value information (continued)

The Sub-Fund measures fair values using the three levels of fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

The Sub-Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and whose unobservable inputs have a significant effect on the instrument's valuation.

Fair values of listed equity securities and listed collective investment schemes that are traded in active market are based on quoted prices.

The fair value measurement of all of the financial assets at fair value through profit or loss held by the Sub-Fund as at 31 December 2023 and 31 December 2022 was categorised into Level 1 in the fair value hierarchy.

There was no transfer between different levels of the fair value hierarchy during the year/period ended 31 December 2023 and 31 December 2022.

For all other financial assets and liabilities, the carrying value is an approximation of fair value.

## 12 Transactions with the Trustee and Manager and their connected persons

Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year 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 the Manager's knowledge, the Sub-Fund does not have any other transactions with connected persons except for what is disclosed in Note 4 to the financial statements and below.

## 12 Transactions with the Trustee and Manager and their connected persons (continued)

### Manager

Details of management fees charged by the Manager during the year and outstanding at the reporting date are disclosed in note 4.

### Trustee fee and transaction cost

Details of Trustee fees charged by the Trustee during the year and outstanding at the reporting date are disclosed in note 4.

The Trustee receives a transaction fee up to USD25 per subscription, redemption and transfer transaction and a securities transaction fee up to USD25 per transaction. Total transaction fee charged by the Trustee for subscription, redemption and transfer transaction during the year was USD50 (2022: USD50) and total transaction fee charged by the Trustee for securities transaction during the year was USD1,885 (2022: USD3,135).

### Transactions with Custodian

The Sub-Fund's bank balance and investments were held by the Custodian, Bank of China (Hong Kong) Limited ("BOCHK"). During the year, no brokerage service was provided by the custodian.

At 31 December 2023, bank balance with BOCHK was USD527,235 (2022: USD874,891), the interest revenue on the bank balance was USD1,729 (2022: USD1,007) and the bank charge was USD229 (2022: USD175).

Details of custodian fee charged by the BOCHK during the year and outstanding at the reporting date are disclosed in note 4.

### Holding in the Sub-Fund

As of 31 December 2023, China Life Insurance (Overseas) Company Limited, a fellow subsidiary of the Manager, holds 1,539,000 Class I (USD) units of the Sub-Fund.

The following table summarises the movement of the relevant holding during the year, 2023 and 2022

	<i>Units outstanding at 1 January 2023</i>	<i>Units subscribed during the year</i>	<i>Units redeemed during the year</i>	<i>Units outstanding at 31 December 2023</i>
Class I (USD)				
China Life Insurance (Overseas) Company Limited	1,539,000	-	-	1,539,000

## 12 Transactions with the Trustee and Manager and their connected persons (continued)

	<i>Units outstanding at 1 January 2022</i>	<i>Units subscribed during the year</i>	<i>Units redeemed during the year</i>	<i>Units outstanding at 31 December 2022</i>
Class I (USD)				
China Life Insurance (Overseas) Company Limited	1,539,000	-	-	1,539,000
Class B (USD)				
China Life Franklin Asset Management	400,000	-	(400,000)	-

## 13 Soft commission arrangements

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

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

Neither the Manager nor any of its connected persons has entered into any soft commission arrangements with brokers or dealers in respect of the transactions for the account of the Sub-Fund during the current and prior year.

## 14 Distribution to unitholders

There was no declared distribution for the year ended 31 December 2023 and 31 December 2022.

The Manager has discretion as to whether or not to make any distribution, the frequency of distribution and the amount of distribution. The Manager currently intends not to make any distribution for the Sub-Fund. It is the current intention of the Manager that income earned by the Sub-Fund will be reinvested in the Sub-Fund and reflected in the increased value of units.

## **15 Segment information**

The Manager makes strategic resource allocation on behalf of the Sub-Fund and determines operating segments based on internal reports reviewed which are used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the Sub-Fund's performance is evaluated on an overall basis. Accordingly, the Manager considers that the Sub-Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the prospectus of the Sub-Fund. There were no changes in the operating segment during the period.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of financial position.

## **16 Subsequent events**

The Managers have evaluated the effect of all subsequent events occurring till the date the financial statements were available to be issued and has determined that there were no subsequent events requiring adjustment to or disclosure in the financial statements.

## Statement of movements in portfolio holdings for the year ended 31 December 2023 (Unaudited) (Expressed in USD)

	At 1 January 2023		Bonus/ Dividends		At 31 December 2023
<b>Listed/Quoted Debt Securities</b>					
<b>Equity Securities</b>					
<b>CHINA</b>					
KWEICHOW MOUTAI CO LTD-A	1,000	-	-	-	1,000
<b>HONG KONG</b>					
AIA GROUP LTD	50,000	-	-	-	50,000
ALIBABA GROUP HLDG LTD	30,000	10,000	-	20,000	20,000
ANTA SPORTS PRODUCTS LTD	15,000	10,000	-	15,000	10,000
BAIDU INC	-	18,000	-	-	18,000
BYD CO LTD-H	-	6,000	-	-	6,000
CHINA MENGNIU DAIRY CO LTD	40,000	-	-	40,000	-
CHINA MOBILE LTD	60,000	30,000	-	-	90,000
CHINA TELECOM CORP LTD-H	1,200,000	-	-	-	1,200,000
CNOOC LTD	-	140,000	-	-	140,000
COUNTRY GARDEN SERVICES HLDGS CO LTD	100,000	-	-	100,000	-
H WORLD GROUP LTD	70,000	-	-	10,000	60,000
HKT TRUST AND HKT LTD	500,000	-	-	-	500,000
JD.COM INC	5,000	-	-	5,000	-
LI NING CO LTD	20,000	-	-	20,000	-
LONGFOR GROUP HLDGS LTD	80,000	-	-	80,000	-
MEITUAN-CLASS B	20,000	30,000	-	50,000	-
NETEASE INC	-	20,000	-	-	20,000
NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC	-	70,000	-	-	70,000
PETROCHINA CO LTD	-	320,000	-	-	320,000
SHENZHOU INTL GROUP HLDGS LTD	40,000	10,000	-	-	50,000
SUN HUNG KAI PROPERTIES LTD	10,000	5,000	-	15,000	-
TECHTRONIC INDUSTRIES CO LTD	15,000	-	-	15,000	-
TENCENT HLDGS LTD	5,000	15,000	-	-	20,000

Statement of movements in portfolio holdings  
for the year ended 31 December 2023 (Unaudited)  
(continued)  
(Expressed in USD)

	At 1 January 2023	Additions	Bonus/ Dividends	Disposals	At 31 December 2023
TONGCHENG TRAVEL HLDGS LTD	120,400	-	-	120,400	-
TOPSPORTS INTL HLDGS LTD	300,000	-	-	300,000	-
TRIP.COM GROUP LTD	10,000	-	-	2,000	8,000
WHARF REAL ESTATE INVESTMENT CO LTD	-	35,000	-	35,000	-
WUXI BIOLOGICS CAYMAN INC	25,000	-	-	25,000	-
<b>UNITED STATES</b>					
ADVANCED MICRO DEVICES INC	-	3,200	-	500	2,700
ALPHABET INC-CL A	-	3,600	-	1,000	2,600
AMAZON.COM INC	4,500	-	-	3,000	1,500
APPLE INC	2,200	400	-	1,300	1,300
ASML HLDG NV-NY REG	500	-	-	200	300
BOOKING HLDGS INC	150	-	-	150	-
COSTCO WHOLESALE CORP	400	-	-	400	-
MASTERCARD INC-A	1,300	-	-	800	500
META PLATFORMS INC- CL A	-	600	-	-	600
MICROSOFT CORP	1,500	700	-	1,300	900
MSCI INC	400	-	-	100	300
NVIDIA CORP	1,800	-	-	1,350	450
PAYPAL HLDGS INC	2,000	-	-	2,000	-
SERVICENOW INC	500	-	-	500	-
SYNOPSYS INC	-	700	-	100	600
UBER TECHNOLOGIES INC	-	6,000	-	-	6,000
VISA INC - A	2,000	-	-	1,200	800
<b>Debt Security</b>					
<b>Macau</b>					
INDUSTRIAL & COMMERCIAL BANK OF CHINA MACAU LTD 5.16% 21JUN2023 FXCD	-	1,000,000	-	1,000,000	-

Statement of movements in portfolio holdings  
 for the year ended 31 December 2023 (Unaudited)  
 (continued)  
 (Expressed in USD)

	<i>At</i> <i>1 January</i> <i>2023</i>	<i>Additions</i>	<i>Bonus/ Dividends</i>	<i>Disposals</i>	<i>At</i> <i>31 December</i> <i>2023</i>
<b>Collective Investment Schemes</b>					
<b>HONG KONG</b>					
LINK REAL ESTATE INVESTMENT TRUST	50,000	10,000	-	60,000	-
<b>Depository receipts</b>					
<b>TAIWAN</b>					
TAIWAN SEMICONDUCTOR MANUFACTURING CO-ADR	4,000	300	-	1,800	2,500
<b>UNITED STATES</b>					
PDD HOLDINGS INC	-	3,000	-	-	3,000
TENCENT MUSIC ENTERTAINMENT GROU	-	25,000	-	-	25,000



## Investment portfolio as at 31 December 2023 (Unaudited) (Expressed in USD)

Securities name	Number of shares /Nominals	Fair value as of 31 December 2023 USD	% of Net asset value
<b>Listed/Quoted investments</b>			
<b>Equity Securities</b>			
<b>CHINA</b>			
KWEICHOW MOUTAI CO LTD-A	1,000	242,330	2.03%
		<u>242,330</u>	<u>2.03%</u>
<b>HONG KONG</b>			
AIA Group Ltd	50,000	435,588	3.65%
Alibaba Group Holding Ltd	20,000	193,566	1.62%
ANTA Sports Products Ltd	10,000	96,975	0.81%
Baidu Inc	18,000	267,536	2.25%
BYD Co Ltd	6,000	164,685	1.38%
China Mobile Ltd	90,000	746,613	6.26%
China Telecom Corp Ltd	1,200,000	574,554	4.82%
CNOOC Ltd	140,000	232,996	1.96%
H World Group Ltd	60,000	201,632	1.69%
NetEase Inc	20,000	359,992	3.02%
New Oriental Education & Technology Group Inc	70,000	495,117	4.15%
PetroChina Co Ltd	320,000	211,387	1.77%
Shenzhou International Group Holdings Ltd	50,000	514,640	4.32%
Tencent Holdings Ltd	15,000	563,800	4.73%
Trip.com Group Ltd	8,000	284,307	2.39%
		<u>5,343,388</u>	<u>44.82%</u>

Investment portfolio as at 31 December 2023 (Unaudited)  
(continued)  
(Expressed in USD)

Securities name	Number of shares /Nominals	Fair value as of 31 December 2023 USD	% of Net asset value
<b>Listed/Quoted investments</b>			
<b>Equity Securities</b>			
<b>UNITED STATES</b>			
ADVANCED MICRO DEVICES INC	2,700	398,007	3.34%
ALPHABET INC	2,600	363,194	3.05%
AMAZON.COM INC	1,500	227,910	1.91%
APPLE INC	1,300	250,289	2.10%
ASML HOLDING NV	300	227,076	1.91%
BROADCOM INC	250	279,063	2.34%
MASTERCARD INC	500	213,255	1.79%
META PLATFORMS INC	600	212,376	1.78%
MICROSOFT CORP	900	338,436	2.84%
MSCI INC	300	169,695	1.42%
NVIDIA CORP	450	222,849	1.87%
SYNOPSYS INC	600	308,946	2.59%
UBER TECHNOLOGIES INC	6,000	369,420	3.10%
VISA INC	800	208,280	1.75%
		<u>3,788,796</u>	<u>31.79%</u>
<b>Depository receipts</b>			
<b>TAIWAN</b>			
TAIWAN SEMICONDUCTOR MANUFACTURING CO-ADR	2,500	<u>260,000</u>	<u>2.18%</u>
	2,500	<u>260,000</u>	<u>2.18%</u>
<b>UNITED STATES</b>			
PDD HOLDINGS INC	3,000	438,930	3.68%
TENCENT MUSIC ENTERTAINMENT GROUP	25,000	<u>225,250</u>	<u>1.89%</u>
		<u>664,180</u>	<u>5.57%</u>

Investment portfolio as at 31 December 2023 (Unaudited)  
(continued)  
(Expressed in USD)

	<i>Number of shares /Nominals</i>	<i>Fair value as of 31 December 2023 USD</i>	<i>% of Net asset value</i>
<b>Total listed/quoted investments</b>		<u>10,298,694</u>	<u>86.39%</u>
<b>Unlisted/Quoted investments</b>			
<b>Investment Fund</b>			
<b>HONG KONG</b>			
HKT Trust and HKT Ltd	500,000	<u>596,573</u>	<u>5.01%</u>
		<u>596,573</u>	<u>5.01%</u>
<b>Collective Investment Schemes</b>			
<b>IRELAND</b>			
BlackRock ICS US Dollar Liq Core Acc USD	602,888	<u>602,888</u>	<u>5.06%</u>
		<u>602,888</u>	<u>5.06%</u>
<b>Total financial assets at fair value through profit and loss</b>		11,498,155	96.46%
<b>Other net assets</b>		<u>421,926</u>	<u>3.54%</u>
<b>Net assets as at 31 December 2023</b>		<u><u>11,920,081</u></u>	<u><u>100.00%</u></u>
<b>Total cost of investments</b>		<u><u>10,470,373</u></u>	

## Performance record (Unaudited)

### Net asset value attributable to unitholders (dealing net asset value)

	<i>Net asset value per unit</i>		<i>Total net asset value</i>	
		USD		USD
As at 31 December 2023				
- Class B (USD)		-		-
- Class I (USD)	USD	7.7605		11,943,469
- Class A (HKD)	HKD	8.0016		23
As at 31 December 2022				
- Class B (USD)		-		-
- Class I (USD)	USD	7.5010		11,544,087
- Class A (HKD)	HKD	7.7967		10
As at 31 December 2021				
- Class B (USD)	USD	9.6615		3,864,605
- Class I (USD)	USD	9.9113		15,253,583

### Highest issue price and lowest redemption price per unit

	<i>Highest issue price per unit</i>		<i>Lowest redemption price per unit</i>	
For the year ended 31 December 2023				
- Class B (USD)		-		-
- Class I (USD)	USD	8.4889	USD	7.1862
- Class A (HKD)	HKD	8.7702	HKD	7.4203
For the year ended 31 December 2022				
- Class B (USD)	USD	9.6414	USD	6.7481
- Class I (USD)	USD	9.8901	USD	6.4899
- Class A (HKD)	HKD	10.0755	HKD	6.7268
For the period from 20 September 2021 (commencement date) to 31 December 2022				
- Class B (USD)	USD	10,1466	USD	9.5130
- Class I (USD)	USD	10.0000	USD	9.7612