



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 year ended 31 December 2019

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

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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  
21/F, Fund Building  
No. 5999 Yitian Rd  
Futian District  
Shenzhen 518017  
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  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Legal Counsel to the Manager**

Simmons & Simmons  
30th Floor One Taikoo Place  
979 King's Road  
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  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22nd Floor  
Prince's Building  
Central  
Hong Kong

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

**MANAGEMENT AND ADMINISTRATION (CONTINUED)**

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**Participating Dealers**

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

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

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

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

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

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

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

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

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

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

Morgan Stanley Hong Kong Securities Limited  
Level 31, International Commerce Centre  
1 Austin Road West Kowloon  
Hong Kong

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

**MANAGEMENT AND ADMINISTRATION (CONTINUED)**

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**RMB Counter Market Maker**

SG Securities (HK) Limited  
38/F Three Pacific Place  
1 Queen's Road East  
Central  
Hong Kong

**HKD Counter Market Maker**

SG Securities (HK) Limited  
38/F Three Pacific Place  
1 Queen's Road East  
Central  
Hong Kong

Head & Shoulders Securities Limited  
Room 2511, 25/F Cosco Tower  
183 Queen's Road  
Central  
Hong Kong

**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”), a sub-fund of Bosera ETFs, was 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.

For the year ended 31 December 2019, the ETF had employed full replication strategy. More than 95% of its Net Asset Value (“NAV”) had been invested in physical A-shares within the constituents of the Index. As of 31 December 2019, the ETF’s number of units outstanding was 1,500,000 with NAV amounted to RMB11,058,028.

During the period from 1 January 2019 to 31 December 2019, the Index increased by 38.47%, while NAV per unit of the ETF increased by 36.57%.

Bosera Asset Management (International) Co., Limited  
24 April 2020

**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, as amended, for the year ended 31 December 2019.

HSBC Institutional Trust Services (Asia) Limited  
24 April 2020

**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 Index ETF (the "Sub-Fund"), a sub-fund of Bosera ETFs, is required by the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong and the Trust Deed dated 30 September 2013, as amended (the "Trust Deed") to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Sub-Fund at the end of that year and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 2019, 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 in all material respects is managed 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 year should the Manager not managing the Sub-Fund in accordance with the Trust Deed.



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BOSERA FTSE CHINA A50 INDEX ETF  
(A SUB-FUND OF BOSERA ETFS)**

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

**Opinion**

*What we have audited*

The financial statements of Bosera FTSE China A50 Index ETF (the "Sub-Fund") set out on pages 11 to 32, which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2019, and of its financial transactions and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

*Independence*

We are independent of the Sub-Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants' (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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**Key Audit Matters**

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

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

- Existence and valuation of investments

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BOSERA FTSE CHINA A50 INDEX ETF  
(A SUB-FUND OF BOSERA ETFS) (CONTINUED)**

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**Key Audit Matters (Continued)**

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><i>Existence and valuation of investments</i> Refer to note 7 to the financial statements</p> <p>The Sub-Fund's investments as at 31 December 2019 comprised listed equities valued at RMB10,743,737. These investments held by the Sub-Fund do not include listed equities which have been suspended for trading as at 31 December 2019.</p> <p>We focused on the existence and valuation of the investments because the investments represented the principal element of the Sub-Fund's net asset value.</p>	<p>We tested the existence of investments by obtaining a direct confirmation from the custodian and agreeing the Sub-Fund's holdings of investments to the confirmation. No material exceptions were identified from our testing.</p> <p>We agreed the valuation of the Sub-Fund's investments by comparing the pricing used by the Sub-Fund to external pricing sources as at 31 December 2019. We found no material exceptions from our testing.</p> <p>Based on the procedures we performed, we found the judgements made in determining the valuation of the investments to be supportable by available evidence.</p>

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**Other Information**

The Manager and the Trustee (the "Management") of the Sub-Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BOSERA FTSE CHINA A50 INDEX ETF  
(A SUB-FUND OF BOSERA ETFS) (CONTINUED)**

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**Responsibilities of Management for the Financial Statements**

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 30 September 2013, as amended ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BOSERA FTSE CHINA A50 INDEX ETF  
(A SUB-FUND OF BOSERA ETFS) (CONTINUED)**

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

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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**Report on matters under the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

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The engagement partner on the audit resulting in this independent auditor's report is Antoinette Bonita Hoon.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 24 April 2020

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 RMB	2018 RMB
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Deposit reserve		56,000	56,000
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	7(a)	10,743,737	7,755,898
Rebates receivable	6(f)	515,101	468,035
Cash and cash equivalents	6(c)	137,844	144,224
<b>Total Assets</b>		<u>11,452,682</u>	<u>8,424,157</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Other accounts payable	6(a),(b),(e)	394,654	327,270
<b>Liabilities</b>		<u>394,654</u>	<u>327,270</u>
<b>EQUITY</b>			
Net assets attributable to unitholders		<u>11,058,028</u>	<u>8,096,887</u>

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 32 are an integral part of these financial statements.

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RMB	2018 RMB
<b>INCOME</b>			
Dividend income		290,844	266,137
Interest on bank deposits	6(c)	1,507	2,914
Rebates	6(f)	515,132	468,035
Net gains/(losses) on financial assets at fair value through profit or loss	4	2,995,683	(2,762,839)
Net foreign currency losses		(7,774)	(5,788)
<b>Total net income/(loss)</b>		<u>3,795,392</u>	<u>(2,031,541)</u>
<b>EXPENSES</b>			
Trustee fee	6(b)	(480,000)	(480,000)
Transaction costs on investments	6(e)	(22,128)	(36,728)
Accounting and professional fees	6(e)	(55,312)	(52,929)
Audit fee	12	(168,621)	(248,922)
Bank charges	6(c)	-	(500)
Other expenses	6(e)	(78,933)	(21,825)
<b>Total operating expenses</b>		<u>(804,994)</u>	<u>(840,904)</u>
<b>Operating profit/(loss)</b>		<u>2,990,398</u>	<u>(2,872,445)</u>
<b>Taxation</b>			
Withholding tax on dividend and interest income	5	(29,257)	(26,965)
<b>Total comprehensive income/(loss)</b>		<u>2,961,141</u>	<u>(2,899,410)</u>

The notes on pages 15 to 32 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 YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RMB	2018 RMB
<b>Net assets attributable to unitholders at the beginning of the year</b>		8,096,887	20,418,247
Redemption of units	3	-	(9,421,950)
Net decrease from unit transactions		-	(9,421,950)
<b>Total comprehensive income/(loss)</b>		2,961,141	(2,899,410)
Net assets attributable to unitholders at the end of the year		11,058,028	8,096,887

The notes on pages 15 to 32 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 YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>	<b>2018</b>
	<b>RMB</b>	<b>RMB</b>
<b>Cash flows from operating activities</b>		
Income/(loss) before taxation	2,990,398	(2,872,445)
Adjustment for:		
Dividend income	(290,844)	(266,137)
Interest on bank deposits	(1,507)	(2,914)
Operating profit/(loss) before working capital changes	2,698,047	(3,141,496)
Net decrease in deposit reserve	-	84,000
Net (increase)/decrease in financial assets at fair value through profit or loss	(2,987,839)	11,891,805
Net (increase)/decrease in rebates receivable	(47,066)	349,687
Net increase in other accounts payable	67,384	1,209
Cash (used in)/generated from operations	(269,474)	9,185,205
Dividend received	290,844	266,137
Interest received	1,507	2,916
Withholding tax paid on dividend and interest income	(29,257)	(26,965)
<b>Net cash (used in)/generated from operating activities</b>	<b>(6,380)</b>	<b>9,427,293</b>
<b>Cash flows from financing activities</b>		
Payments on redemption of units	-	(9,421,950)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(9,421,950)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,380)</b>	<b>5,343</b>
Cash and cash equivalents at the beginning of the year	144,224	138,881
<b>Cash and cash equivalents at the end of the year</b>	<b>137,844</b>	<b>144,224</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	137,844	144,224

The notes on pages 15 to 32 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 YEAR ENDED 31 DECEMBER 2019**

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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, as amended (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.

The Manager has obtained Renminbi Qualified Foreign Institutional Investor ("RQFII") status from the China Securities Regulatory Commission ("CSRC") and has been granted RQFII quota by the State Administration of Foreign Exchange ("SAFE") of the People's Republic of China ("PRC") pursuant to the RQFII Regulations. The Sub-Fund utilises RQFII quota granted by SAFE to the Manager. The total amount of RQFII quota available to the Manager for use by public fund products under the Manager's management is limited at any given time. The Manager has the flexibility to allocate such RQFII quota across different public fund products under the Manager's management from time to time. As such the Sub-Fund does not have exclusive use of and must rely on the Manager's management and allocation of such RQFII quota. There can be no assurance that the Manager can obtain or allocate sufficient RQFII quota to the Sub-Fund to fully satisfy creation requests.

These financial statements which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, are prepared for the Sub-Fund only as the reporting entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

The financial statements 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 at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires the Trustee and Manager (the "Management") to exercise its judgement in the process of applying the Sub-Fund's accounting policies.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Standards and amendments to existing standards effective 1 January 2019

There are no standards, amendments to standards or interpretations that are effective for the annual period beginning on 1 January 2019 that have a material impact on the financial statements of the Sub-Fund.

New standards, amendments and interpretations effective after 1 January 2019 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 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

**(b) Financial assets and financial liabilities at fair value through profit or loss**

**(i) Classification**

Assets

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. All investments are measured at fair value through profit or loss.

The Sub-Fund's policy requires the Investment Manager and the Trustee to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Financial assets and financial liabilities at fair value through profit or loss (Continued)**

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets 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.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the “financial assets or financial liabilities at fair value through profit or loss” category are presented in the statement of comprehensive income within net gains/(losses) on financial assets at fair value through profit or loss in the period in which they arise.

(iii) Fair value estimation

The fair value of investments that are listed or traded on an exchange is based on quoted market prices at the close of trading on the reporting date.

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

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.

(iv) Transfers 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 year.

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

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Amounts due from/to brokers**

Amounts due from/to brokers represent receivables from investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Sub-Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

**(e) Dividend income, interest income and rebates**

Dividend income is recorded on the ex-dividend date when shareholder's right to receive payment is established with the corresponding foreign withholding taxes recorded as an expense.

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

Rebates are recognised when the right to receive payment from the Manager is established (refer to note 6(f)).

**(f) 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.

**(g) Transaction 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 and, transaction handling fees paid to the Trustee. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Expenses**

Expenses are accounted for on an accrual basis.

**(i) Cash and cash equivalents**

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

**(j) 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.

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 cash and cash equivalents are presented in the statement of comprehensive income within “net foreign currency losses”.

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

**(k) Redeemable units**

The Sub-Fund issues redeemable units which are redeemable at the holder's option and are classified as equity.

Redeemable units can be put back to the Sub-Fund at any dealing date for cash equal to a proportionate share of the Sub-Fund's net asset value. Units are redeemable on a daily basis.

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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Taxation**

The Sub-Fund incurs withholding taxes imposed by the PRC on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are recorded separately and included as taxation in the statement of comprehensive income.

The Sub-Funds does not make tax provisions on the gains arising from China A-shares, these gains are currently exempt from Corporate Income Tax pursuant to Caishui [2014] No.79 (“Circular 79”).

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 realised 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.

**3. 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 year 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.

The movements of the redeemable units for the years ended 31 December 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
	<b>Units</b>	<b>Units</b>
Number of units in issue at the beginning of the year	1,500,000	3,000,000
Units redeemed	-	(1,500,000)
	<hr/>	<hr/>
Number of units in issue at the end of the year	1,500,000	1,500,000
	<hr/> <hr/>	<hr/> <hr/>
	<b>2019</b>	<b>2018</b>
	<b>RMB</b>	<b>RMB</b>
Net assets attributable to unitholders per unit at 31 December	7.3720	5.3979
	<hr/> <hr/>	<hr/> <hr/>

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**4. NET GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2019</b>	<b>2018</b>
	<b>RMB</b>	<b>RMB</b>
Net fair value change in unrealised gains/(losses) in value of investments	2,829,876	(5,637,036)
Net realised gains on sale of investments	165,807	2,874,197
	<u>2,995,683</u>	<u>(2,762,839)</u>

**5. TAXATION**

Hong Kong profits tax

No provision for Hong Kong profits tax has been made for the Sub-Fund as it is authorised as a collective investment scheme 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 will continue to make a withholding income tax (“WIT”) provision of 10% for the account of the Bosera FTSE China A50 Index ETF on dividend and interest if the WIT is not withheld at source (where WIT is already withheld at source, no further provision will be made). The amount of provision in relation to dividend and/or interest income will be disclosed in the financial statements of the Sub-Fund.

The Sub-Fund invests in A-Shares listed in the PRC and is subject to 10% withholding tax on dividend income derived from A-Shares.

The taxation of the Sub-Fund for the years ended 31 December 2019 and 2018 represents:

	<b>2019</b>	<b>2018</b>
	<b>RMB</b>	<b>RMB</b>
Withholding tax on dividend income	29,147	26,708
Withholding tax on interest income	110	257
Taxation	<u>29,257</u>	<u>26,965</u>

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**5. TAXATION (Continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>RMB</b>	<b>RMB</b>
At the beginning of the year	-	-
Taxation charged to the statement of comprehensive income for the year	29,257	26,965
Tax paid	(29,257)	(26,965)
	<hr/>	<hr/>
At the end of the year	-	-
	<hr/> <hr/>	<hr/> <hr/>

**6. TRANSACTIONS WITH RELATED PARTIES INCLUDING THE TRUSTEE, MANAGER AND CONNECTED PERSONS**

The following is a summary of significant related party transactions entered into during the year between the Sub-Fund and the Trustee, the Manager and its connected persons. Connected persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong. All transactions entered into during the years ended 31 December 2019 and 2018 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 significant transactions with related parties except for those disclosed below.

**(a) Management fee**

Bosera Asset Management (International) Co., Limited, 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 for the years ended 31 December 2019 and 2018.

For the year ended 31 December 2019, the Manager did not charge any management fee (2018: Nil). At 31 December 2019 and 2018, no management fee was payable to the Manager.

**(b) Trustee fee**

HSBC Institutional Trust Services (Asia) Limited, the Trustee, is entitled to receive a trustee fee, which is 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:

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%



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**6. TRANSACTIONS WITH RELATED PARTIES INCLUDING THE TRUSTEE, MANAGER AND ITS CONNECTED PERSONS (Continued)**

**(b) Trustee fee (Continued)**

The Trustee's fee is inclusive of fees payable to The Hongkong and Shanghai Banking Corporation Limited (the "Custodian" or "HSBC") and HSBC Bank (China) Company Limited (the "PRC Custodian" or "HSBC China").

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.

For the year ended 31 December 2019, the Trustee was entitled to a total fee of RMB480,000 (2018: RMB480,000). At 31 December 2019, a fee of RMB40,000 (2018: RMB40,000) was payable to the Trustee.

**(c) Bank balances, interest income and bank charges**

As at 31 December 2019, bank balances of RMB66,655 (2018: RMB11,428) and RMB71,189 (2018: RMB132,796) were maintained with the Custodian and the PRC Custodian, group companies of the Trustee, which earned interest and incurred bank charges amounted to RMB1,507 (2018: RMB2,914) and nil (2018: RMB500) respectively.

**(d) Holding in the Sub-Fund**

The Manager held 300,000 units (2018: 300,000) in the Sub-Fund, representing 20% (2018: 20%) of the Sub-Fund's net asset value as at 31 December 2019. During the years ended 31 December 2019 and 2018, there were no purchase or sales of units of the Sub-Fund by the Manager. The net realised gains/(losses) and the net unrealised gains/(losses) of the Manager amounted to nil (2018: nil) and RMB44,404 (2018: RMB(354,000)) respectively.

**(e) Other fees**

Transaction handling fees on purchases and sales of investments, fees for the preparation of annual and interim reports, and SWIFT charges were charged by the Trustee, amounting to RMB75,014 (2018: RMB90,450) for the year ended 31 December 2019, of which RMB34,519 (2018: RMB30,394) was outstanding at year end.

**(f) Rebates**

With effect from 8 August 2016, the ongoing charges in respect of the Sub-Fund would be capped at 3% of the average net asset value of the Sub-Fund. Any excess of ongoing expense of the Sub-Fund would be borne by the Manager and paid to the Sub-Fund as rebates. During the year ended 31 December 2019, total rebates from the Manager amounted to RMB515,132 (2018: RMB468,035), of which RMB515,101 (2018: RMB468,035) was outstanding at year end.

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**6. TRANSACTIONS WITH RELATED PARTIES INCLUDING THE TRUSTEE, MANAGER AND ITS CONNECTED PERSONS (Continued)**

**(g) Holdings in connected persons of the Manager**

During the years ended 31 December 2019 and 2018, the Sub-Fund held shares in China Merchants Bank Co. Ltd and China Merchants Shekou Industrial Zone Holdings Co., Ltd. which are fellow subsidiaries of the Manager, as China Merchants Bank Co. Ltd and China Merchants Shekou Industrial Zone Holdings Co., Ltd. are securities within the FTSE China A50 Index. The movement of the Sub-Fund's investment is as follows:

China Merchants Bank Co., Ltd

	<b>2019</b>	<b>2018</b>
	<b>Shares</b>	<b>Shares</b>
At the beginning of the year	20,884	43,484
Purchases	1,000	2,000
Sales	(800)	(24,600)
	<hr/>	<hr/>
At the end of the year	<u>21,084</u>	<u>20,884</u>

China Merchants Shekou Industrial Zone Holdings Co., Ltd.

	<b>2019</b>	<b>2018</b>
	<b>Shares</b>	<b>Shares</b>
At the beginning of the year	3,600	7,500
Purchases	200	-
Sales	-	(3,900)
	<hr/>	<hr/>
At the end of the year	<u>3,800</u>	<u>3,600</u>

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**7. 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. All investments present a risk of loss of capital. 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.

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

	2019		2018	
	Fair value RMB	% of net asset value	Fair value RMB	% of net asset value
Listed equities - by industry				
Basic Materials	-	-	59,800	0.74
Communications	119,589	1.08	92,975	1.15
Consumer, Cyclical	959,566	8.68	659,691	8.15
Consumer, Non-cyclical	2,332,723	21.10	1,129,823	13.95
Energy	199,177	1.80	202,562	2.50
Financial	6,062,374	54.82	4,733,264	58.46
Industrial	934,296	8.45	766,623	9.47
Utilities	136,012	1.23	111,160	1.37
	<u>10,743,737</u>	<u>97.16</u>	<u>7,755,898</u>	<u>95.79</u>

The Sub-Fund held 50 (2018: 50) out of 50 (2018: 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.

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**7. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Market risk (Continued)**

**(i) Market price risk (Continued)**

Sensitivity analysis in the event of a possible change in the index by 30% (2018:10%) as estimated by the Manager

As at 31 December 2019, if the FTSE China A50 Index were to increase by 30% (2018: 10%), based on the movement for the past 3 years, with all other variables held constant, this would increase the pre-tax profit for the year and the net asset value by approximately RMB3,223,121 (2018: RMB775,590). Conversely, if the FTSE China A50 Index were to decrease by 30% (2018: 10%), this would decrease the pre-tax profit for the year and the net asset value by an equal amount.

**(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 2019 and 2018, interest rate risk arises only from bank balances, while the interest rate resets 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-Fund's net exposure, monetary and non-monetary, which are denominated in a currency other than Renminbi.

As at 31 December 2019

**RMB equivalent**

United States Dollar	
Monetary	(34,519)
Hong Kong Dollar	
Monetary	(209,379)

As at 31 December 2018

**RMB equivalent**

United States Dollar	
Monetary	(30,394)
Hong Kong Dollar	
Monetary	(206,876)

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**7. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Market risk (Continued)**

**(iii) Currency risk (Continued)**

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% (2018: 5%), based on the movement for the past 3 years, with all other variables held constant.

As at 31 December 2019

	<b>Impact on net assets and pre-tax profit RMB</b>
United States Dollar Monetary	±1,726
Hong Kong Dollar Monetary	±10,469

As at 31 December 2018

	<b>Impact on net assets and pre-tax profit RMB</b>
United States Dollar Monetary	±1,520
Hong Kong Dollar Monetary	±10,344

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 2019, the Sub-Fund placed bank balances of RMB66,655 (2018: RMB11,428) with HSBC, which is the custodian of the Sub-Fund. The S&P credit rating of HSBC is AA- (2018: AA-).

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**7. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit and counterparty risk (Continued)**

As at 31 December 2019, the Sub-Fund placed bank balances of RMB71,189 (2018: RMB132,796) and investments of RMB10,743,737 (2018: RMB7,755,898) with HSBC China, which is the PRC custodian of the Sub-Fund. The Moody's long term credit rating of HSBC China is A1 (2018: A1).

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

The maximum exposure to credit risk as at 31 December 2019 and 2018 is the carrying amount of the financial assets as shown on the statement of financial position.

**(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 Sub-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 3 months RMB</b>	<b>Over 3 months RMB</b>	<b>Total RMB</b>
<b>As at 31 December 2019</b>				
Other accounts payable	60,041	-	334,613	394,654
<b>Contractual cash outflow</b>	<u>60,041</u>	<u>-</u>	<u>334,613</u>	<u>394,654</u>
	<b>Less than 1 month RMB</b>	<b>1 month to 3 months RMB</b>	<b>Over 3 months RMB</b>	<b>Total RMB</b>
<b>As at 31 December 2018</b>				
Other accounts payable	47,278	-	279,992	327,270
<b>Contractual cash outflow</b>	<u>47,278</u>	<u>-</u>	<u>279,992</u>	<u>327,270</u>

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**7. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Liquidity risk (Continued)**

Units are redeemed on demand at the unitholder's option. As at 31 December 2019, there were 3 unitholders (2018: 3) holding more than 10% of the Sub-Fund's units, in aggregate, representing 70.71% (2018: 63.44%) of the Fund's net assets.

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>More than 12 months RMB</b>	<b>Total RMB</b>
<b>As at 31 December 2019</b>			
Total assets	11,396,682	56,000	11,452,682
	<b>Less than 7 days RMB</b>	<b>More than 12 months RMB</b>	<b>Total RMB</b>
<b>As at 31 December 2018</b>			
Total assets	8,368,157	56,000	8,424,157

**(d) Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The Sub-Fund used the last traded market price as its fair valuation inputs for both financial assets and financial liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The 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 judgement, considering factors specific to the asset or liability.

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**7. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Fair value estimation (Continued)**

The determination of what constitutes “observable” requires significant judgement by the Manager. The Manager 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 2019 and 2018:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>As at 31 December 2019</b>				
Financial assets at fair value through profit or loss				
- Equity securities	10,743,737	-	-	10,743,737
<b>Total assets</b>	<u>10,743,737</u>	<u>-</u>	<u>-</u>	<u>10,743,737</u>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>As at 31 December 2018</b>				
Financial assets at fair value through profit or loss				
- Equity securities	7,533,631	222,267	-	7,755,898
<b>Total assets</b>	<u>7,533,631</u>	<u>222,267</u>	<u>-</u>	<u>7,755,898</u>

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. Management has used best estimation and considers the last traded price is the best estimation of the fair value. As at 31 December 2019, there was no level 2 security in the Sub-Fund. As at 31 December 2018, one listed equity investment amounted to RMB222,267, represented 2.75% of the net asset value of the Sub-Fund, was suspended from trading.

The suspended equity investment of RMB222,267 (2019: Nil) had been transferred from Level 1 to Level 2 and classified as level 2 investments as at 31 December 2018. The suspended equity investment of RMB353,770 (2018: Nil) had been transferred from Level 2 to Level 1 upon resumption of trading and classified as level 1 investment as at 31 December 2019. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2019 and 2018, the Sub-Fund did not hold any investments classified in level 3.

Assets and liabilities included in the statement of financial position, except for financial assets at fair value through profit or loss, are carried at amortised cost; their carrying values are a reasonable approximation of fair value.



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**7. FINANCIAL RISK MANAGEMENT (Continued)**

**(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.

**8. FINANCIAL INSTRUMENTS BY CATEGORY**

Apart from financial assets at fair value through profit or loss as disclosed in the statement of financial position, all other financial assets as disclosed in the statement of financial position are categorised as "financial assets at amortised cost".

All liabilities as disclosed in the statement of financial position, excluding provision for taxation, are categorised as "other financial liabilities at amortised cost".

**9. 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 Manager is permitted to overweight the holdings of the Sub-Fund relative to their respective weightings in the underlying index, on the condition that the maximum extra weighting in any constituent securities will not exceed the maximum limit reasonably determined by the Manager and after consultation with the SFC. The maximum limit for the Sub-Fund is 4% as disclosed in the Sub-Fund's prospectus.

The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the years ended 31 December 2019 and 2018.

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

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**9. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (Continued)**

There was 1 constituent security that individually accounted for more than 10% of the net asset value of the Sub-Fund and its respective weighting of the FTSE China A50 Index as at 31 December 2019 and 2018 are as follows:

Securities	% of net asset value		Respective weighting in the index (%)	
	2019	2018	2019	2018
Ping An Insurance (Group) Company of China, Ltd	12.44	11.36	13.16	11.91

For the year ended 31 December 2019, the FTSE China A50 Index increased by 38.47% (2018: decreased by 21.28%) while the net asset value per unit of the Sub-Fund increased by 36.57% (2018: decreased by 20.69%).

**10. SOFT COMMISSION ARRANGEMENT**

The Manager confirms that there were no soft commission arrangements existing during the year ended 31 December 2019 (2018: Nil) in relation to directing transactions of the Sub-Fund through a broker or dealer.

**11. DISTRIBUTIONS**

The Sub-Fund did not make any distributions during the years ended 31 December 2019 and 2018.

**12. AUDIT FEE**

For the year ended 31 December 2019 and 2018, the audit fees includes RQFII audit fee.

**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. There were no changes in the reportable segment during the years ended 31 December 2019 and 2018. 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 1 single investment accounts for more than 10% of the Sub-Fund's net asset value.

**14. Approval of financial statements**

The financial statements were approved by the Trustee and the Manager on 24 April 2020.

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**INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 DECEMBER 2019**

INVESTMENTS (97.16%)	Holdings	Fair Value RMB	% of Net Assets
<b>LISTED EQUITIES (97.16%)</b>			
<b>CHINA (97.16%)</b>			
360 SECURITY TECHNOLOGY INC	700	16,457	0.15
AGRICULTURAL BANK OF CHINA	68,804	253,887	2.30
ANHUI CONCH CEMENT COMPANY LTD	3,100	169,880	1.54
BANK OF CHINA LTD	38,978	143,829	1.30
BANK OF COMMUNICATIONS LTD	36,813	207,257	1.87
CHINA CITIC BANK CORP	5,000	30,850	0.28
CHINA CONSTRUCTION BANK	16,406	118,615	1.07
CHINA EVERBRIGHT BANK CO LTD	25,500	112,455	1.02
CHINA INTERNATIONAL TRAVEL SERVICE CORP LTD	1,400	124,530	1.13
CHINA LIFE INSURANCE CO	2,571	89,651	0.81
CHINA MERCHANTS BANK CO LTD	21,084	792,337	7.16
CHINA MERCHANTS SHEKOU INDUSTRIAL ZONE CO LTD	3,800	75,506	0.68
CHINA MINSHENG BANKING CO LTD	49,680	313,481	2.83
CHINA PACIFIC INSURANCE GROUP	4,469	169,107	1.53
CHINA PETROLEUM & CHEMICAL CORP	17,180	87,790	0.79
CHINA SHENHUA ENERGY CO LTD	3,812	69,569	0.63
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD	31,033	174,405	1.58
CHINA UNITED NETWORK COMMUNICATIONS LTD	14,100	83,049	0.75
CHINA VANKE CO LTD	11,600	373,288	3.38
CHINA YANGTZE POWER CO LTD	7,400	136,012	1.23
CITIC SECURITIES CO LTD	13,983	353,770	3.20
CONTEMPORARY AMPEREX TECHNOLOGY CO LTD	400	42,560	0.38
CRRC CORP LTD	13,722	97,975	0.89
FOSHAN HAITIAN FLAVOURING & FOOD CO LTD	500	53,755	0.49
FOXCONN INDUSTRIAL INTERNET CO LTD	2,000	36,540	0.33
GREE ELECTRIC APPLIANCES INC OF ZHUHAI	7,600	498,408	4.51
GUOTAI JUNAN SECURITIES CO LTD	6,200	114,638	1.04
HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO LTD	5,090	166,647	1.51
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	38,694	227,521	2.06
INDUSTRIAL BANK CO LTD	24,900	493,020	4.46
INNER MONGILIA YILI INDUSTRIAL GROUP CO LTD	9,000	278,460	2.52
JIANGSU HENGRUI MEDICINE CO LTD	3,632	317,873	2.87
JIANGSU YANGHE BREWERY JOINT-STOCK CO LTD	800	88,400	0.80
KWEICHOW MOUTAI CO LTD	787	931,021	8.42
LUXSHARE PRECISION INDUSTRY CO LTD	3,600	131,400	1.19
MIDEA GROUP COMPANY LIMITED	3,688	214,826	1.94
MUYUAN FOODSTUFF CO LTD	1,000	88,790	0.80
NEW CHINA LIFE INSURANCE CO LTD	1,200	58,980	0.53

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**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**  
**AS AT 31 DECEMBER 2019**

INVESTMENTS (97.16%) (Continued)	Holdings	Fair Value RMB	% of Net Assets
<b>LISTED EQUITIES (97.16%) (Continued)</b>			
<b>CHINA (97.16%) (Continued)</b>			
PETROCHINA CO LTD	7,173	41,818	0.38
PING AN BANK CO LTD	14,596	240,104	2.17
PING AN INSURANCE (GROUP) CO OF CHINA LTD	16,100	1,375,906	12.44
POLY DEVELOPMENTS AND HOLDINGS GROUP CO LTD	12,300	199,014	1.80
S F HOLDING CO LTD	1,300	48,347	0.44
SAIC MOTOR CORP LTD	5,107	121,802	1.10
SHANGHAI INTERNATIONAL AIRPORT CO LTD	1,100	86,625	0.78
SHANGHAI INTERNATIONAL PORT GROUP LTD	5,366	30,962	0.28
SHANGHAI PUDONG DEVELOPMENT BANK CO LTD	25,801	319,158	2.89
SHENZHEN MINDRAY BIO MEDICAL ELECTRONICS CO LTD	500	90,950	0.82
WENS FOODSTUFF GROUP CO LTD	800	26,880	0.24
WULIANGYE YIBIN CO LTD	3,200	425,632	3.85
TOTAL INVESTMENTS		10,743,737	97.16
OTHER NET ASSETS		314,291	2.84
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		11,058,028	100.00
TOTAL INVESTMENTS, AT COST		6,582,272	

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Holdings</b>				<b>31 December 2019</b>
	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Corporate Action</b>	
<b>INVESTMENTS</b>					
<b>LISTED EQUITIES</b>					
360 SECURITY TECHNOLOGY INC	700	-	-	-	700
AGRICULTURAL BANK OF CHINA	68,304	3,100	2,600	-	68,804
ANHUI CONCH CEMENT COMPANY LTD	3,200	200	300	-	3,100
BANK OF BEIJING CO LTD	23,160	-	23,160	-	-
BANK OF CHINA LTD	37,478	1,500	-	-	38,978
BANK OF COMMUNICATIONS LTD	35,613	1,200	-	-	36,813
BANK OF SHANGHAI CO LTD	8,050	400	8,450	-	-
BAOSHAN IRON & STEEL CO LTD	9,200	500	9,700	-	-
CHINA CITIC BANK CORP	5,000	-	-	-	5,000
CHINA CITIC BANK NIL PAID RTS 04/03/2019	-	-	6,000	6,000	-
CHINA COMMUNICATIONS CONSTRUCTION CO LTD	2,600	-	2,600	-	-
CHINA CONSTRUCTION BANK	16,406	-	-	-	16,406
CHINA EVERBRIGHT BANK CO LTD	25,500	-	-	-	25,500
CHINA INTERNATIONAL TRAVEL SERVICE CORP LTD	-	1,500	100	-	1,400
CHINA LIFE INSURANCE CO	2,571	200	200	-	2,571
CHINA MERCHANTS BANK CO LTD	20,884	1,000	800	-	21,084
CHINA MERCHANTS SHEKOU INDUSTRIAL ZONE CO LTD	3,600	200	-	-	3,800
CHINA MINSHENG BANKING CO LTD	49,280	1,800	1,400	-	49,680
CHINA PACIFIC INSURANCE GROUP	4,569	200	300	-	4,469
CHINA PETROLEUM & CHEMICAL CORP	17,380	1,200	1,400	-	17,180
CHINA RAILWAY GROUP LTD	9,530	-	9,530	-	-
CHINA RAILWAYS CONSTRUCTION CORP	6,700	400	7,100	-	-
CHINA SHENHUA ENERGY CO LTD	3,512	300	-	-	3,812
CHINA STATE CONSTRUCTION ENGINEERING CORP LTD	29,833	1,200	-	-	31,033
CHINA UNITED NETWORK COMMUNICATIONS LTD	13,500	600	-	-	14,100
CHINA VANKE CO LTD	11,600	400	400	-	11,600

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Holdings</b>				<b>31 December 2019</b>
	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Corporate Action</b>	
<b>INVESTMENTS (Continued)</b>					
<b>LISTED EQUITIES (Continued)</b>					
CHINA YANGTZE POWER CO LTD	7,000	400	-	-	7,400
CITIC SECURITIES CO LTD	13,883	400	300	-	13,983
CONTEMPORARY AMPEREX TECHNOLOGY CO LTD	400	-	-	-	400
CRRC CORP LTD	13,222	500	-	-	13,722
FOSHAN HAITIAN FLAVOURING & FOOD CO LTD	500	-	-	-	500
FOXCONN INDUSTRIAL INTERNET CO LTD	2,000	-	-	-	2,000
GREE ELECTRIC APPLIANCES INC OF ZHUHAI	7,600	300	300	-	7,600
GUOTAI JUNAN SECURITIES CO LTD	5,900	300	-	-	6,200
HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO LTD	4,990	300	200	-	5,090
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	38,394	1,300	1,000	-	38,694
INDUSTRIAL BANK CO LTD	24,700	1,100	900	-	24,900
INNER MONGILIA YILI INDUSTRIAL GROUP CO LTD	9,000	500	500	-	9,000
JIANGSU HENGRUI MEDICINE CO LTD	3,010	100	100	622	3,632
JIANGSU YANGHE BREWERY JOINT-STOCK CO LTD	800	-	-	-	800
KWEICHOW MOUTAI CO LTD	787	-	-	-	787
LUXSHARE PRECISION INDUSTRY CO LTD	-	3,600	-	-	3,600
MIDEA GROUP COMPANY LIMITED	6,988	200	3,500	-	3,688
MUYUAN FOODSTUFF CO LTD	-	1,000	-	-	1,000
NEW CHINA LIFE INSURANCE CO LTD	1,200	-	-	-	1,200
PETROCHINA CO LTD	7,173	-	-	-	7,173
PING AN BANK CO LTD	12,896	1,700	-	-	14,596
PING AN BANK CO LTD NIL PAID RTS 21/01/2019	-	-	19,500	19,500	-
PING AN INSURANCE (GROUP) CO OF CHINA LTD	16,400	700	1,000	-	16,100
POLY DEVELOPMENTS AND HOLDINGS GROUP CO LTD	12,100	600	400	-	12,300
PUDONG DEVELOPMENT NIL PAID RTS 28/10/2019	-	-	45,000	45,000	-
S F HOLDING CO LTD	1,300	-	-	-	1,300

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Holdings</b>				<b>31 December 2019</b>
	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Corporate Action</b>	
<b>INVESTMENTS (Continued)</b>					
<b>LISTED EQUITIES (Continued)</b>					
S F HOLDING NIL PAID RTS 18/11/2019	-	-	1,700	1,700	-
SAIC MOTOR CORP LTD	4,907	200	-	-	5,107
SHANGHAI INTERNATIONAL AIRPORT CO LTD	-	1,100	-	-	1,100
SHANGHAI INTERNATIONAL PORT GROUP LTD	5,366	-	-	-	5,366
SHANGHAI PUDONG DEVELOPMENT BANK CO LTD	25,601	1,000	800	-	25,801
SHENZHEN MINDRAY BIO MEDICAL ELECTRONICS CO LTD	-	500	-	-	500
WENS FOODSTUFF GROUP CO LTD	-	800	-	-	800
WULIANGYE YIBIN CO LTD	3,200	200	200	-	3,200

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**PERFORMANCE TABLE (UNAUDITED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**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 year dated		
31 December 2019	11,058,028	7.3720
31 December 2018	8,096,887	5.3979
31 December 2017	20,418,247	6.8061

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

	<b>Highest net asset value per unit RMB</b>	<b>Lowest net asset value price per unit RMB</b>
Financial year/period ended		
31 December 2019	7.3720	5.3273
31 December 2018	7.6112	5.3513
31 December 2017	7.1317	5.1728
31 December 2016	5.4846	4.4196
31 December 2015	7.6930	4.4952
31 December 2014	5.8056	3.1758
31 December 2013 (since inception)	3.8368	3.4727