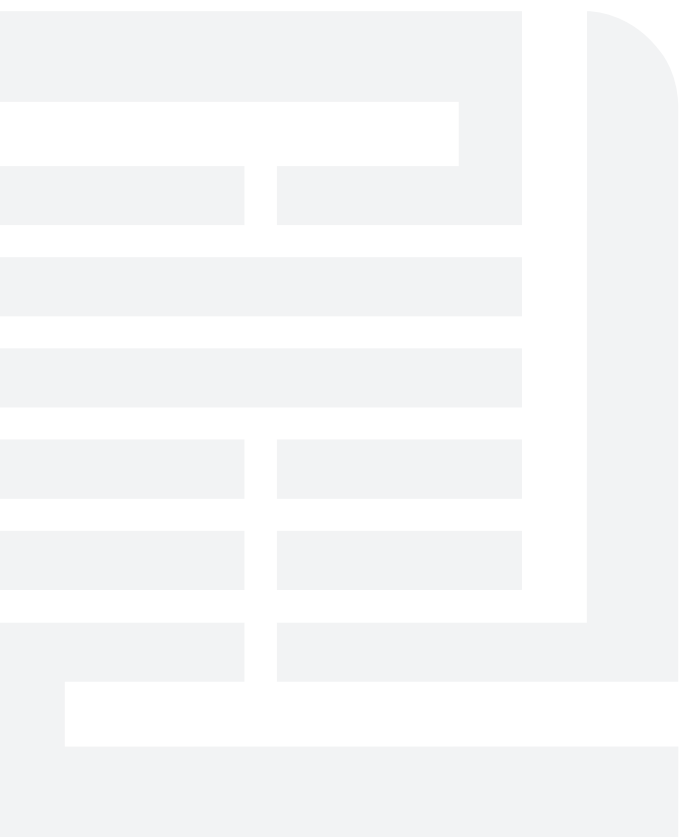


BOSERA RMB BOND FUND
a sub-fund of
BOSERA INVESTMENT FUNDS



ANNUAL REPORT

For the year ended 31 December 2019

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

MANAGEMENT AND ADMINISTRATION OF THE FUND

Manager

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

Trustee and Registrar

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

PRC Custodian

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

PRC Custodian's Delegate

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

Auditor

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

Legal Adviser

Simmons & Simmons
30th Floor One Taikoo Place
979 King's Road
Hong Kong

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

REPORT OF THE MANAGER TO THE UNITHOLDERS

Over the year, Chinese economic continued to slow down, and the People's Bank of China continued to conduct several rounds of Required Reserve Ratios cuts, which helped provide liquidity and support the economy. Interest rates range bounded before ending the year slightly lower, while credit spreads tightened. Thanks to ample liquidity and expectation for structural improvement of the economy, convertible bonds generated strong return, in line with stock market performance.

The fund benefited from its exposure to interest rate bonds and convertible bonds, generating positive return over the year.

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

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 5 January 2012, as amended, for the year ended 31 December 2019.

HSBC Institutional Trust Services (Asia) Limited
Hong Kong, 24 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF BOSERA RMB BOND FUND

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of Bosera RMB Bond Fund (the "Fund") set out on pages 7 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 Fund as at 31 December 2019, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

Independence

We are independent of the Sub-Fund in accordance with the International 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.

Other Information

The Trustee and the Manager (the "Management") of the 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 RMB BOND FUND (CONTINUED)

Responsibilities of the Management for the Financial Statements

The Management of the 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 Fund is responsible for assessing the 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 Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the 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 5 January 2012, as amended ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and 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 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 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF BOSERA RMB BOND FUND (CONTINUED)**

Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and 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 the SFC Code.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 April 2020

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	2019 RMB	2018 RMB
Non-Current Assets			
Statutory deposits		140,000	140,000
Current Assets			
Investments	4(b), 8(c)	54,708,452	61,475,532
Interest receivable		605,763	1,405,319
Bank interest receivable		4	464
Cash and cash equivalents	8(c)	1,416,630	1,358,993
Total Assets		<u>56,870,849</u>	<u>64,380,308</u>
Current Liabilities			
Provision for taxation	5, 7	3,485,604	3,485,604
Amounts payable on redemption		503,308	-
Other payables		352,543	301,313
Liabilities (excluding net assets attributable to unitholders)		<u>4,341,455</u>	<u>3,786,917</u>
Net assets attributable to unitholders		<u>52,529,394</u>	<u>60,593,391</u>

On behalf of
HSBC Institutional Trust Services
(Asia) Limited
as the Trustee

On behalf of
Bosera Asset Management
(International) Co., Limited
as the Manager

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RMB	2018 RMB
Income			
Interest on bank deposits	8(c)	21,750	23,392
Interest on investments		1,825,023	2,824,449
Other income		-	2,274
Net gains on investments	6	1,245,250	769,172
Net foreign currency losses		(5,310)	(4,869)
Total investment income		<u>3,086,713</u>	<u>3,614,418</u>
Expenses			
Management fee	8(a)	313,388	369,970
Trustee fee	8(b)	310,091	310,928
Registrar fees	8(d)	39,919	43,037
Audit fee	9	205,875	206,361
Legal and professional fees		21,147	41,458
Other expenses	8(f)	294,383	385,240
Total operating expenses		<u>1,184,803</u>	<u>1,356,994</u>
Operating profit		<u>1,901,910</u>	<u>2,257,424</u>
Tax (expense)/credit	7	(47)	133,545
Increase in net assets attributable to unitholders from operations		<u>1,901,863</u>	<u>2,390,969</u>

The notes on pages 11 to 32 are an integral part of these financial statements.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RMB	2018 RMB
Net assets attributable to unitholders at the beginning of the year		60,593,391	73,827,921
		-----	-----
Issue of units	3	-	1,350,000
Redemption of units	3	(9,965,860)	(16,975,499)
		-----	-----
Net decrease from unit transactions		(9,965,860)	(15,625,499)
		-----	-----
Increase in net assets attributable to unitholders from operations		1,901,863	2,390,969
		=====	=====
Net assets attributable to unitholders at the end of the year		52,529,394	60,593,391
		=====	=====

The notes on pages 11 to 32 are an integral part of these financial statements.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	RMB	RMB
Cash flows from operating activities		
Increase in net assets attributable to unitholders from operations	1,901,863	2,390,969
Adjustment for:		
Interest on investments	(1,825,023)	(2,824,449)
Interest on bank deposits	(21,750)	(23,392)
Withholding tax on interest income	47	(81,123)
Value added tax on interest income	-	(52,422)
Operating profit/(loss) before working capital changes	55,137	(590,417)
Net decrease in investments	6,767,080	6,725,850
Net increase/(decrease) in other payables	51,230	(8,750)
Cash generated from operations	6,873,447	6,126,683
Interest on investments received	2,624,579	2,835,828
Interest on bank deposits received	22,210	22,960
Net Tax paid	(47)	(60,546)
Net cash generated from operating activities	9,520,189	8,924,925
Cash flows from financing activities		
Proceeds from issue of units	-	1,350,000
Payments on redemption of units	(9,462,552)	(17,181,073)
Net cash used in financing activities	(9,462,552)	(15,831,073)
Net increase/(decrease) in cash and cash equivalents	57,637	(6,906,148)
Cash and cash equivalents at the beginning of the year	1,358,993	8,265,141
Cash and cash equivalents at the end of the year	1,416,630	1,358,993
Analysis of balance of cash and cash equivalents		
Cash at banks	1,416,630	1,358,993

The notes on pages 11 to 32 are an integral part of these financial statements.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

1. The Fund

Bosera Investment Funds (the “Trust”) is an umbrella unit trust governed by its Trust Deed dated 5 January 2012, as amended, (the “Trust Deed”) made between Bosera Asset Management (International) Co., Limited as Manager (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited as Trustee (the “Trustee”).

The terms of the Trust Deed are governed by the laws of Hong Kong. The Trustee and the Manager established Bosera RMB Bond Fund (the “Fund”) by execution of a supplemental Trust Deed dated 5 January 2012. As at 31 December 2019, the Trust has four Sub-Funds, namely, Bosera RMB Bond Fund, Bosera Global Income Opportunities Fund, Bosera-Aberdeen Standard Emerging Opportunities Bond Fund (formerly known as Bosera-Standard Life Investments Emerging Opportunities Bond Fund) and Bosera-Orient Sun Rise Greater China Bond Fund. The Trust and the Fund are authorised by the Securities and Futures Commission in Hong Kong under Section 104 of the Hong Kong Securities and Futures Ordinance.

The investment objective of the Fund is to seek long-term interest income and capital appreciation through investing all of its assets in RMB-denominated fixed income securities issued within People’s Republic of China (“PRC”).

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 PRC pursuant to the RQFII Regulations. The 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 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 Fund to fully satisfy subscription requests.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (collectively the “Management”) to exercise their judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

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 1st January 2019 that have a material impact on the financial statements of the 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 1st 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 Fund.

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

(i) Classification

The Fund classifies its investments based on both the 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 Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The 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 INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

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 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 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 on financial assets at fair value through profit or loss in the period in which they arise.

(iii) Fair value estimation

Investments that are listed or traded on an exchange are fair valued based on quoted market prices at the close of trading on the reporting date.

Investments which are traded in the interbank markets (for example, unlisted debt securities) are fair valued by using the valuation provided by China Central Depository & Clearing Co., Ltd., a company jointly established by People’s Bank of China and Ministry of Finance to undertake the function of centralised depository and settlement for the interbank bond market.

(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.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

2. Summary of significant accounting policies (Continued)

(c) Income

Interest income is recognised on a time-proportionate basis using the effective interest method in the statement of comprehensive income for all interest bearing instruments. Other income is accounted for on an accrual basis.

The effective interest method is a method of calculating the amortised cost of an interest bearing asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(d) Translation of foreign currencies

(i) Functional and presentation currencies

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The performance of the Fund is measured and reported to unitholders in Chinese Yuan Renminbi "RMB". The Manager considers RMB as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in RMB, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

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

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

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

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 investments".

(e) Expenses

Expenses are accounted for on an accrual basis.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

2. Summary of significant accounting policies (Continued)

(f) Redeemable units

The Fund issues redeemable units which are redeemable at the holder's option.

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

The redeemable shares are carried at amortised cost which corresponds to the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Fund.

The Fund has two classes of units in issue: Class A and Class DI, which rank pari passu in all material respects but have different terms and conditions as set out in the Fund's Explanatory Memorandum, which include minimum investment amounts and management fees. As the different classes of units do not have identical features, they do not meet the criteria for equity classification and therefore are classified as financial liabilities.

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

(g) 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 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 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.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash at banks and deposits held with banks with original maturities of three months or less.

(i) Taxation

The Fund incurs withholding taxes and value added tax imposed by the PRC on investment income. Such income is recorded gross of taxes in the statement of comprehensive income. Taxes are recorded separately and included as taxation in the statement of comprehensive income.

(j) Distribution to unitholders

The Manager may in its discretion make cash distributions to unitholders out of income or capital (or partly out of income and partly out of capital) of the Fund at such times as the Manager considers appropriate. Distributions to unitholders are recognised when they are approved by the Manager.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

3. Number of units in issue and net assets attributable to unitholders per unit

The Fund's capital is represented by "net assets attributable to unitholders" and is classified as financial liabilities as at 31 December 2019 and 2018 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 Fund endeavors to invest its capital in accordance with the investment policies and risk management policies as outlined in note 4, whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. As at 31 December 2019 and 2018, the Fund has two classes of units in issue: Class A and Class DI.

	2019		2018	
	Class A Units	Class DI Units	Class A Units	Class DI Units
Units in issue at the beginning of year	313,592	243,170	429,105	275,307
Issue of units	-	-	-	12,616
Redemption of units	(91,585)	-	(115,513)	(44,753)
Units in issue at the end of year	<u>222,007</u>	<u>243,170</u>	<u>313,592</u>	<u>243,170</u>
			31 December 2019 RMB	31 December 2018 RMB
Net asset value per unit				
- Class A units			110.78	107.58
- Class DI units			114.88	110.45

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management

(a) Financial risk factors

The investment objective of the Fund is to seek long-term interest income and capital appreciation through investing all of its assets in RMB-denominated fixed income securities issued within PRC. The Fund seeks to achieve its investment objective by investing in RMB-denominated fixed income securities which include bonds, commercial papers, short term bills and short term notes issued by issuers such as government entities or agencies, supra-national organisations, banks and corporations primarily established or incorporated in the PRC.

The Fund is exposed to market price risk, cash flow and fair value interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All investments present a risk of loss of capital. The Fund's market price risk is managed through deliberate securities selection and diversification of the investment portfolio.

At the end of the reporting date, the overall market exposures were as follows:

	2019		2018	
	Fair value RMB	Cost RMB	Fair value RMB	Cost RMB
Bonds	54,708,452	55,787,305	61,475,532	62,580,980

As the Fund mainly invests in debt securities, the sensitivity analysis of market price risk is disclosed in the interest rate sensitivity analysis in note 4(c) below.

Net market exposures

The following table shows the net market exposure the Fund has to the market, incorporating the underlying market risk through all financial assets and liabilities held by the Fund. Market below represents where the holding company/head office of the issuer predominately domiciles/operates.

	2019 RMB equivalent	2018 RMB equivalent
Markets exposed to		
China	54,708,452	61,475,532

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(b) Market price risk (Continued)

Net market exposures (Continued)

The following table shows the net exposures to sectors as at 31 December:

Sectors exposed to	2019	2018
	% of net asset value	% of net asset value
Aerospace/Defense	1	-
Agriculture	4	-
Banks	67	71
Energy - Alternative Sources	-	1
Financial Services - Diversified - Industry	7	3
Food Services	2	-
Investment Services	-	2
Iron/Steel	4	3
Machinery - Construction & Mining	4	4
Oil/Gas	4	3
Pharmaceuticals	3	2
Real Estate Services	8	12
	<hr/>	<hr/>
	104	101
	<hr/>	<hr/>

The following issuer of investments with aggregated market value exceeded 10% of the Fund's net asset value at 31 December:

	% of net assets value	
	2019	2018
Agricultural and Development Bank of China	19.12	34.67
China Development Bank	39.28	33.86

Up to 30% of the net asset value of the Fund may be invested in Government and other public securities of the same issue.

(c) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of interest-bearing assets and liabilities and future cash flow. The Fund holds bonds that expose the Fund to fair value interest rate risk. The Fund also holds cash and cash equivalents that expose the Fund to cash flow interest rate risk.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(c) Cash flow and fair value interest rate risk (Continued)

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's financial assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

At 31 December 2019

	Up to 1 year RMB	1-5 years RMB	Over 5 years RMB	Non- interest bearing RMB	Total RMB
Assets					
Investments	4,346,581	15,529,641	34,832,230	-	54,708,452
Other assets	-	-	-	745,767	745,767
Cash and cash equivalents	1,416,630	-	-	-	1,416,630
	<u>5,763,211</u>	<u>15,529,641</u>	<u>34,832,230</u>	<u>745,767</u>	<u>56,870,849</u>
Liabilities					
Other liabilities	-	-	-	855,851	855,851
	<u>-</u>	<u>-</u>	<u>-</u>	<u>855,851</u>	<u>855,851</u>
Total interest sensitivity gap	<u>5,763,211</u>	<u>15,529,641</u>	<u>34,832,230</u>		

At 31 December 2018

	Up to 1 year RMB	1-5 years RMB	Over 5 years RMB	Non- interest bearing RMB	Total RMB
Assets					
Investments	3,031,503	37,429,389	21,014,640	-	61,475,532
Other assets	-	-	-	1,545,783	1,545,783
Cash and cash equivalents	1,358,993	-	-	-	1,358,993
	<u>4,390,496</u>	<u>37,429,389</u>	<u>21,014,640</u>	<u>1,545,783</u>	<u>64,380,308</u>
Liabilities					
Other liabilities	-	-	-	301,313	301,313
	<u>-</u>	<u>-</u>	<u>-</u>	<u>301,313</u>	<u>301,313</u>
Total interest sensitivity gap	<u>4,390,496</u>	<u>37,429,389</u>	<u>21,014,640</u>		

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(c) Cash flow and fair value interest rate risk (Continued)

The majority of the Fund's interest rate exposure on debt instruments are RMB denominated. Interest rate exposures are expressed in terms of rate of weighted modified duration. The Manager monitors the interest rate risks by quantifying market exposure in duration terms. Beta adjusted weighted modified duration is the modified duration multiplied by the allocation of net asset value and a sensitivity factor (beta).

At 31 December 2019, should interest rates have lowered/risen by 25 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately RMB0.7 million (2018: RMB0.7 million), arising substantially from the increase/decrease in market values of debt securities.

(d) Credit and custody risk

The Fund is exposed to credit risk which is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Fund's financial assets which are potentially subject to concentration of credit risk consist of cash and cash equivalents and assets held with custodian and its delegate. The table below summarises the net exposure to the Fund's counterparties as at 31 December 2019 and 2018 together with their credit ratings:

At 31 December 2019

	RMB	Credit rating	Source of credit rating
<u>Investments</u>			
HSBC Bank (China) Company Limited	54,708,452	A1	Moody's
<u>Cash and cash equivalents</u>			
The Hongkong and Shanghai Banking Corporation Limited	589,706	AA-	S&P
HSBC Bank (China) Company Limited	826,924	A1	Moody's

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(d) Credit and custody risk (Continued)

At 31 December 2018

	RMB	Credit rating	Source of credit rating
<u>Investments</u>			
HSBC Bank (China) Company Limited	61,475,532	A1	Moody's
<u>Cash and cash equivalents</u>			
The Hongkong and Shanghai Banking Corporation Limited	695,902	AA-	S&P
HSBC Bank (China) Company Limited	663,091	A1	Moody's

As the Fund holds debt securities, it is also exposed to risk that the issuers may not be able to repay the principal amount at maturity and interest. The credit risk is mitigated as the debt securities held are subject to the requirements of (i) maximum holding of 10% of net asset value for any single issuer and/or (ii) maximum holding of 30% of net asset value for Government and other public securities of the same issue.

The table below summarises the credit rating of the investment portfolio categorised by the rating agencies:

Portfolio by rating category of bonds:

Rating	2019 % of net asset value	2018 % of net asset value
Chengxin		
AAA	18.31	12.56
AA+	3.59	-
CSCI Pengyuan		
AA+	1.68	-
Dagong		
AAA	4.32	-
AA+	-	2.54
Lianhe's		
AAA	4.08	6.32
AA+	-	0.83
AA	1.50	2.10
SBCR's		
AAA	12.27	8.58
Non - Rated	58.40	68.53
Total	<u>104.15</u>	<u>101.46</u>

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(d) Credit and custody risk (Continued)

The table below summarises the credit rating of the issuer of non-rated bonds:

Issuer of bond	Rating	2019	2018
		% of net asset value	% of net asset value
Policy banks	Standard & Poor's A+	58.40	68.53
		<u>58.40</u>	<u>68.53</u>

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider 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 Fund.

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

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

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

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(e) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations as they fall due, including a redemption request.

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

The table below analyses the Fund's non-derivative 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.

	Less than 1 month RMB	1-3 months RMB	Over 3 months RMB
At 31 December 2019			
Amounts payable on redemption	503,308	-	-
Other payables	59,066	-	293,477
Net assets attributable to unitholders	52,529,394	-	-
Contractual cash outflow	53,091,768	-	293,477
	Less than 1 month RMB	1-3 months RMB	Over 3 months RMB
At 31 December 2018			
Other payables	65,577	235,736	-
Net assets attributable to unitholders	60,593,391	-	-
Contractual cash outflow	60,658,968	235,736	-

Units are redeemed on demand at the unitholders' option. As at 31 December 2019, there were three (2018: three) unitholders holding more than 10% of the Fund's units totalling 81.22% (2018: 85.05%) of Class A units and 100.00% (2018: 100.00%) of Class DI units respectively.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(e) Liquidity risk (Continued)

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

	Less than 7 days RMB	7 days to less than 1 month RMB	1-12 months RMB
At 31 December 2019			
Total current assets	<u>56,125,082</u>	<u>4</u>	<u>605,763</u>
At 31 December 2018			
Total current assets	<u>62,834,525</u>	<u>464</u>	<u>1,405,319</u>

(f) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has liabilities denominated in currency other than RMB, the functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The table below summarises the Fund's monetary and non-monetary exposures to different major currencies as at 31 December 2019 and 2018:

	2019 RMB equivalents	2018 RMB equivalents
Hong Kong Dollar Monetary	(165,554)	(158,274)
United States Dollar Monetary	(38,856)	(43,195)

The Fund holds monetary assets and liabilities which are mainly denominated in RMB. The Manager considers that there is no significant exposure to currency risk and hence sensitivity analysis is not presented.

(g) 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 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.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(g) Fair value estimation (Continued)

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The 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.

The determination of what constitutes “observable” requires significant judgement by the Fund. The 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 Fund’s investments (by class) measured at fair value as at 31 December 2019 and 2018:

At 31 December 2019

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Assets				
Financial assets at fair value through profit or loss				
- Bonds	-	54,708,452	-	54,708,452
Total assets	-	54,708,452	-	54,708,452

At 31 December 2018

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Assets				
Financial assets at fair value through profit or loss				
- Bonds	-	61,475,532	-	61,475,532
Total assets	-	61,475,532	-	61,475,532

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed debt securities.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

4. Financial risk management (Continued)

(g) Fair value estimation (Continued)

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, such as unlisted bonds and inactive listed bonds. The investments in unlisted RMB denominated bonds are valued with reference to valuation provided by China Central Depository & Clearing Co., Ltd. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information.

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

As at 31 December 2019, no securities were transferred between any of the levels.

No securities that were transferred from level 2 to level 1 and three securities were transferred from level 1 to level 2 during the year ended 31 December 2018. The transfer from level 1 to level 2 relates to three bonds that has become thinly traded as at 31 December 2018.

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

(h) Financial instruments by category

Apart from investments as disclosed in the statement of financial position which are classified as financial assets at fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including interest receivable and cash and cash equivalents, are categorised as “financial assets at amortised cost” (2018: “financial assets at amortised cost”).

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

(i) Capital risk management

The capital of the Fund is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund’s objective when managing capital is to safeguard the Fund’s ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund’s policy is to perform the following:

- monitor the level of daily subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the Trust Deed of the Fund.

The Manager monitors capital on the basis of the value of net assets attributable to unitholders.

The Fund did not make any (2018: Nil) distributions during the year (Note 10).

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

5. Critical accounting estimates and judgements

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

People's Republic of China ("PRC") tax provision

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

Under the general tax provision of PRC Corporate Income Tax Law ("PRC CIT Law"), the non-PRC residents with no place of effective management, establishment or place of business in the PRC may be subject to 10% PRC withholding income tax ("WIT") on the capital gain derived from disposal of securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

In addition, the non-PRC residents with interest income derived from the debt securities will be subject to 10% WIT. Pursuant to the PRC CIT Law, debt securities issuers in the PRC are obligated to withhold the 10% PRC WIT on interest income for those foreign debt securities holders who are subject to the interest income tax in the PRC. However, interest income derived from government bonds issued by the State Council's finance departments and/or local government bonds approved by the State Council is exempt from PRC WIT under the PRC CIT Law.

Furthermore, according to the notice Caishui [2016] No.36 ("Circular 36"), Value-Added Tax ("VAT") at 6% shall be levied on the difference between the selling and buying prices of those marketable securities starting from 1 May 2016. In addition, if VAT is applicable, local surtaxes including Urban Maintenance and Construction Tax (currently at the rate ranging from 1% to 7%), Education Surcharge (currently at the rate of 3%) and Local Education Surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities (the "VAT related taxes"). The gains derived by Qualified Foreign Institutional Investors ("QFIIs") and Renminbi QFIIs ("RQFIIs") and through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from trading of marketable securities (including A-shares and other PRC listed securities) are exempted from VAT in the PRC under Circular 36 and other prevailing VAT regulations. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

Exemption of PRC WIT and VAT effective from 7 November 2018

On 7 November 2018, the Ministry of Finance and the PRC State Taxation Administration ("STA") jointly issued a notice Caishui [2018] No.108 ("Circular 108") which stipulates that foreign institutional investors are temporarily exempted from PRC WIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021.

Hence, the Manager decides to change the tax provisioning policy of the Fund and cease to make provisions for PRC WIT and VAT (plus the VAT related taxes) on the interest income received from PRC non-government bonds from 7 November 2018 to 6 November 2021.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

5. Critical accounting estimates and judgements (Continued)

(a) Capital gains on PRC debt securities (“PRC Investments”)

During the years ended 31 December 2019 and 2018, the Fund invests in PRC Investments in PRC through the RQFII program. The Manager considers that the enforcement of PRC tax on gains derived from the PRC Investments 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 PRC taxation on its gains, the amount of potential liability and the probability of such tax 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 considered that the WIT policy for QFIIs/RQFII's investment in debt securities has not been clarified in the “Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (the “Notice”).

Based on the current verbal interpretation of the STA and the local PRC tax authorities, the authorities are of the view that capital gains derived by foreign investors from investment in PRC Investments would not be treated as PRC-sourced income and thus would not be subject to PRC WIT. However, there are no written tax regulations issued by the PRC tax authorities to confirm this interpretation. As a matter of practice, such 10% PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of these PRC debt securities has not been strictly enforced by the PRC tax authorities. The Manager has considered the applicability of the arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion to the Fund and assessed that the probability of such tax being levied up to the approval date of the financial statements of the Fund is reasonably low. Based on all the aforementioned factors, the Manager has reassessed the provisioning approach and has continued not making PRC WIT provision on gains derived from the PRC Investments of the Fund.

The Manager estimates the gross realised gains from 5 January 2012 (date of inception) to 31 December 2019 and gross unrealised gains of the Fund as at 31 December 2019 which could be exposed to PRC WIT at the rate of 10% to be RMB31,594,807 (from 5 January 2012 (date of inception) to 31 December 2018: RMB30,365,047) and RMB1,022,684 (as at 31 December 2018: RMB951,397) respectively. The estimated potential capital gains tax exposure arising from realised capital gains and unrealised capital gains would be RMB3,159,481 and RMB102,268 respectively which in aggregate represents 6.21% (as at 31 December 2018: RMB3,036,505 and RMB95,140 respectively which in aggregate represents 5.17%) of the net assets attributable to unitholders of the Fund as at 31 December 2019. The Manager considers that the PRC WIT on capital gains from PRC Investments is still uncertain and has not made the provision on the gross capital gains derived from PRC Investments in the Fund as at 31 December 2019 and 2018.

The Manager has exercised its judgment when assessing whether the Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

5. Critical accounting estimates and judgements (Continued)

(b) Interest income on bonds issued by PRC tax residents (“PRC bonds”)

The Management considers that the enforcement of PRC WIT treatment on accrued interest of PRC non-government bonds holding by the Sub-Fund as at 31 December 2019 derived from 20 February 2012 (date of inception) to 6 November 2018 (prior to WIT exemption under Circular 108) and the enforcement of, VAT and the VAT related taxes arising from 1 May 2016 to 6 November 2018 (prior to VAT exemption under Circular 108) is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC tax expense and the related tax provision.

PRC WIT

For the PRC bonds disposed of during the year, the Manager has not made provision on the accrued interest income of PRC bonds during the year and as at reporting date as they consider that:

- (i) the issuers of PRC bonds are required to withhold 10% WIT at the coupon payment date before distributing the interest income to the bond holder; and
- (ii) the Manager has sold the PRC bonds before the coupon payment dates or the maturity dates of the PRC bonds.

PRC VAT and related taxes

As at 31 December 2019, there were no additional taxes due to the tax exemption starting from 7 November 2018. As at 31 December 2018, the Manager estimated that the Fund's accumulated interest income received from PRC non-government bonds from 1 May 2016 to 6 November 2018 (prior to VAT exemption under Circular 108) of RMB8,046,142 could be exposed to PRC VAT, Urban Maintenance and Construction Tax, Education Surcharge and Local Education Surcharge amounting to approximately RMB510,095. This amount has been provided in the statement of financial position.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****6. Net gains/(losses) on investments**

	2019	2018
	RMB	RMB
Change in unrealised gains on investments	26,595	1,933,275
Realised gains/(losses) on investments	1,218,655	(1,164,103)
	<u>1,245,250</u>	<u>769,172</u>

7. TaxationHong Kong Profits Tax

No provision for Hong Kong profits tax has been made for the 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

For the years ended 31 December 2019 and 2018, the Fund had invested in RMB denominated debt securities in the PRC. Withholding tax was charged on interest income received from debt securities and banks during the year. Refer to note 5 for details.

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

	2019	2018
	RMB	RMB
Withholding tax on interest income from debt securities	(2,000)	(83,090)
Withholding tax on interest income from banks	2,047	1,967
Value added tax on interest income from debt securities	-	(52,422)
	<u>47</u>	<u>(133,545)</u>

The movements in provision for taxation during the year are as follows:

	2019	2018
	RMB	RMB
At the beginning of the year	3,485,604	3,679,695
Taxation charged to the statement of comprehensive income	47	(133,545)
Net tax paid	(47)	(60,546)
	<u>3,485,604</u>	<u>3,485,604</u>

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

8. Transactions with related parties including Trustee, Manager and its Connected Persons

The following is a summary of significant related party transactions entered into during the year between the 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 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 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 1% per annum of the net asset value of Class A and 0.75% per annum of the net asset value of Class I, accrued at each valuation day and payable monthly in arrears. No management fee is charged on Class DI units.

For the year ended 31 December 2019, the Manager was entitled to a management fee of RMB313,388 (2018: RMB369,970). At 31 December 2019, a management fee of RMB21,831 (2018: RMB25,794) was payable to the Manager.

(b) Trustee fee

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

Effective until 31 March 2019, the Trustee, is entitled to receive a trustee fee, which is accrued at each valuation day, payable in arrears and calculated at 0.16% per annum of the net asset value of the Fund, subject to a minimum USD4,000 per month.

From 1 April 2019, the Trustee, is entitled to receive a trustee fee which represents a variable fee of (i) 0.12% per annum on the first RMB670 million of the net asset value of the Fund and (ii) 0.10% per annum thereafter, subject to a minimum of RMB25,000 per month. The trustee fee is charged as a percentage of the net asset value of the Fund as each valuation day. This fee is accrued and payable monthly in arrears.

The Trustee fee is inclusive of fees payable to The Hongkong and Shanghai Banking Corporation Limited, the PRC Custodian.

For the year ended 31 December 2019, the Trustee was entitled to a trustee fee of RMB310,091 (2018: RMB310,928). At 31 December 2019, a trustee fee of RMB26,301 (2018: RMB24,050) was payable to the Trustee.

(c) Bank balances and investment balances

The following bank and investment balances of the Fund were held with the PRC Custodian and its delegate which are related parties of the Trustee. For the year ended 31 December 2019, the interest income derived from bank balances is RMB21,750 (2018: RMB23,392). At 31 December 2019, an interest income of RMB4 (2018: RMB464) was receivable from the PRC Custodian. Refer to note 4(d).

	31 December 2019 RMB	31 December 2018 RMB
Bank balances	1,416,630	1,358,993
Investment balances	54,708,452	61,475,532

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

8. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)

(d) Registrar fees

For the year ended 31 December 2019, HSBC Institutional Trust Services (Asia) Limited, the Registrar was entitled to registrar fees of RMB39,919 (2018: RMB43,037). At 31 December 2019, a registrar fee of RMB3,953 (2018: RMB3,112) was payable to the Registrar.

(e) Unitholders

As at 31 December 2019, the total units of Class DI being 243,170 (2018: 243,170) were held by Bamco Global Limited, which is a connected person to the Manager. During the year ended 31 December 2019, there were no purchase and sales of units of the Fund respectively by the Manager (2018: purchases and sales of 12,615 units and 44,752 units). The net realised gains/(losses) and the net unrealized gains/(losses) of the Manager amounted to RMBNil (2018: RMB377,740) and RMB1,078,580 (2018: RMB857,321) respectively.

(f) Other fees

Transaction handling fees on purchases and sales of investments, valuation fees, bank charges and fees for the preparation of annual and interim reports were charged by the Trustee, amounting to RMB 175,065 (2018: RMB246,001) for the year ended 31 December 2019, of which RMB34,903 (2018: RMB40,127) was outstanding at year end.

9. Audit fee

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

10. Soft commission arrangements

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 Fund through a broker or dealer.

11. Distributions

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

12. Approval of financial statements

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

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

QUOTED BONDS	Nominal Value RMB	Market Value RMB	% of Net Assets
CHINA			
AGRICUL DEV BANK CHINA SER 1906 (REG) 3.74% 12JUL2029	10,000,000	10,041,850	19.12%
AODONG PHARM STP 13MAR2024	800,000	884,008	1.68%
AVI 0.2% CONV STP 27AUG2024	499,100	591,633	1.13%
CHANGJIANG SECURITIES CO (REG) STP CONV 12MAR2024	500,000	608,500	1.16%
CHINA BAOWU STEEL GROUP (REG) 1% CONV 24NOV2020	2,000,000	2,024,800	3.85%
CHINA CITIC BANK CORP (REG) STP CONV 04MAR2025	2,000,000	2,266,800	4.31%
CHINA DEVELOPMENT BANK SER (REG) (REG S) 4.15% 26OCT2025	10,000,000	10,378,580	19.76%
CHINA DEVELOPMENT BANK SER 1810 (REG) 4.04% 06JUL2028	10,000,000	10,257,250	19.53%
CHINA EVERBRIGHT BANK (REG) CONV STEP 16MAR2023	2,000,000	2,506,000	4.77%
CHINA NATL PETROLEUM CO (REG) 1% 13JUL2022	2,000,000	1,994,400	3.80%
EVERGRANDE REAL ESTATE (REG) VAR 08JUL2022	2,500,000	2,499,750	4.76%
GUOTAI JUN STP CONV 07JUL2023	2,500,000	3,121,250	5.94%
SHANGHAI ELECTRIC GROUP (REG) STEP 02FEB2021	2,000,000	2,330,000	4.44%
SHANGHAI GUOSHENG GROUP (REG) 1% CONV 05NOV2021	1,000,000	994,100	1.89%
SHENZHEN LOGAN HLD (REG) VAR 19AUG2020	1,500,000	1,534,500	2.92%
TONGWEI STP CONV 18MAR2025	1,500,000	1,887,750	3.59%
TZ JIAOJIANG ST OWN AST SER EXCH (REG) 7.46% 13SEP2020	3,067,000	787,281	1.50%
TOTAL INVESTMENTS*		<u>54,708,452</u>	<u>104.15%</u>
TOTAL INVESTMENTS, AT COST*		<u>54,210,055</u>	

* Investments are accounted for on a trade date basis.

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

	Nominal Value (RMB)			31 December 2019
	1 January 2019	Additions	Deductions	
QUOTED BONDS				
CHINA				
AGRICUL DEV BANK CHINA SER 1802 (REG) 4.82% 24JAN2021	10,000,000	-	(10,000,000)	-
AGRICUL DEV BANK CHINA SER 1806 (REG) 4.65% 11MAY2028	10,000,000	-	(10,000,000)	-
AGRICUL DEV BANK CHINA SER 1906 (REG) 3.74% 12JUL2029	-	10,000,000	-	10,000,000
AODONG PHARM STP 13MAR2024	-	999,300	(199,300)	800,000
AVI 0.2% CONV STP 27AUG2024	-	499,100	-	499,100
CHANGJIANG SECURITIES CO (REG) STP CONV 12MAR2024	-	500,000	-	500,000
CHINA (GOVT OF) SER 1107 4.26PCT 31JUL2021	-	6,979,000	(6,979,000)	-
CHINA BAOWU STEEL GROUP (REG) 1% CONV 24NOV2020	2,000,000	-	-	2,000,000
CHINA CITIC BANK CORP (REG) STP CONV 04MAR2025	-	2,000,000	-	2,000,000
CHINA DEVELOPMENT BANK 4.02% 17APR2022	10,000,000	-	(10,000,000)	-
CHINA DEVELOPMENT BANK SER (REG) (REG S) 4.15% 26OCT2025	-	10,000,000	-	10,000,000
CHINA DEVELOPMENT BANK SER 1715 4.24% 24AUG2027	10,000,000	-	(10,000,000)	-
CHINA DEVELOPMENT BANK SER 1810 (REG) 4.04% 06JUL2028	-	10,000,000	-	10,000,000
CHINA DEVELOPMENT BANK SER 1902 (REG) 3.03% 18JAN2022	-	10,000,000	(10,000,000)	-
CHINA DEVELOPMENT BANK SER 1905 (REG) 3.48% 08JAN2029	-	10,000,000	(10,000,000)	-
CHINA EVERBRIGHT BANK (REG) CONV STEP 16MAR2023	1,500,000	500,000	-	2,000,000
CHINA NATL PETROLEUM CO (REG) 1% 13JUL2022	2,000,000	-	-	2,000,000
CHINA WORLD TRADE CENTER (REG) 5.5% 20AUG2019	3,000,000	-	(3,000,000)	-
EVERGRANDE REAL ESTATE (REG) VAR 08JUL2022	2,000,000	500,000	-	2,500,000
GUANGZHOU R&F PROPERTIES SER A (REG) VAR 07APR2022	800,000	-	(800,000)	-
GUOTAI JUN STP CONV 07JUL2023	2,000,000	500,000	-	2,500,000
LIER CHEMICAL CO LTD (REG) CONV STP 17OCT2024	-	700,000	(700,000)	-
LONGI GREEN STP 02NOV2023	500,000	1,000,000	(1,500,000)	-
PING AN BANK CO LTD (REG) STP CONV 21JAN2025	-	1,650,000	(1,650,000)	-
SHANGHAI ELECTRIC GROUP (REG) STEP 02FEB2021	2,000,000	-	-	2,000,000

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND**MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2019**

	Nominal Value (RMB)			31 December 2019
	1 January 2019	Additions	Deductions	
QUOTED BONDS (Continued)				
CHINA (Continued)				
SHANGHAI GUOSHENG GROUP (REG) 1% CONV 05NOV2021	1,000,000	-	-	1,000,000
SHENZHEN LOGAN HLD (REG) VAR 19AUG2020	1,500,000	-	-	1,500,000
TONGWEI STP CONV 18MAR2025	-	1,500,000	-	1,500,000
TZ JIAOJIANG ST OWN AST SER EXCH (REG) 7.46% 13SEP2020	3,067,000	-	-	3,067,000

BOSERA INVESTMENT FUNDS - BOSERA RMB BOND FUND

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

Net asset value*

	Total net asset value RMB	Net asset value per unit RMB
At the end of financial year		
31 December 2019 - Class A	24,593,400	110.78
31 December 2019 - Class DI	27,935,994	114.88
31 December 2018 - Class A	33,735,977	107.58
31 December 2018 - Class DI	26,857,414	110.45
31 December 2017 - Class A	44,684,915	104.14
31 December 2017 - Class DI	29,143,006	105.86

Highest and lowest net asset value* per unit since inception

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
Financial year ended		
31 December 2019 - Class A	110.78	106.60
31 December 2019 - Class DI	114.88	109.92
31 December 2018 - Class A	107.58	103.91
31 December 2018 - Class DI	110.45	105.74
31 December 2017 - Class A	106.42	104.04
31 December 2017 - Class DI	107.53	105.74
31 December 2016 - Class A	110.22	105.60
31 December 2016 - Class DI	110.59	106.25
31 December 2015 - Class A	110.89	104.61
31 December 2015 - Class DI	108.09	100.23
31 December 2014 - Class A	106.37	97.54
31 December 2014 - Class DI	-	-
31 December 2013 - Class A	101.73	93.57
31 December 2013 - Class DI	-	-
31 December 2012 - Class A	100.86	99.48
31 December 2012 - Class DI	-	-

* Represents net asset value in accordance with the Fund's Explanatory Memorandum