

HAITONG INVESTMENT FUND SERIES
(An umbrella unit trust established in Hong Kong)

HAITONG JAPAN EQUITY INVESTMENT FUND
(A Sub-Fund of Haitong Investment Fund Series)

Reports and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2019

**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

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**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

MANAGEMENT AND ADMINISTRATION

Manager

Haitong International Asset Management (HK) Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Trustee and Registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

Directors of the Manager

Yang Jianxin
Lo Wai Ho (Resigned on 18 December 2019)
Sun Tong
Chen Xuan (Resigned on 18 December 2019)
Poon Mo Yiu
Luk Wai Yin (Appointed on 18 December 2019)

Auditor

PricewaterhouseCoopers
21/F Edinburgh Tower
15 Queen's Road
Central
Hong Kong

Solicitors

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

**HAITONG JAPAN EQUITY INVESTMENT FUND
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REPORT OF THE MANAGER TO THE UNITHOLDERS

Japan stock market had a volatile but generally upward journey in 2019 and finished with a gain of 18.20% (as measured by Nikkei 225 index in Japan Yen terms). This was driven by improving risk appetite in global capital markets, especially on renewed loosening expectation from central banks and progress of U.S. – China, U.S. – Japan, and Japan – South Korea trade issue.

Coming from a decline of 12.15% in 2018, Japan stock market was supported by several factors in 2019. Though there was a fluctuating relationship in the U.S. - China trade negotiation, the two countries gradually settled down in principle for reaching the first phase of a trade deal on Oct. 11. While the market believe there could still be wide gap between the countries and a second phase deal would be even more challenging, the news flow at least allowed to delay the worry. On the other hand, the market was also affected when President Trump questioned the fairness of U.S. - Japan trade relationship, and that Japan once restricted key chemicals export to Korea. On monetary policy front, the U.S. Federal Reserve cut interest rates in second half of the year, lowering the target federal funds rate by 75 basis points to 1.50%-1.75% range, following the dovish tone of FOMC in second quarter, which strongly contrasted the hawkish one earlier. Also worth noticing is that while the U.S. Federal Reserve signaled an end to this easing cycle if no worsening economic data, its activity in the money market could imply the opposite. Market's expectation of Japan to enhance its stimulus plan helped in the third quarter, and was realized in the fourth quarter. In addition, the central bank of China continued to support overall liquidity situation in the fourth quarter, which also helped global market sentiment.

Looking forward, we are cautiously optimistic on Japan equity market. While the market could remain volatile given uncertainties on macro economy concerns, especially on global growth after a multi-year uptrend and geopolitical events, the fundamentals of our investment targets are healthy, as strong ROE numbers, improving earnings, supportive monetary and fiscal policies, competitive advantage in the global market, and reasonable equity valuations are all supportive.

Haitong International Asset Management (HK) Limited
23 April 2020



**HAITONG JAPAN EQUITY INVESTMENT FUND
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REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of Haitong Japan Equity Investment Fund (the "Sub-Fund"), a Sub-Fund of Haitong Investment Fund Series, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 18 April 2016, as amended, for the year ended 31 December 2019.

A handwritten signature in black ink, appearing to be 'Keb', with a long horizontal flourish extending to the right.

HSBC Institutional Trust Services (Asia) Limited
23 April 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of Haitong Japan Equity Investment Fund (the "Sub-Fund") set out on pages 7 to 29, which comprise:

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

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2019, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

Independence

We are independent of the Sub-Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES) (CONTINUED)**

Responsibilities of the Management for the Financial Statements

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

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

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 18 April 2016, as amended (the "Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES) (CONTINUED)**

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

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 April 2020

**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 <i>USD</i>	2018 <i>USD</i>
Assets			
Current assets			
Financial assets at fair value through profit or loss	7(e), 8(a)	15,086,205	14,762,343
Dividends receivable		3,739	21,450
Interest receivable		5	21
Cash and cash equivalents	7(e)	1,597,370	1,954,092
Total assets		<u>16,687,319</u>	<u>16,737,906</u>
Liabilities			
Current liabilities			
Other payables		58,126	66,217
Liabilities (excluding net assets attributable to unitholders)		<u>58,126</u>	<u>66,217</u>
Net assets attributable to unitholders (after adjustment for different basis adopted by the Sub-Fund)	4	16,629,193	16,671,689
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	4	24,971	33,082
Net assets attributable to unitholders (in accordance with the Sub-Fund's Explanatory Memorandum)	4	<u>16,654,164</u>	<u>16,704,771</u>

For and on behalf of



Haitong International Asset Management (HK) Limited
as the Manager

For and on behalf of



HSBC Institutional Trust Services (Asia) Limited
as the Trustee

The notes on pages 11 to 29 form part of these financial statements.

5.

**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Year ended 31 December 2019	Period from 11 July 2018 (date of inception) to 31 December 2018
	<i>Notes</i>	<i>USD</i>	<i>USD</i>
Income			
Interest income on bank deposits	7(f)	6,556	5,110
Dividend income		233,920	137,294
Realised losses on disposal of financial assets at fair value through profit or loss	5	(3,280,442)	(509,515)
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss	5	4,918,960	(2,830,300)
Net foreign currency gains		9,786	55,003
Total net gain/(loss)		1,888,780	(3,142,408)
Expenses			
Management fee	7(a)	207,657	110,647
Trustee fee	7(c)	35,757	10,695
Safe custody and bank charges	7(d)	3,750	1,787
Auditor's remuneration		16,267	15,000
Accounting fee	7(d)	10,714	3,000
Handling fee	7(d)	1,820	1,204
Transaction fee		35,951	50,993
Establishment costs		-	37,020
Other operating expenses		83,536	40,850
Total operating expenses		395,452	271,196
Net income/(loss) before tax		1,493,328	(3,413,604)
Withholding tax	6	(35,824)	(21,027)
Income/(loss) after tax		1,457,504	(3,434,631)
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	4	(8,111)	33,082
Increase/(decrease) in net assets attributable to unitholders		1,449,393	(3,401,549)

The notes on pages 11 to 29 form part of these financial statements.

**HAITONG JAPAN EQUITY INVESTMENT FUND
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2019

	Year ended 31 December 2019 <i>USD</i>	Period from 11 July 2018 (date of inception) to 31 December 2018 <i>USD</i>
Net assets attributable to unitholders at 1 January 2019/ 11 July 2018 (date of inception)	16,704,771	-
Proceeds from subscription of units	-	20,106,320
Payments on redemption of units	(1,500,000)	-
Net (decrease)/increase from units transactions	<u>(1,500,000)</u>	<u>20,106,320</u>
Increase/(decrease) in net assets attributable to unitholders	<u>1,449,393</u>	<u>(3,401,549)</u>
Net assets attributable to unitholders at 31 December (in accordance with the Sub-Fund's Explanatory Memorandum)	<u><u>16,654,164</u></u>	<u><u>16,704,771</u></u>

The notes on pages 11 to 29 form part of these financial statements.

**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Year ended 31 December 2019 <i>USD</i>	Period from 11 July 2018 (date of inception) to 31 December 2018 <i>USD</i>
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to unitholders	1,449,393	(3,401,549)
Adjustments for:		
Different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	8,111	(33,082)
Interest income on bank deposits	(6,556)	(5,110)
Dividend income	(233,920)	(137,294)
Withholding tax	35,824	21,027
	<hr/> 1,252,852	<hr/> (3,556,008)
Net change in financial assets at fair value through profit or loss	(323,862)	(14,762,343)
Net change in other payables	(8,091)	66,217
	<hr/> 920,899	<hr/> (18,252,134)
Cash from/(used in) operations		
Interest received	6,572	5,089
Dividend received, net of withholding tax	215,807	94,817
	<hr/> 1,143,278	<hr/> (18,152,228)
Net cash inflow/(outflow) from operating activities		
Cash flows from financing activities		
Proceeds from subscription of units	-	20,106,320
Payments on redemption of units	(1,500,000)	-
	<hr/> (1,500,000)	<hr/> 20,106,320
Net cash (outflow)/inflow from financing activities		
	<hr/> (356,722)	<hr/> 1,954,092
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year/period	1,954,092	-
Cash and cash equivalents at the end of the year/period	<hr/> 1,597,370	<hr/> 1,954,092
Analysis of balances of cash and cash equivalents:		
Cash at bank	<hr/> 1,597,370	<hr/> 1,954,092

The notes on pages 11 to 29 form part of these financial statements

HAITONG JAPAN EQUITY INVESTMENT FUND (A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. General Information

Haitong Investment Fund series is an open-ended unit trust established as an umbrella fund governed by its trust deed dated 18 April 2016, as amended, (the "Trust Deed") and authorised by the Securities and Futures Commission of Hong Kong (the "SFC") pursuant to section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 31 December 2019, the Trust has six sub-funds which are Haitong Japan Equity Investment Fund (the "Sub-Fund"), Haitong Korea Equity Investment Fund, Haitong Hong Kong Equity Investment Fund, Haitong Asian High Yield Bond Fund, Haitong US Equity Investment Fund and Haitong China A-Share Investment Fund. The date of inception of the Sub-Fund was 11 July 2018.

The Manager and the Trustee of the Sub-Fund are Haitong International Asset Management (HK) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited ("the Trustee") respectively.

The investment objective of the Sub-Fund is to achieve long-term capital appreciation through investment primarily in companies whose shares are listed on the stock exchanges in Japan or traded on other regulated market of Japan, as well as companies which have main operations and assets in Japan or derive majority of their income from Japan.

These financial statements are prepared for the Sub-Fund only. The financial statements for Haitong Korea Equity Investment Fund, Haitong Hong Kong Equity Investment Fund, Haitong Asian High Yield Bond Fund, Haitong US Equity Investment Fund and Haitong China A-Share Investment Fund have been prepared separately.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (together the "Management") to exercise their judgment in the process of applying the Sub-Fund's accounting policies.

Standards and amendments to existing standards effective 1 January 2019

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the Fund.

New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

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

**HAITONG JAPAN EQUITY INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

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

(i) Classification

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund had transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of "financial assets or financial liabilities at fair value through profit or loss" category are presented in the statement of comprehensive income within change in unrealised gains/losses in value of financial assets at fair value through profit or loss in the period in which they arise.

(iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Sub-Fund utilises the last traded market price for both listed financial assets and liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined by using broker quotes or valuation techniques. Details of fair value estimation of these securities are discussed in Note 8(d).

(iv) Transfers between levels of the fair value hierarchy

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

**HAITONG JAPAN EQUITY INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Sub-Fund or the counterparty.

(d) Amounts receivable on sale of investments/amounts payable on purchase of investments

Amounts receivable on sale of investments and amounts payable on purchase of investments represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amounts receivable on sale of investments balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Sub-Fund shall measure the loss allowance on amounts receivable on sale of investments at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(e) Dividend income and interest income

Dividend income is recorded on the ex-dividend date when the right to receive payment is established with the corresponding foreign withholding taxes recorded as an expense. Interest income is recognised on a time-proportionate basis using the effective interest method.

(f) Other receivables and payables

Other receivables and payables are recognised initially at fair value, and subsequently stated at amortised costs using the effective interest method.

(g) Transaction costs

Transactions costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

**HAITONG JAPAN EQUITY INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

(h) Expenses

Expenses are accounted for on an accrual basis.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(j) Distributions to unitholders

No distribution is made in respect of units in accumulation classes. Therefore any net income and net realised capital gains attributable to units of the accumulation classes will be reflected in other respective net asset value.

(k) Foreign currencies translation

Functional and presentation currency

The performance of the Sub-Fund is measured and reported to the unitholders in United States Dollars (“USD”). The Manager considers USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is the Sub-Fund’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within “net foreign currency gains/(losses)”.

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

**HAITONG JAPAN EQUITY INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Summary of significant accounting policies (Continued)

(l) Redeemable units

The Sub-Fund's redeemable units, which are redeemable at the holder's option, represent puttable financial instruments of the Sub-Fund.

The Sub-Fund has two classes of accumulation units under two currencies: Class A (USD) Accumulation Units, Class A (HKD) Accumulation Units, Class I (USD) Accumulation Units and Class I (HKD) Accumulation Units, and one class of accumulation units under one currency: Class S (USD) Accumulation Units. As the units do not have identical features, they are classified as financial liabilities.

Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units of the respective classes.

In accordance with the Explanatory Memorandum of the Sub-Fund, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and redemptions of the Sub-Fund.

(m) Taxation

No provision for Hong Kong profits tax has been made as the Sub-Fund is authorised as a collective investment scheme constituted as a unit trust under section 104 of the Hong Kong Securities and Futures Ordinance and are therefore exempt from profits tax under section 26A (1A) of the Hong Kong Inland Revenue Ordinance.

The Sub-Fund incurs withholding taxes imposed by other jurisdictions on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are recorded separately and included as taxation in the statement of comprehensive income.

(n) Establishment costs

Establishment costs are recognised as an expense in the period in which they are incurred.

3. Critical accounting estimates and judgements

Functional currency

The Management considers the United States Dollar ("USD") the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Sub-Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from and pays redemptions to its investors. This determination also considers the competitive environment in which the Sub-Fund is compared to other investment products.

**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Number of units in issue and net assets attributable to unitholders per unit

The Sub-Fund's capital is represented by the units in the Sub-Fund, and shown as “net assets attributable to unitholders” in the statement of financial position. Subscriptions and redemptions of units during the year ended 31 December 2019 and period from 11 July 2018 (date of inception) to 31 December 2018 are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies and risk management policies, whilst maintaining sufficient liquidity to meet redemption requests.

In accordance with the provisions of the Trust Deed dated 18 April 2016, as amended, and the Explanatory Memorandum of the Sub-Fund, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculations.

As at 31 December 2019 and 31 December 2018, the Sub-Fund has issued two classes of accumulation units under two currencies: Class A (USD) Accumulation Units, Class A (HKD) Accumulation Units, Class I (USD) Accumulation Units and Class I (HKD) Accumulation Units and one class of accumulation units under one currency: Class S (USD) Accumulation Units. As stated in Note 2(l), redeemable units of the Sub-Fund are classified as financial liabilities and they are carried at the redemption amount that would be payable at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

The movements of the redeemable units for the year ended 31 December 2019 and period from 11 July 2018 (date of inception) to 31 December 2018 are as follows:

Year ended 31 December 2019

	Class A (USD) Accumulation Units	Class A (HKD) Accumulation Units	Class I (USD) Accumulation Units	Class I (HKD) Accumulation Units	Class S (USD) Accumulation Units
Units in issue at the beginning of year	15,099	100,000	20,000	300,000	115,000
Redemption of units	-	-	-	-	(17,575)
Units in issue at the end of year	<u>15,099</u>	<u>100,000</u>	<u>20,000</u>	<u>300,000</u>	<u>97,425</u>

Period from 11 July 2018 (date of inception) to 31 December 2018

	Class A (USD) Accumulation Units	Class A (HKD) Accumulation Units	Class I (USD) Accumulation Units	Class I (HKD) Accumulation Units	Class S (USD) Accumulation Units
Units in issue at the beginning of period	-	-	-	-	-
Issue of units	15,099	100,000	20,000	300,000	115,000
Units in issue at the end of period	<u>15,099</u>	<u>100,000</u>	<u>20,000</u>	<u>300,000</u>	<u>115,000</u>

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4. Number of units in issue and net assets attributable to unitholders per unit (Continued)

In accordance with the Sub-Fund's Explanatory Memorandum, the establishment costs of the Sub-Fund will be amortised over the first five accounting periods. However, the accounting policy of the Sub-Fund for the purpose of financial statements preparation in compliance with IFRS is to expense establishment costs in the statement of comprehensive income as incurred. The differences between expensing the establishment costs as incurred in accordance with IFRS and capitalisation and amortisation of the establishment costs indicated in the Sub-Fund's Explanatory Memorandum resulted in adjustments in the net asset value.

	31 December 2019 <i>USD</i>	31 December 2018 <i>USD</i>
Accounting net assets attributable to unitholders as reported in the statement of financial position	16,629,193	16,671,689
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	24,971	33,082
	<hr/>	<hr/>
Net assets attributable to unitholders (in accordance with the Sub-Fund's Explanatory Memorandum)	<u>16,654,164</u>	<u>16,704,771</u>

	31 December 2019 <i>USD</i>	31 December 2018 <i>USD</i>
Net asset value per unit (in accordance with the Sub-Fund's Explanatory Memorandum)		
- Class A (USD) Accumulation units	90.42	82.98
- Class A (HKD) Accumulation units	11.52	10.57
- Class I (USD) Accumulation units	90.82	83.09
- Class I (HKD) Accumulation units	11.57	10.58
- Class S (USD) Accumulation units	90.82	83.09
	<hr/>	<hr/>

5. Net gains/(losses) on financial assets at fair value through profit or loss

	Year ended 31 December 2019 <i>USD</i>	Period from 11 July 2018 (date of inception) to 31 December 2018 <i>USD</i>
Realised losses on disposal of financial assets at fair value through profit or loss	(3,280,442)	(509,515)
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss	4,918,960	(2,830,300)
	<hr/>	<hr/>
	<u>1,638,518</u>	<u>(3,339,815)</u>

**HAITONG JAPAN EQUITY INVESTMENT FUND
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6. Taxation

Hong Kong profits tax

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

The overseas withholding tax of the Sub-Fund for the year ended 31 December 2019 and period from 11 July 2018 (date of inception) to 31 December 2018 represents:

	Year ended 31 December 2019 <i>USD</i>	Period from 11 July 2018 (date of inception) to 31 December 2018 <i>USD</i>
Withholding tax on dividend income	35,824	21,027
Taxation	35,824	21,027

7. Transactions with related parties including Trustee, Manager and its Connected Persons

The following is a summary of significant related party transactions entered into during the year/period between the Sub-Fund and the Trustee, the Manager and its Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong. All transactions entered into during the year ended 31 December 2019 and period from 11 July 2018 (date of inception) to 31 December 2018 between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other significant transactions with related parties except for those disclosed below.

(a) Management fee

Haitong International Asset Management (HK) Limited, the Manager, is entitled to receive a management fee, currently at the rate of 1.2% per annum of the net asset value of class I units and class S units, and 1.5% per annum of the net asset value of class A units the Sub-Fund accrued daily and calculated as at each dealing day and payable monthly in arrears.

For the year ended 31 December 2019, the Manager was entitled to a management fee of USD207,657 (period from 11 July 2018 (date of inception) to 31 December 2018: USD110,647). At 31 December 2019, management fee payable to the Manager was USD17,391 (at 31 December 2018: USD16,441).

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7. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)

(b) Performance fee

The Manager is also entitled to receive a performance fee calculated when the net asset value per unit as at the last valuation day of a performance period exceeds the High Watermark and payable annually in arrears at 15% of the excess of the net asset value per unit, before deduction for any accrued performance fee, during the relevant performance period above a high water mark.

The “High Watermark” which is the higher of (a) the initial offer price or (b) the net asset value per unit (after deduction of all fees including any performance fee and any distribution declared or paid in respect of that Performance Period) as at the end of the performance period in which a performance fee was last paid.

Where a performance fee is payable for a performance period, the net asset value per unit on the last valuation day of that performance period will be set as the High Watermark for the next performance period. The High Watermark remains the same throughout the relevant performance period, irrespective of the time of subscription, or the Issue Price paid, by a particular unitholder.

A “performance period” means the period during which performance fee will be assessed. The first performance period will be the period commencing on the first valuation day and ending on 31 December 2018. Thereafter, the Performance Period is a period (being approximately 12 calendar months in duration) from and including the first valuation day up to and including the last valuation day of each financial period of the Sub-Fund.

For the year ended 31 December 2019 and period from 11 July 2018 (date of inception) to 31 December 2018, there was no performance fee paid or performance fee payable to the Manager.

(c) Trustee fee

The Trustee, HSBC Institutional Trust Services (Asia) Limited is entitled to receive a fee which is charged as a percentage of the net asset value of the relevant Sub-Fund on each valuation day, at the rates of 0.12% per annum for net asset value below USD50 million and 0.10% per annum for net asset value equal to or above USD50 million, subject to monthly minimum fee of USD3,000 (waived for the first 6 months from the date the Sub-Fund is launched). The trustee’s fee is calculated and accrued as at the valuation point on each valuation day and payable monthly in arrears out of the assets of the relevant Sub-Fund.

The trustee fee for the year ended 31 December 2019 was USD35,757 (period from 11 July 2018 (date of inception) to 31 December 2018: USD10,695). As at 31 December 2019, a trustee fee of USD3,000 (at 31 December 2018: USD1,589) was payable to the trustee of the Sub-Fund.

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7. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)

(d) Other fees

The Trustee is also entitled to receive a fee for acting as registrar. It is also entitled to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Sub-Fund for all out-of-pocket expenses incurred.

The Sub-Fund had following transactions and balances with the Trustee and its related parties during the year ended 31 December 2019 and period from 11 July 2018 (date of inception) to 31 December 2018.

	Year ended 31 December 2019 <i>USD</i>	Period from 11 July 2018 (date of inception) to 31 December 2018 <i>USD</i>
Registrar fee	3,025	1,650
Accounting fee	10,714	3,000
Valuation fee	79,800	39,200
Handling fee	1,820	1,204
Safe custody and bank charges	3,750	1,787
	<u> </u>	<u> </u>

Registrar fee and valuation fee are included in other operating expenses in the statement of comprehensive income.

	31 December 2019 <i>USD</i>	31 December 2018 <i>USD</i>
Registrar fee payable	250	1,000
Accounting fee payable	6,000	3,000
Valuation fee payable	6,650	5,950
	<u> </u>	<u> </u>

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For the year ended 31 December 2019

7. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)

(e) Financial assets

The investments and bank balances of the Sub-Fund held with the related parties of the Trustee are as follows:

	31 December 2019 <i>USD</i>	31 December 2018 <i>USD</i>
Investments		
The Hongkong and Shanghai Banking Corporation Limited	15,086,205	14,762,343
	<u> </u>	<u> </u>
Bank balances		
The Hongkong and Shanghai Banking Corporation Limited	1,597,370	1,954,092
	<u> </u>	<u> </u>

As at 31 December 2019, bank balance of USD1,597,370 (at 31 December 2018: USD1,954,092) was maintained with The Hongkong and Shanghai Banking Corporation Limited, a group company of the Trustee, which carry interest and incur bank charges at normal commercial rates.

(f) Bank deposits and investments held by the Trustee's affiliates

The Sub-Fund's bank deposits and investments were held by the Trustee's affiliates, The Hongkong and Shanghai Banking Corporation Limited. Further details of the balances held are described in notes 7(e) to the financial statements. During the year ended 31 December 2019, interest income on these bank balances was USD6,556 (period from 11 July 2018 (date of inception) to 31 December 2018: USD5,110).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)

(g) Holdings in the Sub-Fund

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

Units held by Haitong International Securities Company Limited, a group company of the Manager, as agent:

Year ended 31 December 2019

	Units outstanding at 01 January 2019	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2019
Class A (USD) Accumulation units	15,099	-	-	15,099
Class A (HKD) Accumulation units	100,000	-	-	100,000
Class I (USD) Accumulation units	20,000	-	-	20,000
Class I (HKD) Accumulation units	300,000	-	-	300,000
Class S (USD) Accumulation units	115,000	-	17,575	97,425
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Period from 11 July 2018 (date of inception) to 31 December 2018

	Units subscribed during the period	Units redeemed during the period	Units outstanding at 31 December 2018
Class A (USD) Accumulation units	15,099	-	15,099
Class A (HKD) Accumulation units	100,000	-	100,000
Class I (USD) Accumulation units	20,000	-	20,000
Class I (HKD) Accumulation units	300,000	-	300,000
Class S (USD) Accumulation units	115,000	-	115,000
	<u> </u>	<u> </u>	<u> </u>

**HAITONG JAPAN EQUITY INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. Financial risk and management

The Sub-Fund's investing activities exposed it to various types of risk that are associated with financial instruments and markets in which it invests according to the investment strategy. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The following is a summary of the main risks and risk management policies.

(a) Market risk

(i) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

As at 31 December 2019 and 2018, the Sub-Fund's investments were concentrated in the following industries:

	31 December 2019		31 December 2018	
	Fair value <i>USD</i>	% of net asset value	Fair value <i>USD</i>	% of net asset value
Listed equities – by industry				
Communication Services	2,531,632	15.20	684,876	4.10
Consumer Discretionary	2,290,428	13.75	1,833,546	10.98
Consumer Staples	827,929	4.97	2,459,527	14.72
Energy	-	-	1,035,005	6.20
Financials	-	-	670,200	4.01
Health Care	2,976,312	17.87	2,869,065	17.17
Industrials	1,709,654	10.27	3,565,951	21.35
Information Technology	4,370,543	26.25	1,110,948	6.65
Materials	379,707	2.28	533,225	3.19
	<u>15,086,205</u>	<u>90.59</u>	<u>14,762,343</u>	<u>88.37</u>

At 31 December 2019 and 2018, the Sub-Fund did not have investments issued by the same issuer with market value exceeding 10% of its net assets.

Sensitivity analysis

As at 31 December 2019, it is estimated that an increase of 5% (2018: 5%) in equity prices with all other variables held constant, would increase the net asset value by approximately USD754,310 (at 31 December 2018: USD738,117) conversely, if the equity prices were to decrease by 5%, this would decrease the net asset value by an equal amount.

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For the year ended 31 December 2019

8. Financial risk and management (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

As at 31 December 2019 and 2018, interest rate risk arises only from bank balances, while the interest rate resets monthly. As these interest bearing assets are short-term in nature, the Manager considers that changes in their fair value and future cash flows in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis has been disclosed.

(iii) Currency risk

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

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

The table below summarises the Sub-Fund's net exposure to different major currencies:

	31 December 2019		31 December 2018	
	Monetary USD	Non-monetary USD	Monetary USD	Non-monetary USD
Hong Kong Dollar	(5,333)	-	(7,080)	-
Japanese Yen	1,099,207	15,086,205	1,112,584	14,762,343
	<u>1,093,874</u>	<u>15,086,205</u>	<u>1,105,504</u>	<u>14,762,343</u>

The table below summarised the impact of increase or decrease of exchange rate on the exposure table above, to which Sub-Fund is exposed. The analysis is based on the assumption that the exchange rate had increased/decreased by 5% with all other variables held constant. Assets and liabilities denominated in Hong Kong Dollars are not considered as subject to currency risk as it is currently pegged to the USD within a narrow range. As a result, the Manager considers sensitivity analysis of currency risk for Hong Kong Dollars is not necessary to be presented.

	31 December 2019		31 December 2018	
	Monetary USD	Non-monetary USD	Monetary USD	Non-monetary USD
Japanese Yen	<u>+/-54,960</u>	<u>+/-754,310</u>	<u>+/- 55,629</u>	<u>+/- 738,117</u>

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8. Financial risk and management (Continued)

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

The Sub-Fund limits its exposure to credit and counterparty risk by carrying out the majority of its investment transactions and contractual commitment activities with well-established broker-dealers, banks and regulated exchanges with high credit ratings.

All transactions in listed securities are settled or paid for upon delivery using approved and reputable brokers, and the Sub-Fund places bank balances with reputable financial institutions. As such, the Manager does not consider the Sub-Fund to be exposed to significant credit and counterparty risk.

The table below summarises the assets placed with the bank and the custodian as at 31 December 2019 and 2018:

31 December 2019

	<i>USD</i>	Credit rating	Source of credit rating
<u>Investments - custodian</u>			
The Hongkong and Shanghai Banking Corporation Limited	15,086,205	Aa3	Moody's
<u>Bank balances</u>			
The Hongkong and Shanghai Banking Corporation Limited	1,597,370	Aa3	Moody's

31 December 2018

	<i>USD</i>	Credit rating	Source of credit rating
<u>Investments - custodian</u>			
The Hongkong and Shanghai Banking Corporation Limited	14,762,343	Aa3	Moody's
<u>Bank balances</u>			
The Hongkong and Shanghai Banking Corporation Limited	1,954,092	Aa3	Moody's

The maximum exposure to credit risk as at 31 December 2019 and 2018 is the carrying amount of the financial assets as shown on the statement of financial position.

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default, and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2019 and 2018, cash and cash equivalents are held with counterparties with a credit rating of Aa3 or higher and are due to be settled within 1 week. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

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8. Financial risk and management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

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

	Less than 1 month <i>USD</i>	1 month to less than 3 months <i>USD</i>	Over 3 months <i>USD</i>	Total <i>USD</i>
31 December 2019				
Other payables	27,290	22,000	8,836	58,126
Net asset attributable to unitholders	16,654,164	-	-	16,654,164
Contractual cash outflows (excluding derivatives)	<u>16,681,454</u>	<u>22,000</u>	<u>8,836</u>	<u>16,712,290</u>
31 December 2018				
Other payables	24,980	18,000	23,237	66,217
Net asset attributable to unitholders	16,704,771	-	-	16,704,771
Contractual cash outflows (excluding derivatives)	<u>16,729,751</u>	<u>18,000</u>	<u>23,237</u>	<u>16,770,988</u>

Units are redeemed on demand at the unitholder's option. As at 31 December 2019, there was one (2018: one) unitholder holding more than 10% of the Sub-Fund's units.

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8. Financial risk and management (Continued)

(c) Liquidity risk (Continued)

The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate in 7 days or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month <i>USD</i>	1 month to 12 months <i>USD</i>	No stated maturity <i>USD</i>	Total <i>USD</i>
31 December 2019				
Total assets	16,683,580	3,739	-	16,687,319
31 December 2018				
Total assets	16,716,456	21,450	-	16,737,906

(d) Fair value estimation

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Inputs for the asset or liability that are unobservable inputs (Level 3).

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

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8. Financial risk and management (Continued)

(d) Fair value estimation (Continued)

The determination of what constitutes “observable” requires significant judgment by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets (by class) measured at fair value at 31 December 2019 and 2018:

	Level 1 <i>USD</i>	Level 2 <i>USD</i>	Level 3 <i>USD</i>	Total <i>USD</i>
As at 31 December 2019				
Financial assets at fair value through profit or loss				
- Equity securities	15,086,205	-	-	15,086,205
	<u>15,086,205</u>	<u>-</u>	<u>-</u>	<u>15,086,205</u>
As at 31 December 2018				
Financial assets at fair value through profit or loss				
- Equity securities	14,762,343	-	-	14,762,343
	<u>14,762,343</u>	<u>-</u>	<u>-</u>	<u>14,762,343</u>

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. Management has used best estimation and considers the last traded price is the best estimation of the fair value.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2019 and 2018, the Sub-Fund did not hold any investments classified in level 3.

There were no transfers between levels for the year ended 31 December 2019 and period from 11 July 2018 (date of inception) to 31 December 2018.

Assets and liabilities included in the statement of financial position, except for financial assets at fair value through profit or loss, are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

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8. Financial risk and management (Continued)

(e) Capital risk management

The Sub-Fund's capital is represented by the redeemable units outstanding. The Sub-Fund aims to achieve long-term capital appreciation through investment primarily in companies whose shares are listed on the stock exchanges in Japan or traded on other regulated market of Japan, as well as companies which have main operations and assets in Japan or derive majority of their income from Japan. The Manager may:

- Redeem and issue new units on a daily basis in accordance with the constitutive documents of the Sub-Fund;
- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- Suspend the creation and redemption of units under certain circumstances stipulated in the explanatory memorandum of the Sub-Fund.

9. Financial instruments by category

As of 31 December 2019 and 2018, other than investments as disclosed in the financial statements which are classified as the financial assets at fair value through profit or loss, all financial assets including dividend receivable, interest receivable and cash and cash equivalents are categorised as financial assets carried at amortised costs. All of the financial liabilities of the Sub-Fund are carried at amortised cost.

The carrying value of the financial assets and liabilities are considered by the Manager to approximate their fair value as they are short term in nature and the effect of discounting is immaterial.

10. Soft dollar arrangements

The Manager confirms that there were no soft commission arrangements existing during the year ended 31 December 2019 and period from 11 July 2018 (date of inception) to 31 December 2018 in relation to directing transactions of the Sub-Fund through a broker or dealer.

11. Approval of the financial statements

The financial statements were approved by the Trustee and the Manager on 23 April 2020.

**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

Investment Portfolio (unaudited)
31 December 2019

	Holdings	Fair value USD	% of Net Assets
Listed equities (90.59%)			
<u>Japan (90.59%)</u>			
Advantest Corp	20,000	1,133,342	6.81
BANDAI NAMCO Holdings Inc	15,000	914,999	5.49
Chugai Pharmaceutical Co Ltd	8,000	741,824	4.45
Daiichi Sankyo Co Ltd	10,000	664,919	3.99
Fast Retailing Co Ltd	900	538,154	3.23
Hakuhodo Dy Holdings Inc	48,000	780,682	4.69
Hoya Corp	11,200	1,076,675	6.47
Itochu Techno-Solutions Corp	20,000	565,751	3.40
Japan Elevator Service Holdings Co Ltd	27,300	688,873	4.14
Keio Corp	9,500	577,664	3.47
Keyence Corp	2,000	708,155	4.25
Kintetsu Group Holdings Co Ltd	12,000	653,512	3.92
Kobe Bussan Co Ltd	24,000	827,929	4.97
Mitsubishi Heavy Industries Ltd	8,000	312,626	1.88
NEC Corp	15,000	623,706	3.75
Net One Systems Co Ltd	15,000	385,953	2.32
OBIC Co Ltd	5,500	746,792	4.48
SoftBank Group Corp	12,000	525,017	3.15
Suzuken Co Ltd	12,000	492,894	2.96
Taiyo Nippon Sanso Corp	17,000	379,707	2.28
Toei Animation Co Ltd	10,000	515,156	3.09
Toho Co Ltd	17,000	710,777	4.27
West Japan Railway Co	6,000	521,098	3.13
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Total investments (<i>Total cost of investments USD12,997,545</i>)		15,086,205	90.59
Other net assets		1,567,959	9.41
		<hr/>	<hr/>
Total net assets as at 31 December 2019		16,654,164	100.00
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**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

Statement of Movements in Investment Portfolio (unaudited)
For the year ended 31 December 2019

	Percentage holdings of net assets as at 31 December 2019	Percentage holdings of net assets as at 31 December 2018
<u>Japan</u> (Listed equities – by industry)		
Communication Services	15.20	4.10
Consumer Discretionary	13.75	10.98
Consumer Staples	4.97	14.72
Energy	-	6.20
Financials	-	4.01
Health Care	17.87	17.17
Industrials	10.27	21.35
Information Technology	26.25	6.65
Materials	2.28	3.19
	90.59	88.37
	90.59	88.37

**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

Performance Record (unaudited)
31 December 2019

	31 December 2019 <i>USD</i>	31 December 2018 <i>USD</i>
Net assets		
Class A (USD) Accumulated unit	1,365,347	1,252,970
Class A (HKD) Accumulated unit	1,152,080	1,057,256
Class I (USD) Accumulated unit	1,816,504	1,661,973
Class I (HKD) Accumulated unit	3,471,558	3,176,229
Class S (USD) Accumulated unit	8,848,675	9,556,343
Net asset value per unit		
Class A (USD) Accumulated unit	90.42	82.98
Class A (HKD) Accumulated unit	11.52	10.57
Class I (USD) Accumulated unit	90.82	83.09
Class I (HKD) Accumulated unit	11.57	10.58
Class S (USD) Accumulated unit	90.82	83.09

**HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

Performance Record (unaudited)

31 December 2019

	Highest issue price	Lowest redemption price
<u>Financial period</u>		
<u>Year ended 31 December 2019</u>		
Class A (USD) Accumulated unit	USD90.42	USD81.25
Class A (HKD) Accumulated unit	HKD89.69	HKD81.16
Class I (USD) Accumulated unit	USD90.82	USD81.47
Class I (HKD) Accumulated unit	HKD90.09	HKD81.38
Class S (USD) Accumulated unit	USD90.82	USD81.47
<u>Period from 11 July 2018 (date of inception) to 31 December 2018</u>		
Class A (USD) Accumulated unit	USD102.45	USD82.18
Class A (HKD) Accumulated unit	HKD102.32	HKD81.94
Class I (USD) Accumulated unit	USD102.51	USD82.29
Class I (HKD) Accumulated unit	HKD102.38	HKD82.05
Class S (USD) Accumulated unit	USD102.96	USD82.29