



Stride for stride  
keeping pace with the China A-share market

Bosera FTSE China A50 Index ETF  
A sub-Fund of Bosera ETFs

RMB counter stock code: **82832**  
HKD counter stock code: **02832**

## ANNUAL REPORT

For the period from 30 September 2013 (date of inception) to  
31 December 2013

# BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

## Annual Report

For the period from 30 September 2013 (date of inception) to 31 December 2013

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## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### Management And Administration

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#### Manager and RQFII Holder

Bosera Asset Management (International) Co., Limited  
Suite 4109, Jardine House  
One Connaught Place  
Central  
Hong Kong

#### Investment Adviser

Bosera Asset Management Co., Limited  
29/F, China Merchants Bank  
No. 7088 Shennan Road  
Futian District  
Shenzhen 518040  
China

#### Trustee and Registrar

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

#### Custodian

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

#### PRC Custodian

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

#### Legal Counsel to the Manager

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

#### Listing Agent

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

#### Auditor

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

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### Management And Administration

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#### Participating Dealers

ABN AMRO Clearing Hong Kong Limited  
Level 70, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

BNP Paribas Securities Services  
21/F, PCCW Tower  
Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

China Merchants Securities (HK) Co., Limited  
48/F, One Exchange Square  
Central  
Hong Kong

Haitong International Securities Company Limited  
22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Central

Nomura International (Hong Kong) Limited  
30/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

(Effective on 21 February 2014)  
Morgan Stanley Hong Kong Securities United  
46/F International Commerce Centre  
1 Austin Road West  
Hong Kong

BOCI Securities Limited  
20/F, Bank of China Tower  
1 Garden Road  
Hong Kong

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

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

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

UBS Securities Hong Kong Limited  
42/F, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### Management And Administration

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#### RMB Counter Market Makers

Bluefin HK Limited  
7/F, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

BNP Paribas Securities (Asia) Limited  
63/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

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

China Merchants Securities (HK) Co., Limited  
48/F, One Exchange Square  
Central  
Hong Kong

Haitong International Securities Company Limited  
22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Central

Nomura International (Hong Kong) Limited  
30/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

UBS Securities Hong Kong Limited  
42/F, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

(Effective on 21 February 2014)  
BOCI Securities Limited  
20/F, Bank of China Tower  
1 Garden Road  
Hong Kong

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### Management And Administration

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#### HKD Counter Market Makers

Bluefin HK Limited  
7/F, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

BNP Paribas Securities (Asia) Limited  
63/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

China International Capital Corporation  
Hong Kong Securities Limited  
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## **BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

### **REPORT OF THE MANAGER TO THE UNITHOLDERS**

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The Bosera FTSE China A50 Index ETF (the “ETF”) ended its Initial Offer Period on 4 December 2013 at the Issue Price of RMB 3.8368 per unit. It was then listed on the Stock Exchange of Hong Kong on 9 December 2013 under both RMB and HKD counters. It aims to track the performance of FTSE China A50 Index (the “Index”), before fees and expenses. The Index is a price return index which means that its performance is calculated on the basis that any dividends from securities comprising the Index are not re-invested. The Index is denominated and quoted in RMB.

Since its listing to 31 December 2013, the ETF had employed full replication strategy. More than 95% of its Net Asset Value (“NAV”) had been invested in physical A-shares. As a result, it had accrued capital gain tax in accord with the tax regime of the People’s Republic of China. As of 31 December 2013, the ETF’s number of units outstanding was 475,500,000 with NAV amounted to RMB 1,695,416,155, against a total of RMB 4 billion RQFII quota granted to the ETF.

From 4 December 2013 till the end of 2013, the Index decreased by 7.45%, while NAV per unit of the ETF decreased by 7.07%.

Bosera Asset Management (International) Co., Limited  
15 April 2014

## **BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

### **REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

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We hereby confirm that, in our opinion, the Manager of the Bosera FTSE China A50 Index ETF (the “Sub-Fund” ), a sub-fund of Bosera ETFs, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 30 September 2013 for the period ended 31 December 2013.

HSBC Institutional Trust Services (Asia) Limited  
15 April 2014



## **BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

### **STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

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#### **Manager’s Responsibilities**

The Manager of the Bosera FTSE China A50 ETF (the “Sub-Fund”), a sub-fund of Bosera ETFs, is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong and the Trust Deed dated 30 September 2013 (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 presume 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.

Bosera ETFs (the “Trust”) is an umbrella unit trust governed by its Trust Deed. As at 31 December 2013, the Trust has established one Sub-Fund, namely, the Bosera FTSE 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BOSERA FTSE CHINA A50 INDEX ETF  
(A Sub-Fund of Boserá Etf's, an Umbrella Unit Trust Established in Hong Kong)**

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**Report on the Financial Statements**

We have audited the financial statements of Boserá FTSE China A50 Index ETF (the "Sub-Fund"), a sub-fund of Boserá ETFs (the "Trust"), set out on pages 10 to 31, 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 30 September 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 30 September 2013 (the "Trust Deed") and 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 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BOSERA FTSE CHINA A50 INDEX ETF  
(A Sub-Fund of Boserá Etf's, an Umbrella Unit Trust Established in Hong Kong)**

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**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 30 September 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 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 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 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, 15 April 2014

# BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 RMB
<b>Assets</b>		
<b>Current Assets</b>		
Investments	8(a)	1,669,793,775
Bank balances	7(c)	28,358,609
<b>Total Assets</b>		<b>1,698,152,384</b>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Deferred tax liability	6	135,447
<b>Current Liabilities</b>		
Establishment cost payable	7(d)	2,000,000
Other accounts payable		600,782
<b>Total Liabilities</b>		<b>2,736,229</b>
<b>Equity</b>		
Net assets attributable to unitholders		1,695,416,155

The financial statements on pages 11 to 35 were approved by the Trustee and the Manager on 15 April 2014 and were signed on their behalf.

For and on behalf of  
Bosera Asset Management  
(International) Co., Limited  
as the Manager

For and on behalf of  
HSBC Institutional Trust Services  
(Asia) Limited  
as the Trustee

The notes on pages 15 to 35 form part of these financial statements.

**BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

**STATEMENT OF COMPREHENSIVE INCOME**

For the period from 30 September 2013 (date of inception) to 31 December 2013

	Note	Period from 30 September 2013 (date of inception) to 31 December 2013 RMB
<b>Income</b>		
Interest income		33,907
Net losses on investments	5	(119,766,434)
Net foreign currency gains		326
Other income	2(e)	13,974
<b>Total net loss</b>		<b>(119,718,227)</b>
<b>Expenses</b>		
Trustee fee	7(b)	(160,034)
Transaction costs on investments		(332,450)
Accounting and professional fees		(24,294)
Audit fee		(231,759)
Establishment costs		(2,000,000)
Safe custody and bank charges		(1,298)
Legal and professional fees		(12,085)
Other expenses		(3,411)
<b>Total operating expenses</b>		<b>(2,765,331)</b>
<b>Operating loss</b>		<b>(122,483,558)</b>
<b>Taxation</b>		
Withholding tax on interest	6	(3,390)
Provision for taxation	6	(135,447)
<b>Total comprehensive loss</b>		<b>(122,622,395)</b>

The notes on pages 15 to 35 are an integral part of these financial statements.

**BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
**For the period from 30 September 2013 (date of inception) to 31 December 2013**

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	<b>Period from 30 September 2013 (date of inception) to 31 December 2013 RMB</b>
Net assets attributable to unitholders at the beginning of the period	–
Proceeds on issue of units	1,818,038,550
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Net increase from unit transactions	1,818,038,550
<hr/>	
Total comprehensive loss for the period	(122,622,395)
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Net assets attributable to unitholders at the end of the period	1,695,416,155
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The notes on pages 15 to 35 are an integral part of these financial statements.

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### STATEMENT OF CASH FLOWS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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Period from  
30 September 2013  
(date of inception) to  
31 December 2013  
RMB

#### Cash flows from operating activities

Loss before taxation (122,483,558)

Adjustment for:

Interest on bank deposits (33,907)

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Operating loss before working capital changes (122,517,465)

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Net increase in investments (1,669,793,775)

Net increase in establishment cost payable 2,000,000

Net increase in other payables 600,782

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Cash used in operations (1,789,710,458)

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Interest received 33,907

Withholding tax paid on interest income (3,390)

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Net cash used in operating activities (1,789,679,941)

---

#### Cash flows from financing activities

Proceeds on issue of units 1,818,038,550

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Net cash generated from financing activities 1,818,038,550

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Net increase in cash and cash equivalents 28,358,609

Cash and cash equivalents at the beginning of the period –

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Cash and cash equivalents at the end of the period 28,358,609

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#### Analysis of balances of cash and cash equivalents

Bank balances 28,358,609

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The notes on pages 15 to 35 are an integral part of these financial statements.

## **BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

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#### **1. General Information**

Bosera ETFs (the “Trust”) is an umbrella unit trust governed by its trust deed dated 30 September 2013 (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. On 30 September 2013, the Trust has established one sub-fund namely Bosera FTSE China A50 Index ETF (the “Sub-Fund”). The Sub-Fund is listed on the Stock Exchange of Hong Kong Limited. The date of inception of the Sub-Fund was 30 September 2013.

The Manager and the Trustee of the Sub-Fund are Bosera Asset Management (International) Co., Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) respectively.

The investment objective of Bosera FTSE 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 FTSE China A50 Index (the “Index”). In order to achieve the investment objective of the Sub-Fund, the Manager adopts a full replication strategy by directly investing all, or substantially all, of the assets of the Sub-Fund in index securities constituting the Index in substantially the same weightings (i.e. proportions) as these index securities have in the Index. The Manager does not use a representative sampling strategy other than in exceptional circumstances such as restrictions, suspensions of trading or limited availability of index securities.

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(s) by the State Administration of Foreign Exchange (“SAFE”) of the PRC to remit foreign freely convertible currencies (in the case of a QFII) and Chinese Renminbi (“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 obtains exposure to securities issued within the PRC through the RQFII quotas of the Manager. The Manager has obtained RQFII status and has been granted, on behalf of Bosera FTSE China A50 Index ETF, a RQFII quota. To the extent that the Manager has, on behalf of Bosera FTSE 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. On the other hand, the Manager actively manages the RQFII quota obtained and may impose limits on creation applications as it considers appropriate.



## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 2. Summary of significant accounting policies

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (the “Management”) to exercise its 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. On adoption of the standard, the Sub-Fund 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. The use of last traded prices is recognised as a standard pricing convention within the industry.

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, but has resulted in additional disclosure in the notes to the financial statements.

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 2. Summary of significant accounting policies (Continued)

##### (a) Basis of preparation (Continued)

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.

##### 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.

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 2. Summary of significant accounting policies (Continued)

##### (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.

###### (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 adopted IFRS 13 "Fair value measurement" since 30 September 2013 (date of 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.

Investments which are not listed on an exchange or are thinly traded are valued by using quotes from brokers.

###### (v) Transfer between levels of the fair value hierarchy

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

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 2. Summary of significant accounting policies (Continued)

##### (c) Amounts due from/to participating dealers

Amounts due from/to participating dealers represent the subscription receivable and redemption payable to the participating dealer at the end of the reporting period. The amounts are non-interest bearing and repayable on demand.

##### (d) 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.

##### (e) Other income

Other income represents the duties and charges paid by the participating dealers for investments purchased/sold in a subscription/redemption day.

##### (f) Expenses

Expenses are accounted for on an accrual basis.

##### (g) Cash and cash equivalents

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

##### (h) Distributions to unitholders

Distributions to unitholders are recognised in the Statement of Changes in Net Assets Attributable to Unitholders when they are approved by the Manager.

##### (i) 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 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

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

**(i) Foreign currencies translation (Continued)**

Transactions and balances

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

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

Foreign exchange gains and losses relating to 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”.

**(j) 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 IAS 32 (Amendment), “Financial instruments: Presentation” as those puttable financial instruments meet all the strict criteria. Those criteria include:

- 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

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

**(k) 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.

**(l) Establishment costs**

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

**3. Critical accounting estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires the Manager to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 period are outlined below.

**Taxation**

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 taxing 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, the amount of potential tax liability and the probability of such tax charges being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events. The Manager consider 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

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**3. Critical accounting estimates and assumptions (Continued)**

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% for the year ended 31 December 2013 to be nil and RMB1,354,470 respectively, and the Manager has made tax provision accordingly. The capital gains tax provision in relation to A-Shares investments of the Sub-Fund included in the financial statements of RMB135,447 represents 0.01% of the net assets attributable to unitholders of the Sub-Fund as at 31 December 2013. The Manager considers that the capital gains tax provision amount may differ significantly from the amounts that may have to ultimately borne by the Sub-Fund. In the event a capital gains tax is levied at an amount that is different from what was provided for by the Sub-Fund, the Sub-Fund may incur a liability that is different from the existing tax provision, which could significantly impact the net assets attributable to unitholders and consequently, the price per unit of the Sub-Fund based on the calculation of the net assets attributable to unitholders when distributing to the unitholders at such relevant time. When the SAT issues clarifications, this might ultimately result in either an increase or a decrease in the amount provided. Refer to note 6 for more details.

**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, whilst maintaining sufficient liquidity to meet redemption requests.

In accordance with the provisions of the Sub-Fund's Trust Deed dated 30 September 2013 and Prospectus dated 29 November 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(j), 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 movements of the redeemable units for the period from 30 September 2013 (date of inception) to 31 December 2013 are as follows:

**BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

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

	<b>Period from 30 September 2013 (date of inception) to 31 December 2013 Units</b>
Number of units in issue at the beginning of the period	–
Units issued	475,500,000
<hr/>	
Number of units in issue at the end of the period	475,500,000
<hr/>	
	<b>2013 RMB</b>
Net assets attributable to unitholders per unit at 31 December	3.5655

**5. Net losses on investments**

	<b>Period from 30 September 2013 (date of inception) to 31 December 2013 RMB</b>
Net fair value change in unrealised gains/losses in value of investments	(108,155,323)
Net realised losses on sale of investments	(11,611,111)
<hr/>	
	(119,766,434)

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## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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

The taxation of the Sub-Fund for the period from 30 September 2013 (date of inception) to 31 December 2013 represents:

	<b>Period from 30 September 2013 (date of inception) to 31 December 2013 RMB</b>
Capital gains tax on realised gains on investments	–
Deferred tax charge on change in unrealised gains on investments	135,447
	<hr/>
	135,447
	<hr/>
Withholding tax on interest income	3,390
	<hr/>
Taxation	138,837

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

	<b>2013 RMB</b>
At the beginning of the period	–
Deferred tax charged to the statement of comprehensive income	(135,447)
	<hr/>
At the end of the period	(135,447)

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 6. Taxation (Continued)

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

	<b>2013 RMB</b>
At the beginning of the period	–
Taxation charged to the statement of comprehensive income for the period	3,390
Tax paid	(3,390)
	<hr/>
At the end of the period	–

#### 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 0.99% per annum of the net asset value of the Sub-Fund accrued daily and calculated as at each dealing day and payable monthly in arrears. The Manager decided to waive the management fee chargeable to the Sub-Fund from 6 December 2013 to 5 January 2014.

##### (b) Trustee fee and Registrar’s fee

The Trustee is entitled to receive a trustee fee, which accrued daily and calculated as at each dealing day and payable monthly in arrears. The trustee fee is calculated as a percentage per annum of the net asset value of the Sub-Fund at the rate as follows, subject to a minimum limit of RMB40,000 per month:

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 7. Transactions with the trustee, manager and connected persons (Continued)

##### (b) Trustee fee and Registrar's fee (Continued)

First RMB200 million	0.16%
Next RMB1,000 million	0.14%
Next RMB1,000 million	0.12%
Next RMB1,000 million	0.10%
Thereafter	0.08%

The Trustee's fee is inclusive of fees payable to the Hongkong 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.

The Trustee is also entitled to receive from each participating dealer an administrative transaction fee of RMB12,000 per application for handling any cash creation and redemption of units.

##### (c) Bank balances

As at 31 December 2013, bank balances of RMB28,358,609 were maintained with The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank (China) Company Limited, group companies of the Trustee, which carry interest at normal commercial rates.

##### (d) Establishment costs paid by the Manager on behalf of the Sub-Fund

During the period from 30 September 2013 (date of inception) to 31 December 2013, the Sub-Fund incurred RMB 2 million establishment costs which were paid by the Manager on behalf of the Sub-Fund. As at 31 December 2013, RMB 2 million was payable to the Manager.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

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**8. Financial risk management**

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

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

**(a) Market risk**

**(i) Market price risk**

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

The Sub-Fund is designated to track the performance of the FTSE 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.

However, the Sub-Fund may not be able to acquire constituent stocks of the Index under exceptional circumstances such as investment restrictions, suspensions of trading, limited availability, or if it is not cost efficient for the Sub-Fund to invest in the constituent stocks. In such circumstances the Manager may use a representative sampling strategy where the Sub-Fund may invest in listed A Shares that are non-constituent of the Index but feature a high correlation with the underlying index.

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 8. Financial risk management (Continued)

##### (a) Market risk (Continued)

##### (i) Market price risk (Continued)

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

	Fair value RMB	% of net asset value
Listed equities – by industry		
Basic Materials	12,099,447	0.71
Communications	21,252,126	1.25
Consumer, Cyclical	152,321,403	8.99
Consumer, Non-cyclic	163,754,393	9.66
Energy	79,357,756	4.68
Financial	1,079,750,070	63.69
Industrial	137,536,166	8.11
Utilities	23,722,414	1.40
	<hr/> 1,669,793,775	<hr/> 98.49

The Sub-Fund held 50 out of 50 constituents comprising the FTSE China A50 Index. The Sub-Fund is therefore exposed to substantially the same market price risk as the FTSE 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 FTSE China A50 Index were to increase by 10% with all other variables held constant, this would increase the pre-tax profit for the period by approximately RMB166,979,378. Conversely, if the FTSE China A50 Index were to decrease by 10%, this would decrease the pre-tax profit for the period by an equal amount.

# BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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### 8. Financial risk management (Continued)

#### (a) Market risk (Continued)

##### (ii) Interest rate risk

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

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

##### (iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund is exposed to currency risk related to Renminbi against United States Dollars and Hong Kong Dollars. The table below summarised the Sub-Funds net exposure, monetary and non-monetary, which are denominated in a currency other than Renminbi.

#### As at 31 December 2013

	<b>RMB equivalent</b>
United States Dollar	
Monetary	(35,709)
Hong Kong Dollar	
Monetary	(154,890)

The table below summarised the impact of increase or decrease of exchange rate on the exposure table above, to which Sub-Fund is exposed. The analysis is based on the assumption that the exchange rate had increased/decreased by 5% with all other variables held constant.

#### As at 31 December 2013

	<b>Impact on net assets RMB</b>
United States Dollar	
Monetary	(1,785)
Hong Kong Dollar	
Monetary	(7,745)

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 8. Financial risk management (Continued)

##### (a) Market risk (Continued)

###### (iii) Currency risk (Continued)

The Manager has used their view of what would be a “reasonable possible shift” in the exchange rates to estimate the change for use in the currency risk sensitivity analysis above.

Disclosure above are shown in absolute terms, changes and impacts could be positive or negative. Changes in exchange rate % are revised annually depending on the Manager’s current view of exchange rates volatility and other relevant factors.

##### (b) Credit and counterparty risk

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

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

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

As at 31 December 2013, the Sub-Fund placed bank balances of RMB822,596 with the Hongkong and Shanghai Banking Corporation Limited (“HSBC”), which is the custodian of the Sub-Fund. The S&P credit rating of HSBC is A-1+.

As at 31 December 2013, the Sub-Fund placed bank balances of RMB27,536,013 and investments of RMB1,669,793,775 with HSBC Bank (China) Company Limited (“HSBC China”), which is the PRC custodian of the Sub-Fund. The Moody’s credit rating of HSBC China 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.

The Manager considers that none of the assets are impaired nor past due as at 31 December 2013.

**BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

**8. Financial risk management (Continued)**

**(c) Liquidity risk**

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

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

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

	<b>Less than 1 month RMB</b>	<b>1 month to less than 3 months RMB</b>	<b>Over 3 months RMB</b>	<b>Total RMB</b>
<b>As at 31 December 2013</b>				
Establishment cost payable	–	–	2,000,000	2,000,000
Other accounts payable	344,577	469	255,736	600,782
<b>Contractual cash outflow</b>	<b>344,577</b>	<b>469</b>	<b>2,255,736</b>	<b>2,600,782</b>

Units are redeemed on demand at the unitholder's option. As at 31 December 2013, there were 3 unitholders each holding more than 10% of the Sub-Fund's units.

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

	<b>Less than 7 days RMB</b>	<b>Total RMB</b>
<b>As at 31 December 2013</b>		
Total assets	1,698,152,384	1,698,152,384



## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 8. Financial risk management (Continued)

##### (d) 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 (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, 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 financial assets (by class) measured at fair value at 31 December 2013:

##### As at 31 December 2013

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets at fair value through profit or loss				
– Equity securities	1,669,793,775	–	–	1,669,793,775
<b>Total assets</b>	<b>1,669,793,775</b>	<b>–</b>	<b>–</b>	<b>1,669,793,775</b>

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 8. Financial risk management (Continued)

##### (d) Fair value estimation (Continued)

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. 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 30 September 2013 (date of inception) to 31 December 2013, there were no transfers between levels.

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

##### As at 31 December 2013

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Cash and cash equivalents	28,358,609	–	–	28,358,609
<b>Total</b>	<b>28,358,609</b>	<b>–</b>	<b>–</b>	<b>28,358,609</b>
<b>Liabilities</b>				
Establishment cost payable	–	2,000,000	–	2,000,000
Other accounts payable	–	600,782	–	600,782
<b>Total</b>	<b>–</b>	<b>2,600,782</b>	<b>–</b>	<b>2,600,782</b>

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2013 (date of inception) to 31 December 2013

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#### 8. Financial risk management (Continued)

##### (d) Fair value estimation (Continued)

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 cash in hand, deposit held with banks and other financial institutions in an active market.

##### (e) 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 on a daily basis in accordance with the constitutive documents of the Sub-Fund;
- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- Suspend the creation and redemption of units under certain circumstances stipulated in the prospectuses of the Sub-Fund.

#### 9. 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 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.

#### 10. Investment limitation and prohibitions under the sfc code

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Trade Funds (the "ETF Guidelines"), the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the underlying index, except where the weightings are exceeded as a result of changes in the composition of the underlying index and the excess is only transitional and temporary in nature.

The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the period from 30 September 2013 (date of inception) to 31 December 2013.

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

## **BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

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#### **10. Investment limitation and prohibitions under the sfc code (Continued)**

During the period from 04 December 2013 (close date of Initial Offer Period) to 31 December 2013, the FTSE China A50 Index decreased by 7.45% while the net asset value per unit of the Sub-Fund decreased by 7.07%.

#### **11. Soft commission arrangement**

The Manager confirms that there have been no soft commission arrangements existing during the period in relation to directing transactions of the Sub-Fund through a broker or dealer.

#### **12. 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 FTSE 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 FTSE China A50 Index, the tracked index.

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.

#### **13. Approval of financial statements**

The financial statements were approved by the Trustee and the Manager on 15 April 2014.

## BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS

### INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 December 2013

INVESTMENTS (98.49%)	Holdings	Fair Value RMB	% of Net Assets
<b>LISTED EQUITIES (98.49%)</b>			
<b>CHINA (98.49%)</b>			
AGRICULTURAL BANK OF CHINA	16,073,100	39,861,288	2.35
ANHUI CONCH CEMENT COMPANY LTD	1,374,200	23,306,432	1.38
BANK OF BEIJING CO LTD	3,573,300	26,835,483	1.58
BANK OF CHINA LTD	6,109,500	16,006,890	0.94
BANK OF COMMUNICATIONS LTD	13,179,200	50,608,128	2.99
BAOSHAN IRON & STEEL CO LTD	2,958,300	12,099,447	0.71
BYD CO LTD	243,800	9,186,384	0.54
CHINA CITIC BANK CORP	3,743,200	14,486,184	0.85
CHINA COMMUNICATIONS CONSTRUCTION CO LTD	917,300	3,705,892	0.22
CHINA CONSTRUCTION BANK	7,068,500	29,263,590	1.73
CHINA EVERBRIGHT BANK CO LTD	8,840,700	23,516,262	1.39
CHINA LIFE INSURANCE CO	1,138,200	17,220,966	1.02
CHINA MERCHANTS BANK	10,215,300	111,244,617	6.56
CHINA MINSHENG BANKING CO LTD	13,051,800	100,759,896	5.94
CHINA OILFIELD SERVICES LTD	462,300	10,318,536	0.61
CHINA PACIFIC INSURANCE GROUP	1,967,300	36,454,069	2.15
CHINA PETROLEUM & CHEMICAL CORP	4,968,500	22,258,880	1.31
CHINA RAILWAYS CONSTRUCTION CORP	1,923,000	9,018,870	0.53
CHINA SHENHUA ENERGY CO LTD	1,416,500	22,409,030	1.32
CHINA SHIPBUILDING INDUSTRY CO LTD	3,436,000	19,275,960	1.14
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD	9,370,300	29,422,742	1.74
CHINA UNITED NETWORK COMMUNICATIONS LTD	6,620,600	21,252,126	1.25
CHINA VANKE CO LTD	6,500,700	52,200,621	3.08
CHINA YANGTZE POWER CO LTD	2,834,500	17,914,040	1.06
CITIC SECURITIES CO LTD	5,774,308	73,622,427	4.34
DAQIN RAILWAY CO LTD	4,620,600	34,146,234	2.01
GF SECURITIES CO LTD	1,848,900	23,074,272	1.36
GREAT WALL MOTOR CO LTD	251,000	10,333,670	0.61
GREE ELECTRIC APPLIANCES INC OF ZHUHAI	1,644,100	53,696,306	3.17
HAITONG SECURITIES CO LTD	4,430,100	50,148,732	2.96
HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO LTD	812,012	18,660,036	1.10
HENAN SHUANGHUI INVESTMENT & DEVELOPMENT CO LTD	515,500	24,269,740	1.43
HUANENG POWER INTERNATIONAL INC	1,147,900	5,808,374	0.34
HUAXIA BANK CO LTD	2,294,600	19,664,722	1.16
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	12,287,100	43,987,818	2.60

**BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**

**As at 31 December 2013**

<b>INVESTMENTS (98.49%) (continued)</b>	<b>Holdings</b>	<b>Fair Value RMB</b>	<b>% of Net Assets</b>
<b>LISTED EQUITIES (98.49%) (continued)</b>			
<b>CHINA (98.49%) (continued)</b>			
INDUSTRIAL BANK CO LTD	7,141,000	72,409,740	4.27
INNER MONGILIA YILI INDUSTRIAL GROUP CO LTD	1,116,668	43,639,385	2.57
KWEICHOW MOUTAI CO LTD	291,800	37,461,284	2.21
MIDEA GROUP COMPANY LIMITED	539,807	26,990,350	1.59
NEW CHINA LIFE INSURANCE CO LTD	488,600	11,179,168	0.66
PETROCHINA CO LTD	3,161,000	24,371,310	1.44
PING AN BANK CO LTD	3,200,500	39,206,125	2.31
PING AN INSURANCE (GROUP) CO OF CHINA LTD	3,102,100	129,450,633	7.64
POLY REAL ESTATE GROUP CO LTD	3,121,300	25,750,725	1.52
SAIC MOTOR CORP LTD	1,808,000	25,565,120	1.51
SHANGHAI INTERNATIONAL PORT GROUP LTD	1,776,910	9,382,085	0.55
SHANGHAI PUDONG DEVELOPMENT BANK CO LTD	7,719,800	72,797,714	4.29
SUNING COMMERCE GROUP CO LTD	2,940,152	26,549,573	1.57
WULIANGYE YIBIN CO LTD	1,363,500	21,352,410	1.26
YUNNAN BAIYAO GROUP CO LTD	271,100	27,649,489	1.63
<b>TOTAL INVESTMENTS</b>		<b>1,669,793,775</b>	<b>98.49</b>
<b>OTHER NET ASSETS</b>		<b>25,622,380</b>	<b>1.51</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>1,695,416,155</b>	<b>100.00</b>
<b>TOTAL INVESTMENTS, AT COST</b>		<b>1,777,949,098</b>	

**BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED)**

**For the period from 30 September 2013 (date of inception) to 31 December 2013**

	Holdings			31 December 2013
	30 September 2013 (Date of inception)	Additions	Disposals	
<b>INVESTMENTS</b>				
<b>LISTED EQUITIES</b>				
AGRICULTURAL BANK OF CHINA	–	16,729,200	656,100	16,073,100
ANHUI CONCH CEMENT COMPANY LTD	–	1,426,350	52,150	1,374,200
BANK OF BEIJING CO LTD	–	3,708,900	135,600	3,573,300
BANK OF CHINA LTD	–	6,360,100	250,600	6,109,500
BANK OF COMMUNICATIONS LTD	–	13,717,700	538,500	13,179,200
BAOSHAN IRON & STEEL CO LTD	–	3,074,900	116,600	2,958,300
BYD CO LTD	–	253,518	9,718	243,800
CHINA CITIC BANK CORP	–	3,896,874	153,674	3,743,200
CHINA COAL ENERGY CO	–	1,188,200	1,188,200	–
CHINA COMMUNICATIONS CONSTRUCTION CO LTD	–	951,000	33,700	917,300
CHINA CONSTRUCTION BANK	–	7,354,400	285,900	7,068,500
CHINA EVERBRIGHT BANK CO LTD	–	9,193,000	352,300	8,840,700
CHINA LIFE INSURANCE CO	–	1,172,662	34,462	1,138,200
CHINA MERCHANTS BANK	–	10,619,391	404,091	10,215,300
CHINA MINSHENG BANKING CO LTD	–	13,567,572	515,772	13,051,800
CHINA OILFIELD SERVICES LTD	–	475,257	12,957	462,300
CHINA PACIFIC INSURANCE GROUP	–	2,047,898	80,598	1,967,300
CHINA PETROLEUM & CHEMICAL CORP	–	5,167,083	198,583	4,968,500
CHINA RAILWAYS CONSTRUCTION CORP	–	1,997,062	74,062	1,923,000
CHINA SHENHUA ENERGY CO LTD	–	1,458,129	41,629	1,416,500
CHINA SHIPBUILDING INDUSTRY CO LTD	–	3,577,008	141,008	3,436,000
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD	–	9,754,225	383,925	9,370,300
CHINA UNITED NETWORK COMMUNICATIONS LTD	–	6,878,900	258,300	6,620,600
CHINA VANKE CO LTD	–	6,752,002	251,302	6,500,700
CHINA YANGTZE POWER CO LTD	–	2,948,100	113,600	2,834,500
CITIC SECURITIES CO LTD	–	5,774,308	–	5,774,308
DAQIN RAILWAY CO LTD	–	4,810,066	189,466	4,620,600
GF SECURITIES CO LTD	–	1,924,681	75,781	1,848,900
GREAT WALL MOTOR CO LTD	–	253,415	2,415	251,000
GREE ELECTRIC APPLIANCES INC OF ZHUHAI	–	1,711,403	67,303	1,644,100
HAITONG SECURITIES CO LTD	–	4,596,263	166,163	4,430,100
HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO LTD	–	812,012	–	812,012

**BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**  
**For the period from 30 September 2013 (date of inception) to 31 December 2013**

	Holdings			
	30 September 2013 (Date of inception)	Additions	Disposals	31 December 2013
<b>INVESTMENTS (Continued)</b>				
<b>LISTED EQUITIES (Continued)</b>				
HENAN SHUANGHUI INVESTMENT & DEVELOPMENT CO LTD	–	536,630	21,130	515,500
HUANENG POWER INTERNATIONAL INC	–	1,194,800	46,900	1,147,900
HUAXIA BANK CO LTD	–	2,377,500	82,900	2,294,600
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	–	12,775,100	488,000	12,287,100
INDUSTRIAL BANK CO LTD	–	7,417,738	276,738	7,141,000
INNER MONGILIA YILI INDUSTRIAL GROUP CO LTD	–	1,116,668	–	1,116,668
INNER MONGOLIA BAOTOU STEEL RARE-EARTH HI TECH CO LTD	–	982,589	982,589	–
JIANGSU YANGHE BREWERY JOINT-STOCK CO LTD	–	158,264	158,264	–
KWEICHOW MOUTAI CO LTD	–	303,756	11,956	291,800
MIDEA GROUP COMPANY LIMITED	–	539,807	–	539,807
NEW CHINA LIFE INSURANCE CO LTD	–	507,070	18,470	488,600
PETROCHINA CO LTD	–	3,290,600	129,600	3,161,000
PING AN BANK CO LTD	–	3,328,483	127,983	3,200,500
PING AN INSURANCE (GROUP) CO OF CHINA LTD	–	3,384,983	282,883	3,102,100
POLY REAL ESTATE GROUP CO LTD	–	3,233,400	112,100	3,121,300
SAIC MOTOR CORP LTD	–	1,870,230	62,230	1,808,000
SANY HEAVY INDUSTRY CO LTD	–	2,282,333	2,282,333	–
SHANGHAI INTERNATIONAL PORT GROUP LTD	–	1,776,910	–	1,776,910
SHANGHAI PUDONG DEVELOPMENT BANK CO LTD	–	8,020,024	300,224	7,719,800
SUNING COMMERCE GROUP CO LTD	–	2,940,152	–	2,940,152
WULIANGYE YIBIN CO LTD	–	1,419,336	55,836	1,363,500
YUNNAN BAIYAO GROUP CO LTD	–	282,163	11,063	271,100



**BOSERA FTSE CHINA A50 INDEX ETF – A SUB-FUND OF BOSERA ETFS**

**PERFORMANCE TABLE (UNAUDITED)**

**For the period of 30 September 2013 (date of inception) to 31 December 2013**

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**Net assets value**

	<b>Net asset value of the Sub-Fund RMB</b>	<b>Net asset value per unit RMB</b>
At the end of financial period dated 31 December 2013	1,697,379,865	3.5697

**Highest and lowest net assets value per unit**

	<b>Highest net asset value per unit RMB</b>	<b>Lowest net asset value price per unit RMB</b>
Financial period ended 31 December 2013 (since inception)	3.8368	3.4727

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