

Unaudited Semi-Annual Report 2020

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

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

For the period from 1 January 2020 to 30 June 2020

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

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**HAITONG HONG KONG 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
Sun Tong
Poon Mo Yiu
Luk Wai Yin

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 HONG KONG EQUITY INVESTMENT FUND
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REPORT OF THE MANAGER TO THE UNITHOLDERS

Hong Kong stock market had a mostly downward path in the first half of 2020, and finished with a loss of -13.35% (as measured by Hang Seng index in Hong Kong Dollar terms). Negative impact to the market mainly came from the COVID-19's global outbreak and its uncertainty to the export part of China economy as well as noise around U.S. – China relationship, partly offset by the resilience of China economy and a good control of the outbreak domestically, as well as effort of China central bank and government.

Coming from an appreciation of 9.07% in 2019, the Hang Seng index started 2020 with continuous uptrend driven by optimism about U.S. – China trade friction, relatively loose monetary policy from most of the world's central banks. The outbreak of COVID-19 in China caused a quick downward swing around the Lunar New Year holiday, and continued to bring in downward pressure given the virus' wide global spread. Adding to the situation, the Hang Seng index also suffered from continuous local social unrest, as well as ripple from the implementation of Hong Kong national security law. U.S. – China relationship was mostly negative for the market, especially given the U.S. Presidential election is on the way. The market eventually calmed down given China government took solid and quick action for the COVID-19 and related economy recovery, and that Hong Kong stock market was at a relatively low valuation. In terms of policy, both monetary and fiscal policies of China were supportive, but not as aggressive as those in more developed economies, showing the government learnt from the experience from the Great Financial Crisis period and acted in a much controlled manner. On the macro front, Caixin China PMI stayed mostly around 50 in the first half of 2020, eventually settled at 51.2 in June, further increased from 50.7 in May and also higher than market expectation of 50.5, and showed the economy continued to expand. China GDP for the first quarter of 2020 contracted -6.8%, shy of market consensus of -6.0%. But the GDP expanded by 3.2% in the second quarter, beating expected 2.4%. Hong Kong retail sales volume declined by -33.9% in May, slightly improved from the -37.5% in April but worse than the expected -33.7%. The China RMB slightly depreciated 1.55% against the U.S. Dollar in the first half of 2020.

Looking forward, we are cautiously optimistic on Hong Kong stock market. On one hand, the market could continue to be volatile given policy uncertainty, geopolitical tension with U.S., and speed of economic recover. On the other hand, the fundamentals of our investment targets are healthy, as strong financials, solid earnings, and competitive advantage and valuation are supportive.

Haitong International Asset Management (HK) Limited

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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STATEMENT OF FINANCIAL POSITION (unaudited)

As at 30 June 2020

	(Unaudited) At 30 June 2020 USD	(Audited) At 31 December 2019 USD
Assets		
Current assets		
Financial assets at fair value through profit or loss	18,680,854	19,563,625
Dividends receivable	88,973	9,274
Interest receivable	-	4
Prepayment	34	-
Cash and cash equivalents	1,037,851	689,701
Total assets	<u>19,807,712</u>	<u>20,262,604</u>
Liabilities		
Current liabilities		
Other payables	48,223	51,484
Total liabilities	<u>48,223</u>	<u>51,484</u>
Equity		
Net assets attributable to unitholders	<u>19,759,489</u>	<u>20,211,120</u>
Number of units in issue		
– Class I (USD) Accumulation units	<u>150,723</u>	<u>150,723</u>
Net asset value per unit (in accordance with the Sub-Fund's Explanatory Memorandum)		
– Class I (USD) Accumulation units	<u>131.14</u>	<u>134.16</u>

Note: Semi-annual reports have applied the same accounting policies and methods of computation as are applied in the annual reports of the Sub-Fund.

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

STATEMENT OF COMPREHENSIVE INCOME (unaudited)

For the period from 1 January 2020 to 30 June 2020

	(Unaudited) For the period from 1 January 2020 to 30 June 2020 USD	(Unaudited) For the period from 1 January 2019 to 30 June 2019 USD
Income		
Interest income on bank deposits	237	4,247
Dividend income	259,688	340,635
Realised (losses)/gains on disposal of financial assets at fair value through profit or loss	(428,064)	1,092,703
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss	(98,405)	1,357,494
Net foreign currency gains	7,075	6,430
Total net (loss)/income	<u>(259,469)</u>	<u>2,801,509</u>
Expenses		
Management fee ^{Note 2}	113,234	119,256
Trustee fee ^{Note 1}	18,000	18,000
Safe custody and bank charges ^{Note 1}	1,806	1,866
Auditor's remuneration	8,851	7,294
Accounting fee ^{Note 1}	6,302	7,956
Handling fee ^{Note 1}	950	1,748
Transaction fee	23,567	43,707
Other operating expenses ^{Note 1}	11,055	10,420
Total operating expenses	<u>183,765</u>	<u>210,247</u>
Net (loss)/income before tax	(443,234)	2,591,262
Withholding tax	(8,397)	(11,082)
Total comprehensive (loss)/income after tax	<u><u>(451,631)</u></u>	<u><u>2,580,180</u></u>

^{Note 1} During the period ended 30 June 2020 and 2019, other than Trustee fee, Safe custody and bank charges and Handling fee was paid to the Trustee or its Connected persons, other respective amounts paid to the Trustee or its Connected Persons were as follows:

	(Unaudited) For the period from 1 January 2020 to 30 June 2020 USD	(Unaudited) For the period from 1 January 2019 to 30 June 2019 USD
Accounting fee	2,983	2,976
Other operating expenses	10,698	10,068

^{Note 2} During the period ended 30th June 2020 and 2019, other than Management fee that paid to the Manager, no other amounts paid to the Manager or its Connected Persons.

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (unaudited)

For the period from 1 January 2020 to 30 June 2020

	(Unaudited) For the period from 1 January 2020 to 30 June 2020 <i>USD</i>	(Unaudited) For the period from 1 January 2019 to 30 June 2019 <i>USD</i>
Net assets attributable to unitholders at 1 January	20,211,120	18,515,262
Total comprehensive (loss)/income in net assets attributable to unitholders	(451,631)	2,580,180
Net assets attributable to unitholders at 30 June	<u>19,759,489</u>	<u>21,095,442</u>
	(Unaudited) For the period from 1 January 2020 to 30 June 2020 <i>Units</i>	(Unaudited) For the period from 1 January 2019 to 30 June 2019 <i>Units</i>
Class I (USD) Accumulation units		
Units in issue at the beginning of the period	150,723	163,559
Units in issue at the end of the period	<u>150,723</u>	<u>163,559</u>

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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STATEMENT OF CASH FLOWS (unaudited)

For the period from 1 January 2020 to 30 June 2020

	(Unaudited) For the period from 1 January 2020 to 30 June 2020 USD	(Unaudited) For the period from 1 January 2019 to 30 June 2019 USD
Cash flows from operating activities		
Total comprehensive (loss)/income	(451,631)	2,580,180
Adjustments for:		
Interest income on bank deposits	(237)	(4,247)
Dividend income	(259,688)	(340,635)
Withholding tax	8,397	11,082
	<hr/>	<hr/>
	(703,159)	2,246,380
Net change in amounts receivable on sale of investments	-	66
Net change in other receivables	(34)	(360)
Net change in financial assets at fair value through profit or loss	882,771	(2,230,670)
Net change in other payables	(3,261)	(142,767)
	<hr/>	<hr/>
Cash from/(used in) operations	176,317	(127,351)
Interest received	241	4,229
Dividend received, net of withholding tax	171,592	185,482
	<hr/>	<hr/>
Net cash inflow from operating activities	348,150	62,360
	<hr/>	<hr/>
Net increase in cash and cash equivalents	348,150	62,360
Cash and cash equivalents at the beginning of the period	689,701	1,590,086
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	1,037,851	1,652,446
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Analysis of balances of cash and cash equivalents:		
Cash at bank	1,037,851	1,652,446
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HAITONG HONG KONG EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)

Investment Portfolio (unaudited)

30 June 2020

	Holdings	Fair value USD	% of Net Assets
Listed equities (94.54%)			
<u>China (68.61%)</u>			
Anhui Conch Cement Co Ltd H Shares	138,000	929,449	4.70
China Conch Venture Holdings Ltd	100,000	421,914	2.13
China Merchants Bank Co Ltd H Shares	180,000	827,957	4.19
China Vanke Co Ltd H Shares	150,000	474,169	2.40
Country Garden Holdings Co Ltd H Shares	500,000	614,162	3.11
Country Garden Services Holdings Co Ltd	150,000	696,738	3.53
Li Ning Co Ltd	250,000	793,507	4.02
Livzon Pharmaceutical Group Inc H Shares	200,000	1,008,980	5.11
Longfor Group Holdings Ltd	200,000	950,918	4.81
Meituan Dianping	70,000	1,552,565	7.86
Ping An Insurance (Group) Co of China Ltd H Shares	70,000	699,964	3.54
Sunac China Holdings Ltd Ord	168,000	703,396	3.56
Tencent Holdings Ltd	20,000	1,286,643	6.51
Weichai Power Co Ltd H Shares	500,000	931,565	4.71
Zhongsheng Group Holdings Ltd	120,000	664,224	3.36
Zoomlion Heavy Industry Science and Technology Co Ltd H Shares	1,300,000	1,001,368	5.07
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		13,557,519	68.61
		<hr/>	
<u>Hong Kong (25.93%)</u>			
AIA Group Ltd	80,000	746,284	3.78
China Lessu Group Holdings Ltd	400,000	520,231	2.63
China Overseas Property Holding Co Ord	500,000	529,005	2.68
China Resources Cement Holding Ltd	600,000	734,672	3.72
Hang Seng Bank Ltd	40,000	671,449	3.40
Henderson Land Development	32,000	121,387	0.61
HSBC Holdings Plc	26,312	122,896	0.62
Sands China Ltd	30,000	117,672	0.60
Sun Art Retail Group Ltd	390,000	666,237	3.37
Vinda International Holdings Ltd Ord	250,000	893,502	4.52
		<hr/>	
		5,123,335	25.93
		<hr/>	
Total investments (<i>Total cost of investments USD16,436,986</i>)		18,680,854	94.54
Other net assets		1,078,635	5.46
		<hr/>	
Total net assets as at 30 June 2020		19,759,489	100.00
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**HAITONG HONG KONG EQUITY INVESTMENT FUND
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Statement of Movements in Investment Portfolio (unaudited)

For the period from 1 January 2020 to 30 June 2020

	Percentage holdings of net assets as at 30 June 2020	Percentage holdings of net assets as at 31 December 2019
<u>Listed equities</u>		
China	68.61	58.24
Hong Kong	25.93	38.56
Total	<u>94.54</u>	<u>96.80</u>

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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Performance Record (unaudited)

30 June 2020

	30 June 2020 USD	31 December 2019 USD	31 December 2018 USD
Net assets			
Class I (USD) Accumulated units	19,767,095	20,221,201	18,530,285
Net asset value per unit			
Class I (USD) Accumulated units	131.14	134.16	113.29
		Highest issue Price	Lowest redemption price
<u>Financial period</u>			
<u>1 January 2020 to 30 June 2020</u>			
Class I (USD) Accumulation units		USD138.06	USD104.32
<u>Year ended 31 December 2019</u>			
Class I (USD) Accumulated units		USD134.16	USD108.59
<u>Year ended 31 December 2018</u>			
Class I (USD) Accumulated units		USD157.82	USD108.49
Class I (HKD) Accumulated units		HKD1,238.52	HKD851.23
<u>Year ended 31 December 2017</u>			
Class I (USD) Accumulated units		USD156.76	USD103.69
Class I (HKD) Accumulated units		HKD1,224.00	HKD804.42
<u>Period from 23 May 2016 (date of inception) to 31 December 2016</u>			
Class I (USD) Accumulated units		USD111.53	USD99.10
Class I (HKD) Accumulated units		HKD865.11	HKD768.87