

**LIPPO FUND SERIES**

**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**

**31 MARCH 2018**

## **LIPPO FUND SERIES**

### **LIPPO SELECT HK & MAINLAND PROPERTY ETF**

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#### **IMPORTANT:**

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about the Lippo Fund Series, please refer to the prospectus of the Lippo Fund Series which is available at our website: <http://lippoetf.com/index.php/fund-info/>.

Investors should not rely on the information contained in this report for their investment decisions.

**LIPPO FUND SERIES  
LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

We hereby confirm that, in our opinion, the Manager of Lippo Select HK & Mainland Property ETF, a sub-fund (the “Sub-Fund”) of the Lippo Fund Series (the “Trust”) has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 11 June 2012, as amended for the year ended 31 March 2018.

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For and on behalf of  
BOCI-Prudential Trustee Limited  
As the Trustee of the Lippo Fund Series  
30 July 2018

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF LIPPO SELECT HK & MAINLAND PROPERTY ETF  
A SUB-FUND OF LIPPO FUND SERIES (THE "TRUST")**

**Report on the Audit of the Financial Statements**

**Opinion**

*What we have audited*

The financial statements of Lippo Select HK & Mainland Property ETF, a sub-fund of the Trust (the "Sub-Fund") set out on pages 6 to 29, which comprise:

- the Statement of Net Assets as at 31 March 2018;
- 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 March 2018, and of its financial transactions and its 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF LIPPO SELECT HK & MAINLAND PROPERTY ETF  
A SUB-FUND OF LIPPO FUND SERIES (THE "TRUST") (CONTINUED)**

**Key Audit Matters (Continued)**

Key audit matters identified in our audit are summarised as follows:

- Existence and valuation of investments

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Existence and valuation of investments</i></p> <p>The Sub-Fund's investments as at 31 March 2018 comprised listed equities and real estate investment trusts valued at HK\$132,800,908.</p> <p>We focused on the existence and valuation of the investments because the investments represented the principal element of the Sub-Fund's net asset value.</p> <p>Refer to note 10 to the financial statements.</p>	<p>We tested the existence of investments by obtaining a direct confirmation from the custodian and agreeing the Sub-Fund's holdings of investments to the confirmation. No material exceptions were identified from our testing.</p> <p>We agreed the valuation of the Sub-Fund's investments by comparing the pricing used by the Sub-Fund to external pricing sources as at 31 March 2018. We found no material exceptions from our testing.</p>

**Other Information**

The Manager and the Trustee (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 LIPPO SELECT HK & MAINLAND PROPERTY ETF  
A SUB-FUND OF LIPPO FUND SERIES (THE "TRUST") (CONTINUED)**

**Responsibilities of 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 11 June 2012, as amended ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF LIPPO SELECT HK & MAINLAND PROPERTY ETF  
A SUB-FUND OF LIPPO FUND SERIES (THE "TRUST") (CONTINUED)**

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

- 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.

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.

We also provide the Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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.

The engagement partner on the audit resulting in this independent auditor's report is Tsui, Maria Yuk Hung.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 30 July 2018

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**STATEMENT OF NET ASSETS**  
**AS AT 31 MARCH 2018**

	Notes	2018 HK\$	2017 HK\$
<b>CURRENT ASSETS</b>			
Investments	10(b)	132,800,908	87,419,280
Dividends receivable		335,876	194,648
Amount receivable on subscription of units		–	1,297,290
Other receivables		–	13,709
Cash and cash equivalents	6(c)	504,564	284,427
<b>TOTAL ASSETS</b>		<b>133,641,348</b>	<b>89,209,354</b>
		-----	-----
<b>CURRENT LIABILITIES</b>			
Management fee payable	6(a)	72,452	48,242
Establishment costs payable	6(b)	–	229,042
Amount due to brokers		–	1,293,632
Other payables		–	21,749
<b>TOTAL LIABILITIES</b>		<b>72,452</b>	<b>1,592,665</b>
		-----	-----
<b>EQUITY</b>			
Net assets attributable to unitholders	4	<b>133,568,896</b>	<b>87,616,689</b>
		=====	=====

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BOCI-Prudential Trustee Limited  
as the Trustee

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Lippo Investments Management Limited  
as the Manager

The notes on pages 10 to 29 form part of these financial statements.



**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 HK\$	2017 HK\$
<b>INCOME</b>			
Dividend income		4,137,744	2,893,186
Interest income	6(d)	33	4
Net gain on investments	3	40,887,224	19,961,285
Net foreign exchange losses		(7,546)	—
<b>Total net income</b>		<b>45,017,455</b>	<b>22,854,475</b>
<b>EXPENSES</b>			
Transaction costs on investments		(132,765)	(81,351)
Management fee	6(a)	(779,659)	(491,931)
<b>Total operating expenses</b>		<b>(912,424)</b>	<b>(573,282)</b>
<b>Profit before tax</b>		<b>44,105,031</b>	<b>22,281,193</b>
Withholding tax		(18,089)	(17,119)
<b>Total comprehensive income</b>		<b>44,086,942</b>	<b>22,264,074</b>

The notes on pages 10 to 29 form part of these financial statements.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 HK\$	2017 HK\$
<b>Balance at the beginning of the year</b>		87,616,689	65,665,814
Subscription of units			
- In-kind	7	1,854,386	—
- cash and cash components	7	10,879	2,604,685
Net subscription of units		<u>1,865,265</u>	<u>2,604,685</u>
Redemption of units			
- cash	7	—	(2,917,884)
Net redemption of units		<u>—</u>	<u>(2,917,884)</u>
Total comprehensive income		<u>44,086,942</u>	<u>22,264,074</u>
<b>Balance at the end of the year</b>		<u><b>133,568,896</b></u>	<u><b>87,616,689</b></u>

The notes on pages 10 to 29 form part of these financial statements.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 HK\$	2017 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total comprehensive income		44,086,942	22,264,074
Adjustments for:			
Dividend income		(4,137,744)	(2,893,186)
Interest income		(33)	(4)
Withholding tax		18,089	17,119
		<hr/>	<hr/>
		39,967,254	19,388,003
Increase in investments		(43,527,242)	(21,277,036)
Decrease/(increase) in other receivables		13,709	(13,709)
Increase in management fee payable		24,210	11,742
Decrease in establishment costs payable		(229,042)	(399,906)
(Decrease)/increase in amount due to brokers		(1,293,632)	1,293,632
(Decrease)/increase in other payables		(21,749)	21,749
		<hr/>	<hr/>
Cash used in operating activities		(5,066,492)	(975,525)
Dividends received		3,996,516	2,846,730
Interest received		33	4
Withholding tax paid		(18,089)	(17,119)
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		<b>(1,088,032)</b>	<b>1,854,090</b>
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash received from issue of units		1,308,169	1,307,395
Cash paid on redemption of units		—	(2,917,884)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		1,308,169	(1,610,489)
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>220,137</b>	<b>243,601</b>
Cash and cash equivalents at the beginning of the year		284,427	40,826
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		<b>504,564</b>	<b>284,427</b>
		<hr/>	<hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances	6(c)	504,564	284,427
		<hr/>	<hr/>

Please refer to note 7 for details of major non-cash transactions.  
The notes on pages 10 to 29 form part of these financial statements.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General information**

Lippo Fund Series (the “Trust”) is an umbrella unit trust established under the terms of the trust deed dated 11 June 2012, as amended (the “Trust Deed”) between Lippo Investments Management Limited (the “Manager”) and Cititrust Limited (the “Trustee”). The Trust Deed is governed by Hong Kong law.

On 1 November 2017, BOCI-Prudential Trustee Limited has been appointed as the Trustee of the Trust.

The Trust has been established initially with only one sub-fund, Lippo Select HK & Mainland Property ETF (the “Sub-Fund”) which is authorised by the Securities & Futures Commission of Hong Kong (the “SFC”) pursuant to section 104(1) of the Securities and Futures Ordinance. The Sub-Fund is also listed on the Stock Exchange of Hong Kong Limited (a subsidiary of The Hong Kong Exchanges and Clearing Limited).

These financial statements relate to the above-mentioned Sub-Fund. The Manager and the Trustee (collectively, the “Management”) are responsible for the preparation of the financial statements.

The objective of the Sub-Fund (Stock code: 2824) is to provide investment results that, before the deduction of fees and expenses, closely correspond to the performance of the Lippo Select HK & Mainland Property Index (the “Underlying Index”) by investing all, or substantially all, of the assets of the Sub-Fund in index securities in substantially the same weightings as constituted in the Underlying Index.

**2 Summary of significant accounting policies**

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

**(a) Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the Trustee and Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

All references to net assets throughout the financial statements refer to net assets attributable to unitholders unless otherwise stated.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

New standards and amendments to standards that are relevant to the Sub-Fund and have been adopted by the Sub-Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2017 that would be expected to have a material impact on the Sub-Fund.

New standards and amendments to standards that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss impairment model.

On adoption of IFRS 9 the Sub-Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Sub-Fund's financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Sub-Fund.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Summary of significant accounting policies (Continued)**

**(b) Investments**

All investments have been classified as “financial assets at fair value through profit or loss”.

Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are included in the statement of comprehensive income in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

Investments that are listed or traded on an exchange are fair valued based on quoted last traded prices.

**(c) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of net assets where the Sub-Fund currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**(d) Income**

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

Dividend income on equity securities is recorded on the ex-dividend date. Dividend income on equity securities where no ex-dividend date is quoted is accounted for when the Sub-Fund's right to receive payment is established.

**(e) Expenses**

Expenses are accounted for on an accrual basis.

**LIPPO FUND SERIES  
LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Summary of significant accounting policies (Continued)**

**(f) Cash component**

Cash issue component represents the amount being equal to the difference between the issue price on the relevant transaction date and the value of the securities exchanged in kind for those units.

Cash redemption component represents the amount being equal to the difference between the redemption values on the relevant transaction date on which such units are redeemed and the value of securities transferred in kind to the redeeming unitholder in respect of such units.

**(g) Cash and cash equivalents**

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

**(h) Translation of foreign currencies**

Functional and presentation currency

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

Transactions and balances

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

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

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

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

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Summary of significant accounting policies (Continued)**

**(i) Units**

The Sub-Fund issues units, which are redeemable at the holder's option and are classified as equity. Units can be redeemed in-kind and/or in cash equal to a proportionate share of the Sub-Fund's net asset value. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders with the total number of outstanding units. Units are created or redeemed in multiples of 25,000 units.

**(j) Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

**(k) Amounts due from and due to brokers**

Amounts due from and to brokers represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered on the statement of net assets date respectively.

**(l) Structured entity**

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

The Sub-Fund considers all of its investments in other funds ("Investee Funds") to be investments in unconsolidated structured entities. The Sub-Fund invests in Investee Funds whose objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The Investee Funds apply various investment strategies to accomplish their respective investment objectives. The Investee Funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable units in each of its Investee Funds.

The change in fair value of each Investee Fund is included in the statement of comprehensive income in "net gain/(loss) on investments".



**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3 Net gain/(loss) on investments**

	2018 HK\$	2017 HK\$
Net change in unrealised gain on investments	28,290,245	18,335,607
Net realised gain on sale of investments	12,596,979	1,625,678
	<u>40,887,224</u>	<u>19,961,285</u>

**4 Number of units in issue and net assets attributable to unitholders**

The Sub-Fund's capital is represented by the net assets attributable to unitholders. Units are issued and redeemed in-kind and/or in cash. Subscriptions and redemptions of units during the period are shown on the statement of changes in net assets attributable to unitholders. In accordance with the objectives and risk management policies outlined in note 10, the Sub-Fund endeavours to invest in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of listed securities where necessary.

The Sub-Fund determined its fair valuation inputs as the last traded market price for financial assets. This is consistent with the inputs prescribed in the Sub-Fund's prospectus for the calculation of its per unit trading value for subscriptions and redemptions.

As stated in note 2(i), redeemable units of the Sub-Fund, which are represented by assets less liabilities, are classified as equity and accounted for in accordance with IFRS (the "Accounting NAV"). For the purpose of determining the NAV per unit for subscriptions and redemptions and for various fee calculations (the "Dealing NAV"), the Administrator calculates the Dealing NAV in accordance with the provisions of the Sub-Fund's Trust Deed, which may be different from the accounting policies under IFRS.

In accordance with the prospectus of the Trust, the establishment costs of establishing the Trust will be amortised over the first 5 accounting periods of the Trust. However, with respect to the Trust and the Sub-Fund for the purpose of financial statements preparation in compliance with IFRS, its accounting policy is to expense the establishment costs in the statement of comprehensive income as incurred.

The difference between the Accounting NAV reported in the statement of net assets and the Dealing NAV for the purpose of calculating the net asset value per unit for processing subscriptions and redemptions and for various fee calculations as at 31 March is reconciled below:

	2018 HK\$	2017 HK\$
Accounting NAV as reported in the statement of net assets	133,568,896	87,616,689
Adjustment for establishment costs	-	195,070
Dealing NAV	<u>133,568,896</u>	<u>87,811,759</u>

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 Number of units in issue and net assets attributable to unitholders (Continued)**

	Number of units	
	2018	2017
Units in issue at the beginning of the year	1,700,000	1,725,000
Creation of units	25,000	50,000
Redemption of units	–	(75,000)
Units in issue at the end of the year	<u>1,725,000</u>	<u>1,700,000</u>
	HK\$	HK\$
Net assets attributable to unitholders (Accounting NAV) per unit	<u>77.4312</u>	<u>51.5392</u>
Net assets attributable to unitholders (Dealing NAV) per unit	<u>77.4312</u>	<u>51.6540</u>

**5 Taxation**

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

The Sub-Fund invests in shares of companies in the People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange ("H-shares"). Under the PRC Corporate Income Tax Law, the Sub-Fund may be liable to pay PRC tax on the capital gains realised in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Management believes that the Sub-Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the enforcement of China tax on capital gains is not probable.

**6 Transactions with the related parties/Manager and its Connected Persons**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties of the Sub-Fund include the Manager of the Sub-Fund and also 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 (the "SFC Code"). All transactions entered into during the year between the Sub-Fund and its related parties, including the Manager and its Connected Persons, were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with its related parties, including the Manager and its Connected Persons except for those disclosed below.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6 Transactions with the related parties/Manager and its Connected Persons (Continued)**

**(a) Management fee**

Management fee is currently charged at a rate of 0.68% (2017: 0.68%) per annum of the net asset value of the Sub-Fund, accrued daily and paid as soon as practicable after the last dealing day in each month. The Manager is entitled to receive a management fee of up to 2% per annum of the net asset value of the Sub-Fund. The Sub-Fund has a single fee structure whereby a single flat fee (i.e. management fee) is paid to the Manager to cover the fees, costs and expenses of the Sub-Fund (including, but not limited to, the Manager's fee, the Trustee's fee, the registrar's fee, fees and expenses of the service agent, auditors, legal counsel and other service providers, ordinary out-of-pocket fees, charges and expenses incurred by the Trustee or the Manager, and the costs, fees and expenses relating to index-related services).

**(b) Establishment costs**

The costs and expenses, such as the costs of establishing the Trust and the Sub-Fund and the preparation of the prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs (collectively, "establishment costs"), incurred by the Manager and the Trustee in establishing the Trust and the Sub-Fund, are borne by the Sub-Fund. The establishment costs were HK\$2 million and are payable over the first 5 years since its inception. During the year ended 31 March 2018, HK\$nil (2017: HK\$399,906) was paid by the Sub-Fund to the Manager as repayment of establishment costs. The establishment costs payable to the Manager as of year end and included in the statement of net assets were as follows:

	2018 HK\$	2017 HK\$
Establishment costs payable	—	229,042
Less: non-current portion	—	—
	<hr/>	<hr/>
Current portion	—	229,042
	<hr/>	<hr/>

**(c) Bank balances**

The bank balances maintained by the Sub-Fund with Bank of China (Hong Kong) Limited and Citibank, N.A. as at year end are set out below:

	2018 HK\$	2017 HK\$
Bank of China (Hong Kong) Limited	504,564	—
Citibank, N.A.	—	284,427
	<hr/>	<hr/>
	504,564	284,427
	<hr/>	<hr/>

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6 Transactions with the related parties/Manager and its Connected Persons (Continued)**

**(d) Interest income**

During the year ended 31 March 2018, bank interest income received from Bank of China (Hong Kong) Limited, a holding company of BOCI-Prudential Trustee Limited, and Citibank, N.A., a related company of Cititrust Limited (2017: Citibank, N.A.), amounted to HK\$33 in aggregate (2017: HK\$4).

**(e) Holdings of units**

As at 31 March 2018, Lippo Securities Ltd, a related company of the Manager, held 1,612,500 units (2017: 1,612,500 units) of the Sub-Fund, representing 93.478% (2017: 94.853%) of the Sub-Fund's net assets. Bank of China (Hong Kong) Limited (2017: Citibank, N.A.), the custodian of the Sub-Fund, held 700 units (2017: 5,700 units) of the Sub-Fund, representing 0.041% (2017: 0.335%) of the Sub-Fund's net assets. BOCI Securities Ltd, a related company of the Trustee, held 2,700 units of the Sub-Fund, representing 0.157% of the Sub-Fund's net assets.

**7 Major non-cash transactions**

During the years ended 31 March 2018 and 2017, the Sub-Fund issued units through cash subscriptions and/or in exchange for Index Baskets consisting of investments plus the relevant cash components as stated in the statement of changes in net assets attributable to unitholders.

During the year ended 31 March 2018, the Sub-Fund did not redeem any units. During the year ended 31 March 2017, the Sub-Fund redeemed units through cash redemptions only as stated in the statement of changes in net assets attributable to unitholders.

**8 Soft commission**

The Manager may effect transactions, provided that any such transaction is consistent with standards of "best execution", by or through the agency of another person for the account of the Sub-Fund with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Sub-Fund as a whole and may contribute to an improvement in the performance of the Sub-Fund. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments.

Since the inception of the Sub-Fund, the Manager had not participated in any soft commission arrangements in respect of any transactions for the account of the Sub-Fund.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 Investment limitations and prohibitions under the SFC Code**

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Traded Funds (the "ETF Guidelines"), the Manager is permitted to overweight the holdings of the Sub-Fund relative to their respective weightings in the underlying index, on the condition that the maximum extra weighting in any constituent securities will not exceed the maximum limit reasonably determined by the Sub-Fund and after consultation with the SFC. The maximum limit for the Sub-Fund has been disclosed in its prospectus.

The Manager and Trustee have confirmed that the Sub-Fund have complied with this limit during the years ended 31 March 2018 and 2017.

The SFC Code allows the Sub-Fund to invest in constituent securities issued by a single issuer for more than 10% of the Sub-Fund's net asset value provided that the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the Index and the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the Index (except as a result of changes in the composition of the Index and the excess is transitional and temporary in nature).

As at 31 March 2018 and 2017, the Sub-Fund did not have any constituent securities that accounted for more than 10% of its net asset value.

During the year ended 31 March 2018, the Lippon Select HK & Mainland Property Index increased by 52.1% (2017: increased by 36.4%), while the net asset value per unit of the Sub-Fund increased by 50.2% (2017: increased by 35.4%).

**10 Financial risk management**

**(a) Strategy in using financial instruments**

*Investment objectives and investment policies*

The Sub-Fund's investment objective is to provide investment results, before fees and expenses that closely correspond to the performance of the Lippon Select HK & Mainland Property Index ("Index"). The Manager seeks to achieve this investment objective by primarily adopting a full replication strategy. Using a replication strategy, the Sub-Fund will invest in all, or substantially all, the securities constituting the Index in the same, or substantially the same, weightings (i.e. proportions) as those securities have in the Index.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(b) 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, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments present a risk of loss of capital. The Sub-Fund's market price risk is managed through diversification of investment portfolio. The Manager monitors the investments on a daily basis and rebalances the portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Index. As at year end, the overall market exposure of the Sub-Fund was as follows:

	2018		2017	
	Fair value HK\$	% of net assets	Fair value HK\$	% of net assets
Held for trading:				
Listed investments				
Hong Kong				
Equities	118,762,690	88.91	77,802,837	88.80
Real estate investment trusts ("REITs")	14,038,218	10.51	9,616,443	10.97
	<u>132,800,908</u>	<u>99.42</u>	<u>87,419,280</u>	<u>99.77</u>

The following table shows the net market exposures of the Sub-Fund by industry:

	2018		2017	
	Fair value HK\$	% of net assets	Fair value HK\$	% of net assets
By industry				
Properties & construction – Properties	<u>132,800,908</u>	<u>99.42</u>	<u>87,419,280</u>	<u>99.77</u>

All the Sub-Fund's securities are listed on the Hong Kong Stock Exchange. As the Sub-Fund is an index tracking fund, movements in the Index would cause substantially the same percentage change in the Sub-Fund's investments and hence its net asset value.

	2018		2017	
	Change in index %	Impact HK\$	Change in index %	Impact HK\$
Hong Kong				
- Lippo Select HK & Mainland Property Index	52.1	69,189,273	36.4	31,820,618

The Manager has used their view of what would be a "reasonable shift" in the Index to estimate the change for use in the market sensitivity analysis above. Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index % are revised annually depending on the Manager's current view of market volatility and other relevant factor.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(c) Interest rate risk**

The majority of the Sub-Fund's financial assets and liabilities are non-interest bearing. As a result, the Sub-Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

**(d) Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Sub-Fund's financial assets that are subject to credit risk are mainly its bank balances and dividends receivable as at 31 March 2018 and 2017. During the course of the year, the Sub-Fund has had buy/sell transactions with brokers. Receivables from brokers for investments are subject to credit risk of the broker concerned. As at 31 March 2018 and 2017, there were no receivables due from brokers. The Sub-Fund limits its exposure to credit risk by transacting with well-established broker-dealers and banks with high credit ratings.

All transactions in securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal as delivery of securities sold 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 risk of default is considered minimal for amount receivable on subscription of units as units are not issued until the amount is received.

The table below summarises the net assets placed with banks, custodians and counterparties:

	Amount HK\$	Credit rating	Source of credit rating
<b>As at 31 March 2018</b>			
<u>Custodian</u>			
Bank of China (Hong Kong) Limited	132,800,908	A1	Moody's
<u>Bank</u>			
Bank of China (Hong Kong) Limited	504,564	A1	Moody's
<b>As at 31 March 2017</b>			
<u>Custodian</u>			
Citibank, N.A.	87,419,280	A1	Moody's
<u>Bank</u>			
Citibank, N.A.	284,427	A1	Moody's

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(d) Credit risk (Continued)**

As at 31 March 2018, dividends of HK\$335,876 (2017: HK\$194,648) were receivable from the Sub-Fund's investments, all of which are listed on the Hong Kong Stock Exchange.

Accordingly, the Sub-Fund has no significant credit risk.

The maximum exposure to credit risk at year end is the carrying amount of the financial assets except for listed investments as shown on the statement of net assets.

None of the financial assets is impaired nor past due but not impaired.

As at 31 March 2018, Bank of China (Hong Kong) Limited (2017: Citibank, N.A.) also acts as the custodian for all of the Sub-Fund's investments. It is expected that all investments deposited with a custodian will be clearly identified, and segregated, as being assets of the Sub-Fund; the Sub-Fund should not therefore be exposed to credit risk with a custodian. However, it may not always be possible to achieve this segregation, so the Sub-Fund's investments may experience increased exposure to credit risk associated with the applicable custodian.

**(e) 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 no significant currency risk as almost all assets and liabilities are denominated in Hong Kong dollars, the Sub-Fund's functional and presentation currency.

**(f) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The Sub-Fund's investments are traded in an active market and can be readily disposed. It is the intent of the Manager to monitor the Sub-Fund's liquidity position on a daily basis.

The following table illustrates the expected liquidity of financial assets held at 31 March and gives the contractual undiscounted cash-flow projection of the Sub-Fund's financial liabilities. The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 1 month or less. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(f) Liquidity risk (Continued)**

**Maturity analysis**

<b>As at 31 March 2018</b>	<b>Less than 1 month HK\$</b>	<b>1 to &lt;3 months HK\$</b>	<b>3 to 12 months HK\$</b>	<b>More than 12 months HK\$</b>	<b>Total HK\$</b>
<b>Financial assets</b>					
Investments	132,800,908	–	–	–	132,800,908
Dividends receivable	187,507	148,369	–	–	335,876
Cash and cash equivalents	504,564	–	–	–	504,564
<b>Total financial assets</b>	<b>133,492,979</b>	<b>148,369</b>	<b>–</b>	<b>–</b>	<b>133,641,348</b>
<b>Financial liabilities</b>					
Management fee payable	72,452	–	–	–	72,452
<b>Total financial liabilities</b>	<b>72,452</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>72,452</b>

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(f) Liquidity risk (Continued)**

**Maturity analysis**

<b>As at 31 March 2017</b>	<b>Less than 1 month HK\$</b>	<b>1 to &lt;3 months HK\$</b>	<b>3 to 12 months HK\$</b>	<b>More than 12 months HK\$</b>	<b>Total HK\$</b>
<b>Financial assets</b>					
Investments	87,419,280	–	–	–	87,419,280
Dividends receivable	134,276	60,372	–	–	194,648
Amount receivable on subscription of units	1,297,290	–	–	–	1,297,290
Other receivables	13,709	–	–	–	13,709
Cash and cash equivalents	284,427	–	–	–	284,427
<b>Total financial assets</b>	<b>89,148,982</b>	<b>60,372</b>	<b>–</b>	<b>–</b>	<b>89,209,354</b>
<b>Financial liabilities</b>					
Management fee payable	–	48,242	–	–	48,242
Establishment costs payable	32,877	100,822	95,343	–	229,042
Amount due to brokers	1,293,632	–	–	–	1,293,632
Other payables	21,749	–	–	–	21,749
<b>Total financial liabilities</b>	<b>1,348,258</b>	<b>149,064</b>	<b>95,343</b>	<b>–</b>	<b>1,592,665</b>

As at 31 March 2018, 1 unitholder (2017: 1 unitholder) held 93.478% (2017: 94.853%) of the Sub-Fund's total net assets.

**(g) Capital risk management**

The Sub-Fund's objective is to provide investment returns, before fees and expenses that closely correspond to the performance of the Lippon Select HK & Mainland Property Index. The Manager may:

- Redeem and issue new units in accordance with the constitutive documents of the Sub-Fund, which include the ability to amend the Creation Unit and Redemption Unit size upon the approval of the Trustee;
- Suspend the creation and redemption of units under certain circumstances stipulated in the Trust Deed.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(h) 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 end date. The Sub-Fund used last traded market prices as its fair valuation inputs for its investments.

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 fair value of financial liabilities with maturities in excess of 12 months is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Sub-Fund for similar financial instruments. However, the impact of discounting is considered minimal.

IFRS 13 requires the Sub-Fund to classify 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.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(h) Fair value estimation (Continued)**

The following table analyses within the fair value hierarchy the Sub-Fund's investments (by class) measured at fair value as at 31 March:

As at 31 March 2018

Assets	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
Financial assets held for trading				
- Equities	118,762,690	–	–	118,762,690
- REITs	14,038,218	–	–	14,038,218
	<u>132,800,908</u>	<u>–</u>	<u>–</u>	<u>132,800,908</u>

As at 31 March 2017

Assets	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
Financial assets held for trading				
- Equities	77,802,837	–	–	77,802,837
- REITs	9,616,443	–	–	9,616,443
	<u>87,419,280</u>	<u>–</u>	<u>–</u>	<u>87,419,280</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and REITs. 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. As of 31 March 2018 and 2017, the Sub-Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 31 March 2018 and 2017, the Sub-Fund did not hold any investments classified in level 3.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(h) Fair value estimation (Continued)**

The following table presents the transfer between levels of investments held for the year ended 31 March 2018 and 2017:

	2018		
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
Assets			
Financial assets at fair value through profit or loss			
- Equities	–	–	–
	2017		
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
Assets			
Financial assets at fair value through profit or loss			
- Equities	187,365	–	(187,365)

As at 31 March 2017, the equity security transferred out of level 3 related to a position that has resumed trading during the year and resulted in the reclassification to level 1.

Transfers between levels at the fair value hierarchy, for the purpose of preparing the above table are deemed to have occurred at the beginning of the year.

The following table represents the movement in level 3 equity securities held by the Sub-Fund for the years ended 31 March 2018 and 2017.

	2018 HK\$	2017 HK\$
Financial assets at fair value through profit or loss		
- Equities		
<b>Opening balance</b>	–	187,365
Transfer from Level 3 to Level 1	–	(187,365)
Net loss recognised in statement of comprehensive income	–	–
<b>Closing balance</b>	–	–
Total loss for the year included in the statement of comprehensive income for assets held at the end of the year	–	–

The financial assets and liabilities, excluding investments which are carried at fair value through profit or loss, are carried at amortised cost. Their carrying values are a reasonable approximation of fair value.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Financial risk management (Continued)**

**(h) Fair value estimation (Continued)**

As at 31 March 2018, the Sub-Fund's investments in 7 Investee Funds (2017: 5 Investee Funds) are real estate investment trusts and represent approximately 10.51% (2017: 10.97%) of the Sub-Fund's net assets attributable to unitholders.

The Sub-Fund's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Manager makes investment decisions in line with the index constituent composition. All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and is reflected in the valuation of the Sub-Fund's investments in each of the Investee Funds.

The Sub-Fund can trade its investments in Investee Funds on a daily basis. These investments are included in investments in the statement of net assets.

The Sub-Fund's holding in a third party Investee Fund, as a percentage of the Investee Fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the Investee Fund level. It is possible that the Sub-Fund may, at any point in time, hold a majority of an Investee Fund's total units in issue.

The Sub-Fund's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds.

Once the Sub-Fund has disposed of its units in an Investee Fund the Fund ceases to be exposed to any risk from that Investee Fund.

Total purchases in Investee Funds during the year ended 31 March 2018 was HK\$4,343,915 (2017: HK\$5,976,531). As at 31 March 2018 and 2017 there were no capital commitment obligations. The amounts due to Investee Funds for unsettled purchases as at 31 March 2018 was HK\$Nil (2017: HK\$141,139).

During the year ended 31 March 2018 total net gains incurred on investments in Investee Funds were HK\$2,673,366 (2017: net gains of HK\$671,370).

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11 Distributions**

The Manager may in its absolute discretion distribute income to the Sub-Fund's unitholders at such time or times as it may determine in each financial year or determine that no distribution shall be made in any financial year. The amount to be distributed to unitholders, if any, will be derived from the net income of the Sub-Fund.

The Sub-Fund did not make any distribution for the years ended 31 March 2018 and 2017.

**12 Segment information**

The Manager makes the strategic resource allocations on behalf of the Sub-Fund. The Sub-Fund has determined the operating segments based on the reports reviewed by the Manager, which are used to make strategic decisions.

The Manager is responsible for the Sub-Fund's entire portfolio and considers the business to have a single operating segment. The Manager's asset allocation decisions are based on a single, integrated investment strategy and the Sub-Fund's performance is evaluated on an overall basis.

The Sub-Fund trades in the constituent shares of the Lippo Select HK & Mainland Property Index with the objective to provide investment results that closely correspond to the performance of the Index.

The internal reporting provided to the Manager for the Sub-Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

There were no changes in the reportable segment during the years ended 31 March 2018 and 2017.

The Sub-Fund is domiciled in Hong Kong. All of the Sub-Fund's income is from investments in entities listed in Hong Kong.

The Sub-Fund has no assets classified as non-current assets. The Sub-Fund has a diversified portfolio of investments. As at 31 March 2018 and 2017, there was no investment which accounted for more than 10% of the Sub-Fund's net assets.

**13 Approval of financial statements**

The financial statements were approved by the Trustee and the Manager on 30 July 2018.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**INVESTMENT PORTFOLIO (UNAUDITED)**  
**AS AT 31 MARCH 2018**

<b>Listed investments</b>	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of net assets</b>
<b>Equities</b>			
<b>Hong Kong</b>			
AGILE GROUP HLDGS LTD	164,660	2,670,785	2.00%
BEIJING CAPITAL LAND LTD-H	90,124	430,793	0.32%
CARNIVAL GROUP INTERNATIONAL HLDGS LTD	901,734	324,624	0.24%
CHINA AOYUAN PROPERTY GROUP LTD	111,924	806,972	0.60%
CHINA EVERGRANDE GROUP	275,144	6,796,057	5.09%
CHINA JINMAO HLDGS GROUP LTD	391,961	1,752,066	1.31%
CHINA MERCHANTS LAND LTD	154,828	255,466	0.19%
CHINA OVERSEAS LAND & INVESTMENT LTD	277,210	7,553,973	5.66%
CHINA RESOURCES LAND LTD	273,857	7,818,617	5.86%
CHINA SCE PROPERTY HLDGS LTD	200,528	814,144	0.61%
CHINA VANKE CO LTD-H	137,679	4,928,908	3.69%
CIFI HLDGS GROUP CO LTD	396,397	2,715,319	2.03%
COLOUR LIFE SERVICES GROUP CO LTD	21,049	155,131	0.12%
COUNTRY GARDEN HLDGS CO LTD	552,443	8,927,479	6.68%
EMPEROR INTL HLDGS LTD	114,545	269,181	0.20%
FANTASIA HLDGS GROUP CO LTD	151,020	229,550	0.17%
FAR EAST CONSORTIUM INTL LTD	131,477	562,722	0.42%
FUTURE LAND DEVELOPMENT HLDGS LTD	178,215	1,185,130	0.89%
GEMDALE PROPERTIES AND INVESTMENT CORP LTD	497,249	467,414	0.35%
GREENLAND HONG KONG HLDGS LTD	58,021	218,159	0.16%
GUANGZHOU R&F PROPERTIES CO LTD-H	106,238	2,080,140	1.56%
HANG LUNG PROPERTIES LTD	212,106	3,877,298	2.90%
HENDERSON LAND DEVELOPMENT CO LTD	125,616	6,418,978	4.81%
K WAH INTL HLDGS LTD	144,282	751,709	0.56%
KERRY PROPERTIES LTD	67,978	2,403,022	1.80%
KWG PROPERTY HLDG LTD	131,957	1,411,940	1.06%
LAI SUN DEVELOPMENT CO LTD	22,078	283,923	0.21%
LOGAN PROPERTY HLDGS CO LTD	144,668	1,727,336	1.29%
LONGFOR PROPERTIES CO LTD	154,408	3,705,792	2.77%
LVGEM CHINA REAL ESTATE INVESTMENT CO LTD	73,059	228,675	0.17%
NEW WORLD DEVELOPMENT CO LTD	617,641	6,843,462	5.12%
POWERLONG REAL ESTATE HLDGS LTD	167,572	692,072	0.52%
ROAD KING INFRASTRUCTURE LTD	27,106	420,685	0.32%
SHENZHEN INVESTMENT LTD	338,142	1,126,013	0.84%
SHIMAO PROPERTY HLDGS LTD	124,040	2,753,688	2.06%
SINO LAND CO LTD	303,852	3,858,920	2.89%
SINO-OCEAN GROUP HLDG LTD	355,997	2,025,623	1.52%
SOHO CHINA LTD	217,448	893,711	0.67%
SOUNDWILL HLDGS LTD	8,828	128,536	0.10%
SRE GROUP LTD	646,583	125,437	0.09%
		<u>90,639,450</u>	<u>67.85%</u>



**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**  
**AS AT 31 MARCH 2018**

<b>Listed investments</b>	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of net assets</b>
<b>Equities</b>			
<b>Hong Kong</b>			
SUNAC CHINA HLDGS LTD	252,871	7,661,991	5.74%
SWIRE PROPERTIES LTD	122,461	3,367,678	2.52%
WHARF HLDGS LTD	127,093	3,425,156	2.57%
WHARF REAL ESTATE INVESTMENT CO LTD	127,093	6,494,452	4.86%
WHEELOCK & CO LTD	85,750	4,917,763	3.68%
YUEXIU PROPERTY CO LTD	714,169	1,321,213	0.99%
YUZHOU PROPERTIES CO LTD	174,764	934,987	0.70%
		<u>28,123,240</u>	<u>21.06%</u>
<b>REITS</b>			
<b>Hong Kong</b>			
HUI XIAN REAL ESTATE INVESTMENT TRUST	379,964	1,471,536	1.10%
CHAMPION REAL ESTATE INVESTMENT TRUST	213,585	1,193,940	0.90%
FORTUNE REIT	149,573	1,422,439	1.07%
LINK REAL ESTATE INVESTMENT TRUST	116,641	7,814,947	5.85%
PROSPERITY REIT	130,321	426,150	0.32%
SUNLIGHT REAL ESTATE INVESTMENT TRUST	111,502	594,305	0.44%
YUEXIU REAL ESTATE INVESTMENT TRUST	204,945	1,114,901	0.83%
		<u>14,038,218</u>	<u>10.51%</u>
<b>Total listed investments</b>		<u>132,800,908</u>	<u>99.42%</u>
<b>Total investments, at cost</b>		<u>89,960,447</u>	

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

<b>Investments</b>	<b>Beginning holdings as at 1 April 2017</b>	<b>Additions</b>	<b>Corporate actions</b>	<b>Disposals</b>	<b>Closing holdings as at 31 March 2018</b>
AGILE GROUP HLDGS LTD	211,002	14,158	–	60,500	164,660
AVIC INTERNATIONAL HLDGS LTD	437,758	–	–	437,758	–
BEIJING CAPITAL LAND LTD-H	116,818	6,806	–	33,500	90,124
CARNIVAL GROUP INTERNATIONAL HLDGS LTD	909,268	93,524	187,442	288,500	901,734
CENTRAL CHINA REAL ESTATE LTD	96,851	–	–	96,851	–
CHAMPION REAL ESTATE INVESTMENT TRUST	273,318	18,867	–	78,600	213,585
CHINA AOYUAN PROPERTY GROUP LTD	143,916	13,308	–	45,300	111,924
CHINA EVERGRANDE GROUP	553,132	14,844	–	292,832	275,144
CHINA JINMAO HLDGS GROUP LTD	431,239	36,422	–	75,700	391,961
CHINA MERCHANTS LAND LTD	194,514	13,514	–	53,200	154,828
CHINA OVERSEAS LAND & INVESTMENT LTD	204,202	107,308	–	34,300	277,210
CHINA RESOURCES LAND LTD	230,285	57,572	–	14,000	273,857
CHINA SCE PROPERTY HLDGS LTD	207,551	61,077	–	68,100	200,528
CHINA SOUTH CITY HLDGS LTD	485,234	–	–	485,234	–
CHINA VANKE CO LTD-H	–	137,679	–	–	137,679
CIFI HLDGS GROUP CO LTD	363,139	108,358	–	75,100	396,397
COLOUR LIFE SERVICES GROUP CO LTD	–	31,049	–	10,000	21,049
COUNTRY GARDEN HLDGS CO LTD	877,906	73,737	–	399,200	552,443
EMPEROR INTL HLDGS LTD	148,585	8,660	–	42,700	114,545
FANTASIA HLDGS GROUP CO LTD	190,352	12,768	–	52,100	151,020
FAR EAST CONSORTIUM INTL LTD	164,315	12,762	–	45,600	131,477
FORTUNE REIT	191,820	12,353	–	54,600	149,573
FULLSHARE HLDGS LTD	1,062,826	–	–	1,062,826	–
FUTURE LAND DEVELOPMENT HLDGS LTD	228,561	17,154	–	67,500	178,215

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

<b>Investments</b>	<b>Beginning holdings as at 1 April 2017</b>	<b>Additions</b>	<b>Corporate actions</b>	<b>Disposals</b>	<b>Closing holdings as at 31 March 2018</b>
GEMDALE PROPERTIES AND INVESTMENT CORP LTD	–	497,249	–	–	497,249
GREAT EAGLE HLDGS LTD	36,536	2,262	–	38,798	–
GREENLAND HONG KONG HLDGS LTD	110,760	6,561	–	59,300	58,021
GUANGZHOU R&F PROPERTIES CO LTD-H	136,710	8,728	–	39,200	106,238
HANG LUNG PROPERTIES LTD	249,061	17,745	–	54,700	212,106
HENDERSON LAND DEVELOPMENT CO LTD	108,191	21,906	10,819	15,300	125,616
HUI XIAN REAL ESTATE INVESTMENT TRUST	–	429,764	–	49,800	379,964
K WAH INTL HLDGS LTD	179,235	15,547	–	50,500	144,282
KERRY PROPERTIES LTD	–	77,678	–	9,700	67,978
KWG PROPERTY HLDG LTD	185,121	12,236	–	65,400	131,957
LAI SUN DEVELOPMENT CO LTD	–	27,278	–	5,200	22,078
LINK REAL ESTATE INVESTMENT TRUST	91,140	27,701	–	2,200	116,641
LOGAN PROPERTY HLDGS CO LTD	–	165,268	–	20,600	144,668
LONGFOR PROPERTIES CO LTD	196,692	14,216	–	56,500	154,408
LVGEM CHINA REAL ESTATE INVESTMENT CO LTD	–	83,659	–	10,600	73,059
NEW WORLD DEVELOPMENT CO LTD	480,463	174,178	–	37,000	617,641
POWERLONG REAL ESTATE HLDGS LTD	215,366	12,206	–	60,000	167,572
PROSPERITY REIT	166,447	14,074	–	50,200	130,321
RENHE COMMERCIAL HLDGS LTD	2,368,623	–	–	2,368,623	–
ROAD KING INFRASTRUCTURE LTD	34,913	3,193	–	11,000	27,106
SHENZHEN INVESTMENT LTD	412,058	34,684	–	108,600	338,142
SHIMAO PROPERTY HLDGS LTD	160,256	10,684	–	46,900	124,040
SINO LAND CO LTD	–	327,852	–	24,000	303,852
SINO-OCEAN GROUP HLDG LTD	455,395	30,402	–	129,800	355,997
SOHO CHINA LTD	280,118	19,630	–	82,300	217,448
SOUNDWILL HLDGS LTD	–	8,828	–	–	8,828
SRE GROUP LTD	–	646,583	–	–	646,583
SUNAC CHINA HLDGS LTD	259,719	79,352	–	86,200	252,871
SUNLIGHT REAL ESTATE INVESTMENT TRUST	–	111,502	–	–	111,502
SWIRE PROPERTIES LTD	–	122,461	–	–	122,461
WHARF HLDGS LTD	79,266	47,827	–	–	127,093
WHARF REAL ESTATE INVESTMENT CO LTD	–	127,093	–	–	127,093
WHEELOCK & CO LTD	96,722	7,428	–	18,400	85,750
YUEXIU PROPERTY CO LTD	918,606	59,063	–	263,500	714,169
YUEXIU REAL ESTATE INVESTMENT TRUST	255,761	22,884	–	73,700	204,945
YUZHOU PROPERTIES CO LTD	179,845	26,419	–	31,500	174,764

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**PERFORMANCE RECORD (UNAUDITED)**

**Net asset values**

	Net asset value per unit HK\$	Net asset value of the Sub-Fund HK\$
At end of financial year dated		
31 March 2018	77.4312	133,568,896
31 March 2017	51.5392	87,616,689
31 March 2016	38.0671	65,665,814

**Highest and lowest net asset value per unit since inception**

	Highest net asset value per unit HK\$	Lowest net asset value per unit HK\$
Financial year/period ended		
31 March 2018	85.1863	51.4549
31 March 2017	52.9029	36.4606
31 March 2016	52.3295	33.3055
31 March 2015	41.9510	34.1131
31 March 2014	43.9196	33.8575
31 March 2013 <sup>1</sup>	44.8035	34.5861

**Performance of the Sub-Fund**

	Index performance (%)	Sub-Fund performance (%)
Financial year/period ended		
31 March 2018	52.1	50.2
31 March 2017	36.4	35.4
31 March 2016	(6.6)	(7.5)
31 March 2015	16.7	15.3
31 March 2014	(9.2)	(10.4)
31 March 2013 <sup>1</sup>	17.5	16.8

<sup>1</sup> The financial period of the Sub-Fund, which was a new addition to the Trust during the period ended 31 March 2013, commenced from 26 September 2012 (date of inception) to 31 March 2013.

**LIPPO FUND SERIES**  
**LIPPO SELECT HK & MAINLAND PROPERTY ETF**

**ADMINISTRATION AND MANAGEMENT**

**Manager**

Lippo Investments Management Limited  
40th Floor, Tower Two  
Lippo Centre, 89 Queensway  
Hong Kong  
Website: <http://www.lippo-im.com>

**Directors of the Manager**

Bruce Cheung Heung Wing  
David Ng Tai Chiu

**Trustee**

(Before 1 November 2017)  
Cititrust Limited  
50th Floor, Champion Tower  
Three Garden Road  
Central, Hong Kong

(Since 1 November 2017)  
BOCI-Prudential Trustee Limited  
12th Floor and 25th Floor, Citicorp Centre  
18 Whitfield Road  
Causeway Bay, Hong Kong

**Custodian and Administrator**

(Before 1 November 2017)  
Citibank, N.A.  
50th Floor, Champion Tower  
Three Garden Road  
Central, Hong Kong

(Since 1 November 2017)  
Bank of China (Hong Kong) Limited  
14th Floor, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

**Registrar**

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

**Service Agent**

HK Conversion Agency Services Limited  
12th Floor, One International Finance Centre,  
1 Harbour View Street  
Central, Hong Kong

**Legal Adviser to the Manager**

King & Wood Mallesons  
13th Floor, Gloucester Tower  
The Landmark, 15 Queen's Road Central  
Central, Hong Kong

**Participating Dealers**

Goldman Sachs (Asia) Securities Limited  
68th Floor, Cheung Kong Center  
2 Queen's Road Central  
Central, Hong Kong

Credit Suisse Securities (Hong Kong) Limited  
88th Floor, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

**Auditor**

PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Central, Hong Kong