

Taikang Hong Kong HKD Money Market ETF
(a sub-fund of Taikang Hong Kong ETF Series, a Hong Kong
umbrella unit trust authorised under the laws of Hong Kong)
(Stock Code: 3457)

Interim Report (Unaudited)

Taikang Hong Kong HKD Money Market ETF
(a sub-fund of Taikang Hong Kong ETF Series)

CONTENTS	<u>Pages</u>
ADMINISTRATION AND MANAGEMENT	1
REPORT OF THE MANAGER TO THE UNITHOLDERS	2
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	3
UNAUDITED STATEMENT OF FINANCIAL POSITION	4 - 5
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	6
UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS	7
UNAUDITED INVESTMENT PORTFOLIO	8
NOTES TO THE UNAUDITED INTERIM REPORT	9 - 17

Taikang Hong Kong HKD Money Market ETF
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ADMINISTRATION AND MANAGEMENT

MANAGER

Taikang Asset Management (Hong Kong) Company Limited
39/F, Bank of China Tower
1 Garden Road
Hong Kong

TRUSTEE AND REGISTRAR

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

DIRECTORS OF THE MANAGER

Chen Dong Sheng
Chen Yi Lun
Duan Guo Sheng
Feng Tie Liang
Zhang Jing Guo
Zhang Le

AUDITORS

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

SOLICITORS TO THE MANAGER

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

CUSTODIAN

CMB Wing Lung Bank Limited
6/F, CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

SERVICE AGENT OR CONVERSION AGENT

HK Conversion Agency Services Limited
8th Floor, Two Exchange Square
8 Connaught Place
Central Hong Kong

LISTING AGENT

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

REPORT OF THE MANAGER TO THE UNITHOLDERS

Market Overview

In the first half of 2026, the Federal Reserve held its policy rate unchanged at both the April and June meetings. The federal funds target range remained at 3.50%–3.75%. The labour market showed no clear signs of material weakening, employment data remained solid, and while inflation moderated, it retained a degree of stickiness. AI-related investment continued to provide support to the economy, and overall economic resilience was maintained. Market attention focused primarily on the continuation of China–US trade frictions and US–Iran geopolitical risks.

The US–Iran conflict erupted in March. Repeated openings and closures of the Strait of Hormuz drove sharp rises in energy prices and a rapid escalation in inflation expectations. Markets quickly repriced the policy paths of major central banks, pushing US Treasury yields higher. In May, reports emerged of a possible memorandum of understanding (MOU) between the two sides. Following the formal conclusion of a short-term interim MOU in June, tensions in the Strait eased and rate-hike expectations moderated somewhat. Interest-rate volatility increased markedly.

Separately, in May US President Trump formally nominated Kevin Warsh as the next Federal Reserve Chair. Warsh adopted a pragmatic approach to reform, allowing a six-month transition period and establishing five working groups with a mandate to complete their work within the year. These comprise: the Communications Working Group (including reform of the dot plot); the Balance Sheet Working Group (review of the reserves framework); the Data Working Group (assessment of new information sources and real-time data collection beyond exclusive reliance on non-farm payrolls and CPI); the Productivity and Employment Working Group (study of AI's impact on the economy and the Fed's dual mandate); and the Inflation Framework Working Group (examination of inflation drivers and approaches to price stability). Overall, Warsh emphasised inflation control in press conferences, underscoring the Fed's commitment to delivering price stability and downplaying the trade-off between employment and inflation. The Warsh era opened with a clear "Higher for Longer" message, forcing markets to reassess the Federal Reserve's policy path and contributing to a flattening of the yield curve.

In the first half of 2026, the Hong Kong dollar interest-rate market remained relatively stable. One-month HIBOR ranged between approximately 1.95% and 3.10%, while the US dollar federal funds target range remained steady at 3.50%–3.75%. From January to April, one-month HIBOR declined gradually from around 3.0% at the start of the year, reaching a low of approximately 1.95%–2.0% in late March to early April. Thereafter, with rising funding demand around quarter-end and half-year-end as well as changes in local supply and demand, one-month HIBOR recovered progressively in May–June and rose to around 2.98% in late June (close to the early-January high). Overall, HIBOR movements broadly followed US dollar rates but occasionally diverged under the influence of local liquidity conditions and capital-market activity.

In aggregate, the US economy retained its resilience, yet geopolitical risks and energy-price volatility remained the principal sources of uncertainty. With the labour market not yet showing clear signs of weakness, the Federal Reserve's policy path faced upward pressure, and the interest-rate curve exhibited a volatile trajectory.

Market Outlook

Following the interim peace agreement between the US and Iran, shipping through the Strait of Hormuz has resumed and the subsequent decline in oil prices should help ease inflationary pressures. Attention will focus on follow-up confirmation negotiations under the agreement. Money-market funds and short-term rates continue to offer reasonable yields and serve as a vehicle for liquidity management.

Taikang Hong Kong HKD Money Market ETF
(a sub-fund of Taikang Hong Kong ETF Series)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2026

**For the period from
29 January 2026 (date of
commencement of operations)
to 30 June 2026**

	HKD
INCOME	
Interest income on time deposits	2,526,914
Interest income on bond	55,980
Net loss on financial assets at fair value through profit or loss	(7,200)
Other income	618,669
	<u>3,194,363</u>
EXPENSES	
Management fee	(373,578)
Trustee fee	(54,067)
Audit fee	(88,544)
Formation costs	(600,000)
Transaction handling fees (Note 1)	(31,000)
Other expenses	(20,426)
	<u>(1,167,615)</u>
Operating Profit	2,026,748
Finance Costs	
Distribution to unitholders	<u>-</u>
Profit before tax	2,026,748
Withholding tax	<u>-</u>
Increase in net assets attribute to unitholders	<u><u>2,026,748</u></u>

Note 1: During the period end 30 June 2026

Transaction handling fee paid to its Connected Person of
Manager / Trustee were as follows:

CMB Wing Lung Bank Limited

Transaction handling fees

2026-06-30

HKD

31,000

Taikang Hong Kong HKD Money Market ETF
(a sub-fund of Taikang Hong Kong ETF Series)

UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2026

(Unaudited)
30 June 2026

	HKD
ASSETS	
Financial assets at fair value through profit or loss	4,498,200
Prepayment and other receivables	633,611
Time deposits- With original maturity more than three months	371,397,711
Interest receivable	1,317,001
Amounts receivable on subscription of units	97,197,382
Cash and Cash equivalents	543,839,213
TOTAL ASSETS	<u>1,018,883,118</u>
Liabilities	
Management fee payable	373,578
Trustee fee payable	54,067
Other payables and accruals	655,966
Amounts payable on redemption of units	48,418,883
TOTAL LIABILITIES (Excluding Net Assets Attributable to Unitholders)	<u>49,502,494</u>
Net assets attributable to unitholders	<u>969,380,624</u>
TOTAL LIABILITIES	<u>1,018,883,118</u>

NUMBER OF UNITS IN ISSUE

- Listed Class	6,500.000
- Unlisted Class A-HKD	360,126.251
- Unlisted Class B-HKD	6,631,315.167
- Unlisted Class I-HKD	1,000.000
- Unlisted Class M-HKD	2,549,277.519

NET ASSET VALUE PER UNIT

- Listed Class	1,009.0349
- Unlisted Class A-HKD	100.9036
- Unlisted Class B-HKD	100.9035
- Unlisted Class I-HKD	100.9034
- Unlisted Class M-HKD	100.9034

Taikang Hong Kong HKD Money Market ETF
(a sub-fund of Taikang Hong Kong ETF Series)

UNAUDITED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2026

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

A reconciliation of the net assets attributable to holders of redeemable units as reported in the unaudited statement of financial position to the net assets attributable to holders of redeemable units as determined for the purposes of processing unit subscriptions and redemptions is provided below:

	30 June 2026 HKD
Published net assets attributable to unitholders	921,151,069
Adjustment to formation costs	(548,944)
Adjustment to amounts receivable on subscription of units	97,197,382
Adjustment to redemption payable to unitholders	(48,418,883)
Net assets attributable to unitholders (per unaudited interim report)	<u>969,380,624</u>

	As at 30 June 2026 Unit price as reported in the interim report in class currency	Published unit price in class currency
	HKD	HKD
- Listed Class	1,009.0349	1,009.6366
Net assets attributable to unitholders		
- Unlisted Class A-HKD	100.9036	100.9638
Net assets attributable to unitholders		
- Unlisted Class B-HKD	100.9035	100.9636
Net assets attributable to unitholders		
- Unlisted Class I-HKD	100.9034	100.9636
Net assets attributable to unitholders		
- Unlisted Class M-HKD	100.9034	100.9636
Net assets attributable to unitholders		

Taikang Hong Kong HKD Money Market ETF
(a sub-fund of Taikang Hong Kong ETF Series)

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
For the period ended 30 June 2026

	30 June 2026	
	Number of Units	HKD
As at 29 January 2026	-	-
Subscription of Units		
- Listed Class	6,500.000	6,526,286
- Unlisted Class A-HKD	1,714,177.991	172,333,324
- Unlisted Class B-HKD	35,326,088.217	3,557,763,826
- Unlisted Class I-HKD	1,000.000	100,000
- Unlisted Class M-HKD	3,045,277.519	306,350,000
Total Subscription of Units	40,093,043.727	4,043,073,436
Redemption of units		
- Listed Class	-	-
- Unlisted Class A-HKD	(1,354,051.740)	(136,090,567)
- Unlisted Class B-HKD	(28,694,773.050)	(2,889,645,081)
- Unlisted Class I-HKD	-	-
- Unlisted Class M-HKD	(496,000.000)	(49,983,912)
Total Redemption of Units	(30,544,824.790)	(3,075,719,560)
Increase in net assets attribute to unitholders		2,026,748
As at 30 June 2026	9,548,218.937	969,380,624

Taikang Hong Kong HKD Money Market ETF
(a sub-fund of Taikang Hong Kong ETF Series)

UNAUDITED STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO
For the period ended 30 June 2026

Financial assets at fair value through profit or loss		Movements in nominal value/holding				
Unlisted/quoted investments		29 January 2026	Additions	Bonus/Dividends	Deductions	30 June 2026
Fixed Income Securities						
MIZUHO SECURITIES CO LTD EURO	3.110 16 Sep 26	-	4,500,000	-	-	4,500,000

UNAUDITED INVESTMENT PORTFOLIO
As at 30 June 2026

8

Taikang Hong Kong HKD Money Market ETF

(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

BASIS OF PREPARATION

The unaudited interim report of the Taikang Hong Kong HKD Money Market ETF (the Sub-Fund) have been prepared in accordance with IFRS Accounting Standards as issued by the IASB, interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

The financial statements have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. The financial statements are presented in HKD and all values are rounded to the nearest HKD except where otherwise indicated.

The Sub-Fund presents its statement of financial position in order of liquidity.

APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS AND CHANGES IN OTHER ACCOUNTING POLICIES

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Sub-Fund has applied the following amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the Sub-Fund's annual period beginning on 1 January 2026 for the preparation of the financial statements:

Amendments to IAS 21	Lack of Exchangeability
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The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Sub-Fund's financial positions and performance for the current and prior years and/or on the disclosures set out in the financial statements.

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Sub-Fund has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IAS 21	Lack of Exchangeability ³
Amendments to IAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures ³
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature - dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹

Taikang Hong Kong HKD Money Market ETF

(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards - Volume 11 ²
Amendments to IFRS 19	Amendments to Subsidiaries without Public Accountability: Disclosures ³
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
IFRS 20	Regulatory Assets and Regulatory Liabilities ⁴

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after 1 January 2029

The manager of the Sub-Fund anticipates that the application of all new and amendments to IFRS Accounting Standards will have no material impact on the financial statements in the foreseeable future.

MATERIAL ACCOUNTING POLICY INFORMATION

Financial instruments

Classification

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

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

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

Financial assets

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

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset

Taikang Hong Kong HKD Money Market ETF
(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

Financial assets measured at amortised cost

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

Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

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

Financial liabilities

Financial liabilities measured at fair value through profit or loss

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. The Sub-Fund includes in this category its redeemable shares and the Sub-Fund's accounting policy regarding the redeemable shares is described below.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Sub-Fund includes in this category management fee payable, trustee fee payable, distribution payable and other payables and accruals.

Recognition

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

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

Taikang Hong Kong HKD Money Market ETF

(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

Initial measurement

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

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

Subsequent measurement

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

Debt instruments, other than those classified as at fair value through or loss, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

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

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

Taikang Hong Kong HKD Money Market ETF

(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Sub-Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset; or (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets

The Sub-Fund holds only prepayments and other receivables with no financing component and which have maturities of less than 3 months or on demand at amortised cost and, as such, has chosen to apply the simplified approach for expected credit losses ("ECL") under IFRS 9 to all its receivables. Therefore, the Sub-Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Sub-Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Sub-Fund uses the provision matrix as a practical expedient to measure ECLs on receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of

Taikang Hong Kong HKD Money Market ETF

(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Fair value measurement

The Sub-Fund measures its investments in financial instruments, such as equity instruments, at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Taikang Hong Kong HKD Money Market ETF

(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

For the purpose of fair value disclosures, the Sub-Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Functional and presentation currency

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

Foreign currency translations

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

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Amounts due to/from brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for financial liabilities measured at amortised cost, for recognition and measurement.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for financial assets measured at amortised cost for recognition and measurement.

Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

Taikang Hong Kong HKD Money Market ETF

(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

Net assets attributable to holders of redeemable units

The Sub-Fund issues redeemable units, namely unlisted Class A units, unlisted Class B units, unlisted Class I units, unlisted Class M units and Listed Class units, which are redeemable at the unitholder's option and are classified as financial liabilities.

Redeemable units are subscribed and redeemed during the Hong Kong and PRC business days of each calendar month or such other day or days determined by the Manager and the Trustee may agree from time to time for cash equal to a proportionate share of the Sub-Fund's net assets attributable to holders of redeemable units of the relevant classes. The Manager is entitled, with the approval of the Trustee, to limit the number of redeemable units of the Sub-Fund redeemed on any business day to 10% of the total number of redeemable units of the Sub-Fund in issue.

Redeemable units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net assets attributable to holders of redeemable units per unit at the time of issue or redemption. The Sub-Fund's net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders by the number of units in issue.

Distributions to unitholders

Distributions are at the discretion of the Manager. A distribution to the Sub-Fund's unitholders is included in profit or loss in the statement of profit or loss and other comprehensive income as the "*Finance costs*". A proposed distribution is recognised as a liability in the year/period in which it is approved by the Manager of the Sub-Fund.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts when appropriate.

Transaction costs

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

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

This item includes changes in the fair value of financial assets as "fair value through profit or loss" and excludes interest and dividend incomes and expenses.

Taikang Hong Kong HKD Money Market ETF

(a sub-fund of Taikang Hong Kong ETF Series)

Notes to the unaudited interim report

For the period from 29 January 2026 (date of commencement of operations) to 30 June 2026

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year/period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as "fair value through profit or loss" are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Interest income

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

Taxes

In some jurisdiction, dividend income, interest income and capital gains are subject to withholding tax deducted at the source of the income. The Sub-Fund presents the withholding tax separately from the gross investment income in statement of profit or loss and other comprehensive income.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Sub-Fund's accounting policies, the Manager of the Sub-Fund is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Taxation

In preparing the Sub-Fund's financial statements, the Manager of the Sub-Fund has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.