China Life Franklin OFC

(A Fund of an open-ended fund company
established under the laws of Hong Kong)

For the period ended 31 December 2025

Contents **Page(s)**

Administration and management

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Report of the Custodian to the unitholders of China Life Franklin OFC (the "Company")

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 OFC For the period ended 31 December 2025, in accordance with the provisions of the Instrument of Incorporation, as amended and restated, during the period ended 31 December 2025.

On behalf of

CMB Wing Lung (Trustee) Limited, the Custodian

Independent Auditor’s Report to the Unitholders of China Life Franklin OFC (the “Company”)

(an open-ended fund company established under the laws of Hong Kong)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of China Life Franklin Open-ended Fund Company and its sub-fund (the “Company and its Sub-Fund”) set out on pages 7 to 34, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of changes in equity/Statement of changes in net assets attributable to unitholders and the statement of cash flow for the period ended 31 December 2025 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 Company and its Sub-Fund as at 31 December 2025 and of its financial transactions and cash flows for the period ended 31 December 2025 in accordance with HKFRS Accounting Standards as 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”) as 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 Company and its 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 Directors of the Company and the Manager 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.

Responsibilities of Directors and Manager and Those Charged with Governance for the Financial Statements

The Directors of the Company and the Manager of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the Manager and the Directors 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 Directors of the Company and the Manager of the Sub-Fund are responsible for assessing the Company’s and its 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 Directors and the Manager either intend to liquidate the Company and its Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Directors of the Company and the Manager of the Sub-fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Company’s and its Sub-fund’s instrument of incorporation dated 29 April 2020, Part 7 of the Securities and Futures (Open-ended Fund Companies) Rules (“OFC Rules”), Appendix E of the Code on Unit Trusts and Mutual Funds (“UT Code”) and Chapter 9 of the Code on Open-Ended Fund Companies (“OFC 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 HKSAs 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 Company and its Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company’s and its Sub-fund’s instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

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

As part of an audit in accordance with HKSAs, 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 Company's and Its 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 Directors.

- Conclude on the appropriateness of the Manager's and the Directors' 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 Company's and its 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 Company and its 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 those charged with governance 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 provisions of the Company's and its Sub-fund' instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company's and its Sub-fund' instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Ko, Sze Man (practicing certificate number: P06288).

Certified Public Accountants

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

Statement of comprehensive income for the period ended 31 December 2025
(Expressed in USD)

	Note	China Life Franklin OFC 08 January 2025 (date of incorporation) to 31 December 2025 USD	China Life Franklin USD Money Market Fund 12 March 2025 (date of incorporation) to 31 December 2025 USD
Income			
Interest income on financial assets at FVTPL		-	901,181
Interest income on bank deposits	12	-	2,449,918
		-	3,351,099
Expenses			
Management fees	12	-	(21,914)
Administration fees	12	-	(54,086)
Preliminary expenses	12	-	(70,694)
Custodian fee	12	-	(6,514)
Transaction costs	4, 12	-	(3,142)
Audit fees		-	(12,900)
Bank charge	12	-	(5,449)
Other operating expenses			(8,067)
		-	(182,766)
Net gain before investments and exchange differences		-	3,168,333
Investment and exchange differences			
Net gain on financial assets and liabilities at fair value through profit or loss	5	-	2,160,375
Net foreign exchange differences		-	(191)
		-	2,160,184
Profit and total comprehensive income for the period		-	5,328,517

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of financial position at 31 December 2025
(Expressed in USD)

	Note	*China Life Franklin OFC [1]* 2025 USD	*China Life Franklin USD Money Market Fund [2]* 2025 USD
Assets			
Financial assets at fair value through profit or loss	5, 10, 11	-	54,789,638
Interest receivable		-	1,340,032
Subscription receivable		-	3,094,439
Prepayment and other receivable		-	17,242
Time deposits with original maturity dates more than three months	10	-	86,199,576
Cash and cash equivalents	7, 10, 12	-	83,112,460
Total assets		-	225,458,948
Liabilities			
Management fee payable	12	-	21,914
Audit fee payable		-	12,900
Administration fee payable	12	-	25,721
Other accounts payable and accruals		-	59,393
Total liabilities		-	119,928
Net assets attributable to unitholders	9	-	225,339,020
Equity		-	225,339,020

[1] The date of incorporation for China Life Franklin OFC was 08 January 2025.
[2] The date of incorporation for China Life Franklin OFC was 12 March January 2025.

Statement of financial position at 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC* (1) *2025* USD	*China Life Franklin USD Money Market Fund* (2) *2025* USD
Number of units in issue			Units
- Class A (USD)		-	40,957
- Class B (USD)		-	1,786,236
- Class C (USD)		-	11,918
- Class I (USD)		-	270,556
- Class P (USD)		-	69,387
Net asset value per unit		USD	USD
- Class A (USD)		-	102.6864
- Class B (USD)		-	103.5421
- Class C (USD)		-	102.6892
- Class I (USD)		-	102.8550
- Class P (USD)		-	102.7707

Approved by the Directors on

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China Life Franklin Asset Management Co., Limited

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of changes in equity/Statement of changes in net assets attributable to unitholders for the period ended 31 December 2025

(Expressed in USD)

	China Life Franklin USD Money Market Fund		*China Life Franklin USD Money Market Fund*	
	Period from 08 January 2025 (date of incorporation) to 31 December 2025		*Period from 12 March 2025 (date of incorporation) to 31 December 2025*	
	Number of units	USD	*Number of units*	USD
As at the beginning of the period	-	-	-	-
Transaction with unitholders, recognised directly in equity	-	-		
Subscription of units				
- Class A (USD)	-	-	48,239	4,939,850
- Class B (USD)	-	-	1,786,236	180,517,740
- Class C (USD)	-	-	14,134	1,448,164
- Class I (USD)	-	-	634,136	64,540,146
- Class P (USD)	-	-	565,901	57,000,200
			3,048,646	308,446,100
Redemption of units				
- Class A (USD)	-	-	(7,282)	(746,963)
- Class B (USD)	-	-	-	-
- Class C (USD)	-	-	(2,216)	(227,185)
- Class I (USD)	-	-	(363,580)	(37,186,957)
- Class P (USD)	-	-	(496,514)	(50,274,492)
	-	-	(869,592)	(88,435,597)
	-	-	2,179,054	220,010,503
	-		2,179,054	
Increase in net assets attributable to unitholders for the period		-		5,328,517
As at 31 December 2025		-		225,339,020

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of cash flow for the period ended 31 December 2025

(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January 2025 (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from operating activities			
Profit for the period		-	5,328,517
Adjustments for:			
Interest income		-	(3,351,099)
Net realised gain on financial assets and financial liabilities at fair value through profit or loss	5	-	(2,160,375)
Purchase of financial assets and financial liabilities at fair value through profit or loss		-	(239,763,943)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss		-	187,134,680
Increase in time deposits with original maturity dates more than three months		-	(86,199,576)
Increase in prepayment and other receivables		-	(17,242)
Increase in management fee payable		-	21,914
Increase in audit fee payable		-	12,900
Increase in administration fee payable		-	25,721
Increase in other accounts payable and accruals		-	59,393
		-	(138,909,110)
Interest received		-	2,011,067
Net cash used in operating activities		-	(136,898,043)

Statement of cash flow for the period ended 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from financing activities			
Proceeds from subscription of units		-	308,446,100
Payment on redemptions of units		-	(88,435,597)
Net cash flows generated from financing activities		-	220,010,503
Net increase in cash and cash equivalents		-	83,112,460
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of period	7	-	83,112,460
Analysis of cash and cash equivalents			
Cash at bank		-	30,740,992
Short-term deposits with original maturity within three months		-	52,371,468
Total cash and cash equivalents on statement of assets and liabilities	7	-	83,112,460

The notes on pages 13 to 34 form an integral part of these financial statements.

Notes to the financial statements

(Expressed in USD)

1 The Company

China Life Franklin OFC (the “Company”) is a public umbrella open-ended fund company with variable capital and limited liability regulated under the Hong Kong Securities and Futures Ordinance (“SFO”). The Company was incorporated pursuant to an Instrument of Incorporation filed to the Companies Registry of Hong Kong on and effective as of 8 January 2025, as amended and restated (the “Instrument”) with registration number 77567752.

As at 31 December 2025, the Company has one sub-fund. The sub-fund was launched on the date set out below:

Name of Sub-fund	Launch date
China Life Franklin USD Money Market Fund	12 March 2025

The investment objective of China Life Franklin USD Money Market Fund is to achieve a return in USD in line with prevailing money market rate. The Sub-Fund may invest in USD-denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations.

The Sub-Fund is constituted as a separate sub-fund of the Company. The Sub-Fund is authorized by the Hong Kong Securities and Futures Commission under Section 104(1) of SFC. It is governed by the relevant provisions of the Code on Open Ended Fund Companies (the “OFC Code”) and the Code on Unit Trusts and Mutual Funds (the “UT Code”) issued by the SFC.

China Life Franklin Asset Management Co., Limited (the “Manager”) is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO.

The Company has appointed the Manager to manage the assets of the Company and its Sub-Fund (i.e. to carry out investment management functions) and to provide asset valuation and pricing functions in respect of the Company and its Sub-fund, pursuant to the Management Agreement.

The Company has appointed CMB Wing Lung (Trustee) Limited (the “Custodian”), as the custodian for its Sub-Fund. The Custodian carries on business as a trust company registered under section 78(1) of the Trustee Ordinance.

The Custodian shall act as custodian of the assets of the Company and its Sub-fund in respect of which it has been so appointed, pursuant to the Custody Agreement. The Custodian is responsible for the safekeeping of all the investments, cash and other assets forming part of the assets of the Sub- Fund, and such assets will be dealt with pursuant to the terms in the Custody Agreement. The Custodian shall act honestly, fairly and professionally and exercise due skill, care and diligence reasonably expected of a professional custodian to ensure the safekeeping of the relevant sub-fund’s property entrusted to it.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the relevant disclosure provisions of the OFC Code and the UT Code issued by the SFC. Material accounting policies adopted by the Company and its Sub-fund are disclosed below.

The financial statements have been prepared under the historical cost basis, except for financial assets and financial liabilities 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 Issued but not yet effective Hong Kong financial reporting standards

The Company and its Sub-Fund have not early applied any of the new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the period ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Company and its Sub-Fund are in the process of making an assessment of what the impact of these amendments and interpretations 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.

2.3 Material accounting policies

(a) Financial instruments

(i) Classification

In accordance with HKFRS 9, the Company and its Sub-Fund classify 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).

<u>Financial assets</u>

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

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

<u>Financial assets measured at amortised cost</u>

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 Company and its Sub-Fund include in this category short-term non-financing receivables including cash and cash equivalents, prepayment and other receivables, amounts due from brokers and interest receivable.

<u>Financial assets measured at fair value through profit or loss ("FVPL")</u>

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

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(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 Company and its Sub-Fund include in this category equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

<u>Financial liabilities measured at FVPL</u>

A financial liability is measured at FVPL if it meets the definition of held for trading. The Company and its Sub-Fund include in this category derivative contracts in a liability position sold short since they are classified as held for trading.

<u>Financial liabilities measured at amortised cost</u>

This category includes all financial liabilities, other than those measured at FVPL. The Company and its Sub-Fund include in this category management fee payable, trustee fee payable, other accounts payable and accrual.

(ii) Recognition

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund commit 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.

(iv) Subsequent measurement

After initial measurement, the Company and its Sub-Fund measure 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.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(iv) Subsequent measurement (continued)

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 Company and its Sub-Fund estimate cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

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

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

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

The Company and its Sub-Fund derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vi) Determination of fair value

The Company and its Sub-Fund measure 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 Company and its 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 Company and its Sub-Fund determine whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vii) Impairment of financial assets

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund expect 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 Company and its Sub-Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company and its Sub-Fund compare 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 Company and its Sub-Fund consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company and its Sub-Fund may also consider a financial asset to be in default when internal or external information indicates that the Company and its Sub-Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company and its 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

2.3 Material accounting policies (continued)

(a) Financial instruments (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 Company's and its Sub-Fund's functional currency is USD, which is the currency of the primary economic environment in which it operates. The Company's and its 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 Company's and its 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 Company's and its Sub-Fund's net assets in the event of the Company's and its 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 Company's and its Sub-Fund's net assets.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

(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 Company and its Sub-Fund over the life of the instrument.

In addition to the redeemable units having all of the above features, the Company and its 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 Company and its Sub-Fund

(b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders

The Company and its Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instrument if it meets the following conditions:

- it entitles the holder to a pro rata share of the Sub-Fund’s net assets in the event of the Sub-Fund’s liquidation;

- it is in the class of instruments that is subordinate to all other classes of instruments;

- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and

- the total expected cash flows attributable to the instrument over its life are based substantially on 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.

The Sub-Fund has five classes of redeemable units: Class A (USD), Class B (USD), Class C (USD), Class I (USD) and Class P (USD) in issue.

All redeemable units issued by the Sub-fund provide the investors with the right to require redemption for cash at a value proportionate to the investor’s share in the corresponding Sub-Fund’s net assets at each daily redemption date and also in the event of the corresponding Sub-Fund’s liquidation.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

The Sub-Fund has created multiple classes of redeemable units, which rank pari passu in all material respects but have different terms and conditions as set out in the Explanatory Memorandum, which include different minimum investment amounts, minimum realisation amount and minimum holding amount. 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 redemption date but also in the event of the Sub-Fund's liquidation. The redeemable units of the Sub-Fund are classified as financial liabilities and are measured at the present value of the redemption amounts as at 31 December 2025.

(e) Distributions to unitholders

Distributions are at the discretion of the Company and its Sub-Fund. A dividend distribution to the Sub-Fund's unitholders is accounted for as financial cost. No distribution was proposed or paid out during the current period.

(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.

(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 period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the 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.

2.3 Material accounting policies (continued)

(j) Establishment Costs

The establishment costs of the Company and its Sub-Fund consist of costs incurred to establish the Company and its Sub-Fund and enable them legally to do business. The establishment costs are recognised as an expense in the year in which they are incurred.

(k) 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 Company and its Sub-Fund;
- (ii) has significant influence over the Company and its Sub-Fund; or
- (iii) is a member of the key management personnel of the Company and its Sub-Fund or of a parent of the Company and its Sub-Fund; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Company and its Sub-Fund are members of the same Company and its 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) both the entity 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 Company and its Sub-Fund or an entity related to the Company and its 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 group of which it is a part, provides key management personnel services to the Company and its Sub-Fund.

(l) Taxes

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

2.3 Material accounting policies (continued)

(m) Segment reporting

An operating segment is a component of the Company and its 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 Company's and its 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 Company and its Sub-Fund is identified as the Manager, China Life Franklin Asset Management Co., Limited.

3 Material accounting judgments and estimates

The preparation of the Company's and its 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 Transaction costs

	Period from 12 March 2025 (date of incorporation) to 31 December 2025 USD
Transaction costs	3,142

5 Financial assets and financial liabilities at fair value through profit or loss

	31 December 2025 USD
Financial assets at fair value through profit or loss	
- Certificate of deposits	54,789,638

Net gain on financial assets and liabilities at fair value through profit or loss.

	31 December 2025 USD
Held for trading	
- realised gains	2,160,375
Total net gains on financial assets and liabilities at fair value through profit or loss	2,160,375

6 Income tax

No provision for Hong Kong profits tax has been made as the Company and its Sub-Fund are exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Certain interest income received by the Company and its Sub-Fund may be subject to withholding tax in the country of origination.

7 Cash and cash equivalents

The balances represent cash held with Industrial and Commercial Bank of China (Asia), CMB Wing Lung Bank, and China Construction Bank (Hong Kong) and the time deposits. The bank balances are interest-bearing.

	31 December 2025 USD
Cash at bank	30,740,992
Bank deposits with original maturity dates within three months	52,371,468
Cash and cash equivalents	83,112,460

8 Units in issue

As at 31 December 2025, the Sub-Fund has offered five 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 unit may redeem the units on any valuation day by no later than the dealing deadline, i.e. no later than the 11:00 a.m. (Hong Kong time) of the 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 period 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 Company 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 and Supplement of the Sub-Fund and the NAV determined in accordance with HKFRS Accounting Standards.

The Private Placement Memorandum and Supplement of the Sub-Fund state that the preliminary expenses should be amortised in 5 years, while the HKFRS Accounting Standards requires that preliminary expenses should be expensed immediately. As at 31 December 2025, the remaining amortisation period is within 4 years and the unamortised amount is USD60,513.

	31 December 2025 USD
Net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions	225,399,533
Adjustment to preliminary expenses	(60,513)
Net assets attributable to unitholders (per financial statements)	225,339,020

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 interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk arises from changes in interest rates which may inversely affect the value of debt instruments and therefore result in potential gain or loss to the Sub-fund. The Sub-fund' interest rate risk is managed on a regular basis by the Manager.

The following tables illustrates the interest rate risk exposure of the Sub-fund. It includes the Sub-fund' interest rate sensitivity gaps and the year in which the interest bearing assets and liabilities reprice (the earlier of contractual re-pricing or maturity) as at period end.

As at 31 December 2025

	Up to 1 year USD	1 - 5 year USD	Over 5 years USD	Non-interest bearing USD	Total USD
Assets					
Financial assets at fair value through profit or loss	20,000,000	-	-	34,789,638	54,789,638
Interest receivable	-	-	-	1,340,032	1,340,032
Prepayment and other receivable	-	-	-	17,242	17,242
Time deposit	86,199,576	-	-	-	86,199,576
Cash and cash equivalents	52,371,468	-	-	30,740,992	83,112,460
	158,571,044	-	-	66,887,904	225,458,948
Liabilities					
Administration fee payable	-	-	-	25,721	25,721
Management fee payable	-	-	-	22,085	22,085
Audit fee payable	-	-	-	12,900	12,900
Other accounts payable and accruals	-	-	-	59,222	59,222
	-	-	-	119,928	119,928
Total interest sensitivity gap	158,571,044	-	-		

10 Financial risk and management objective and policies (continued)

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the period to a reasonably possible change in interest rates, with all other variables held constant.

	Change in basis points	*Sensitivity of change in fair value of investments and net assets* USD
As at 31 December 2025		
- Certificate of deposits	75	41,785

The Sub-Fund also has interest-bearing bank deposits which the interest rates movement will not have significant cash flow impact on the net asset value and therefore no sensitivity analysis on bank deposit is presented.

Foreign exchange risk

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

The Sub-Fund holds assets and liabilities mainly denominated in HKD and United States dollars ("USD") while USD is the functional currency of the Sub-Fund. 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 may not be able to generate sufficient cash and resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Sub-Fund.

The Sub-Fund is exposed to liquidity risk through its investments, including listed or unlisted quoted bonds and derivatives. The Sub-Fund restricts its concentration risk by its investment restriction policy as per its Explanatory Memorandum.

The Sub-fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long-term.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Analysis of debt securities at fair value through profit or loss into maturity groups is based on the expected date on which these assets will be realised. For other assets, the analysis into

10 Financial risk and management objective and policies (continued)

maturity groups 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.

All of the Sub-Fund's non-derivative financial liabilities are repayable within one year.

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 invests in a diversified portfolio of debt securities issued by issuers with wide range of credit ratings. If the issuer of any of the debt securities in which the Sub-Fund invested defaults, the performance of the Sub-Fund will be adversely affected. The credit ratings are reviewed regularly by the Manager.

The Sub-Fund is exposed to credit risk on debt securities. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates.

<u>As at 31 December 2025</u>

Custodian and broker	*Credit rating*
CMB Wing Lung Bank	A-
China Construction Bank (Hong Kong)	A
Industrial and Commercial Bank of China (Asia)	A

<u>Financial assets at FVPL</u>	USD
AA-	10,000,000
A	34,789,638
A-	10,000,000
	54,789,638

Cash and cash equivalent and Time Deposits	USD
A+	20,844,993
A	18,160,711
A-	3,215,999
BBB+	40,941,431
BBB	56,778,902
BBB-	29,370,000
	169,312,036

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).

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 futures contract that are traded in active market are based on quoted prices.

For debt securities, the Sub-Fund measures instruments quoted in the market at last closing price, because this price provides a reasonable approximate of the exit price. In other cases, the fair value is estimated using the market comparison/discounted cash flow techniques. This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

The fair value measurement of all of the financial assets and financial liabilities at fair value through profit or loss held by the Sub-Fund as at 31 December 2025 is as follow:

31 December 2025	*Level 1* USD	*Level 2* USD	*Level 3* USD	*Total* USD
Financial assets at fair value through profit or loss				
Certificate of deposits	-	54,789,638	-	54,789,638
Total financial assets at fair value through profit or loss	-	54,789,638	-	54,789,638

11 Fair value information (continued)

There was no transfer between different levels of the fair value hierarchy during the period ended 31 December 2025.

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

12 Transactions with the Custodian and Manager and key connected persons

The following is a summary of significant related party transactions or transactions entered into during the period between the Company and its Sub-fund, the Manager, the Custodian and the Administrator, and their Connected Persons. Connected Persons are those defined in the UT Code issues by the SFC.

All transactions during the period between the Company and its Sub-fund, the Manager and the Custodian, and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Manager, the Company and its Sub-Fund did not have any other transactions with Connected Persons except for those disclosed below. The relevant receivables and payables are unsecured, interest free and repayable on demand.

<u>Management fee</u>

The Manager is entitled to a management fee from the Sub-Fund, at a rate of 0.35% per annum with respect to the net asset value of Class A units, 0.60% per annum with respect to the net asset value of Class C units, 0.05% per annum with respect to the net asset value of Class I units, and 0.15% per annum with respect to the net asset value of Class P units, which can be increased to a maximum rate of 1.5% per annum. No management fee is charged for Class B units. Management fees were calculated and accrued on a daily basis.

The management fee for the period ended 31 December 2025 was USD21,914 and US21,914 was payable to the Manager as at 31 December 2025.

<u>Transactions with Custodian and Administrator (CMB Wing Lung (Trustee) Limited)</u>

The Sub-Fund's bank balance and investments were held by the Custodian, CMB Wing Lung (Trustee) Limited.

At 31 December 2025, bank balance with CMB Wing Lung (Trustee) Limited was amounting to USD3,215,999, the bank charge was USD5,449 and interest income was USD3,414.

The Custodian is entitled to receive custodian fee from the Sub-Fund, at a rate of 0.01% 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.

There custodian fee for the period ended 31 December 2025 was USD6,514 and USD nil was payable to the Custodian as at 31 December 2025.

12 Transactions with the Custodian and Manager and key connected persons (continued)

The Administrator is entitled to receive administration fee from the Sub-Fund, at a rate up to 0.04% per annum with respect to the net asset value of the Sub-Fund, subject to a monthly minimum fee of USD2,500. The fee was calculated and accrued on a daily basis.

The administration fee for the period ended 31 December 2025 was USD54,086 and USD25,721 was payable to the Administrator as at 31 December 2025.

Trustee fee and transaction fee

Total transaction fee charged by the Custodian for subscription, redemption and transfer transaction during the period was USD502 and total transaction fee charged by the Custodian for securities transaction during the period was USD2,640.

Holding in the Sub-Fund

As of 31 December 2025, China Life Franklin Asset Management Co., Limited, the Manager, holds 95,939 Class B (USD) of the Sub-Fund, and China Life Trustees Limited, a related party of the Manager, holds 1,690,297 Class B (USD) units of the Sub-Fund.

The following table summarises the movement of the relevant holding during the period from 12 March 2025 (date of incorporation) to 31 December 2025:

2025

	Units outstanding at 12 March 2025	*Units subscribed during the period*	*Units redeemed during the period*	*Units outstanding at 31 December 2025*
Class B (USD)				
China Life Trustees Limited	-	1,690,297	-	1,690,297
China Life Franklin Asset Management Co., Limited	-	95,939	-	95,939

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 period.

14 Distribution to unitholders

There was no declared distribution for the period from 12 March 2025 (date of incorporation) to 31 December 2025.

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 Fund’s performance is evaluated on an overall basis. Accordingly, the Manager considers that the 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 Explanatory Memorandum 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 Bank loans, overdrafts and other borrowings

The Sub-fund had no bank loans, overdrafts or other borrowings as at 31 December 2025.

17 Security lending arrangements

During the period ended 31 December 2025, the Sub-fund did not enter into any security lending arrangements.

18 Negotiability of assets

As at 31 December 2025, there were no statutory or contractual requirements restricting the negotiability of the assets of the Sub-fund.

19 Commitments

As at 31 December 2025, the Sub-fund had no commitments.

20 Contingent liabilities and capital commitment

As at 31 December 2025, the Sub-fund had no contingent liabilities or capital commitment outstanding.

21 Events after the reporting period

There were no other material events after the reporting date, which necessitate revision of the figures or disclosures included in these financial statements.

Statement of movements in portfolio holdings for the period ended 31 December 2025 (Unaudited)

(Expressed in USD)

	Movement			
	At 12 March 2025	*Additions*	*Disposals*	*At 31 December 2025*
Bonds				
Government bonds				
UNITED STATES				
B 0% 03042025	-	200,000	(200,000)	-
B 0% 27032025	-	270,000	(270,000)	-
Money Market Instruments				
Certificate of deposit				
CHINA				
BCHINA 4.35% 01122025	-	10,000,000	(10,000,000)	-
BOHAIB 4.49% 18112025	-	10,000,000	(10,000,000)	-
ICBCAS 4% 09102025	-	2,400,000	(2,400,000)	-
INDIA				
SBIIN 0% 18082025	-	60,000,000	(60,000,000)	-
SBIIN 0% 18092025	-	25,000,000	(25,000,000)	-
SBIIN 4.39% 17122025	-	15,000,000	(15,000,000)	-
ITALY				
ISPIM 4.15% 29012026	-	10,000,000	-	10,000,000
ISPIM 4.3% 15012026	-	10,000,000	-	10,000,000
MACAO				
TAIFNG 0% 18112025	-	19,600,000	(19,600,000)	-
SINGAPORE				
NCBKSG 0% 18052026	-	20,000,000	(15,000,000)	5,000,000
NCBKSG 4.63% 29082025	-	10,000,000	(10,000,000)	-
TAIWAN				
ESUNBK 0% 23022026	-	15,000,000	-	15,000,000
FUBON 0% 16092025	-	10,000,000	(10,000,000)	-
HUANAN 0% 27012026	-	15,000,000	-	15,000,000
MEGA 0% 18112025	-	10,000,000	(10,000,000)	-

Investment portfolio as at 31 December 2025 (Unaudited)
(Expressed in USD)

SECURITIES NAME	*Number of shares/Nominals*	*Fair Value as of 31 December 2025* USD	*% of Net Asset Value* %
Money Market Instruments			
Certificate of deposit			
ITALY			
ISPIM 4.15% 29012026	10,000,000	10,000,000	4.44
ISPIM 4.3% 15012026	10,000,000	10,000,000	4.44
SINGAPORE			
NCBKSG 0% 18052026	5,000,000	4,924,541	2.19
TAIWAN			
ESUNBK 0% 23022026	15,000,000	14,909,584	6.62
HUANAN 0% 27012026	15,000,000	14,955,513	6.64
		54,789,638	24.33
Total financial assets and liabilities at fair value through profit and loss		54,789,638	24.33
Other net assets		170,549,382	75.67
Net assets as at 31 December 2025		225,339,020	100.00
Total investment, at cost		54,593,607	

	Fair Value as of 31 December 2025 USD	*% of Net Asset Value* %
Daily liquid asset	84,720,471	38.11%
Weekly liquid asset	104,594,547	47.05%

The weighted average maturity and the weighted average life of the portfolio of the Sub-Fund are 33 days and 33 days respectively.

Performance record (Unaudited)

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

	Net asset value per unit USD	*Total net asset value* USD
As at 31 December 2025		
- Class A (USD)	102.7140	4,206,828
- Class B (USD)	103.5699	185,000,267
- Class C (USD)	102.7168	1,224,140
- Class I (USD)	102.8826	27,835,498
- Class P (USD)	102.7983	7,132,859

Highest issue price and lowest redemption price per unit

	Highest issue price per unit USD	*Lowest redemption price per unit* USD
For the period from 12 March 2025 (date of incorporation) to 31 December 2025		
- Class A (USD)	103.0928	101.8202
- Class B (USD)	103.3330	N/A
- Class C (USD)	102.5926	101.7602
- Class I (USD)	102.8826	100.6177
- Class P (USD)	100.9350	100.5772

China Life Franklin OFC

(A Fund of an open-ended fund company established under the laws of Hong Kong)

For the period ended 31 December 2025

Contents **Page(s)**

Administration and management

Manager

China Life Franklin Asset Management Co., Limited
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Yu Yong
Gregory Eugene McGowan
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Registrar

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Auditor

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10 Chater Road,
Central
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Custodian

CMB Wing Lung (Trustee) Limited
6/F, CMB Wing Lung Bank Building1
45 Des Voeux Road Central
Hong Kong

Report of the Custodian to the unitholders of China Life Franklin OFC (the "Company")

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 OFC For the period ended 31 December 2025, in accordance with the provisions of the Instrument of Incorporation, as amended and restated, during the period ended 31 December 2025.

On behalf of

CMB Wing Lung (Trustee) Limited, the Custodian

Independent Auditor's Report to the Unitholders of China Life Franklin OFC (the "Company")

(an open-ended fund company established under the laws of Hong Kong)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of China Life Franklin Open-ended Fund Company and its sub-fund (the "Company and its Sub-Fund") set out on pages 7 to 34, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of changes in equity/Statement of changes in net assets attributable to unitholders and the statement of cash flow for the period ended 31 December 2025 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 Company and its Sub-Fund as at 31 December 2025 and of its financial transactions and cash flows for the period ended 31 December 2025 in accordance with HKFRS Accounting Standards as 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") as 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 Company and its 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 Directors of the Company and the Manager 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.

Responsibilities of Directors and Manager and Those Charged with Governance for the Financial Statements

The Directors of the Company and the Manager of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the Manager and the Directors 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 Directors of the Company and the Manager of the Sub-Fund are responsible for assessing the Company's and its 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 Directors and the Manager either intend to liquidate the Company and its Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Directors of the Company and the Manager of the Sub-fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Company's and its Sub-fund's instrument of incorporation dated 29 April 2020, Part 7 of the Securities and Futures (Open-ended Fund Companies) Rules ("OFC Rules"), Appendix E of the Code on Unit Trusts and Mutual Funds ("UT Code") and Chapter 9 of the Code on Open-Ended Fund Companies ("OFC 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 HKSAs 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 Company and its Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company's and its Sub-fund's instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAs, 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 Company’s and Its 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 Directors.

- Conclude on the appropriateness of the Manager’s and the Directors’ 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 Company’s and its 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 Company and its 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 those charged with governance 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 OFC (the “Company”) (continued)

(a sub-fund of China Life Franklin OFC, an open-ended fund company established under the laws of Hong Kong)

Report on matters under the relevant provisions of the Company’s and its Sub-fund’ instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company’s and its Sub-fund’ instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

The engagement partner on the audit resulting in this independent auditor’s report is Ko, Sze Man (practicing certificate number: P06288).

Certified Public Accountants

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

Statement of comprehensive income for the period ended 31 December 2025

(Expressed in USD)

	Note	China Life Franklin OFC 08 January 2025 (date of incorporation) to 31 December 2025 USD	China Life Franklin USD Money Market Fund 12 March 2025 (date of incorporation) to 31 December 2025 USD
Income			
Interest income on financial assets at FVTPL		-	901,181
Interest income on bank deposits	12	-	2,449,918
		-	3,351,099
Expenses			
Management fees	12	-	(21,914)
Administration fees	12	-	(54,086)
Preliminary expenses	12	-	(70,694)
Custodian fee	12	-	(6,514)
Transaction costs	4, 12	-	(3,142)
Audit fees		-	(12,900)
Bank charge	12	-	(5,449)
Other operating expenses			(8,067)
		-	(182,766)
Net gain before investments and exchange differences		-	3,168,333
Investment and exchange differences			
Net gain on financial assets and liabilities at fair value through profit or loss	5	-	2,160,375
Net foreign exchange differences		-	(191)
		-	2,160,184
Profit and total comprehensive income for the period		-	5,328,517

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of financial position at 31 December 2025
(Expressed in USD)

	Note	*China Life Franklin OFC [1]* *2025* USD	*China Life Franklin USD Money Market Fund [2]* *2025* USD
Assets			
Financial assets at fair value through profit or loss	5, 10, 11	-	54,789,638
Interest receivable		-	1,340,032
Subscription receivable		-	3,094,439
Prepayment and other receivable		-	17,242
Time deposits with original maturity dates more than three months	10	-	86,199,576
Cash and cash equivalents	7, 10, 12	-	83,112,460
Total assets		-	225,458,948
Liabilities			
Management fee payable	12	-	21,914
Audit fee payable		-	12,900
Administration fee payable	12	-	25,721
Other accounts payable and accruals		-	59,393
Total liabilities		-	119,928
Net assets attributable to unitholders	9	-	225,339,020
Equity		-	225,339,020

[1] The date of incorporation for China Life Franklin OFC was 08 January 2025.
[2] The date of incorporation for China Life Franklin OFC was 12 March January 2025.

Statement of financial position at 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC (1)* *2025* USD	*China Life Franklin USD Money Market Fund (2)* *2025* USD
Number of units in issue			Units
- Class A (USD)		-	40,957
- Class B (USD)		-	1,786,236
- Class C (USD)		-	11,918
- Class I (USD)		-	270,556
- Class P (USD)		-	69,387
Net asset value per unit		USD	USD
- Class A (USD)		-	102.6864
- Class B (USD)		-	103.5421
- Class C (USD)		-	102.6892
- Class I (USD)		-	102.8550
- Class P (USD)		-	102.7707

Approved by the Directors on

China Life Franklin Asset Management Co., Limited

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of changes in equity/Statement of changes in net assets attributable to unitholders for the period ended 31 December 2025

(Expressed in USD)

	China Life Franklin USD Money Market Fund		China Life Franklin USD Money Market Fund	
	Period from 08 January 2025 (date of incorporation) to 31 December 2025		Period from 12 March 2025 (date of incorporation) to 31 December 2025	
	Number of units	USD	Number of units	USD
As at the beginning of the period	-	-	-	-
Transaction with unitholders, recognised directly in equity	-	-		
Subscription of units				
- Class A (USD)	-	-	48,239	4,939,850
- Class B (USD)	-	-	1,786,236	180,517,740
- Class C (USD)	-	-	14,134	1,448,164
- Class I (USD)	-	-	634,136	64,540,146
- Class P (USD)	-	-	565,901	57,000,200
			3,048,646	308,446,100
Redemption of units				
- Class A (USD)	-	-	(7,282)	(746,963)
- Class B (USD)	-	-	-	-
- Class C (USD)	-	-	(2,216)	(227,185)
- Class I (USD)	-	-	(363,580)	(37,186,957)
- Class P (USD)	-	-	(496,514)	(50,274,492)
	-	-	(869,592)	(88,435,597)
	-	-	2,179,054	220,010,503
	-		2,179,054	
Increase in net assets attributable to unitholders for the period		-		5,328,517
As at 31 December 2025		-		225,339,020

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of cash flow
for the period ended 31 December 2025
(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January 2025 (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from operating activities			
Profit for the period		-	5,328,517
Adjustments for:			
Interest income		-	(3,351,099)
Net realised gain on financial assets and financial liabilities at fair value through profit or loss	5	-	(2,160,375)
Purchase of financial assets and financial liabilities at fair value through profit or loss		-	(239,763,943)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss		-	187,134,680
Increase in time deposits with original maturity dates more than three months		-	(86,199,576)
Increase in prepayment and other receivables		-	(17,242)
Increase in management fee payable		-	21,914
Increase in audit fee payable		-	12,900
Increase in administration fee payable		-	25,721
Increase in other accounts payable and accruals		-	59,393
		-	(138,909,110)
Interest received		-	2,011,067
Net cash used in operating activities		-	(136,898,043)

Statement of cash flow for the period ended 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from financing activities			
Proceeds from subscription of units		-	308,446,100
Payment on redemptions of units		-	(88,435,597)
Net cash flows generated from financing activities		-	220,010,503
Net increase in cash and cash equivalents		-	83,112,460
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of period	7	-	83,112,460
Analysis of cash and cash equivalents			
Cash at bank		-	30,740,992
Short-term deposits with original maturity within three months		-	52,371,468
Total cash and cash equivalents on statement of assets and liabilities	7	-	83,112,460

The notes on pages 13 to 34 form an integral part of these financial statements.

Notes to the financial statements

(Expressed in USD)

1 The Company

China Life Franklin OFC (the "Company") is a public umbrella open-ended fund company with variable capital and limited liability regulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Company was incorporated pursuant to an Instrument of Incorporation filed to the Companies Registry of Hong Kong on and effective as of 8 January 2025, as amended and restated (the "Instrument") with registration number 77567752.

As at 31 December 2025, the Company has one sub-fund. The sub-fund was launched on the date set out below:

Name of Sub-fund	Launch date
China Life Franklin USD Money Market Fund	12 March 2025

The investment objective of China Life Franklin USD Money Market Fund is to achieve a return in USD in line with prevailing money market rate. The Sub-Fund may invest in USD-denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations.

The Sub-Fund is constituted as a separate sub-fund of the Company. The Sub-Fund is authorized by the Hong Kong Securities and Futures Commission under Section 104(1) of SFC. It is governed by the relevant provisions of the Code on Open Ended Fund Companies (the "OFC Code") and the Code on Unit Trusts and Mutual Funds (the "UT Code") issued by the SFC.

China Life Franklin Asset Management Co., Limited (the "Manager") is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO.

The Company has appointed the Manager to manage the assets of the Company and its Sub-Fund (i.e. to carry out investment management functions) and to provide asset valuation and pricing functions in respect of the Company and its Sub-fund, pursuant to the Management Agreement.

The Company has appointed CMB Wing Lung (Trustee) Limited (the "Custodian"), as the custodian for its Sub-Fund. The Custodian carries on business as a trust company registered under section 78(1) of the Trustee Ordinance.

The Custodian shall act as custodian of the assets of the Company and its Sub-fund in respect of which it has been so appointed, pursuant to the Custody Agreement. The Custodian is responsible for the safekeeping of all the investments, cash and other assets forming part of the assets of the Sub- Fund, and such assets will be dealt with pursuant to the terms in the Custody Agreement. The Custodian shall act honestly, fairly and professionally and exercise due skill, care and diligence reasonably expected of a professional custodian to ensure the safekeeping of the relevant sub-fund's property entrusted to it.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the relevant disclosure provisions of the OFC Code and the UT Code issued by the SFC. Material accounting policies adopted by the Company and its Sub-fund are disclosed below.

The financial statements have been prepared under the historical cost basis, except for financial assets and financial liabilities 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 Issued but not yet effective Hong Kong financial reporting standards

The Company and its Sub-Fund have not early applied any of the new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the period ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Company and its Sub-Fund are in the process of making an assessment of what the impact of these amendments and interpretations 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.

2.3 Material accounting policies

(a) Financial instruments

(i) Classification

In accordance with HKFRS 9, the Company and its Sub-Fund classify 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).

<u>Financial assets</u>

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

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

<u>Financial assets measured at amortised cost</u>

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 Company and its Sub-Fund include in this category short-term non-financing receivables including cash and cash equivalents, prepayment and other receivables, amounts due from brokers and interest receivable.

<u>Financial assets measured at fair value through profit or loss ("FVPL")</u>

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

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(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 Company and its Sub-Fund include in this category equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

<u>Financial liabilities measured at FVPL</u>

A financial liability is measured at FVPL if it meets the definition of held for trading. The Company and its Sub-Fund include in this category derivative contracts in a liability position sold short since they are classified as held for trading.

<u>Financial liabilities measured at amortised cost</u>

This category includes all financial liabilities, other than those measured at FVPL. The Company and its Sub-Fund include in this category management fee payable, trustee fee payable, other accounts payable and accrual.

(ii) Recognition

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund commit 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.

(iv) Subsequent measurement

After initial measurement, the Company and its Sub-Fund measure 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.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(iv) Subsequent measurement (continued)

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 Company and its Sub-Fund estimate cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

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

- the Company and its Sub-Fund have transferred substantially all the risks and rewards of the asset, or

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

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

The Company and its Sub-Fund derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vi) Determination of fair value

The Company and its Sub-Fund measure 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 Company and its 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 Company and its Sub-Fund determine whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vii) Impairment of financial assets

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund expect 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 Company and its Sub-Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company and its Sub-Fund compare 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 Company and its Sub-Fund consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company and its Sub-Fund may also consider a financial asset to be in default when internal or external information indicates that the Company and its Sub-Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company and its 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

2.3 Material accounting policies (continued)

(a) Financial instruments (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 Company's and its Sub-Fund's functional currency is USD, which is the currency of the primary economic environment in which it operates. The Company's and its 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 Company's and its 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 Company's and its Sub-Fund's net assets in the event of the Company's and its 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 Company's and its Sub-Fund's net assets.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

(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 Company and its Sub-Fund over the life of the instrument.

In addition to the redeemable units having all of the above features, the Company and its 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 Company and its Sub-Fund

(b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders

The Company and its Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instrument if it meets the following conditions:

- it entitles the holder to a pro rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation;

- it is in the class of instruments that is subordinate to all other classes of instruments;

- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and

- the total expected cash flows attributable to the instrument over its life are based substantially on 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.

The Sub-Fund has five classes of redeemable units: Class A (USD), Class B (USD), Class C (USD), Class I (USD) and Class P (USD) in issue.

All redeemable units issued by the Sub-fund provide the investors with the right to require redemption for cash at a value proportionate to the investor's share in the corresponding Sub-Fund's net assets at each daily redemption date and also in the event of the corresponding Sub-Fund's liquidation.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

The Sub-Fund has created multiple classes of redeemable units, which rank pari passu in all material respects but have different terms and conditions as set out in the Explanatory Memorandum, which include different minimum investment amounts, minimum realisation amount and minimum holding amount. 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 redemption date but also in the event of the Sub-Fund's liquidation. The redeemable units of the Sub-Fund are classified as financial liabilities and are measured at the present value of the redemption amounts as at 31 December 2025.

(e) Distributions to unitholders

Distributions are at the discretion of the Company and its Sub-Fund. A dividend distribution to the Sub-Fund's unitholders is accounted for as financial cost. No distribution was proposed or paid out during the current period.

(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.

(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 period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the 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.

2.3 Material accounting policies (continued)

(j) Establishment Costs

The establishment costs of the Company and its Sub-Fund consist of costs incurred to establish the Company and its Sub-Fund and enable them legally to do business. The establishment costs are recognised as an expense in the year in which they are incurred.

(k) 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 Company and its Sub-Fund;
- (ii) has significant influence over the Company and its Sub-Fund; or
- (iii) is a member of the key management personnel of the Company and its Sub-Fund or of a parent of the Company and its Sub-Fund; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Company and its Sub-Fund are members of the same Company and its 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) both the entity 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 Company and its Sub-Fund or an entity related to the Company and its 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 group of which it is a part, provides key management personnel services to the Company and its Sub-Fund.

(l) Taxes

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

2.3 Material accounting policies (continued)

(m) Segment reporting

An operating segment is a component of the Company and its 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 Company's and its 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 Company and its Sub-Fund is identified as the Manager, China Life Franklin Asset Management Co., Limited.

3 Material accounting judgments and estimates

The preparation of the Company's and its 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 Transaction costs

	Period from 12 March 2025 (date of incorporation) to 31 December 2025 USD
Transaction costs	3,142

5 Financial assets and financial liabilities at fair value through profit or loss

	31 December 2025 USD
Financial assets at fair value through profit or loss	
- Certificate of deposits	54,789,638

Net gain on financial assets and liabilities at fair value through profit or loss.

	31 December 2025 USD
Held for trading	
- realised gains	2,160,375
Total net gains on financial assets and liabilities at fair value through profit or loss	2,160,375

6 Income tax

No provision for Hong Kong profits tax has been made as the Company and its Sub-Fund are exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Certain interest income received by the Company and its Sub-Fund may be subject to withholding tax in the country of origination.

7 Cash and cash equivalents

The balances represent cash held with Industrial and Commercial Bank of China (Asia), CMB Wing Lung Bank, and China Construction Bank (Hong Kong) and the time deposits. The bank balances are interest-bearing.

	31 December 2025 USD
Cash at bank	30,740,992
Bank deposits with original maturity dates within three months	52,371,468
Cash and cash equivalents	83,112,460

8 Units in issue

As at 31 December 2025, the Sub-Fund has offered five 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 unit may redeem the units on any valuation day by no later than the dealing deadline, i.e. no later than the 11:00 a.m. (Hong Kong time) of the 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 period 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 Company 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 and Supplement of the Sub-Fund and the NAV determined in accordance with HKFRS Accounting Standards.

The Private Placement Memorandum and Supplement of the Sub-Fund state that the preliminary expenses should be amortised in 5 years, while the HKFRS Accounting Standards requires that preliminary expenses should be expensed immediately. As at 31 December 2025, the remaining amortisation period is within 4 years and the unamortised amount is USD60,513.

	31 December 2025 USD
Net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions	225,399,533
Adjustment to preliminary expenses	(60,513)
Net assets attributable to unitholders (per financial statements)	225,339,020

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 interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk arises from changes in interest rates which may inversely affect the value of debt instruments and therefore result in potential gain or loss to the Sub-fund. The Sub-fund' interest rate risk is managed on a regular basis by the Manager.

The following tables illustrates the interest rate risk exposure of the Sub-fund. It includes the Sub-fund' interest rate sensitivity gaps and the year in which the interest bearing assets and liabilities reprice (the earlier of contractual re-pricing or maturity) as at period end.

As at 31 December 2025

	Up to 1 year USD	1 - 5 year USD	Over 5 years USD	Non-interest bearing USD	Total USD
Assets					
Financial assets at fair value through profit or loss	20,000,000	-	-	34,789,638	54,789,638
Interest receivable	-	-	-	1,340,032	1,340,032
Prepayment and other receivable	-	-	-	17,242	17,242
Time deposit	86,199,576	-	-	-	86,199,576
Cash and cash equivalents	52,371,468	-	-	30,740,992	83,112,460
	158,571,044	-	-	66,887,904	225,458,948
Liabilities					
Administration fee payable	-	-	-	25,721	25,721
Management fee payable	-	-	-	22,085	22,085
Audit fee payable	-	-	-	12,900	12,900
Other accounts payable and accruals	-	-	-	59,222	59,222
	-	-	-	119,928	119,928
Total interest sensitivity gap	158,571,044	-	-		

10 Financial risk and management objective and policies (continued)

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the period to a reasonably possible change in interest rates, with all other variables held constant.

	Change in basis points	*Sensitivity of change in fair value of investments and net assets* USD
As at 31 December 2025		
- Certificate of deposits	75	41,785

The Sub-Fund also has interest-bearing bank deposits which the interest rates movement will not have significant cash flow impact on the net asset value and therefore no sensitivity analysis on bank deposit is presented.

Foreign exchange risk

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

The Sub-Fund holds assets and liabilities mainly denominated in HKD and United States dollars ("USD") while USD is the functional currency of the Sub-Fund. 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 may not be able to generate sufficient cash and resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Sub-Fund.

The Sub-Fund is exposed to liquidity risk through its investments, including listed or unlisted quoted bonds and derivatives. The Sub-Fund restricts its concentration risk by its investment restriction policy as per its Explanatory Memorandum.

The Sub-fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long-term.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Analysis of debt securities at fair value through profit or loss into maturity groups is based on the expected date on which these assets will be realised. For other assets, the analysis into

10 Financial risk and management objective and policies (continued)

maturity groups 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.

All of the Sub-Fund's non-derivative financial liabilities are repayable within one year.

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 invests in a diversified portfolio of debt securities issued by issuers with wide range of credit ratings. If the issuer of any of the debt securities in which the Sub-Fund invested defaults, the performance of the Sub-Fund will be adversely affected. The credit ratings are reviewed regularly by the Manager.

The Sub-Fund is exposed to credit risk on debt securities. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates.

As at 31 December 2025

Custodian and broker	*Credit rating*
CMB Wing Lung Bank	A-
China Construction Bank (Hong Kong)	A
Industrial and Commercial Bank of China (Asia)	A

Financial assets at FVPL	USD
AA-	10,000,000
A	34,789,638
A-	10,000,000
	54,789,638

Cash and cash equivalent and Time Deposits	USD
A+	20,844,993
A	18,160,711
A-	3,215,999
BBB+	40,941,431
BBB	56,778,902
BBB-	29,370,000
	169,312,036

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).

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 futures contract that are traded in active market are based on quoted prices.

For debt securities, the Sub-Fund measures instruments quoted in the market at last closing price, because this price provides a reasonable approximate of the exit price. In other cases, the fair value is estimated using the market comparison/discounted cash flow techniques. This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

The fair value measurement of all of the financial assets and financial liabilities at fair value through profit or loss held by the Sub-Fund as at 31 December 2025 is as follow:

31 December 2025	*Level 1* USD	*Level 2* USD	*Level 3* USD	*Total* USD
Financial assets at fair value through profit or loss				
Certificate of deposits	-	54,789,638	-	54,789,638
Total financial assets at fair value through profit or loss	-	54,789,638	-	54,789,638

11 Fair value information (continued)

There was no transfer between different levels of the fair value hierarchy during the period ended 31 December 2025.

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

12 Transactions with the Custodian and Manager and key connected persons

The following is a summary of significant related party transactions or transactions entered into during the period between the Company and its Sub-fund, the Manager, the Custodian and the Administrator, and their Connected Persons. Connected Persons are those defined in the UT Code issues by the SFC.

All transactions during the period between the Company and its Sub-fund, the Manager and the Custodian, and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Manager, the Company and its Sub-Fund did not have any other transactions with Connected Persons except for those disclosed below. The relevant receivables and payables are unsecured, interest free and repayable on demand.

<u>Management fee</u>

The Manager is entitled to a management fee from the Sub-Fund, at a rate of 0.35% per annum with respect to the net asset value of Class A units, 0.60% per annum with respect to the net asset value of Class C units, 0.05% per annum with respect to the net asset value of Class I units, and 0.15% per annum with respect to the net asset value of Class P units, which can be increased to a maximum rate of 1.5% per annum. No management fee is charged for Class B units. Management fees were calculated and accrued on a daily basis.

The management fee for the period ended 31 December 2025 was USD21,914 and US21,914 was payable to the Manager as at 31 December 2025.

<u>Transactions with Custodian and Administrator (CMB Wing Lung (Trustee) Limited)</u>

The Sub-Fund’s bank balance and investments were held by the Custodian, CMB Wing Lung (Trustee) Limited.

At 31 December 2025, bank balance with CMB Wing Lung (Trustee) Limited was amounting to USD3,215,999, the bank charge was USD5,449 and interest income was USD3,414.

The Custodian is entitled to receive custodian fee from the Sub-Fund, at a rate of 0.01% 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.

There custodian fee for the period ended 31 December 2025 was USD6,514 and USD nil was payable to the Custodian as at 31 December 2025.

12 Transactions with the Custodian and Manager and key connected persons (continued)

The Administrator is entitled to receive administration fee from the Sub-Fund, at a rate up to 0.04% per annum with respect to the net asset value of the Sub-Fund, subject to a monthly minimum fee of USD2,500. The fee was calculated and accrued on a daily basis.

The administration fee for the period ended 31 December 2025 was USD54,086 and USD25,721 was payable to the Administrator as at 31 December 2025.

Trustee fee and transaction fee

Total transaction fee charged by the Custodian for subscription, redemption and transfer transaction during the period was USD502 and total transaction fee charged by the Custodian for securities transaction during the period was USD2,640.

Holding in the Sub-Fund

As of 31 December 2025, China Life Franklin Asset Management Co., Limited, the Manager, holds 95,939 Class B (USD) of the Sub-Fund, and China Life Trustees Limited, a related party of the Manager, holds 1,690,297 Class B (USD) units of the Sub-Fund.

The following table summarises the movement of the relevant holding during the period from 12 March 2025 (date of incorporation) to 31 December 2025:

2025

	Units outstanding at 12 March 2025	*Units subscribed during the period*	*Units redeemed during the period*	*Units outstanding at 31 December 2025*
Class B (USD)				
China Life Trustees Limited	-	1,690,297	-	1,690,297
China Life Franklin Asset Management Co., Limited	-	95,939	-	95,939

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 period.

14 Distribution to unitholders

There was no declared distribution for the period from 12 March 2025 (date of incorporation) to 31 December 2025.

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 Fund’s performance is evaluated on an overall basis. Accordingly, the Manager considers that the 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 Explanatory Memorandum 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 Bank loans, overdrafts and other borrowings

The Sub-fund had no bank loans, overdrafts or other borrowings as at 31 December 2025.

17 Security lending arrangements

During the period ended 31 December 2025, the Sub-fund did not enter into any security lending arrangements.

18 Negotiability of assets

As at 31 December 2025, there were no statutory or contractual requirements restricting the negotiability of the assets of the Sub-fund.

19 Commitments

As at 31 December 2025, the Sub-fund had no commitments.

20 Contingent liabilities and capital commitment

As at 31 December 2025, the Sub-fund had no contingent liabilities or capital commitment outstanding.

21 Events after the reporting period

There were no other material events after the reporting date, which necessitate revision of the figures or disclosures included in these financial statements.

Statement of movements in portfolio holdings for the period ended 31 December 2025 (Unaudited)

(Expressed in USD)

	Movement			
	At 12 March 2025	Additions	Disposals	At 31 December 2025
Bonds				
Government bonds				
UNITED STATES				
B 0% 03042025	-	200,000	(200,000)	-
B 0% 27032025	-	270,000	(270,000)	-
Money Market Instruments				
Certificate of deposit				
CHINA				
BCHINA 4.35% 01122025	-	10,000,000	(10,000,000)	-
BOHAIB 4.49% 18112025	-	10,000,000	(10,000,000)	-
ICBCAS 4% 09102025	-	2,400,000	(2,400,000)	-
INDIA				
SBIIN 0% 18082025	-	60,000,000	(60,000,000)	-
SBIIN 0% 18092025	-	25,000,000	(25,000,000)	-
SBIIN 4.39% 17122025	-	15,000,000	(15,000,000)	-
ITALY				
ISPIM 4.15% 29012026	-	10,000,000	-	10,000,000
ISPIM 4.3% 15012026	-	10,000,000	-	10,000,000
MACAO				
TAIFNG 0% 18112025	-	19,600,000	(19,600,000)	-
SINGAPORE				
NCBKSG 0% 18052026	-	20,000,000	(15,000,000)	5,000,000
NCBKSG 4.63% 29082025	-	10,000,000	(10,000,000)	-
TAIWAN				
ESUNBK 0% 23022026	-	15,000,000	-	15,000,000
FUBON 0% 16092025	-	10,000,000	(10,000,000)	-
HUANAN 0% 27012026	-	15,000,000	-	15,000,000
MEGA 0% 18112025	-	10,000,000	(10,000,000)	-

Investment portfolio as at 31 December 2025 (Unaudited)
(Expressed in USD)

SECURITIES NAME	*Number of shares/Nominals*	*Fair Value as of 31 December 2025* USD	*% of Net Asset Value* %
Money Market Instruments			
Certificate of deposit			
ITALY			
ISPIM 4.15% 29012026	10,000,000	10,000,000	4.44
ISPIM 4.3% 15012026	10,000,000	10,000,000	4.44
SINGAPORE			
NCBKSG 0% 18052026	5,000,000	4,924,541	2.19
TAIWAN			
ESUNBK 0% 23022026	15,000,000	14,909,584	6.62
HUANAN 0% 27012026	15,000,000	14,955,513	6.64
		54,789,638	24.33
Total financial assets and liabilities at fair value through profit and loss		54,789,638	24.33
Other net assets		170,549,382	75.67
Net assets as at 31 December 2025		225,339,020	100.00
Total investment, at cost		54,593,607	

	Fair Value as of 31 December 2025 USD	*% of Net Asset Value* %
Daily liquid asset	84,720,471	38.11%
Weekly liquid asset	104,594,547	47.05%

The weighted average maturity and the weighted average life of the portfolio of the Sub-Fund are 33 days and 33 days respectively.

Performance record (Unaudited)

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

	Net asset value per unit USD	*Total net asset value* USD
As at 31 December 2025		
- Class A (USD)	102.7140	4,206,828
- Class B (USD)	103.5699	185,000,267
- Class C (USD)	102.7168	1,224,140
- Class I (USD)	102.8826	27,835,498
- Class P (USD)	102.7983	7,132,859

Highest issue price and lowest redemption price per unit

	Highest issue price per unit USD	*Lowest redemption price per unit* USD
For the period from 12 March 2025 (date of incorporation) to 31 December 2025		
- Class A (USD)	103.0928	101.8202
- Class B (USD)	103.3330	N/A
- Class C (USD)	102.5926	101.7602
- Class I (USD)	102.8826	100.6177
- Class P (USD)	100.9350	100.5772

China Life Franklin OFC

(A Fund of an open-ended fund company
established under the laws of Hong Kong)

For the period ended 31 December 2025

Contents **Page(s)**

Administration and management

Manager

China Life Franklin Asset Management Co., Limited
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Yu Yong
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Chen Yingshun
Wang Yijiang
Molina George H
Wei Xiaopeng
Liu Hui
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Auditor

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Central
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Custodian

CMB Wing Lung (Trustee) Limited
6/F, CMB Wing Lung Bank Building1
45 Des Voeux Road Central
Hong Kong

Report of the Custodian to the unitholders of China Life Franklin OFC (the “Company”)

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 OFC For the period ended 31 December 2025, in accordance with the provisions of the Instrument of Incorporation, as amended and restated, during the period ended 31 December 2025.

On behalf of

CMB Wing Lung (Trustee) Limited, the Custodian

Independent Auditor’s Report to the Unitholders of China Life Franklin OFC (the “Company”)

(an open-ended fund company established under the laws of Hong Kong)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of China Life Franklin Open-ended Fund Company and its sub-fund (the “Company and its Sub-Fund”) set out on pages 7 to 34, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of changes in equity/Statement of changes in net assets attributable to unitholders and the statement of cash flow for the period ended 31 December 2025 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 Company and its Sub-Fund as at 31 December 2025 and of its financial transactions and cash flows for the period ended 31 December 2025 in accordance with HKFRS Accounting Standards as 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”) as 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 Company and its 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 Directors of the Company and the Manager 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.

Responsibilities of Directors and Manager and Those Charged with Governance for the Financial Statements

The Directors of the Company and the Manager of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the Manager and the Directors 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 Directors of the Company and the Manager of the Sub-Fund are responsible for assessing the Company's and its 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 Directors and the Manager either intend to liquidate the Company and its Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Directors of the Company and the Manager of the Sub-fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Company's and its Sub-fund's instrument of incorporation dated 29 April 2020, Part 7 of the Securities and Futures (Open-ended Fund Companies) Rules ("OFC Rules"), Appendix E of the Code on Unit Trusts and Mutual Funds ("UT Code") and Chapter 9 of the Code on Open-Ended Fund Companies ("OFC 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 HKSAs 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 Company and its Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company's and its Sub-fund's instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

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

As part of an audit in accordance with HKSAs, 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 Company's and Its 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 Directors.

- Conclude on the appropriateness of the Manager's and the Directors' 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 Company's and its 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 Company and its 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 those charged with governance 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 OFC (the “Company”) (continued)

(a sub-fund of China Life Franklin OFC, an open-ended fund company established under the laws of Hong Kong)

Report on matters under the relevant provisions of the Company’s and its Sub-fund’ instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company’s and its Sub-fund’ instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

The engagement partner on the audit resulting in this independent auditor’s report is Ko, Sze Man (practicing certificate number: P06288).

Certified Public Accountants

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

Statement of comprehensive income for the period ended 31 December 2025

(Expressed in USD)

	Note	China Life Franklin OFC 08 January 2025 (date of incorporation) to 31 December 2025 USD	China Life Franklin USD Money Market Fund 12 March 2025 (date of incorporation) to 31 December 2025 USD
Income			
Interest income on financial assets at FVTPL		-	901,181
Interest income on bank deposits	12	-	2,449,918
		-	3,351,099
Expenses			
Management fees	12	-	(21,914)
Administration fees	12	-	(54,086)
Preliminary expenses	12	-	(70,694)
Custodian fee	12	-	(6,514)
Transaction costs	4, 12	-	(3,142)
Audit fees		-	(12,900)
Bank charge	12	-	(5,449)
Other operating expenses			(8,067)
		-	(182,766)
Net gain before investments and exchange differences		-	3,168,333
Investment and exchange differences			
Net gain on financial assets and liabilities at fair value through profit or loss	5	-	2,160,375
Net foreign exchange differences		-	(191)
		-	2,160,184
Profit and total comprehensive income for the period		-	5,328,517

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of financial position at 31 December 2025
(Expressed in USD)

	Note	*China Life Franklin OFC [1]* *2025* USD	*China Life Franklin USD Money Market Fund [2]* *2025* USD
Assets			
Financial assets at fair value through profit or loss	5, 10, 11	-	54,789,638
Interest receivable		-	1,340,032
Subscription receivable		-	3,094,439
Prepayment and other receivable		-	17,242
Time deposits with original maturity dates more than three months	10	-	86,199,576
Cash and cash equivalents	7, 10, 12	-	83,112,460
Total assets		-	225,458,948
Liabilities			
Management fee payable	12	-	21,914
Audit fee payable		-	12,900
Administration fee payable	12	-	25,721
Other accounts payable and accruals		-	59,393
Total liabilities		-	119,928
Net assets attributable to unitholders	9	-	225,339,020
Equity		-	225,339,020

[1] The date of incorporation for China Life Franklin OFC was 08 January 2025.
[2] The date of incorporation for China Life Franklin OFC was 12 March January 2025.

Statement of financial position at 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC* [1] *2025* USD	*China Life Franklin USD Money Market Fund* [2] *2025* USD
Number of units in issue			Units
- Class A (USD)		-	40,957
- Class B (USD)		-	1,786,236
- Class C (USD)		-	11,918
- Class I (USD)		-	270,556
- Class P (USD)		-	69,387
Net asset value per unit		USD	USD
- Class A (USD)		-	102.6864
- Class B (USD)		-	103.5421
- Class C (USD)		-	102.6892
- Class I (USD)		-	102.8550
- Class P (USD)		-	102.7707

Approved by the Directors on

China Life Franklin Asset Management Co., Limited

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of changes in equity/Statement of changes in net assets attributable to unitholders for the period ended 31 December 2025

(Expressed in USD)

	China Life Franklin USD Money Market Fund		China Life Franklin USD Money Market Fund	
	Period from 08 January 2025 (date of incorporation) to 31 December 2025		Period from 12 March 2025 (date of incorporation) to 31 December 2025	
	Number of units	USD	Number of units	USD
As at the beginning of the period	-	-	-	-
Transaction with unitholders, recognised directly in equity	-	-		
Subscription of units				
- Class A (USD)	-	-	48,239	4,939,850
- Class B (USD)	-	-	1,786,236	180,517,740
- Class C (USD)	-	-	14,134	1,448,164
- Class I (USD)	-	-	634,136	64,540,146
- Class P (USD)	-	-	565,901	57,000,200
			3,048,646	308,446,100
Redemption of units				
- Class A (USD)	-	-	(7,282)	(746,963)
- Class B (USD)	-	-	-	-
- Class C (USD)	-	-	(2,216)	(227,185)
- Class I (USD)	-	-	(363,580)	(37,186,957)
- Class P (USD)	-	-	(496,514)	(50,274,492)
	-	-	(869,592)	(88,435,597)
	-	-	2,179,054	220,010,503
	-		2,179,054	
Increase in net assets attributable to unitholders for the period		-		5,328,517
As at 31 December 2025		-		225,339,020

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of cash flow
for the period ended 31 December 2025
(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January 2025 (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from operating activities			
Profit for the period		-	5,328,517
Adjustments for:			
Interest income		-	(3,351,099)
Net realised gain on financial assets and financial liabilities at fair value through profit or loss	5	-	(2,160,375)
Purchase of financial assets and financial liabilities at fair value through profit or loss		-	(239,763,943)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss		-	187,134,680
Increase in time deposits with original maturity dates more than three months		-	(86,199,576)
Increase in prepayment and other receivables		-	(17,242)
Increase in management fee payable		-	21,914
Increase in audit fee payable		-	12,900
Increase in administration fee payable		-	25,721
Increase in other accounts payable and accruals		-	59,393
		-	(138,909,110)
Interest received		-	2,011,067
Net cash used in operating activities		-	(136,898,043)

Statement of cash flow
for the period ended 31 December 2025 (continued)
(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from financing activities			
Proceeds from subscription of units		-	308,446,100
Payment on redemptions of units		-	(88,435,597)
Net cash flows generated from financing activities		-	220,010,503
Net increase in cash and cash equivalents		-	83,112,460
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of period	7	-	83,112,460
Analysis of cash and cash equivalents			
Cash at bank		-	30,740,992
Short-term deposits with original maturity within three months		-	52,371,468
Total cash and cash equivalents on statement of assets and liabilities	7	-	83,112,460

The notes on pages 13 to 34 form an integral part of these financial statements.

Notes to the financial statements

(Expressed in USD)

1 The Company

China Life Franklin OFC (the "Company") is a public umbrella open-ended fund company with variable capital and limited liability regulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Company was incorporated pursuant to an Instrument of Incorporation filed to the Companies Registry of Hong Kong on and effective as of 8 January 2025, as amended and restated (the "Instrument") with registration number 77567752.

As at 31 December 2025, the Company has one sub-fund. The sub-fund was launched on the date set out below:

Name of Sub-fund	Launch date
China Life Franklin USD Money Market Fund	12 March 2025

The investment objective of China Life Franklin USD Money Market Fund is to achieve a return in USD in line with prevailing money market rate. The Sub-Fund may invest in USD-denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations.

The Sub-Fund is constituted as a separate sub-fund of the Company. The Sub-Fund is authorized by the Hong Kong Securities and Futures Commission under Section 104(1) of SFC. It is governed by the relevant provisions of the Code on Open Ended Fund Companies (the "OFC Code") and the Code on Unit Trusts and Mutual Funds (the "UT Code") issued by the SFC.

China Life Franklin Asset Management Co., Limited (the "Manager") is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO.

The Company has appointed the Manager to manage the assets of the Company and its Sub-Fund (i.e. to carry out investment management functions) and to provide asset valuation and pricing functions in respect of the Company and its Sub-fund, pursuant to the Management Agreement.

The Company has appointed CMB Wing Lung (Trustee) Limited (the "Custodian"), as the custodian for its Sub-Fund. The Custodian carries on business as a trust company registered under section 78(1) of the Trustee Ordinance.

The Custodian shall act as custodian of the assets of the Company and its Sub-fund in respect of which it has been so appointed, pursuant to the Custody Agreement. The Custodian is responsible for the safekeeping of all the investments, cash and other assets forming part of the assets of the Sub- Fund, and such assets will be dealt with pursuant to the terms in the Custody Agreement. The Custodian shall act honestly, fairly and professionally and exercise due skill, care and diligence reasonably expected of a professional custodian to ensure the safekeeping of the relevant sub-fund's property entrusted to it.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the relevant disclosure provisions of the OFC Code and the UT Code issued by the SFC. Material accounting policies adopted by the Company and its Sub-fund are disclosed below.

The financial statements have been prepared under the historical cost basis, except for financial assets and financial liabilities 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 Issued but not yet effective Hong Kong financial reporting standards

The Company and its Sub-Fund have not early applied any of the new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the period ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Company and its Sub-Fund are in the process of making an assessment of what the impact of these amendments and interpretations 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.

2.3 Material accounting policies

(a) Financial instruments

(i) Classification

In accordance with HKFRS 9, the Company and its Sub-Fund classify 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).

<u>Financial assets</u>

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

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

<u>Financial assets measured at amortised cost</u>

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 Company and its Sub-Fund include in this category short-term non-financing receivables including cash and cash equivalents, prepayment and other receivables, amounts due from brokers and interest receivable.

<u>Financial assets measured at fair value through profit or loss ("FVPL")</u>

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

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(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 Company and its Sub-Fund include in this category equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

<u>Financial liabilities measured at FVPL</u>

A financial liability is measured at FVPL if it meets the definition of held for trading. The Company and its Sub-Fund include in this category derivative contracts in a liability position sold short since they are classified as held for trading.

<u>Financial liabilities measured at amortised cost</u>

This category includes all financial liabilities, other than those measured at FVPL. The Company and its Sub-Fund include in this category management fee payable, trustee fee payable, other accounts payable and accrual.

(ii) Recognition

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund commit 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.

(iv) Subsequent measurement

After initial measurement, the Company and its Sub-Fund measure 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.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(iv) Subsequent measurement (continued)

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 Company and its Sub-Fund estimate cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

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

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

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

The Company and its Sub-Fund derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vi) Determination of fair value

The Company and its Sub-Fund measure 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 Company and its 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 Company and its Sub-Fund determine whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vii) Impairment of financial assets

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund expect 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 Company and its Sub-Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company and its Sub-Fund compare 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 Company and its Sub-Fund consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company and its Sub-Fund may also consider a financial asset to be in default when internal or external information indicates that the Company and its Sub-Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company and its 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

2.3 Material accounting policies (continued)

(a) Financial instruments (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 Company's and its Sub-Fund's functional currency is USD, which is the currency of the primary economic environment in which it operates. The Company's and its 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 Company's and its 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 Company's and its Sub-Fund's net assets in the event of the Company's and its 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 Company's and its Sub-Fund's net assets.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

(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 Company and its Sub-Fund over the life of the instrument.

In addition to the redeemable units having all of the above features, the Company and its 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 Company and its Sub-Fund

(b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders

The Company and its Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instrument if it meets the following conditions:

- it entitles the holder to a pro rata share of the Sub-Fund’s net assets in the event of the Sub-Fund’s liquidation;

- it is in the class of instruments that is subordinate to all other classes of instruments;

- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and

- the total expected cash flows attributable to the instrument over its life are based substantially on 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.

The Sub-Fund has five classes of redeemable units: Class A (USD), Class B (USD), Class C (USD), Class I (USD) and Class P (USD) in issue.

All redeemable units issued by the Sub-fund provide the investors with the right to require redemption for cash at a value proportionate to the investor’s share in the corresponding Sub-Fund’s net assets at each daily redemption date and also in the event of the corresponding Sub-Fund’s liquidation.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

The Sub-Fund has created multiple classes of redeemable units, which rank pari passu in all material respects but have different terms and conditions as set out in the Explanatory Memorandum, which include different minimum investment amounts, minimum realisation amount and minimum holding amount. 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 redemption date but also in the event of the Sub-Fund's liquidation. The redeemable units of the Sub-Fund are classified as financial liabilities and are measured at the present value of the redemption amounts as at 31 December 2025.

(e) Distributions to unitholders

Distributions are at the discretion of the Company and its Sub-Fund. A dividend distribution to the Sub-Fund's unitholders is accounted for as financial cost. No distribution was proposed or paid out during the current period.

(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.

(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 period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the 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.

2.3 Material accounting policies (continued)

(j) Establishment Costs

The establishment costs of the Company and its Sub-Fund consist of costs incurred to establish the Company and its Sub-Fund and enable them legally to do business. The establishment costs are recognised as an expense in the year in which they are incurred.

(k) 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 Company and its Sub-Fund;
- (ii) has significant influence over the Company and its Sub-Fund; or
- (iii) is a member of the key management personnel of the Company and its Sub-Fund or of a parent of the Company and its Sub-Fund; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Company and its Sub-Fund are members of the same Company and its 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) both the entity 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 Company and its Sub-Fund or an entity related to the Company and its 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 group of which it is a part, provides key management personnel services to the Company and its Sub-Fund.

(l) Taxes

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

2.3 Material accounting policies (continued)

(m) Segment reporting

An operating segment is a component of the Company and its 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 Company's and its 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 Company and its Sub-Fund is identified as the Manager, China Life Franklin Asset Management Co., Limited.

3 Material accounting judgments and estimates

The preparation of the Company's and its 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 Transaction costs

	Period from 12 March 2025 (date of incorporation) to 31 December 2025 USD
Transaction costs	3,142

5 Financial assets and financial liabilities at fair value through profit or loss

	31 December 2025 USD
Financial assets at fair value through profit or loss	
- Certificate of deposits	54,789,638

Net gain on financial assets and liabilities at fair value through profit or loss.

	31 December 2025 USD
Held for trading	
- realised gains	2,160,375
Total net gains on financial assets and liabilities at fair value through profit or loss	2,160,375

6 Income tax

No provision for Hong Kong profits tax has been made as the Company and its Sub-Fund are exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Certain interest income received by the Company and its Sub-Fund may be subject to withholding tax in the country of origination.

7 Cash and cash equivalents

The balances represent cash held with Industrial and Commercial Bank of China (Asia), CMB Wing Lung Bank, and China Construction Bank (Hong Kong) and the time deposits. The bank balances are interest-bearing.

	31 December 2025 USD
Cash at bank	30,740,992
Bank deposits with original maturity dates within three months	52,371,468
Cash and cash equivalents	83,112,460

8 Units in issue

As at 31 December 2025, the Sub-Fund has offered five 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 unit may redeem the units on any valuation day by no later than the dealing deadline, i.e. no later than the 11:00 a.m. (Hong Kong time) of the 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 period is stated in the statement of financial position.

<u>Capital management</u>

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 Company 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 and Supplement of the Sub-Fund and the NAV determined in accordance with HKFRS Accounting Standards.

The Private Placement Memorandum and Supplement of the Sub-Fund state that the preliminary expenses should be amortised in 5 years, while the HKFRS Accounting Standards requires that preliminary expenses should be expensed immediately. As at 31 December 2025, the remaining amortisation period is within 4 years and the unamortised amount is USD60,513.

	31 December 2025 USD
Net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions	225,399,533
Adjustment to preliminary expenses	(60,513)
Net assets attributable to unitholders (per financial statements)	225,339,020

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 interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk arises from changes in interest rates which may inversely affect the value of debt instruments and therefore result in potential gain or loss to the Sub-fund. The Sub-fund' interest rate risk is managed on a regular basis by the Manager.

The following tables illustrates the interest rate risk exposure of the Sub-fund. It includes the Sub-fund' interest rate sensitivity gaps and the year in which the interest bearing assets and liabilities reprice (the earlier of contractual re-pricing or maturity) as at period end.

As at 31 December 2025

	Up to 1 year USD	1 - 5 year USD	Over 5 years USD	Non-interest bearing USD	Total USD
Assets					
Financial assets at fair value through profit or loss	20,000,000	-	-	34,789,638	54,789,638
Interest receivable	-	-	-	1,340,032	1,340,032
Prepayment and other receivable	-	-	-	17,242	17,242
Time deposit	86,199,576	-	-	-	86,199,576
Cash and cash equivalents	52,371,468	-	-	30,740,992	83,112,460
	158,571,044	-	-	66,887,904	225,458,948
Liabilities					
Administration fee payable	-	-	-	25,721	25,721
Management fee payable	-	-	-	22,085	22,085
Audit fee payable	-	-	-	12,900	12,900
Other accounts payable and accruals	-	-	-	59,222	59,222
	-	-	-	119,928	119,928
Total interest sensitivity gap	158,571,044	-	-		

10 Financial risk and management objective and policies (continued)

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the period to a reasonably possible change in interest rates, with all other variables held constant.

	Change in basis points	*Sensitivity of change in fair value of investments and net assets* USD
As at 31 December 2025		
- Certificate of deposits	75	41,785

The Sub-Fund also has interest-bearing bank deposits which the interest rates movement will not have significant cash flow impact on the net asset value and therefore no sensitivity analysis on bank deposit is presented.

Foreign exchange risk

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

The Sub-Fund holds assets and liabilities mainly denominated in HKD and United States dollars ("USD") while USD is the functional currency of the Sub-Fund. 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 may not be able to generate sufficient cash and resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Sub-Fund.

The Sub-Fund is exposed to liquidity risk through its investments, including listed or unlisted quoted bonds and derivatives. The Sub-Fund restricts its concentration risk by its investment restriction policy as per its Explanatory Memorandum.

The Sub-fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long-term.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Analysis of debt securities at fair value through profit or loss into maturity groups is based on the expected date on which these assets will be realised. For other assets, the analysis into

10 Financial risk and management objective and policies (continued)

maturity groups 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.

All of the Sub-Fund's non-derivative financial liabilities are repayable within one year.

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 invests in a diversified portfolio of debt securities issued by issuers with wide range of credit ratings. If the issuer of any of the debt securities in which the Sub-Fund invested defaults, the performance of the Sub-Fund will be adversely affected. The credit ratings are reviewed regularly by the Manager.

The Sub-Fund is exposed to credit risk on debt securities. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates.

As at 31 December 2025

Custodian and broker	*Credit rating*
CMB Wing Lung Bank	A-
China Construction Bank (Hong Kong)	A
Industrial and Commercial Bank of China (Asia)	A

Financial assets at FVPL	USD
AA-	10,000,000
A	34,789,638
A-	10,000,000
	54,789,638

Cash and cash equivalent and Time Deposits	USD
A+	20,844,993
A	18,160,711
A-	3,215,999
BBB+	40,941,431
BBB	56,778,902
BBB-	29,370,000
	169,312,036

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).

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 futures contract that are traded in active market are based on quoted prices.

For debt securities, the Sub-Fund measures instruments quoted in the market at last closing price, because this price provides a reasonable approximate of the exit price. In other cases, the fair value is estimated using the market comparison/discounted cash flow techniques. This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

The fair value measurement of all of the financial assets and financial liabilities at fair value through profit or loss held by the Sub-Fund as at 31 December 2025 is as follow:

31 December 2025	*Level 1* USD	*Level 2* USD	*Level 3* USD	*Total* USD
Financial assets at fair value through profit or loss				
Certificate of deposits	-	54,789,638	-	54,789,638
Total financial assets at fair value through profit or loss	-	54,789,638	-	54,789,638

11 Fair value information (continued)

There was no transfer between different levels of the fair value hierarchy during the period ended 31 December 2025.

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

12 Transactions with the Custodian and Manager and key connected persons

The following is a summary of significant related party transactions or transactions entered into during the period between the Company and its Sub-fund, the Manager, the Custodian and the Administrator, and their Connected Persons. Connected Persons are those defined in the UT Code issues by the SFC.

All transactions during the period between the Company and its Sub-fund, the Manager and the Custodian, and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Manager, the Company and its Sub-Fund did not have any other transactions with Connected Persons except for those disclosed below. The relevant receivables and payables are unsecured, interest free and repayable on demand.

Management fee

The Manager is entitled to a management fee from the Sub-Fund, at a rate of 0.35% per annum with respect to the net asset value of Class A units, 0.60% per annum with respect to the net asset value of Class C units, 0.05% per annum with respect to the net asset value of Class I units, and 0.15% per annum with respect to the net asset value of Class P units, which can be increased to a maximum rate of 1.5% per annum. No management fee is charged for Class B units. Management fees were calculated and accrued on a daily basis.

The management fee for the period ended 31 December 2025 was USD21,914 and US21,914 was payable to the Manager as at 31 December 2025.

Transactions with Custodian and Administrator (CMB Wing Lung (Trustee) Limited)

The Sub-Fund's bank balance and investments were held by the Custodian, CMB Wing Lung (Trustee) Limited.

At 31 December 2025, bank balance with CMB Wing Lung (Trustee) Limited was amounting to USD3,215,999, the bank charge was USD5,449 and interest income was USD3,414.

The Custodian is entitled to receive custodian fee from the Sub-Fund, at a rate of 0.01% 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.

There custodian fee for the period ended 31 December 2025 was USD6,514 and USD nil was payable to the Custodian as at 31 December 2025.

12 Transactions with the Custodian and Manager and key connected persons (continued)

The Administrator is entitled to receive administration fee from the Sub-Fund, at a rate up to 0.04% per annum with respect to the net asset value of the Sub-Fund, subject to a monthly minimum fee of USD2,500. The fee was calculated and accrued on a daily basis.

The administration fee for the period ended 31 December 2025 was USD54,086 and USD25,721 was payable to the Administrator as at 31 December 2025.

<u>Trustee fee and transaction fee</u>

Total transaction fee charged by the Custodian for subscription, redemption and transfer transaction during the period was USD502 and total transaction fee charged by the Custodian for securities transaction during the period was USD2,640.

<u>Holding in the Sub-Fund</u>

As of 31 December 2025, China Life Franklin Asset Management Co., Limited, the Manager, holds 95,939 Class B (USD) of the Sub-Fund, and China Life Trustees Limited, a related party of the Manager, holds 1,690,297 Class B (USD) units of the Sub-Fund.

The following table summarises the movement of the relevant holding during the period from 12 March 2025 (date of incorporation) to 31 December 2025:

<u>2025</u>

	Units outstanding at 12 March 2025	*Units subscribed during the period*	*Units redeemed during the period*	*Units outstanding at 31 December 2025*
Class B (USD)				
China Life Trustees Limited	-	1,690,297	-	1,690,297
China Life Franklin Asset Management Co., Limited	-	95,939	-	95,939

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 period.

14 Distribution to unitholders

There was no declared distribution for the period from 12 March 2025 (date of incorporation) to 31 December 2025.

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 Fund’s performance is evaluated on an overall basis. Accordingly, the Manager considers that the 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 Explanatory Memorandum 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 Bank loans, overdrafts and other borrowings

The Sub-fund had no bank loans, overdrafts or other borrowings as at 31 December 2025.

17 Security lending arrangements

During the period ended 31 December 2025, the Sub-fund did not enter into any security lending arrangements.

18 Negotiability of assets

As at 31 December 2025, there were no statutory or contractual requirements restricting the negotiability of the assets of the Sub-fund.

19 Commitments

As at 31 December 2025, the Sub-fund had no commitments.

20 Contingent liabilities and capital commitment

As at 31 December 2025, the Sub-fund had no contingent liabilities or capital commitment outstanding.

21 Events after the reporting period

There were no other material events after the reporting date, which necessitate revision of the figures or disclosures included in these financial statements.

Statement of movements in portfolio holdings for the period ended 31 December 2025 (Unaudited)

(Expressed in USD)

	Movement			
	At 12 March 2025	Additions	Disposals	At 31 December 2025
Bonds				
Government bonds				
UNITED STATES				
B 0% 03042025	-	200,000	(200,000)	-
B 0% 27032025	-	270,000	(270,000)	-
Money Market Instruments				
Certificate of deposit				
CHINA				
BCHINA 4.35% 01122025	-	10,000,000	(10,000,000)	-
BOHAIB 4.49% 18112025	-	10,000,000	(10,000,000)	-
ICBCAS 4% 09102025	-	2,400,000	(2,400,000)	-
INDIA				
SBIIN 0% 18082025	-	60,000,000	(60,000,000)	-
SBIIN 0% 18092025	-	25,000,000	(25,000,000)	-
SBIIN 4.39% 17122025	-	15,000,000	(15,000,000)	-
ITALY				
ISPIM 4.15% 29012026	-	10,000,000	-	10,000,000
ISPIM 4.3% 15012026	-	10,000,000	-	10,000,000
MACAO				
TAIFNG 0% 18112025	-	19,600,000	(19,600,000)	-
SINGAPORE				
NCBKSG 0% 18052026	-	20,000,000	(15,000,000)	5,000,000
NCBKSG 4.63% 29082025	-	10,000,000	(10,000,000)	-
TAIWAN				
ESUNBK 0% 23022026	-	15,000,000	-	15,000,000
FUBON 0% 16092025	-	10,000,000	(10,000,000)	-
HUANAN 0% 27012026	-	15,000,000	-	15,000,000
MEGA 0% 18112025	-	10,000,000	(10,000,000)	-

Investment portfolio as at 31 December 2025 (Unaudited)
(Expressed in USD)

SECURITIES NAME	*Number of shares/Nominals*	*Fair Value as of 31 December 2025* USD	*% of Net Asset Value* %
Money Market Instruments			
Certificate of deposit			
ITALY			
ISPIM 4.15% 29012026	10,000,000	10,000,000	4.44
ISPIM 4.3% 15012026	10,000,000	10,000,000	4.44
SINGAPORE			
NCBKSG 0% 18052026	5,000,000	4,924,541	2.19
TAIWAN			
ESUNBK 0% 23022026	15,000,000	14,909,584	6.62
HUANAN 0% 27012026	15,000,000	14,955,513	6.64
		54,789,638	24.33
Total financial assets and liabilities at fair value through profit and loss		54,789,638	24.33
Other net assets		170,549,382	75.67
Net assets as at 31 December 2025		225,339,020	100.00
Total investment, at cost		54,593,607	

	Fair Value as of 31 December 2025 USD	*% of Net Asset Value* %
Daily liquid asset	84,720,471	38.11%
Weekly liquid asset	104,594,547	47.05%

The weighted average maturity and the weighted average life of the portfolio of the Sub-Fund are 33 days and 33 days respectively.

Performance record (Unaudited)

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

	Net asset value per unit USD	*Total net asset value* USD
As at 31 December 2025		
- Class A (USD)	102.7140	4,206,828
- Class B (USD)	103.5699	185,000,267
- Class C (USD)	102.7168	1,224,140
- Class I (USD)	102.8826	27,835,498
- Class P (USD)	102.7983	7,132,859

Highest issue price and lowest redemption price per unit

	Highest issue price per unit USD	*Lowest redemption price per unit* USD
For the period from 12 March 2025 (date of incorporation) to 31 December 2025		
- Class A (USD)	103.0928	101.8202
- Class B (USD)	103.3330	N/A
- Class C (USD)	102.5926	101.7602
- Class I (USD)	102.8826	100.6177
- Class P (USD)	100.9350	100.5772

China Life Franklin OFC

(A Fund of an open-ended fund company
established under the laws of Hong Kong)

For the period ended 31 December 2025

Contents **Page(s)**

Administration and management

Manager

China Life Franklin Asset Management Co., Limited
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Yu Yong
Gregory Eugene McGowan
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Molina George H
Wei Xiaopeng
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Auditor

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Custodian

CMB Wing Lung (Trustee) Limited
6/F, CMB Wing Lung Bank Building1
45 Des Voeux Road Central
Hong Kong

Report of the Custodian to the unitholders of China Life Franklin OFC (the “Company”)

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 OFC For the period ended 31 December 2025, in accordance with the provisions of the Instrument of Incorporation, as amended and restated, during the period ended 31 December 2025.

On behalf of

CMB Wing Lung (Trustee) Limited, the Custodian

Independent Auditor’s Report to the Unitholders of China Life Franklin OFC (the “Company”)

(an open-ended fund company established under the laws of Hong Kong)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of China Life Franklin Open-ended Fund Company and its sub-fund (the “Company and its Sub-Fund”) set out on pages 7 to 34, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of changes in equity/Statement of changes in net assets attributable to unitholders and the statement of cash flow for the period ended 31 December 2025 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 Company and its Sub-Fund as at 31 December 2025 and of its financial transactions and cash flows for the period ended 31 December 2025 in accordance with HKFRS Accounting Standards as 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”) as 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 Company and its 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 Directors of the Company and the Manager 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.

Responsibilities of Directors and Manager and Those Charged with Governance for the Financial Statements

The Directors of the Company and the Manager of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the Manager and the Directors 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 Directors of the Company and the Manager of the Sub-Fund are responsible for assessing the Company's and its 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 Directors and the Manager either intend to liquidate the Company and its Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Directors of the Company and the Manager of the Sub-fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Company's and its Sub-fund's instrument of incorporation dated 29 April 2020, Part 7 of the Securities and Futures (Open-ended Fund Companies) Rules ("OFC Rules"), Appendix E of the Code on Unit Trusts and Mutual Funds ("UT Code") and Chapter 9 of the Code on Open-Ended Fund Companies ("OFC 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 HKSAs 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 Company and its Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company's and its Sub-fund's instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAs, 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 Company’s and Its 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 Directors.

- Conclude on the appropriateness of the Manager’s and the Directors’ 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 Company’s and its 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 Company and its 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 those charged with governance 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 provisions of the Company's and its Sub-fund' instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company's and its Sub-fund' instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Ko, Sze Man (practicing certificate number: P06288).

Certified Public Accountants

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

Statement of comprehensive income for the period ended 31 December 2025

(Expressed in USD)

	Note	*China Life Franklin OFC* *08 January 2025 (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund* *12 March 2025 (date of incorporation) to 31 December 2025* USD
Income			
Interest income on financial assets at FVTPL		-	901,181
Interest income on bank deposits	12	-	2,449,918
		-	3,351,099
Expenses			
Management fees	12	-	(21,914)
Administration fees	12	-	(54,086)
Preliminary expenses	12	-	(70,694)
Custodian fee	12	-	(6,514)
Transaction costs	4, 12	-	(3,142)
Audit fees		-	(12,900)
Bank charge	12	-	(5,449)
Other operating expenses			(8,067)
		-	(182,766)
Net gain before investments and exchange differences		-	3,168,333
Investment and exchange differences			
Net gain on financial assets and liabilities at fair value through profit or loss	5	-	2,160,375
Net foreign exchange differences		-	(191)
		-	2,160,184
Profit and total comprehensive income for the period		-	5,328,517

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of financial position at 31 December 2025

(Expressed in USD)

	Note	*China Life Franklin OFC [1]* *2025* USD	*China Life Franklin USD Money Market Fund [2]* *2025* USD
Assets			
Financial assets at fair value through profit or loss	5, 10, 11	-	54,789,638
Interest receivable		-	1,340,032
Subscription receivable		-	3,094,439
Prepayment and other receivable		-	17,242
Time deposits with original maturity dates more than three months	10	-	86,199,576
Cash and cash equivalents	7, 10, 12	-	83,112,460
Total assets		-	225,458,948
Liabilities			
Management fee payable	12	-	21,914
Audit fee payable		-	12,900
Administration fee payable	12	-	25,721
Other accounts payable and accruals		-	59,393
Total liabilities		-	119,928
Net assets attributable to unitholders	9	-	225,339,020
Equity		-	225,339,020

[1] The date of incorporation for China Life Franklin OFC was 08 January 2025.
[2] The date of incorporation for China Life Franklin OFC was 12 March January 2025.

Statement of financial position at 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC (1)* 2025 USD	*China Life Franklin USD Money Market Fund (2)* 2025 USD
Number of units in issue			Units
- Class A (USD)		-	40,957
- Class B (USD)		-	1,786,236
- Class C (USD)		-	11,918
- Class I (USD)		-	270,556
- Class P (USD)		-	69,387
Net asset value per unit		USD	USD
- Class A (USD)		-	102.6864
- Class B (USD)		-	103.5421
- Class C (USD)		-	102.6892
- Class I (USD)		-	102.8550
- Class P (USD)		-	102.7707

Approved by the Directors on

____
China Life Franklin Asset Management Co., Limited

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of changes in equity/Statement of changes in net assets attributable to unitholders for the period ended 31 December 2025

(Expressed in USD)

	China Life Franklin USD Money Market Fund		*China Life Franklin USD Money Market Fund*	
	Period from 08 January 2025 (date of incorporation) to 31 December 2025		*Period from 12 March 2025 (date of incorporation) to 31 December 2025*	
	Number of units	USD	*Number of units*	USD
As at the beginning of the period	-	-	-	-
Transaction with unitholders, recognised directly in equity	-	-		
Subscription of units				
- Class A (USD)	-	-	48,239	4,939,850
- Class B (USD)	-	-	1,786,236	180,517,740
- Class C (USD)	-	-	14,134	1,448,164
- Class I (USD)	-	-	634,136	64,540,146
- Class P (USD)	-	-	565,901	57,000,200
			3,048,646	308,446,100
Redemption of units				
- Class A (USD)	-	-	(7,282)	(746,963)
- Class B (USD)	-	-	-	-
- Class C (USD)	-	-	(2,216)	(227,185)
- Class I (USD)	-	-	(363,580)	(37,186,957)
- Class P (USD)	-	-	(496,514)	(50,274,492)
	-	-	(869,592)	(88,435,597)
	-	-	2,179,054	220,010,503
	-		2,179,054	
Increase in net assets attributable to unitholders for the period		-		5,328,517
As at 31 December 2025		-		225,339,020

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of cash flow for the period ended 31 December 2025

(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January 2025 (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from operating activities			
Profit for the period		-	5,328,517
Adjustments for:			
Interest income		-	(3,351,099)
Net realised gain on financial assets and financial liabilities at fair value through profit or loss	5	-	(2,160,375)
Purchase of financial assets and financial liabilities at fair value through profit or loss		-	(239,763,943)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss		-	187,134,680
Increase in time deposits with original maturity dates more than three months		-	(86,199,576)
Increase in prepayment and other receivables		-	(17,242)
Increase in management fee payable		-	21,914
Increase in audit fee payable		-	12,900
Increase in administration fee payable		-	25,721
Increase in other accounts payable and accruals		-	59,393
		-	(138,909,110)
Interest received		-	2,011,067
Net cash used in operating activities		-	(136,898,043)

Statement of cash flow for the period ended 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from financing activities			
Proceeds from subscription of units		-	308,446,100
Payment on redemptions of units		-	(88,435,597)
Net cash flows generated from financing activities		-	220,010,503
Net increase in cash and cash equivalents		-	83,112,460
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of period	7	-	83,112,460
Analysis of cash and cash equivalents			
Cash at bank		-	30,740,992
Short-term deposits with original maturity within three months		-	52,371,468
Total cash and cash equivalents on statement of assets and liabilities	7	-	83,112,460

The notes on pages 13 to 34 form an integral part of these financial statements.

Notes to the financial statements

(Expressed in USD)

1 The Company

China Life Franklin OFC (the “Company”) is a public umbrella open-ended fund company with variable capital and limited liability regulated under the Hong Kong Securities and Futures Ordinance (“SFO”). The Company was incorporated pursuant to an Instrument of Incorporation filed to the Companies Registry of Hong Kong on and effective as of 8 January 2025, as amended and restated (the “Instrument”) with registration number 77567752.

As at 31 December 2025, the Company has one sub-fund. The sub-fund was launched on the date set out below:

Name of Sub-fund	Launch date
China Life Franklin USD Money Market Fund	12 March 2025

The investment objective of China Life Franklin USD Money Market Fund is to achieve a return in USD in line with prevailing money market rate. The Sub-Fund may invest in USD-denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations.

The Sub-Fund is constituted as a separate sub-fund of the Company. The Sub-Fund is authorized by the Hong Kong Securities and Futures Commission under Section 104(1) of SFC. It is governed by the relevant provisions of the Code on Open Ended Fund Companies (the “OFC Code”) and the Code on Unit Trusts and Mutual Funds (the “UT Code”) issued by the SFC.

China Life Franklin Asset Management Co., Limited (the “Manager”) is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO.

The Company has appointed the Manager to manage the assets of the Company and its Sub-Fund (i.e. to carry out investment management functions) and to provide asset valuation and pricing functions in respect of the Company and its Sub-fund, pursuant to the Management Agreement.

The Company has appointed CMB Wing Lung (Trustee) Limited (the “Custodian”), as the custodian for its Sub-Fund. The Custodian carries on business as a trust company registered under section 78(1) of the Trustee Ordinance.

The Custodian shall act as custodian of the assets of the Company and its Sub-fund in respect of which it has been so appointed, pursuant to the Custody Agreement. The Custodian is responsible for the safekeeping of all the investments, cash and other assets forming part of the assets of the Sub- Fund, and such assets will be dealt with pursuant to the terms in the Custody Agreement. The Custodian shall act honestly, fairly and professionally and exercise due skill, care and diligence reasonably expected of a professional custodian to ensure the safekeeping of the relevant sub-fund’s property entrusted to it.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the relevant disclosure provisions of the OFC Code and the UT Code issued by the SFC. Material accounting policies adopted by the Company and its Sub-fund are disclosed below.

The financial statements have been prepared under the historical cost basis, except for financial assets and financial liabilities 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 Issued but not yet effective Hong Kong financial reporting standards

The Company and its Sub-Fund have not early applied any of the new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the period ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Company and its Sub-Fund are in the process of making an assessment of what the impact of these amendments and interpretations 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.

2.3 Material accounting policies

(a) Financial instruments

(i) Classification

In accordance with HKFRS 9, the Company and its Sub-Fund classify 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 Company and its Sub-Fund classify its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Company's and its 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 Company and its Sub-Fund include in this category short-term non-financing receivables including cash and cash equivalents, prepayment and other receivables, amounts due from brokers and interest receivable.

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

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(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 Company and its Sub-Fund include in this category equity instruments and debt 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 Company and its Sub-Fund include in this category derivative contracts in a liability position sold short since they are classified as held for trading.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at FVPL. The Company and its Sub-Fund include in this category management fee payable, trustee fee payable, other accounts payable and accrual.

(ii) Recognition

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund commit 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.

(iv) Subsequent measurement

After initial measurement, the Company and its Sub-Fund measure 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.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(iv) Subsequent measurement (continued)

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 Company and its Sub-Fund estimate cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

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

- the Company and its Sub-Fund have transferred substantially all the risks and rewards of the asset, or

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

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

The Company and its Sub-Fund derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vi) Determination of fair value

The Company and its Sub-Fund measure 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 Company and its 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 Company and its Sub-Fund determine whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vii) Impairment of financial assets

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund expect 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 Company and its Sub-Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company and its Sub-Fund compare 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 Company and its Sub-Fund consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company and its Sub-Fund may also consider a financial asset to be in default when internal or external information indicates that the Company and its Sub-Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company and its 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

2.3 Material accounting policies (continued)

(a) Financial instruments (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 Company's and its Sub-Fund's functional currency is USD, which is the currency of the primary economic environment in which it operates. The Company's and its 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 Company's and its 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 Company's and its Sub-Fund's net assets in the event of the Company's and its 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 Company's and its Sub-Fund's net assets.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

(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 Company and its Sub-Fund over the life of the instrument.

In addition to the redeemable units having all of the above features, the Company and its 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 Company and its Sub-Fund

(b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders

The Company and its Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instrument if it meets the following conditions:

- it entitles the holder to a pro rata share of the Sub-Fund’s net assets in the event of the Sub-Fund’s liquidation;

- it is in the class of instruments that is subordinate to all other classes of instruments;

- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and

- the total expected cash flows attributable to the instrument over its life are based substantially on 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.

The Sub-Fund has five classes of redeemable units: Class A (USD), Class B (USD), Class C (USD), Class I (USD) and Class P (USD) in issue.

All redeemable units issued by the Sub-fund provide the investors with the right to require redemption for cash at a value proportionate to the investor’s share in the corresponding Sub-Fund’s net assets at each daily redemption date and also in the event of the corresponding Sub-Fund’s liquidation.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

The Sub-Fund has created multiple classes of redeemable units, which rank pari passu in all material respects but have different terms and conditions as set out in the Explanatory Memorandum, which include different minimum investment amounts, minimum realisation amount and minimum holding amount. 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 redemption date but also in the event of the Sub-Fund's liquidation. The redeemable units of the Sub-Fund are classified as financial liabilities and are measured at the present value of the redemption amounts as at 31 December 2025.

(e) Distributions to unitholders

Distributions are at the discretion of the Company and its Sub-Fund. A dividend distribution to the Sub-Fund's unitholders is accounted for as financial cost. No distribution was proposed or paid out during the current period.

(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.

(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 period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the 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.

2.3 Material accounting policies (continued)

(j) Establishment Costs

The establishment costs of the Company and its Sub-Fund consist of costs incurred to establish the Company and its Sub-Fund and enable them legally to do business. The establishment costs are recognised as an expense in the year in which they are incurred.

(k) 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 Company and its Sub-Fund;
- (ii) has significant influence over the Company and its Sub-Fund; or
- (iii) is a member of the key management personnel of the Company and its Sub-Fund or of a parent of the Company and its Sub-Fund; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Company and its Sub-Fund are members of the same Company and its 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) both the entity 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 Company and its Sub-Fund or an entity related to the Company and its 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 group of which it is a part, provides key management personnel services to the Company and its Sub-Fund.

(l) Taxes

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

2.3 Material accounting policies (continued)

(m) Segment reporting

An operating segment is a component of the Company and its 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 Company's and its 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 Company and its Sub-Fund is identified as the Manager, China Life Franklin Asset Management Co., Limited.

3 Material accounting judgments and estimates

The preparation of the Company's and its 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 Transaction costs

	Period from 12 March 2025 (date of incorporation) to 31 December 2025 USD
Transaction costs	3,142

5 Financial assets and financial liabilities at fair value through profit or loss

	31 December 2025 USD
Financial assets at fair value through profit or loss	
- Certificate of deposits	54,789,638

Net gain on financial assets and liabilities at fair value through profit or loss.

	31 December 2025 USD
Held for trading	
- realised gains	2,160,375
Total net gains on financial assets and liabilities at fair value through profit or loss	2,160,375

6 Income tax

No provision for Hong Kong profits tax has been made as the Company and its Sub-Fund are exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Certain interest income received by the Company and its Sub-Fund may be subject to withholding tax in the country of origination.

7 Cash and cash equivalents

The balances represent cash held with Industrial and Commercial Bank of China (Asia), CMB Wing Lung Bank, and China Construction Bank (Hong Kong) and the time deposits. The bank balances are interest-bearing.

	31 December 2025 USD
Cash at bank	30,740,992
Bank deposits with original maturity dates within three months	52,371,468
Cash and cash equivalents	83,112,460

8 Units in issue

As at 31 December 2025, the Sub-Fund has offered five 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 unit may redeem the units on any valuation day by no later than the dealing deadline, i.e. no later than the 11:00 a.m. (Hong Kong time) of the 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 period 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 Company 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 and Supplement of the Sub-Fund and the NAV determined in accordance with HKFRS Accounting Standards.

The Private Placement Memorandum and Supplement of the Sub-Fund state that the preliminary expenses should be amortised in 5 years, while the HKFRS Accounting Standards requires that preliminary expenses should be expensed immediately. As at 31 December 2025, the remaining amortisation period is within 4 years and the unamortised amount is USD60,513.

	31 December 2025 USD
Net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions	225,399,533
Adjustment to preliminary expenses	(60,513)
Net assets attributable to unitholders (per financial statements)	225,339,020

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 interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk arises from changes in interest rates which may inversely affect the value of debt instruments and therefore result in potential gain or loss to the Sub-fund. The Sub-fund' interest rate risk is managed on a regular basis by the Manager.

The following tables illustrates the interest rate risk exposure of the Sub-fund. It includes the Sub-fund' interest rate sensitivity gaps and the year in which the interest bearing assets and liabilities reprice (the earlier of contractual re-pricing or maturity) as at period end.

As at 31 December 2025

	Up to 1 year USD	1 - 5 year USD	Over 5 years USD	Non-interest bearing USD	Total USD
Assets					
Financial assets at fair value through profit or loss	20,000,000	-	-	34,789,638	54,789,638
Interest receivable	-	-	-	1,340,032	1,340,032
Prepayment and other receivable	-	-	-	17,242	17,242
Time deposit	86,199,576	-	-	-	86,199,576
Cash and cash equivalents	52,371,468	-	-	30,740,992	83,112,460
	158,571,044	-	-	66,887,904	225,458,948
Liabilities					
Administration fee payable	-	-	-	25,721	25,721
Management fee payable	-	-	-	22,085	22,085
Audit fee payable	-	-	-	12,900	12,900
Other accounts payable and accruals	-	-	-	59,222	59,222
	-	-	-	119,928	119,928
Total interest sensitivity gap	158,571,044	-	-		

10 Financial risk and management objective and policies (continued)

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the period to a reasonably possible change in interest rates, with all other variables held constant.

	Change in basis points	*Sensitivity of change in fair value of investments and net assets* USD
As at 31 December 2025		
- Certificate of deposits	75	41,785

The Sub-Fund also has interest-bearing bank deposits which the interest rates movement will not have significant cash flow impact on the net asset value and therefore no sensitivity analysis on bank deposit is presented.

Foreign exchange risk

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

The Sub-Fund holds assets and liabilities mainly denominated in HKD and United States dollars ("USD") while USD is the functional currency of the Sub-Fund. 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 may not be able to generate sufficient cash and resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Sub-Fund.

The Sub-Fund is exposed to liquidity risk through its investments, including listed or unlisted quoted bonds and derivatives. The Sub-Fund restricts its concentration risk by its investment restriction policy as per its Explanatory Memorandum.

The Sub-fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long-term.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Analysis of debt securities at fair value through profit or loss into maturity groups is based on the expected date on which these assets will be realised. For other assets, the analysis into

10 Financial risk and management objective and policies (continued)

maturity groups 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.

All of the Sub-Fund's non-derivative financial liabilities are repayable within one year.

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 invests in a diversified portfolio of debt securities issued by issuers with wide range of credit ratings. If the issuer of any of the debt securities in which the Sub-Fund invested defaults, the performance of the Sub-Fund will be adversely affected. The credit ratings are reviewed regularly by the Manager.

The Sub-Fund is exposed to credit risk on debt securities. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates.

As at 31 December 2025

Custodian and broker	*Credit rating*
CMB Wing Lung Bank	A-
China Construction Bank (Hong Kong)	A
Industrial and Commercial Bank of China (Asia)	A

Financial assets at FVPL	USD
AA-	10,000,000
A	34,789,638
A-	10,000,000
	54,789,638

Cash and cash equivalent and Time Deposits	USD
A+	20,844,993
A	18,160,711
A-	3,215,999
BBB+	40,941,431
BBB	56,778,902
BBB-	29,370,000
	169,312,036

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).

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 futures contract that are traded in active market are based on quoted prices.

For debt securities, the Sub-Fund measures instruments quoted in the market at last closing price, because this price provides a reasonable approximate of the exit price. In other cases, the fair value is estimated using the market comparison/discounted cash flow techniques. This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

The fair value measurement of all of the financial assets and financial liabilities at fair value through profit or loss held by the Sub-Fund as at 31 December 2025 is as follow:

31 December 2025	*Level 1* USD	*Level 2* USD	*Level 3* USD	*Total* USD
Financial assets at fair value through profit or loss				
Certificate of deposits	-	54,789,638	-	54,789,638
Total financial assets at fair value through profit or loss	-	54,789,638	-	54,789,638

11 Fair value information (continued)

There was no transfer between different levels of the fair value hierarchy during the period ended 31 December 2025.

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

12 Transactions with the Custodian and Manager and key connected persons

The following is a summary of significant related party transactions or transactions entered into during the period between the Company and its Sub-fund, the Manager, the Custodian and the Administrator, and their Connected Persons. Connected Persons are those defined in the UT Code issues by the SFC.

All transactions during the period between the Company and its Sub-fund, the Manager and the Custodian, and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Manager, the Company and its Sub-Fund did not have any other transactions with Connected Persons except for those disclosed below. The relevant receivables and payables are unsecured, interest free and repayable on demand.

Management fee

The Manager is entitled to a management fee from the Sub-Fund, at a rate of 0.35% per annum with respect to the net asset value of Class A units, 0.60% per annum with respect to the net asset value of Class C units, 0.05% per annum with respect to the net asset value of Class I units, and 0.15% per annum with respect to the net asset value of Class P units, which can be increased to a maximum rate of 1.5% per annum. No management fee is charged for Class B units. Management fees were calculated and accrued on a daily basis.

The management fee for the period ended 31 December 2025 was USD21,914 and US21,914 was payable to the Manager as at 31 December 2025.

Transactions with Custodian and Administrator (CMB Wing Lung (Trustee) Limited)

The Sub-Fund’s bank balance and investments were held by the Custodian, CMB Wing Lung (Trustee) Limited.

At 31 December 2025, bank balance with CMB Wing Lung (Trustee) Limited was amounting to USD3,215,999, the bank charge was USD5,449 and interest income was USD3,414.

The Custodian is entitled to receive custodian fee from the Sub-Fund, at a rate of 0.01% 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.

There custodian fee for the period ended 31 December 2025 was USD6,514 and USD nil was payable to the Custodian as at 31 December 2025.

12 Transactions with the Custodian and Manager and key connected persons (continued)

The Administrator is entitled to receive administration fee from the Sub-Fund, at a rate up to 0.04% per annum with respect to the net asset value of the Sub-Fund, subject to a monthly minimum fee of USD2,500. The fee was calculated and accrued on a daily basis.

The administration fee for the period ended 31 December 2025 was USD54,086 and USD25,721 was payable to the Administrator as at 31 December 2025.

Trustee fee and transaction fee

Total transaction fee charged by the Custodian for subscription, redemption and transfer transaction during the period was USD502 and total transaction fee charged by the Custodian for securities transaction during the period was USD2,640.

Holding in the Sub-Fund

As of 31 December 2025, China Life Franklin Asset Management Co., Limited, the Manager, holds 95,939 Class B (USD) of the Sub-Fund, and China Life Trustees Limited, a related party of the Manager, holds 1,690,297 Class B (USD) units of the Sub-Fund.

The following table summarises the movement of the relevant holding during the period from 12 March 2025 (date of incorporation) to 31 December 2025:

2025

	Units outstanding at 12 March 2025	*Units subscribed during the period*	*Units redeemed during the period*	*Units outstanding at 31 December 2025*
Class B (USD)				
China Life Trustees Limited	-	1,690,297	-	1,690,297
China Life Franklin Asset Management Co., Limited	-	95,939	-	95,939

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 period.

14 Distribution to unitholders

There was no declared distribution for the period from 12 March 2025 (date of incorporation) to 31 December 2025.

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 Fund’s performance is evaluated on an overall basis. Accordingly, the Manager considers that the 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 Explanatory Memorandum 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 Bank loans, overdrafts and other borrowings

The Sub-fund had no bank loans, overdrafts or other borrowings as at 31 December 2025.

17 Security lending arrangements

During the period ended 31 December 2025, the Sub-fund did not enter into any security lending arrangements.

18 Negotiability of assets

As at 31 December 2025, there were no statutory or contractual requirements restricting the negotiability of the assets of the Sub-fund.

19 Commitments

As at 31 December 2025, the Sub-fund had no commitments.

20 Contingent liabilities and capital commitment

As at 31 December 2025, the Sub-fund had no contingent liabilities or capital commitment outstanding.

21 Events after the reporting period

There were no other material events after the reporting date, which necessitate revision of the figures or disclosures included in these financial statements.

Statement of movements in portfolio holdings for the period ended 31 December 2025 (Unaudited)

(Expressed in USD)

	Movement			
	At 12 March 2025	Additions	Disposals	At 31 December 2025
Bonds				
Government bonds				
UNITED STATES				
B 0% 03042025	-	200,000	(200,000)	-
B 0% 27032025	-	270,000	(270,000)	-
Money Market Instruments				
Certificate of deposit				
CHINA				
BCHINA 4.35% 01122025	-	10,000,000	(10,000,000)	-
BOHAIB 4.49% 18112025	-	10,000,000	(10,000,000)	-
ICBCAS 4% 09102025	-	2,400,000	(2,400,000)	-
INDIA				
SBIIN 0% 18082025	-	60,000,000	(60,000,000)	-
SBIIN 0% 18092025	-	25,000,000	(25,000,000)	-
SBIIN 4.39% 17122025	-	15,000,000	(15,000,000)	-
ITALY				
ISPIM 4.15% 29012026	-	10,000,000	-	10,000,000
ISPIM 4.3% 15012026	-	10,000,000	-	10,000,000
MACAO				
TAIFNG 0% 18112025	-	19,600,000	(19,600,000)	-
SINGAPORE				
NCBKSG 0% 18052026	-	20,000,000	(15,000,000)	5,000,000
NCBKSG 4.63% 29082025	-	10,000,000	(10,000,000)	-
TAIWAN				
ESUNBK 0% 23022026	-	15,000,000	-	15,000,000
FUBON 0% 16092025	-	10,000,000	(10,000,000)	-
HUANAN 0% 27012026	-	15,000,000	-	15,000,000
MEGA 0% 18112025	-	10,000,000	(10,000,000)	-

Investment portfolio as at 31 December 2025 (Unaudited)
(Expressed in USD)

SECURITIES NAME	*Number of shares/Nominals*	*Fair Value as of 31 December 2025* USD	*% of Net Asset Value* %
Money Market Instruments			
Certificate of deposit			
ITALY			
ISPIM 4.15% 29012026	10,000,000	10,000,000	4.44
ISPIM 4.3% 15012026	10,000,000	10,000,000	4.44
SINGAPORE			
NCBKSG 0% 18052026	5,000,000	4,924,541	2.19
TAIWAN			
ESUNBK 0% 23022026	15,000,000	14,909,584	6.62
HUANAN 0% 27012026	15,000,000	14,955,513	6.64
		54,789,638	24.33
Total financial assets and liabilities at fair value through profit and loss		54,789,638	24.33
Other net assets		170,549,382	75.67
Net assets as at 31 December 2025		225,339,020	100.00
Total investment, at cost		54,593,607	

	Fair Value as of 31 December 2025 USD	*% of Net Asset Value* %
Daily liquid asset	84,720,471	38.11%
Weekly liquid asset	104,594,547	47.05%

The weighted average maturity and the weighted average life of the portfolio of the Sub-Fund are 33 days and 33 days respectively.

Performance record (Unaudited)

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

	Net asset value per unit USD	*Total net asset value* USD
As at 31 December 2025		
- Class A (USD)	102.7140	4,206,828
- Class B (USD)	103.5699	185,000,267
- Class C (USD)	102.7168	1,224,140
- Class I (USD)	102.8826	27,835,498
- Class P (USD)	102.7983	7,132,859

Highest issue price and lowest redemption price per unit

	Highest issue price per unit USD	*Lowest redemption price per unit* USD
For the period from 12 March 2025 (date of incorporation) to 31 December 2025		
- Class A (USD)	103.0928	101.8202
- Class B (USD)	103.3330	N/A
- Class C (USD)	102.5926	101.7602
- Class I (USD)	102.8826	100.6177
- Class P (USD)	100.9350	100.5772

China Life Franklin OFC

(A Fund of an open-ended fund company
established under the laws of Hong Kong)

For the period ended 31 December 2025

Contents **Page(s)**

Administration and management

Manager

China Life Franklin Asset Management Co., Limited
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Yu Yong
Gregory Eugene McGowan
Chen Yingshun
Wang Yijiang
Molina George H
Wei Xiaopeng
Liu Hui
Shan Gang
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Administrator

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Registrar

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Auditor

KPMG
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10 Chater Road,
Central
Hong Kong

Custodian

CMB Wing Lung (Trustee) Limited
6/F, CMB Wing Lung Bank Building1
45 Des Voeux Road Central
Hong Kong

Report of the Custodian to the unitholders of China Life Franklin OFC (the “Company”)

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 OFC For the period ended 31 December 2025, in accordance with the provisions of the Instrument of Incorporation, as amended and restated, during the period ended 31 December 2025.

On behalf of

CMB Wing Lung (Trustee) Limited, the Custodian

Independent Auditor's Report to the Unitholders of China Life Franklin OFC (the "Company")

(an open-ended fund company established under the laws of Hong Kong)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of China Life Franklin Open-ended Fund Company and its sub-fund (the "Company and its Sub-Fund") set out on pages 7 to 34, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of changes in equity/Statement of changes in net assets attributable to unitholders and the statement of cash flow for the period ended 31 December 2025 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 Company and its Sub-Fund as at 31 December 2025 and of its financial transactions and cash flows for the period ended 31 December 2025 in accordance with HKFRS Accounting Standards as 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") as 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 Company and its 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 Directors of the Company and the Manager 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.

Responsibilities of Directors and Manager and Those Charged with Governance for the Financial Statements

The Directors of the Company and the Manager of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the Manager and the Directors 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 Directors of the Company and the Manager of the Sub-Fund are responsible for assessing the Company's and its 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 Directors and the Manager either intend to liquidate the Company and its Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Directors of the Company and the Manager of the Sub-fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Company's and its Sub-fund's instrument of incorporation dated 29 April 2020, Part 7 of the Securities and Futures (Open-ended Fund Companies) Rules ("OFC Rules"), Appendix E of the Code on Unit Trusts and Mutual Funds ("UT Code") and Chapter 9 of the Code on Open-Ended Fund Companies ("OFC 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 HKSAs 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 Company and its Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company's and its Sub-fund's instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

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

As part of an audit in accordance with HKSAs, 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 Company's and Its 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 Directors.

- Conclude on the appropriateness of the Manager's and the Directors' 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 Company's and its 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 Company and its 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 those charged with governance 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 provisions of the Company's and its Sub-fund' instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Company's and its Sub-fund' instrument of incorporation, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Ko, Sze Man (practicing certificate number: P06288).

Certified Public Accountants

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

Statement of comprehensive income for the period ended 31 December 2025

(Expressed in USD)

	Note	China Life Franklin OFC 08 January 2025 (date of incorporation) to 31 December 2025 USD	China Life Franklin USD Money Market Fund 12 March 2025 (date of incorporation) to 31 December 2025 USD
Income			
Interest income on financial assets at FVTPL		-	901,181
Interest income on bank deposits	12	-	2,449,918
		-	3,351,099
Expenses			
Management fees	12	-	(21,914)
Administration fees	12	-	(54,086)
Preliminary expenses	12	-	(70,694)
Custodian fee	12	-	(6,514)
Transaction costs	4, 12	-	(3,142)
Audit fees		-	(12,900)
Bank charge	12	-	(5,449)
Other operating expenses			(8,067)
		-	(182,766)
Net gain before investments and exchange differences		-	3,168,333
Investment and exchange differences			
Net gain on financial assets and liabilities at fair value through profit or loss	5	-	2,160,375
Net foreign exchange differences		-	(191)
		-	2,160,184
Profit and total comprehensive income for the period		-	5,328,517

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of financial position at 31 December 2025

(Expressed in USD)

	Note	*China Life Franklin OFC* [(1)] *2025* USD	*China Life Franklin USD Money Market Fund* [(2)] *2025* USD
Assets			
Financial assets at fair value through profit or loss	5, 10, 11	-	54,789,638
Interest receivable		-	1,340,032
Subscription receivable		-	3,094,439
Prepayment and other receivable		-	17,242
Time deposits with original maturity dates more than three months	10	-	86,199,576
Cash and cash equivalents	7, 10, 12	-	83,112,460
Total assets		-	225,458,948
Liabilities			
Management fee payable	12	-	21,914
Audit fee payable		-	12,900
Administration fee payable	12	-	25,721
Other accounts payable and accruals		-	59,393
Total liabilities		-	119,928
Net assets attributable to unitholders	9	-	225,339,020
Equity		-	225,339,020

(1) The date of incorporation for China Life Franklin OFC was 08 January 2025.
(2) The date of incorporation for China Life Franklin OFC was 12 March January 2025.

Statement of financial position at 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC (1)* 2025 USD	*China Life Franklin USD Money Market Fund (2)* 2025 USD
Number of units in issue			Units
- Class A (USD)		-	40,957
- Class B (USD)		-	1,786,236
- Class C (USD)		-	11,918
- Class I (USD)		-	270,556
- Class P (USD)		-	69,387
Net asset value per unit		USD	USD
- Class A (USD)		-	102.6864
- Class B (USD)		-	103.5421
- Class C (USD)		-	102.6892
- Class I (USD)		-	102.8550
- Class P (USD)		-	102.7707

Approved by the Directors on

China Life Franklin Asset Management Co., Limited

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of changes in equity/Statement of changes in net assets attributable to unitholders for the period ended 31 December 2025

(Expressed in USD)

	China Life Franklin USD Money Market Fund		*China Life Franklin USD Money Market Fund*	
	Period from 08 January 2025 (date of incorporation) to 31 December 2025		*Period from 12 March 2025 (date of incorporation) to 31 December 2025*	
	Number of units	USD	*Number of units*	USD
As at the beginning of the period	-	-	-	-
Transaction with unitholders, recognised directly in equity	-	-		
Subscription of units				
- Class A (USD)	-	-	48,239	4,939,850
- Class B (USD)	-	-	1,786,236	180,517,740
- Class C (USD)	-	-	14,134	1,448,164
- Class I (USD)	-	-	634,136	64,540,146
- Class P (USD)	-	-	565,901	57,000,200
			3,048,646	308,446,100
Redemption of units				
- Class A (USD)	-	-	(7,282)	(746,963)
- Class B (USD)	-	-	-	-
- Class C (USD)	-	-	(2,216)	(227,185)
- Class I (USD)	-	-	(363,580)	(37,186,957)
- Class P (USD)	-	-	(496,514)	(50,274,492)
	-	-	(869,592)	(88,435,597)
	-	-	2,179,054	220,010,503
	-		2,179,054	
Increase in net assets attributable to unitholders for the period		-		5,328,517
As at 31 December 2025		-		225,339,020

The notes on pages 13 to 34 form an integral part of these financial statements.

Statement of cash flow for the period ended 31 December 2025

(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January 2025 (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from operating activities			
Profit for the period		-	5,328,517
Adjustments for:			
Interest income		-	(3,351,099)
Net realised gain on financial assets and financial liabilities at fair value through profit or loss	5	-	(2,160,375)
Purchase of financial assets and financial liabilities at fair value through profit or loss		-	(239,763,943)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss		-	187,134,680
Increase in time deposits with original maturity dates more than three months		-	(86,199,576)
Increase in prepayment and other receivables		-	(17,242)
Increase in management fee payable		-	21,914
Increase in audit fee payable		-	12,900
Increase in administration fee payable		-	25,721
Increase in other accounts payable and accruals		-	59,393
		-	(138,909,110)
Interest received		-	2,011,067
Net cash used in operating activities		-	(136,898,043)

Statement of cash flow for the period ended 31 December 2025 (continued)

(Expressed in USD)

	Note	*China Life Franklin OFC Period from 08 January (date of incorporation) to 31 December 2025* USD	*China Life Franklin USD Money Market Fund Period from 12 March 2025 (date of incorporation) to 31 December 2025* USD
Cash flows from financing activities			
Proceeds from subscription of units		-	308,446,100
Payment on redemptions of units		-	(88,435,597)
Net cash flows generated from financing activities		-	220,010,503
Net increase in cash and cash equivalents		-	83,112,460
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of period	7	-	83,112,460
Analysis of cash and cash equivalents			
Cash at bank		-	30,740,992
Short-term deposits with original maturity within three months		-	52,371,468
Total cash and cash equivalents on statement of assets and liabilities	7	-	83,112,460

The notes on pages 13 to 34 form an integral part of these financial statements.

Notes to the financial statements

(Expressed in USD)

1 The Company

China Life Franklin OFC (the “Company”) is a public umbrella open-ended fund company with variable capital and limited liability regulated under the Hong Kong Securities and Futures Ordinance (“SFO”). The Company was incorporated pursuant to an Instrument of Incorporation filed to the Companies Registry of Hong Kong on and effective as of 8 January 2025, as amended and restated (the “Instrument”) with registration number 77567752.

As at 31 December 2025, the Company has one sub-fund. The sub-fund was launched on the date set out below:

Name of Sub-fund	Launch date
China Life Franklin USD Money Market Fund	12 March 2025

The investment objective of China Life Franklin USD Money Market Fund is to achieve a return in USD in line with prevailing money market rate. The Sub-Fund may invest in USD-denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations.

The Sub-Fund is constituted as a separate sub-fund of the Company. The Sub-Fund is authorized by the Hong Kong Securities and Futures Commission under Section 104(1) of SFC. It is governed by the relevant provisions of the Code on Open Ended Fund Companies (the “OFC Code”) and the Code on Unit Trusts and Mutual Funds (the “UT Code”) issued by the SFC.

China Life Franklin Asset Management Co., Limited (the “Manager”) is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO.

The Company has appointed the Manager to manage the assets of the Company and its Sub-Fund (i.e. to carry out investment management functions) and to provide asset valuation and pricing functions in respect of the Company and its Sub-fund, pursuant to the Management Agreement.

The Company has appointed CMB Wing Lung (Trustee) Limited (the “Custodian”), as the custodian for its Sub-Fund. The Custodian carries on business as a trust company registered under section 78(1) of the Trustee Ordinance.

The Custodian shall act as custodian of the assets of the Company and its Sub-fund in respect of which it has been so appointed, pursuant to the Custody Agreement. The Custodian is responsible for the safekeeping of all the investments, cash and other assets forming part of the assets of the Sub- Fund, and such assets will be dealt with pursuant to the terms in the Custody Agreement. The Custodian shall act honestly, fairly and professionally and exercise due skill, care and diligence reasonably expected of a professional custodian to ensure the safekeeping of the relevant sub-fund’s property entrusted to it.

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the relevant disclosure provisions of the OFC Code and the UT Code issued by the SFC. Material accounting policies adopted by the Company and its Sub-fund are disclosed below.

The financial statements have been prepared under the historical cost basis, except for financial assets and financial liabilities 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 Issued but not yet effective Hong Kong financial reporting standards

The Company and its Sub-Fund have not early applied any of the new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the period ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Company and its Sub-Fund are in the process of making an assessment of what the impact of these amendments and interpretations 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.

2.3 Material accounting policies

(a) Financial instruments

(i) Classification

In accordance with HKFRS 9, the Company and its Sub-Fund classify 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).

<u>Financial assets</u>

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

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

<u>Financial assets measured at amortised cost</u>

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 Company and its Sub-Fund include in this category short-term non-financing receivables including cash and cash equivalents, prepayment and other receivables, amounts due from brokers and interest receivable.

<u>Financial assets measured at fair value through profit or loss ("FVPL")</u>

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

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(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 Company and its Sub-Fund include in this category equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

<u>Financial liabilities measured at FVPL</u>

A financial liability is measured at FVPL if it meets the definition of held for trading. The Company and its Sub-Fund include in this category derivative contracts in a liability position sold short since they are classified as held for trading.

<u>Financial liabilities measured at amortised cost</u>

This category includes all financial liabilities, other than those measured at FVPL. The Company and its Sub-Fund include in this category management fee payable, trustee fee payable, other accounts payable and accrual.

(ii) Recognition

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund commit 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.

(iv) Subsequent measurement

After initial measurement, the Company and its Sub-Fund measure 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.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(iv) Subsequent measurement (continued)

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 Company and its Sub-Fund estimate cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

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

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

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

The Company and its Sub-Fund derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vi) Determination of fair value

The Company and its Sub-Fund measure 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 Company and its 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 Company and its Sub-Fund determine whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

2.3 Material accounting policies (continued)

(a) Financial instruments (continued)

(vii) Impairment of financial assets

The Company and its Sub-Fund recognise 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 Company and its Sub-Fund expect 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 Company and its Sub-Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company and its Sub-Fund compare 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 Company and its Sub-Fund consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company and its Sub-Fund may also consider a financial asset to be in default when internal or external information indicates that the Company and its Sub-Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company and its 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

2.3 Material accounting policies (continued)

(a) Financial instruments (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 Company's and its Sub-Fund's functional currency is USD, which is the currency of the primary economic environment in which it operates. The Company's and its 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 Company's and its 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 Company's and its Sub-Fund's net assets in the event of the Company's and its 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 Company's and its Sub-Fund's net assets.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

(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 Company and its Sub-Fund over the life of the instrument.

In addition to the redeemable units having all of the above features, the Company and its 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 Company and its Sub-Fund

(b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders

The Company and its Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instrument if it meets the following conditions:

- it entitles the holder to a pro rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation;

- it is in the class of instruments that is subordinate to all other classes of instruments;

- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and

- the total expected cash flows attributable to the instrument over its life are based substantially on 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.

The Sub-Fund has five classes of redeemable units: Class A (USD), Class B (USD), Class C (USD), Class I (USD) and Class P (USD) in issue.

All redeemable units issued by the Sub-fund provide the investors with the right to require redemption for cash at a value proportionate to the investor's share in the corresponding Sub-Fund's net assets at each daily redemption date and also in the event of the corresponding Sub-Fund's liquidation.

2.3 Material accounting policies (continued)

(d) Redeemable units (continued)

The Sub-Fund has created multiple classes of redeemable units, which rank pari passu in all material respects but have different terms and conditions as set out in the Explanatory Memorandum, which include different minimum investment amounts, minimum realisation amount and minimum holding amount. 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 redemption date but also in the event of the Sub-Fund's liquidation. The redeemable units of the Sub-Fund are classified as financial liabilities and are measured at the present value of the redemption amounts as at 31 December 2025.

(e) Distributions to unitholders

Distributions are at the discretion of the Company and its Sub-Fund. A dividend distribution to the Sub-Fund's unitholders is accounted for as financial cost. No distribution was proposed or paid out during the current period.

(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.

(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 period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the 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.

2.3 Material accounting policies (continued)

(j) Establishment Costs

The establishment costs of the Company and its Sub-Fund consist of costs incurred to establish the Company and its Sub-Fund and enable them legally to do business. The establishment costs are recognised as an expense in the year in which they are incurred.

(k) 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 Company and its Sub-Fund;
- (ii) has significant influence over the Company and its Sub-Fund; or
- (iii) is a member of the key management personnel of the Company and its Sub-Fund or of a parent of the Company and its Sub-Fund; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Company and its Sub-Fund are members of the same Company and its 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) both the entity 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 Company and its Sub-Fund or an entity related to the Company and its 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 group of which it is a part, provides key management personnel services to the Company and its Sub-Fund.

(l) Taxes

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

2.3 Material accounting policies (continued)

(m) Segment reporting

An operating segment is a component of the Company and its 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 Company's and its 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 Company and its Sub-Fund is identified as the Manager, China Life Franklin Asset Management Co., Limited.

3 Material accounting judgments and estimates

The preparation of the Company's and its 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 Transaction costs

	Period from 12 March 2025 (date of incorporation) to 31 December 2025 USD
Transaction costs	3,142

5 Financial assets and financial liabilities at fair value through profit or loss

	31 December 2025 USD
Financial assets at fair value through profit or loss	
- Certificate of deposits	54,789,638

Net gain on financial assets and liabilities at fair value through profit or loss.

	31 December 2025 USD
Held for trading	
- realised gains	2,160,375
Total net gains on financial assets and liabilities at fair value through profit or loss	2,160,375

6 Income tax

No provision for Hong Kong profits tax has been made as the Company and its Sub-Fund are exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Certain interest income received by the Company and its Sub-Fund may be subject to withholding tax in the country of origination.

7 Cash and cash equivalents

The balances represent cash held with Industrial and Commercial Bank of China (Asia), CMB Wing Lung Bank, and China Construction Bank (Hong Kong) and the time deposits. The bank balances are interest-bearing.

	31 December 2025 USD
Cash at bank	30,740,992
Bank deposits with original maturity dates within three months	52,371,468
Cash and cash equivalents	83,112,460

8 Units in issue

As at 31 December 2025, the Sub-Fund has offered five 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 unit may redeem the units on any valuation day by no later than the dealing deadline, i.e. no later than the 11:00 a.m. (Hong Kong time) of the 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 period 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 Company 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 and Supplement of the Sub-Fund and the NAV determined in accordance with HKFRS Accounting Standards.

The Private Placement Memorandum and Supplement of the Sub-Fund state that the preliminary expenses should be amortised in 5 years, while the HKFRS Accounting Standards requires that preliminary expenses should be expensed immediately. As at 31 December 2025, the remaining amortisation period is within 4 years and the unamortised amount is USD60,513.

	31 December 2025 USD
Net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions	225,399,533
Adjustment to preliminary expenses	(60,513)
Net assets attributable to unitholders (per financial statements)	225,339,020

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 interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk arises from changes in interest rates which may inversely affect the value of debt instruments and therefore result in potential gain or loss to the Sub-fund. The Sub-fund' interest rate risk is managed on a regular basis by the Manager.

The following tables illustrates the interest rate risk exposure of the Sub-fund. It includes the Sub-fund' interest rate sensitivity gaps and the year in which the interest bearing assets and liabilities reprice (the earlier of contractual re-pricing or maturity) as at period end.

As at 31 December 2025

	Up to 1 year USD	1 - 5 year USD	Over 5 years USD	Non-interest bearing USD	Total USD
Assets					
Financial assets at fair value through profit or loss	20,000,000	-	-	34,789,638	54,789,638
Interest receivable	-	-	-	1,340,032	1,340,032
Prepayment and other receivable	-	-	-	17,242	17,242
Time deposit	86,199,576	-	-	-	86,199,576
Cash and cash equivalents	52,371,468	-	-	30,740,992	83,112,460
	158,571,044	-	-	66,887,904	225,458,948
Liabilities					
Administration fee payable	-	-	-	25,721	25,721
Management fee payable	-	-	-	22,085	22,085
Audit fee payable	-	-	-	12,900	12,900
Other accounts payable and accruals	-	-	-	59,222	59,222
	-	-	-	119,928	119,928
Total interest sensitivity gap	158,571,044	-	-		

10 Financial risk and management objective and policies (continued)

The following table demonstrates the sensitivity of the Sub-Fund's profit or loss for the period to a reasonably possible change in interest rates, with all other variables held constant.

	Change in basis points	*Sensitivity of change in fair value of investments and net assets* USD
As at 31 December 2025		
- Certificate of deposits	75	41,785

The Sub-Fund also has interest-bearing bank deposits which the interest rates movement will not have significant cash flow impact on the net asset value and therefore no sensitivity analysis on bank deposit is presented.

Foreign exchange risk

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

The Sub-Fund holds assets and liabilities mainly denominated in HKD and United States dollars ("USD") while USD is the functional currency of the Sub-Fund. 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 may not be able to generate sufficient cash and resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Sub-Fund.

The Sub-Fund is exposed to liquidity risk through its investments, including listed or unlisted quoted bonds and derivatives. The Sub-Fund restricts its concentration risk by its investment restriction policy as per its Explanatory Memorandum.

The Sub-fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long-term.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Analysis of debt securities at fair value through profit or loss into maturity groups is based on the expected date on which these assets will be realised. For other assets, the analysis into

10 Financial risk and management objective and policies (continued)

maturity groups 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.

All of the Sub-Fund's non-derivative financial liabilities are repayable within one year.

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 invests in a diversified portfolio of debt securities issued by issuers with wide range of credit ratings. If the issuer of any of the debt securities in which the Sub-Fund invested defaults, the performance of the Sub-Fund will be adversely affected. The credit ratings are reviewed regularly by the Manager.

The Sub-Fund is exposed to credit risk on debt securities. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates.

<u>As at 31 December 2025</u>

Custodian and broker	*Credit rating*
CMB Wing Lung Bank	A-
China Construction Bank (Hong Kong)	A
Industrial and Commercial Bank of China (Asia)	A

<u>Financial assets at FVPL</u>	USD
AA-	10,000,000
A	34,789,638
A-	10,000,000
	54,789,638

Cash and cash equivalent and Time Deposits	USD
A+	20,844,993
A	18,160,711
A-	3,215,999
BBB+	40,941,431
BBB	56,778,902
BBB-	29,370,000
	169,312,036

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).

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 futures contract that are traded in active market are based on quoted prices.

For debt securities, the Sub-Fund measures instruments quoted in the market at last closing price, because this price provides a reasonable approximate of the exit price. In other cases, the fair value is estimated using the market comparison/discounted cash flow techniques. This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

The fair value measurement of all of the financial assets and financial liabilities at fair value through profit or loss held by the Sub-Fund as at 31 December 2025 is as follow:

31 December 2025	*Level 1* USD	*Level 2* USD	*Level 3* USD	*Total* USD
Financial assets at fair value through profit or loss				
Certificate of deposits	-	54,789,638	-	54,789,638
Total financial assets at fair value through profit or loss	-	54,789,638	-	54,789,638

11 Fair value information (continued)

There was no transfer between different levels of the fair value hierarchy during the period ended 31 December 2025.

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

12 Transactions with the Custodian and Manager and key connected persons

The following is a summary of significant related party transactions or transactions entered into during the period between the Company and its Sub-fund, the Manager, the Custodian and the Administrator, and their Connected Persons. Connected Persons are those defined in the UT Code issues by the SFC.

All transactions during the period between the Company and its Sub-fund, the Manager and the Custodian, and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Manager, the Company and its Sub-Fund did not have any other transactions with Connected Persons except for those disclosed below. The relevant receivables and payables are unsecured, interest free and repayable on demand.

<u>Management fee</u>

The Manager is entitled to a management fee from the Sub-Fund, at a rate of 0.35% per annum with respect to the net asset value of Class A units, 0.60% per annum with respect to the net asset value of Class C units, 0.05% per annum with respect to the net asset value of Class I units, and 0.15% per annum with respect to the net asset value of Class P units, which can be increased to a maximum rate of 1.5% per annum. No management fee is charged for Class B units. Management fees were calculated and accrued on a daily basis.

The management fee for the period ended 31 December 2025 was USD21,914 and US21,914 was payable to the Manager as at 31 December 2025.

<u>Transactions with Custodian and Administrator (CMB Wing Lung (Trustee) Limited)</u>

The Sub-Fund's bank balance and investments were held by the Custodian, CMB Wing Lung (Trustee) Limited.

At 31 December 2025, bank balance with CMB Wing Lung (Trustee) Limited was amounting to USD3,215,999, the bank charge was USD5,449 and interest income was USD3,414.

The Custodian is entitled to receive custodian fee from the Sub-Fund, at a rate of 0.01% 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.

There custodian fee for the period ended 31 December 2025 was USD6,514 and USD nil was payable to the Custodian as at 31 December 2025.

12 Transactions with the Custodian and Manager and key connected persons (continued)

The Administrator is entitled to receive administration fee from the Sub-Fund, at a rate up to 0.04% per annum with respect to the net asset value of the Sub-Fund, subject to a monthly minimum fee of USD2,500. The fee was calculated and accrued on a daily basis.

The administration fee for the period ended 31 December 2025 was USD54,086 and USD25,721 was payable to the Administrator as at 31 December 2025.

Trustee fee and transaction fee

Total transaction fee charged by the Custodian for subscription, redemption and transfer transaction during the period was USD502 and total transaction fee charged by the Custodian for securities transaction during the period was USD2,640.

Holding in the Sub-Fund

As of 31 December 2025, China Life Franklin Asset Management Co., Limited, the Manager, holds 95,939 Class B (USD) of the Sub-Fund, and China Life Trustees Limited, a related party of the Manager, holds 1,690,297 Class B (USD) units of the Sub-Fund.

The following table summarises the movement of the relevant holding during the period from 12 March 2025 (date of incorporation) to 31 December 2025:

2025

	Units outstanding at 12 March 2025	*Units subscribed during the period*	*Units redeemed during the period*	*Units outstanding at 31 December 2025*
Class B (USD)				
China Life Trustees Limited	-	1,690,297	-	1,690,297
China Life Franklin Asset Management Co., Limited	-	95,939	-	95,939

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 period.

14 Distribution to unitholders

There was no declared distribution for the period from 12 March 2025 (date of incorporation) to 31 December 2025.

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 Fund’s performance is evaluated on an overall basis. Accordingly, the Manager considers that the 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 Explanatory Memorandum 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 Bank loans, overdrafts and other borrowings

The Sub-fund had no bank loans, overdrafts or other borrowings as at 31 December 2025.

17 Security lending arrangements

During the period ended 31 December 2025, the Sub-fund did not enter into any security lending arrangements.

18 Negotiability of assets

As at 31 December 2025, there were no statutory or contractual requirements restricting the negotiability of the assets of the Sub-fund.

19 Commitments

As at 31 December 2025, the Sub-fund had no commitments.

20 Contingent liabilities and capital commitment

As at 31 December 2025, the Sub-fund had no contingent liabilities or capital commitment outstanding.

21 Events after the reporting period

There were no other material events after the reporting date, which necessitate revision of the figures or disclosures included in these financial statements.

Statement of movements in portfolio holdings for the period ended 31 December 2025 (Unaudited)

(Expressed in USD)

	Movement			
	At 12 March 2025	Additions	Disposals	At 31 December 2025
Bonds				
Government bonds				
UNITED STATES				
B 0% 03042025	-	200,000	(200,000)	-
B 0% 27032025	-	270,000	(270,000)	-
Money Market Instruments				
Certificate of deposit				
CHINA				
BCHINA 4.35% 01122025	-	10,000,000	(10,000,000)	-
BOHAIB 4.49% 18112025	-	10,000,000	(10,000,000)	-
ICBCAS 4% 09102025	-	2,400,000	(2,400,000)	-
INDIA				
SBIIN 0% 18082025	-	60,000,000	(60,000,000)	-
SBIIN 0% 18092025	-	25,000,000	(25,000,000)	-
SBIIN 4.39% 17122025	-	15,000,000	(15,000,000)	-
ITALY				
ISPIM 4.15% 29012026	-	10,000,000	-	10,000,000
ISPIM 4.3% 15012026	-	10,000,000	-	10,000,000
MACAO				
TAIFNG 0% 18112025	-	19,600,000	(19,600,000)	-
SINGAPORE				
NCBKSG 0% 18052026	-	20,000,000	(15,000,000)	5,000,000
NCBKSG 4.63% 29082025	-	10,000,000	(10,000,000)	-
TAIWAN				
ESUNBK 0% 23022026	-	15,000,000	-	15,000,000
FUBON 0% 16092025	-	10,000,000	(10,000,000)	-
HUANAN 0% 27012026	-	15,000,000	-	15,000,000
MEGA 0% 18112025	-	10,000,000	(10,000,000)	-

Investment portfolio as at 31 December 2025 (Unaudited)
(Expressed in USD)

SECURITIES NAME	*Number of shares/Nominals*	*Fair Value as of 31 December 2025* USD	*% of Net Asset Value* %
Money Market Instruments			
Certificate of deposit			
ITALY			
ISPIM 4.15% 29012026	10,000,000	10,000,000	4.44
ISPIM 4.3% 15012026	10,000,000	10,000,000	4.44
SINGAPORE			
NCBKSG 0% 18052026	5,000,000	4,924,541	2.19
TAIWAN			
ESUNBK 0% 23022026	15,000,000	14,909,584	6.62
HUANAN 0% 27012026	15,000,000	14,955,513	6.64
		54,789,638	24.33
Total financial assets and liabilities at fair value through profit and loss		54,789,638	24.33
Other net assets		170,549,382	75.67
Net assets as at 31 December 2025		225,339,020	100.00
Total investment, at cost		54,593,607	

	Fair Value as of 31 December 2025 USD	*% of Net Asset Value* %
Daily liquid asset	84,720,471	38.11%
Weekly liquid asset	104,594,547	47.05%

The weighted average maturity and the weighted average life of the portfolio of the Sub-Fund are 33 days and 33 days respectively.

Performance record (Unaudited)

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

	Net asset value per unit USD	*Total net asset value* USD
As at 31 December 2025		
- Class A (USD)	102.7140	4,206,828
- Class B (USD)	103.5699	185,000,267
- Class C (USD)	102.7168	1,224,140
- Class I (USD)	102.8826	27,835,498
- Class P (USD)	102.7983	7,132,859

Highest issue price and lowest redemption price per unit

	Highest issue price per unit USD	*Lowest redemption price per unit* USD
For the period from 12 March 2025 (date of incorporation) to 31 December 2025		
- Class A (USD)	103.0928	101.8202
- Class B (USD)	103.3330	N/A
- Class C (USD)	102.5926	101.7602
- Class I (USD)	102.8826	100.6177
- Class P (USD)	100.9350	100.5772