



嘉實國際資產管理
Harvest Global Investments

HARVEST FUNDS (HONG KONG) ETF
(AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)

HARVEST MSCI CHINA A 50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

ANNUAL REPORT
FOR THE PERIOD FROM 6 JUNE 2013
(DATE OF INCEPTION) TO 31 DECEMBER 2013

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

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HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

REPORT OF THE MANAGER TO THE UNITHOLDERS

Fund Performance

As at 31st December 2013, the Net Asset Value (“NAV”) per unit of the Harvest MSCI ChinaA 50 Index ETF was RMB7.02 and HKD8.99 for the RMB and HKD counter, and there were 147,000,000 units outstanding. The total size of the fund was approximately RMB1.03 billion.

A summary of the performance of the Harvest MSCI China A50 Index ETF is given below (as at 31 December 2013):

	Since Listing Date ² (without dividend reinvested)	Since Listing Date ² (with dividend reinvested)
MSCI China A50 Index ³	-10.25%	-7.7%
Harvest MSCI China A50 Index ETF NAV-to-NAV ⁴ (RMB Counter)	-9.77%	-8.54% (total)
Harvest MSCI China A50 Index ETF Market-to-Market ⁵ (RMB Counter)	-10.19%	-8.97% (total)
Harvest MSCI China A50 Index ETF NAV-to-NAV ⁴ (HKD Counter)	-8.73%	-7.49% (total)
Harvest MSCI China A50 Index ETF Market-to-Market ⁵ (HKD Counter)	-9.08%	-7.84% (total)

Source: Harvest Global Investments Limited, Bloomberg

1 Past performance figures shown are not indicative of the future performance of the Fund.

2 Listing date is 6 June 2013.

3 Price Index in RMB. An investor cannot invest directly in an index and the index performance returns do not reflect management fees, transaction costs or other expenses, which would reduce performance returns.

4 Unit’s NAV in RMB/HKD. Units in the Fund are issued and redeemed at NAV and the Fund’s returns have been calculated from NAV.

5 Market closing price in RMB/HKD. Market returns are calculated using historical market closing prices of the ETF, and do not represent the returns you would receive if you trade units at other times.

Fund activities

The Harvest MSCI China A50 Index ETF was listed on the Stock Exchange of Hong Kong on 6 June 2013. According to data released by Bloomberg, the average daily trading volume of the Harvest MSCI China A50 Index ETF was approximately 192,926 units for the RMB Counter and 287,901 units for the HKD Counter during 2013. As at 31 December 2013, there were 147,000,000 units outstanding.

Index activities

There were 2 additions to and 1 deletion from the MSCI China A50 Index resulting from the MSCI November 2013 Semi-Annual Index Review.

**HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)**

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

Market overview

China is in the process of structural reform towards the goal of medium to longer term growth. Structural reform, exports and anti-corruption measures dragged the economy during the first half of 2013. With the help of fixed assets investment, strong credit growth and exports, the economy picked up in the second half of the year. Interest rates have increased during the year. The benchmark 10 year government bond yield rose from 3.58% at the beginning of the year to 4.56% at the end of the year. The interbank rate peaked at 20% temporarily and inflation stayed at 2.6% at year end.

The performance of China equities varied widely different among sectors. Technology, Media and Telecom (“TMT”) and Consumer stocks outperformed Materials and Financials sectors. Small cap growth outperformed large cap value.

Looking ahead, China’s economic growth is expected to remain steady and inflationary pressure to be modest in 2014. The market impact of reforms could be uncertain but we are optimistic on the new leadership and long term effect of the reform measures. The economy will be supported by organic growth opportunities, such as healthcare, technology upgrade, internet, and national defense upgrade. Improvement in developed markets economy could be supportive. The market may however be adversely impacted by IPOs which will lock up considerable amounts of cash. Further spikes in short-term interest rates will also be a drag on the broader economy. We expect the People’s Bank of China to continue with its tightening bias and interest rate tends to move higher during the interest rate liberalization reform process. We believe the impact has been built into the market as evident by the low valuations. The supportive fiscal policy, stable monetary policy, improving world economy, the profound effect of structural reform and SOE reform will continue to support equities in medium term.

Harvest Global Investments Limited
17 April 2014

**HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)**

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the Harvest MSCI China A50 Index ETF (the “Sub-Fund”), a sub-fund of Harvest Funds (Hong Kong) ETF, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 27 August 2012, as subsequently amended in the Supplemental Deed on 17 January 2013 for the period from 6 June 2013 (date of inception) to 31 December 2013.

HSBC Institutional Trust Services (Asia) Limited
17 April 2014

**HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)**

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of the Harvest MSCI China A50 Index ETF (the "Sub-Fund"), a Sub-Fund of Harvest Funds (Hong Kong) ETF, is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code") and the Trust Deed dated 27 August 2012, as amended, (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Sub-Fund will continue in operation unless it is inappropriate to assume this.

The Manager is also required to manage the Sub-Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

Harvest Funds (Hong Kong) ETF (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2013, the Trust has established two Sub-Funds, namely, the Harvest MSCI China A Index ETF and the Harvest MSCI China A50 Index ETF.

TRUSTEE'S RESPONSIBILITIES

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-Fund and rights attaching thereto; and
- report to the Unitholders for each annual accounting period on the conduct of the Manager in the management of the Sub-Fund.

Harvest Global Investments Limited
17 April 2014

HSBC Institutional Trust Services (Asia) Limited
17 April 2014

**HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)**

INDEPENDENT AUDITOR'S REPORT

**TO THE UNITHOLDERS OF HARVEST MSCI CHINA A50 INDEX ETF
(A sub-fund of the Harvest Funds (Hong Kong) ETF)**

Report on the Financial Statements

We have audited the financial statements of Harvest MSCI China A50 Index ETF (the "Sub-Fund"), a sub-fund of Harvest Funds (Hong Kong) ETF (the "Fund") set out on pages 7 to 27, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the period from 6 June 2013 (date of inception) to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 27 August 2012 (the "Trust Deed"), and the Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the "SFC Code"), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also 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 the SFC Code.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Sub-Fund's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

**HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)**

INDEPENDENT AUDITOR'S REPORT (continued)

**TO THE UNITHOLDERS OF HARVEST MSCI CHINA A50 INDEX ETF
(A sub-fund of the Harvest Funds (Hong Kong) ETF) (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2013, and of its financial transactions and cash flows for the period from 6 June 2013 (date of inception) to 31 December 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 3 to the financial statements which indicates that the Management considers that the enforcement of PRC tax on gains on A-Shares is uncertain as at the date of approval of these financial statements and that the Management has exercised significant judgment in their assessment of the potential tax charge and the related provision included in the Sub-Fund's financial statements as at 31 December 2013. Our opinion is not qualified in respect of this matter.

Other Matters

This report, including the opinion, has been prepared for and only for 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.

Report on Other Legal and Regulatory Disclosure Requirements

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 the SFC Code.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 April 2014

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2013 <i>RMB</i>
ASSETS		
NON-CURRENT ASSETS		
Deposit reserve		560,000
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CURRENT ASSETS		
Investments	8(a)	1,027,107,599
Interest receivable		1,355
Other receivables		576,422
Cash and cash equivalents	7(c)	80,423,094
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Total assets		1,108,668,470
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LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred Tax liability	6	2,828,375
CURRENT LIABILITIES		
Amounts due to participating dealers		72,376,374
Management fee payable	7(a)	609,058
Trustee and registrar fees payable	7(b)	101,510
Provision for taxation	6	1,115,686
Other accounts payable		359,081
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Total liabilities		77,390,084
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EQUITY		
Net assets attributable to unitholders	4	1,031,278,386
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For and on behalf of

For and on behalf of

Harvest Global Investments Limited
as the Manager

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

The notes on pages 11 to 27 form part of these financial statements.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Period from 6 June 2013 (date of inception) to 31 December 2013 <i>RMB</i>
INCOME		
Dividend income		37,435,468
Interest income		87,299
Net loss on investments	5	(183,608,711)
Other income	2(g)	2,076,715
		<hr/>
Total net loss		(144,009,229)

EXPENSES		
Management fee	7(a)	(4,486,736)
Trustee and registrar fees	7(b)	(747,789)
Transaction costs on investments		(2,465,716)
Audit fee		(192,021)
Preliminary expense		(174,152)
Safe custody and bank charges		(905)
Legal and professional fees		(449,913)
Other expenses	2(g)	(12,491,528)
		<hr/>
Total operating expenses		(21,008,760)

Operating (loss)/profit		(165,017,989)
TAXATION		
- Taxation	6	(8,068,625)
		<hr/>
		(8,068,625)

Total comprehensive income for the period		(173,086,614)
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The notes on pages 11 to 27 form part of these financial statements.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	<i>Note</i>	Period from 6 June 2013 (date of inception) to 31 December 2013 <i>RMB</i>
Net assets attributable to unitholders at the beginning of the period		-
Proceeds from subscription of units		1,636,585,000
Payments on redemption of units		(414,420,000)
Net increase from unit transactions		<u>1,222,165,000</u>
Distribution to unitholders	9	(17,800,000)
Total comprehensive income for the period		<u>(173,086,614)</u>
Net assets attributable to unitholders at the end of the period		<u><u>1,031,278,386</u></u>

The notes on pages 11 to 27 form part of these financial statements.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

STATEMENT OF CASH FLOWS

	Period from 6 June 2013 (date of inception) to 31 December 2013 <i>RMB</i>
OPERATING ACTIVITIES	
Payment for purchase of investments	(1,729,080,647)
Proceeds from sale of investments	518,364,338
Dividend received	37,435,468
Interest received	85,944
Other income received	74,453,089
Management fee paid	(3,877,678)
Trustee and registrar fees paid	(646,279)
Transaction costs paid	(2,465,716)
Taxation paid	(4,124,564)
Preliminary expense paid	(174,152)
Legal and professional expense paid	(449,913)
Other expenses paid	(12,901,796)
Deposit reserve paid	(560,000)
	<hr/>
Net cash used in operating activities	(1,123,941,906)

FINANCING ACTIVITIES	
Proceeds from subscription of units	1,636,585,000
Payments on redemption of units	(414,420,000)
Distribution paid	(17,800,000)
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Net cash generated from financing activities	1,204,365,000

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Increase in cash and cash equivalents	80,423,094
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Cash and cash equivalents at the beginning of the period	-
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Cash and cash equivalents at the end of the period	80,423,094
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Analysis of balances of cash and cash equivalents	
Bank balances	80,423,094
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The notes on pages 11 to 27 form part of these financial statements.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Harvest Funds (Hong Kong) ETF (the “Trust”) is an umbrella unit trust constituted by way of a trust deed dated 27 August 2012 between Harvest Global Investments Limited as the Manager and HSBC Institutional Trust Services (Asia) Limited as the Trustee. The terms of the Trust Deed are governed by the laws of Hong Kong. The Trust has established two Sub-Funds, namely, the Harvest MSCI China A Index ETF (the “Sub-Fund”) and Harvest MSCI China A50 Index ETF (the “Sub-Fund”) which are authorized by the Securities and Futures Commission of Hong Kong. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited. The date of inception of the Sub-Fund was 6 June 2013.

The manager and the trustee of the Sub-Fund are Harvest Global Investments Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (“the Trustee”) respectively.

The investment objective of Harvest MSCI China A50 Index ETF is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, MSCI China A50 Index. The Index is a free float adjusted market capitalisation weighted index that is compiled and published by MSCI Inc., which is designed to reflect the performance of the 50 largest securities listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange of the MSCI China A Index based on domestic free float-adjusted market capitalisation.

Under current regulations in the People’s Republic of China (“PRC”), generally foreign investors can invest only in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a Qualified Foreign Institutional Investor (“QFII”) or a Renminbi Qualified Foreign Institutional Investor (“RQFII”) from the China Securities Regulatory Commission (“CSRC”) and have been granted quota by the State Administration of Foreign Exchange (“SAFE”) of the PRC to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC’s domestic securities markets.

The Sub-Fund, Harvest MSCI China A50 Index ETF, invests in securities issued within the PRC through the RQFII program. The Manager has obtained RQFII status in the PRC and the RQFII quotas have been granted to the Manager on behalf of the Harvest MSCI China A50 Index ETF. To the extent that the Manager has, on behalf of the Harvest MSCI China A50 Index ETF, utilised its entire RQFII quota, the Manager may, subject to any applicable regulations, apply for an increase of the RQFII quota. These financial statements are prepared for the Sub-Fund only. The financial statements for Harvest MSCI China A Index ETF have been prepared separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (together the “Management”) to exercise their judgment in the process of applying the Sub-Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards and amendments to existing standards effective 1 January 2013

IFRS 13, “Fair value measurement” – The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. The Sub-Fund has adopted IFRS 13 since 6 June 2013 (date of inception) and it uses last traded prices as its valuation inputs for listed financial assets and liabilities to be consistent with the inputs prescribed in the Sub-Fund’s offering document for the calculation of its per unit trading value for subscriptions and redemptions.

IFRS 12, “Disclosures of Interests in Other Entities”, includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard did not have any impact on the Sub-Fund’s financial position or performance.

Amendments to IFRS 7, “Disclosures – Offsetting financial assets and financial liabilities” require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. The amendments did not have any impact on the Sub-Fund’s financial position or performance, nor have they resulted in additional disclosure in the notes to the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2013 that would be expected to have a material impact on the Sub-Fund.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations effective after 1 January 2013 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Sub-Fund except the following set out below:

IFRS 9, “Financial instruments”, it addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The mandatory effective date is not specified in IFRS 9 but will be determined when the outstanding phases are finalised. However, early application of IFRS 9 is permitted. The Sub-Fund is yet to assess IFRS 9’s full impact as the Sub-Fund will also consider the impact of the remaining phases of IFRS 9.

Amendments to IAS 32, “Offsetting financial assets and financial liabilities” is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to have any impact on the Sub-Fund’s financial position or performance.

(b) Investments

(i) Classification

The Sub-Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Management at fair value through profit or loss at inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Sub-Fund’s documented investment strategies. The Sub-Fund’s policies require the Management to evaluate the information about these financial assets on a fair value basis together with other related financial information.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments (continued)

(ii) Recognition/derecognition

Purchases and sales of investments are accounted for on the trade date basis. 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.

(iii) Measurement

Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all investments are measured at fair value. Realised and unrealised gains and losses on investments are recognised in the statement of comprehensive income in the period in which they arise.

(iv) Fair value estimation

The Sub-Fund has adopted IFRS 13, “Fair value measurement” since inception. The fair value of investments that are listed or traded on an exchange is based on quoted market prices at close of trading on reporting date. If quoted market prices are not available on the reporting date, the Manager will assess and determine the fair value, taking into consideration the latest available quoted market prices.

(v) Transfers between levels of the fair value hierarchy

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

(c) Amounts due from/to participating dealers

Amounts due to participating dealers are non-interest bearing and repayable on demand. The amounts represent the excess cash paid on subscriptions, which are yet to be refunded to the participating dealers.

(d) Other receivables and payables

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

(e) Dividend income and interest income

Dividend income is recorded on the ex-dividend date with the corresponding foreign withholding taxes recorded as an expense.

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

(f) Distribution to unitholders

Distribution to unitholders is recognised in the Statement of changes in net assets attributable to unitholders when they are approved by the Manager.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other income/expense

Other income represents the duties and charges paid by the participating dealers for investments purchased/sold in a subscription/redemption day. Other expense represents the difference between the proceeds received from/paid to participating dealers and cost of investment purchased/sold.

(h) Transactions costs

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

(i) Expenses

Expenses are accounted for on an accrual basis.

(j) Cash and cash equivalents

Cash and cash equivalents include demand deposits with original maturities of three months or less.

(k) Deposit reserve

Deposit reserve is a balance deposited with China Securities Depository and Clearing Corporation Limited, and are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(l) Foreign currencies translation

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 Sub-Fund invests in A-Shares in the PRC and the performance of the Sub-Fund is measured and reported to the unitholders in Chinese Renminbi (“RMB”). The Manager considers RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, 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 period 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 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”.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Redeemable units

The Sub-Fund issues redeemable units which are redeemable at the holder's option represents puttable financial instruments of the Sub-Fund. The Sub-Fund classifies its puttable financial instruments as equity in accordance with HKAS 32 (Amendment), "Financial instruments: Presentation" as those puttable financial instruments meet all the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net asset value;
- the puttable financial instruments are the most subordinated units in issue and unit features are identical;
- there are no contractual obligations to deliver cash or another financial asset; and
- the total expected cash flows from the puttable financial instrument over its life are based substantially on the profit or loss of the Sub-Fund.

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

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

(n) Taxation

The Sub-Fund currently incurs withholding taxes imposed by PRC on investment income. Such income is recorded gross of withholding taxes in the Statement of Comprehensive Income. Withholding taxes are included as taxation in the Statement of Comprehensive Income.

The Sub-Fund also makes tax provisions on the gains arising from PRC A-shares which Management expects such amount may have to be paid to the tax authorities.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(o) Establishment costs

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

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

PRC Tax Provision

In preparing these financial statements, the Manager 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.

The Sub-Fund invests in A-Shares securities which are issued within the PRC through the RQFII quotas of the Manager. Under the general tax provision of PRC corporate tax law, a 10% withholding tax may be payable on the gains derived from the sale of A-Shares by RQFIIs. The Manager considers that the enforcement of PRC tax on gains on A-Shares is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing whether the Sub-Fund may be liable for taxation on its gains to date, the amount of potential tax liability and the probability of such tax being levied. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events. The Manager considers that its estimation may be impacted by any future clarification by the PRC State Administration of Taxation (“SAT”), such as a decision by the SAT to levy capital gains tax on the RQFII investments and the applicability of double tax treaty between Hong Kong and China for Hong Kong tax residents, which may be materially different from what the Manager envisioned.

The Manager estimates the gross realised gains and unrealised gains of the Sub-Fund which could be exposed to PRC taxation at the rate of 10% from the inception to 31 December 2013 to be RMB 11,156,863 and RMB28,283,749 respectively, and the Manager has made tax provision based on their best estimate accordingly. The capital gains tax provision in relation to A-Shares investments of the Sub-Fund including provision of taxation of RMB1,115,686 and deferred tax liability of RMB2,828,375, and in aggregate of RMB3,944,061 represents 0.38 % of the net assets attributable to unitholders of the Sub-Fund as at 31 December 2013.

The Manager will continually reassess the withholding income tax provisioning approach on an on-going basis taking into account any recent development in the market.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT

The Sub-Fund's capital is represented by the units in the Sub-Fund, and shown as "net assets attributable to unitholders" in the statement of financial position. Subscriptions and redemptions of units during the period are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies as outlined in Note 8, whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments.

In accordance with the provisions of the Sub-Fund's Trust Deed dated 27 August 2012 and the Prospectus dated 30 May 2013, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculations.

As stated in Note 2(m), redeemable units of the Sub-Fund are classified as equity and they are carried at the redemption amount that would be payable at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

The Sub-Fund's objectives and policies for managing its obligations to redeem units are included in Note 8(g) on capital risk management.

Units are redeemed on demand at the holder's option. All units of the Sub-Fund are held by 16 participating dealers. As at 31 December 2013, 1 participating dealer individually held more than 10% of the units.

The movements of the redeemable units for the period from 6 June 2013 (date of inception) to 31 December 2013:

	Period from 6 June 2013 (date of inception) to 31 December 2013
Number of units in issue at the beginning of the period	-
Units issued	205,000,000
Units redeemed	(58,000,000)
	<hr/>
Number of units in issue at the end of the period	147,000,000
	<hr/> <hr/>
	<i>RMB</i>
Net assets attributable to unitholders per unit as at 31 December 2013	7.02
	<hr/> <hr/>

5. NET LOSS ON INVESTMENTS

	Period from 6 June 2013 (date of inception) to 31 December 2013 <i>RMB</i>
Change in unrealised loss in value of investments	(127,780,121)
Net realised loss on sale of investments	(55,828,589)
	<hr/>
	(183,608,710)
	<hr/> <hr/>

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION

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

PRC Tax

The Sub-Fund invests in A-Shares listed in the PRC and is subjected to 10% withholding tax on dividend income derived from A-Shares. Withholding tax was charged on dividend income received from A-Shares during the year.

A 10% withholding tax may also be payable on the gains derived from the sale of A-Shares by QFIIs as described in Note 3 above.

The taxation of the Sub-Fund for the period from 6 June 2013 to 31 December 2013 represents:

	Period from 6 June 2013 (date of inception) to 31 December 2013 RMB
Capital gains tax on realised gains on investments	1,115,686
Deferred tax charged on change in unrealised gains on investments	2,828,375
	<hr/> 3,944,061
	<hr style="border-top: 1px dashed black;"/>
Withholding tax on dividend income	4,115,834
Withholding tax on interest income	8,730
	<hr/> 4,124,564
	<hr style="border-top: 1px dashed black;"/>
Taxation	<hr/> <hr/> 8,068,625

PRC Withholding Tax

The movement in deferred tax liabilities arising from change in unrealised gains on investments during the period is as follows:

	2013 RMB
At the beginning of the period	-
Deferred tax charged to the statement of comprehensive income	2,828,375
	<hr/>
At the end of the period	2,828,375
	<hr/> <hr/>

The timing of settlement of deferred tax liabilities cannot be readily determined as it is subject to change in unrealised gains in the future.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION (continued)

The movement in provision for taxation during the period is as follows:

	Period from 6 June 2013 (date of inception) to 31 December 2013 RMB
At the beginning of the period	-
Taxation charged to the statement of comprehensive income for the year/period	5,240,250
Tax paid	(4,124,564)
	<hr/>
At the end of the period	1,115,686
	<hr/> <hr/>

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS

The following is a summary of significant related party transactions / transactions entered into during the period between the Sub-Fund and the Trustee, the Manager and their Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the period between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager’s knowledge, the Sub-Fund does not have any other transactions with Connected Persons except for those disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee, currently at the rate of 0.60% per annum of the net asset value of the Sub-Fund accrued daily and calculated as each dealing day and payable monthly in arrears.

For the period from 6 June 2013 (date of inception) to 31 December 2013, the Manager was entitled to management fee of RMB4,486,736. As at 31 December 2013, a management fee of RMB609,058 was payable to the Manager.

(b) Trustee and Registrar fees

The Trustee is entitled to receive a trustee fee, which is accrued daily, payable in arrears and calculated as at each dealing day at 0.10% per annum of the net asset value of the Sub-Fund.

Included in the Trustee fee is the fees payable to the Hong Kong and Shanghai Banking Corporation Limited, (the “Custodian”) and HSBC Bank (China) Company Limited (the “PRC Custodian”).

The Trustee, acting as the Registrar, is also entitled to a fee of RMB120 per participating dealer per transaction for updating of the register record of the Sub-Fund and an administrative transaction fee of RMB12,000 per participating dealer per transaction for handling any cash creation and redemption of units of the Sub-Fund.

For the period from 6 June 2013 (date of inception) to 31 December 2013, the Trustee was entitled to trustee and registrar fees of RMB747,789. As at 31 December 2013, trustee and registrar fees of RMB101,510 was payable to the Trustee.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS (continued)

(c) Cash and cash equivalents

The cash and cash equivalents of the Sub-Fund held with related parties of the Trustee is:

	2013 RMB
Investments	
HSBC Bank (China) Company Limited	1,027,107,599
Cash and cash equivalents	
The Hongkong and Shanghai Banking Corporation Limited	56,244
HSBC Bank (China) Company Limited	80,366,850
	<u>80,423,094</u>

8. FINANCIAL RISK MANAGEMENT

The objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the MSCI China A50 Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market price risk, credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

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

(a) Market 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.

The Sub-Fund is designated to track the performance of the MSCI China A50 Index, therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked index.

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

Listed equities – by industry	2013	
	Fair value RMB	% of net asset value
Consumer Discretionary	100,886,734	9.78
Consumer Staples	60,456,596	5.86
Energy	46,996,447	4.56
Financials	624,115,728	60.52
Health Care	49,425,231	4.79
Industrials	54,559,267	5.29
Information Technology	22,080,728	2.14
Materials	43,628,336	4.23
Telecommunication Services	12,756,508	1.24
Utilities	12,202,024	1.19
	<u>1,027,107,599</u>	<u>99.60</u>

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FINANCIAL RISK MANAGEMENT (continued)

(a) Market price risk (continued)

As at 31 December 2013, the Sub-Fund held 50 out of 50 constituents comprising the MSCI China A50 Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the MSCI China A50 Index.

Sensitivity analysis in the event of a possible change in the index by 10% as estimated by the manager

As at 31 December 2013, if the MSCI China A50 Index were to increase by 10% with all other variables held constant, this would increase the operating profit for the period by approximately RMB 102,710,760. Conversely, if the MSCI China A50 Index were to decrease by 10%, this would decrease the operating profit for the period by an equal amount.

(b) Interest rate risk

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

As at 31 December 2013, interest rate risk arises only from cash and cash equivalents which are reset monthly. As interest from these interest bearing assets are immaterial, the Manager considers that changes in their fair value and future cash flows in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis has been disclosed for these cash and cash equivalents.

(c) 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 is not exposed to significant currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are denominated in RMB, the Sub-Fund's functional and presentation currency.

(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 limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Sub-Fund considers to be well established.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Sub-Fund's financial assets which are potentially subject to concentration of credit risk consist principally of bank deposits and assets held with the custodians.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk (continued)

As at 31 December 2013, the Sub-Fund placed cash and cash equivalents of RMB56,244 with The Hong Kong and Shanghai Banking Corporation Limited (“HSBC”), the custodian of the Sub-Fund. The S&P credit rating of the custodian is AA-.

As at 31 December 2013, the Sub-Fund placed cash and cash equivalents of RMB80,366,850 and investment of RMB1,027,107,599 with HSBC Bank (China) Company Limited, the PRC custodian of the Sub-Fund. The Moody’s credit rating of the PRC custodian is A2.

The maximum exposure to credit risk as at 31 December 2013 is the carrying amount of the financial assets as shown on the statement of financial position.

None of these assets are impaired nor past due but not impaired.

(e) Liquidity risk

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

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

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

	1 month to less than 3 months <i>RMB</i>
As at 31 December 2013	
Amounts due to participating dealers	72,376,374
Management fee payable	609,058
Trustee and registrar fees payable	101,510
Other accounts payable	359,081
Contractual cash outflow	73,446,023

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

	Less than 7 days <i>RMB</i>	7 days to less than 1 month <i>RMB</i>	1-12 months <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2013				
Total assets	1,108,108,470	-	560,000	1,108,668,470

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value estimation

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

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

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

The determination of what constitutes ‘observable’ requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Sub-Fund’s investments (by class) measured at fair value as at 31 December 2013:

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2013				
Assets				
Financial assets at fair value through profit or loss				
- Equity securities	1,027,107,599	-	-	1,027,107,599
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	1,027,107,599	-	-	1,027,107,599
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed and quoted equity securities. 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 at 31 December 2013, 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 at 31 December 2013, the Sub-Fund did not hold any investments classified in level 3.

For the period from 6 June 2013 (date of inception) to 31 December 2013, there were no transfers between levels.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and liabilities (by class) not measured at fair value as at 31 December 2013 but for which fair value is disclosed.

	Level 1 <i>RMB</i>	Level 2 <i>RMB</i>	Level 3 <i>RMB</i>	Total <i>RMB</i>
As at 31 December 2013				
Assets				
Deposit reserve	-	560,000	-	560,000
Interest receivable	-	1,355	-	1,355
Other receivables	-	576,422	-	576,422
Cash and cash equivalents	80,423,094	-	-	80,423,094
Total	<u>80,423,094</u>	<u>1,137,777</u>	<u>-</u>	<u>81,560,871</u>
Liabilities				
Amounts due to participating dealers	-	72,376,374	-	72,376,374
Management fee payable	-	609,058	-	609,058
Trustee and registrar fees payable	-	101,510	-	101,510
Other accounts payable	-	359,081	-	359,081
Total	<u>-</u>	<u>73,446,023</u>	<u>-</u>	<u>73,446,023</u>

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include demand deposits with original maturities of three months or less.

Interest receivable includes the contractual amounts for interest due to the Sub-Fund. Amounts due to participating dealers, management fee payable, trustee and registrar fees payable, and other accounts payable represent the obligations due by the Sub-Fund for settlement of trades and expenses.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FINANCIAL RISK MANAGEMENT (continued)

(g) Capital risk management

The Sub-Fund's capital is represented by the redeemable units outstanding. The Sub-Fund's objective is to provide investment results that correspond generally to the performance of the respective index. The Manager may:

- Redeem and issue new units in accordance with the constitutive documents of the Sub-Fund;
- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- Suspend the creation and redemption of units under certain circumstances as currently disclosed in the prospectuses of the Sub-Fund.

9. DISTRIBUTION

Period from
6 June 2013
(date of inception)
to 31 December
2013
RMB

INTERIM DISTRIBUTION

- RMB0.1 on 178,000,000 units
paid on 30 October 2013

17,800,000

10. FINANCIAL INSTRUMENTS BY CATEGORY

As of 31 December 2013, other than investments as disclosed in the financial statements which are classified as the financial assets at fair value through profit or loss, all financial assets including deposit reserve, interest receivable, other receivables and cash and cash equivalents are categorised as loans and receivables and carried at amortised costs. All the financial liabilities of the Sub-Fund are carried at amortised cost.

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

**HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The Manager and the Trustee have confirmed that the Sub-Fund has complied with the investment limitation under the SFC Code for the period from 6 June 2013 (date of inception) to 31 December 2013.

There are no constituent securities that individually accounted for more than 10% of net asset value of the Sub-Fund as at 31 December 2013 and their respective weightings of the MSCI China A50 Index as at 31 December 2013.

For the period from 6 June 2013 (date of inception) to 31 December 2013, the MSCI China A50 Index decreased by 10.25% while the net asset value per unit of the Sub-Fund decreased by 9.77%.

12. SOFT COMMISSION ARRANGEMENT

The Manager confirms that there have been no soft commission arrangements existing for the period from 6 June 2013 (date of inception) to 31 December 2013 in relation to directing transactions of the Sub-Fund through a broker or dealer.

13. SEGMENT INFORMATION

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

The Manager considers that the Sub-Fund has a single operating segment which is investing in securities. The objectives of the Sub-Fund are to track the performance of the MSCI China A50 Index and invest in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is derived from investments in PRC securities which constitute MSCI China A50 Index, the tracked index.

The total of non-current assets of the Sub-Fund located in PRC is RMB560,000. The Sub-Fund has a diversified portfolio of investments and no single investment accounts for more than 10% of the Sub-Fund's net asset value.

The Sub-Fund also has a diversified unitholder population. All units of the Sub-Fund are held by 16 participating dealers. As at 31 December 2013, 1 participating dealer individually held more than 10% of the units.

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 17 April 2014.

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

INVESTMENT PORTFOLIO (Unaudited)

As at 31 December 2013

	Holdings	Fair value RMB	% of net assets
CHINA (100%)			
AGRICULTURAL BANK OF CHINA A SHS ORD CNY1	11,032,400	27,360,352	2.65%
ANHUI CONCH CEMENT COMPANY LTD SHS A ORD CNY1	845,904	14,346,532	1.39%
BANK OF BEIJING CO LTD ORD CNY1 CL A	2,268,173	17,033,979	1.65%
BANK OF COMMUNICATIONS LTD A SHRS ORD CNY1	8,304,200	31,888,128	3.09%
BAOSHAN IRON & STEEL CO LTD CL A ORD CNY1	1,898,452	7,764,669	0.75%
CHINA CONSTRUCTION BANK A SHS ORD CNY1	4,512,616	18,682,230	1.81%
CHINA EVERBRIGHT BANK CO LTD A ORD CNY1	6,665,300	17,729,698	1.72%
CHINA LIFE INSURANCE CO A SHS ORD NPV	683,500	10,341,355	1.00%
CHINA MERCHANTS BANK A SHR ORD CNY1	6,299,534	68,601,925	6.65%
CHINA MINSHENG BANKING CO LTD A SHR ORD CNY1	7,965,400	61,492,888	5.96%
CHINA PACIFIC INSURANCE GROUP A SHR ORD CNY1	1,177,828	21,825,153	2.12%
CHINA PETROLEUM & CHEMICAL CORP CL A ORD CNY1	2,180,200	9,767,296	0.95%
CHINA SHENHUA ENERGY CO LTD A SHS ORD CNY1	852,500	13,486,550	1.31%
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD A SHR ORD CNY1	5,626,757	17,668,017	1.71%
CHINA UNITED NETWORK COMMUNICATIONS LTD A SHRS ORD CNY1	3,973,990	12,756,508	1.24%
CHINA VANKE CO LTD A SHR ORD CNY1	3,880,824	31,163,017	3.02%
CHINA YANGTZE POWER CO LTD CL A ORD CNY1	1,930,700	12,202,024	1.18%
CITIC SECURITIES CO LTD A SHR ORD CNY1	3,197,600	40,769,400	3.95%
DAQIN RAILWAY CO LTD A SHS ORD CNY1	2,433,746	17,985,383	1.75%
GEMDALE CORP A SHR ORD CNY1	1,881,568	12,568,874	1.22%
GF SECURITIES CO LTD A SHR ORD CNY1	823,506	10,277,355	1.00%
GOERTEK INC A SHS ORD CNY1	291,460	10,224,417	0.99%
GREE ELECTRIC APPLIANCES INC OF ZHUHAI A SHS ORD CNY1	1,050,424	34,306,848	3.33%
GUANGHUI ENERGY CO LTD A SHS ORD CNY1	1,363,984	11,921,220	1.16%
HAITONG SECURITIES CO LTD CL A ORD CNY1	2,814,516	31,860,321	3.09%
HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO LTD A SHS ORD NPV	478,380	10,993,172	1.07%
HUAXIA BANK CO LTD A SHR ORD CNY1	1,242,373	10,647,137	1.03%
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD A SHS ORD CNY1	7,442,000	26,642,360	2.58%
INDUSTRIAL BANK CO LTD A SHR ORD CNY1	4,463,949	45,264,443	4.39%
INNER MONGILIA YILI INDUSTRIAL GR CO LTD A SHS ORD CNY1	664,009	25,949,472	2.52%
INNER MONGOLIA BAOTOU STEEL RARE-EARTH HI TECH CO LTD A SHR ORD CNY1	622,060	13,853,276	1.34%
KANGMEI PHARMACEUTICAL CO LTD A SHR ORD CNY1	671,155	12,080,790	1.17%
KWEICHOW MOUTAI CO LTD A SHR ORD CNY1	170,280	21,860,546	2.12%
LIAONING CHENG DA CO LTD A SHS ORD CNY1	575,386	10,092,270	0.98%
MIDEA GROUP COMPANY LIMITED A SHR ORD NPV	311,255	15,562,750	1.51%
PETROCHINA CO LTD A SHRS CNY1	1,533,253	11,821,381	1.15%
PING AN BANK CO LTD A SHR ORD CNY1	1,928,210	23,620,572	2.29%
PING AN INSURANCE (GROUP) CO OF CHINA LTD A SHR ORD CNY1	1,336,790	55,784,247	5.41%
POLY REAL ESTATE GROUP CO LTD A SHR ORD CNY1	1,854,190	15,297,068	1.48%
SAIC MOTOR CORP LTD A SHR ORD CNY1	1,052,773	14,886,210	1.44%
SANY HEAVY INDUSTRY CO LTD A ORD CNY1	1,438,803	9,237,115	0.90%

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

INVESTMENT PORTFOLIO (Unaudited) (continued)

As at 31 December 2013

	Holdings	Fair value RMB	% of net assets
CHINA (100%) (continued)			
SHANDONG DONG-E E-JIAO CO LTD A SHR ORD CNY1	248,486	9,830,106	0.95%
SHANGHAI PUDONG DEVELOPMENT BANK CO LTD A SHR ORD CNY1	4,800,130	45,265,226	4.39%
SUNING COMMERCE GROUP CO LTD A SHR ORD CNY1	1,751,300	15,814,239	1.53%
TASLY PHARMACEUTICAL CO LTD A SHR ORD CNY1	264,786	11,356,672	1.10%
WULIANGYE YIBIN CO LTD A SHS ORD CNY1	807,572	12,646,578	1.23%
YUNNAN BAIYAO GROUP CO LTD A SHR ORD CNY1	158,424	16,157,664	1.57%
ZIJIN MINING GROUP CO LTD A SHR ORD CNY0.1	3,317,688	7,663,859	0.74%
ZOOLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO LTD A SHR ORD CNY1	1,774,083	9,668,752	0.94%
ZTE CORPORATION A SHR ORD CNY1	848,321	11,087,555	1.08%
Total investments		1,027,107,599	99.60%
Other net assets		4,170,787	0.40%
Net assets attributable to unitholders at 31 December 2013		1,031,278,386	100.00%
Total investments, at cost		1,154,887,720	

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)
For the period ended 31 December 2013

	Holdings				
	6 June 2013 (date of inception)	Additions	Corporate action	Disposals	31 December 2013
Investments					
Listed equities					
AGRICULTURAL BANK OF CHINA A SHS ORD CNY1	-	16,073,600	-	(5,041,200)	11,032,400
ANHUI CONCH CEMENT COMPANY LTD SHS A ORD CNY1	-	1,226,304	-	(380,400)	845,904
BANK OF BEIJING CO LTD ORD CNY1 CL A	-	3,285,773	-	(1,017,600)	2,268,173
BANK OF COMMUNICATIONS LTD A SHRS ORD CNY1	-	12,048,600	-	(3,744,400)	8,304,200
BAOSHAN IRON & STEEL CO LTD CL A ORD CNY1	-	2,908,252	-	(1,009,800)	1,898,452
CHINA CONSTRUCTION BANK A SHS ORD CNY1	-	6,529,916	-	(2,017,300)	4,512,616
CHINA EVERBRIGHT BANK CO LTD A ORD CNY1	-	9,270,000	-	(2,604,700)	6,665,300
CHINA LIFE INSURANCE CO A SHS ORD NPV	-	998,100	-	(314,600)	683,500
CHINA MERCHANTS BANK A SHR ORD CNY1	-	9,038,634	-	(2,739,100)	6,299,534
CHINA MINSHENG BANKING CO LTD A SHR ORD CNY1	-	11,588,700	-	(3,623,300)	7,965,400
CHINA PACIFIC INSURANCE GROUP A SHR ORD CNY1	-	1,705,628	-	(527,800)	1,177,828
CHINA PETROLEUM & CHEMICAL CORP CL A ORD CNY1	-	2,396,400	687,000	(903,200)	2,180,200
CHINA SHENHUA ENERGY CO LTD A SHS ORD CNY1	-	1,247,500	-	(395,000)	852,500
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD A SHR ORD CNY1	-	8,192,257	-	(2,565,500)	5,626,757
CHINA UNITED NETWORK COMMUNICATIONS LTD A SHRS ORD CNY1	-	5,781,390	-	(1,807,400)	3,973,990
CHINA VANKE CO LTD A SHR ORD CNY1	-	5,628,724	-	(1,747,900)	3,880,824
CHINA YANGTZE POWER CO LTD CL A ORD CNY1	-	2,827,200	-	(896,500)	1,930,700
CITIC SECURITIES CO LTD A SHR ORD CNY1	-	4,710,200	-	(1,512,600)	3,197,600
DAQIN RAILWAY CO LTD A SHS ORD CNY1	-	3,535,546	-	(1,101,800)	2,433,746
GD POWER DEVELOPMENT CO LTD A SHS ORD CNY1	-	4,574,300	-	(4,574,300)	-
GEMDALE CORP A SHR ORD CNY1	-	2,745,168	-	(863,600)	1,881,568
GF SECURITIES CO LTD A SHR ORD CNY1	-	1,205,806	-	(382,300)	823,506

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (continued)
For the period ended 31 December 2013

	Holdings				
	6 June 2013 (date of inception)	Additions	Corporate action	Disposals	31 December 2013
Investments (continued)					
Listed equities (continued)					
GOERTEK INC A SHS ORD CNY1	-	376,260	-	(84,800)	291,460
GREE ELECTRIC APPLIANCES INC OF ZHUHAI A SHS ORD CNY1	-	1,544,024	-	(493,600)	1,050,424
GUANGHUI ENERGY CO LTD A SHS ORD CNY1	-	1,352,656	597,128	(585,800)	1,363,984
HAITONG SECURITIES CO LTD CL A ORD CNY1	-	4,118,216	-	(1,303,700)	2,814,516
HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO LTD A SHS ORD NPV	-	553,580	-	(75,200)	478,380
HUAXIA BANK CO LTD A SHR ORD CNY1	-	1,424,702	381,271	(563,600)	1,242,373
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD A SHS ORD CNY1	-	10,796,800	-	(3,354,800)	7,442,000
INDUSTRIAL BANK CO LTD A SHR ORD CNY1	-	4,414,533	1,909,716	(1,860,300)	4,463,949
INNER MONGILIA YILI INDUSTRIAL GR CO LTD A SHS ORD CNY1	-	950,309	-	(286,300)	664,009
INNER MONGOLIA BAOTOU STEEL RARE-EARTH HI TECH CO LTD A SHR ORD CNY1	-	914,760	-	(292,700)	622,060
KANGMEI PHARMACEUTICAL CO LTD A SHR ORD CNY1	-	969,255	-	(298,100)	671,155
KWEICHOW MOUTAI CO LTD A SHR ORD CNY1	-	251,080	-	(80,800)	170,280
LIAONING CHENG DA CO LTD A SHS ORD CNY1	-	831,886	-	(256,500)	575,386
LUZHOU LAOJIAO CO LTD A SHR ORD CNY1	-	445,717	-	(445,717)	-
MIDEA GROUP COMPANY LIMITED A SHR ORD NPV	-	362,955	-	(51,700)	311,255
PETROCHINA CO LTD A SHRS CNY1	-	2,204,753	-	(671,500)	1,533,253
PING AN BANK CO LTD A SHR ORD CNY1	-	1,782,444	996,866	(851,100)	1,928,210
PING AN INSURANCE (GROUP) CO OF CHINA LTD A SHR ORD CNY1	-	1,963,490	-	(626,700)	1,336,790
POLY REAL ESTATE GROUP CO LTD A SHR ORD CNY1	-	2,662,190	-	(808,000)	1,854,190
SAIC MOTOR CORP LTD A SHR ORD CNY1	-	1,512,673	-	(459,900)	1,052,773
SANY HEAVY INDUSTRY CO LTD A ORD CNY1	-	2,079,703	-	(640,900)	1,438,803

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited) (continued)
For the period ended 31 December 2013

	Holdings				31 December 2013
	6 June 2013 (date of inception)	Additions	Corporate action	Disposals	
Investments (continued)					
Listed equities (continued)					
SHANDONG DONG-E E-JIAO CO LTD A SHR ORD CNY1	-	375,986	-	(127,500)	248,486
SHANDONG GOLD MINING CO LTD SHS A ORD CNY1	-	430,274	-	(430,274)	-
SHANGHAI PUDONG DEVELOPMENT BANK CO LTD A SHR ORD CNY1	-	7,003,430	-	(2,203,300)	4,800,130
SHENZHEN OVERSEAS CHINESE TOWN CO LTD A SHR ORD CNY1	-	1,995,703	-	(1,995,703)	-
SUNING COMMERCE GROUP CO LTD A SHR ORD CNY1	-	2,778,700	-	(1,027,400)	1,751,300
TASLY PHARMACEUTICAL CO LTD A SHR ORD CNY1	-	345,886	-	(81,100)	264,786
WULIANGYE YIBIN CO LTD A SHS ORD CNY1	-	1,164,372	-	(356,800)	807,572
YUNNAN BAIYAO GROUP CO LTD A SHR ORD CNY1	-	250,824	-	(92,400)	158,424
ZHONGJIN GOLD CO LTD A SHR ORD CNY1	-	971,796	-	(971,796)	-
ZIJIN MINING GROUP CO LTD A SHR ORD CNY0.1	-	4,865,288	-	(1,547,600)	3,317,688
ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO LTD A SHR ORD CNY1	-	2,577,783	-	(803,700)	1,774,083
ZTE CORPORATION A SHR ORD CNY1	-	1,106,721	-	(258,400)	848,321

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

PERFORMANCE RECORD (Unaudited)

Net Asset Values

	Net asset value of the Sub-Fund <i>RMB</i>	Net asset value per unit <i>RMB</i>
At the end of financial period dated		
31 December 2013	1,031,278,386	7.02

Highest and Lowest Net Asset Value Per Unit

	Highest net asset value per unit <i>RMB</i>	Lowest net asset value per unit <i>RMB</i>
Financial period ended		
31 December 2013 (Since inception)	7.97	6.69

HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)

MANAGEMENT AND ADMINISTRATION

Manager and RQFII Holder

Harvest Global Investments Limited
31/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Trustee and Registrar

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

Adviser for Harvest MSCI China A50 Index ETF

Harvest Fund Management Co., Ltd.
16/F, China Resources Building
No. 8, Jianguomen, Beidajie
Beijing 100005 China

Custodian for Harvest MSCI China A50 Index ETF

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen's Road Central
Hong Kong

PRC Custodian Harvest MSCI China A50 Index ETF

HSBC Bank (China) Company Limited
33/F, HSBC Building
Shanghai ifc, 8 Century Avenue,
Pudong, Shanghai 200120, China

Service Agent

HK Conversion Agency Services Limited
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Directors of the Manager

Zhao Xuejun
Choy Peng Wah
Lindsay Megan Wright
Michele Bang
Wang Wei

Legal Adviser to the Manager

Simmons & Simmons
13/F, One Pacific Place
88 Queensway
Hong Kong

Auditors

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

Participating Dealer

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

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Securities Asia Limited
51/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**HARVEST MSCI CHINA A50 INDEX ETF
(A SUB-FUND OF THE HARVEST FUNDS (HONG KONG) ETF)**

MANAGEMENT AND ADMINISTRATION (CONTINUED)

Listing Agent for Harvest MSCI China A Index ETF

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Participating Dealers (continued)

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

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Shenyin Wanguo Securities (H.K.) Limited
28/F, Citibank Tower
Citibank Plaza
3 Garden Road
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Hong Kong

UBS Securities Hong Kong Limited
46-52/F, Two International Finance Centre
8 Finance Street
Central
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