



**AMUNDI Hang Seng HK 35 Index ETF  
(SUB-FUND OF AMUNDI ETF SERIES)**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 7 APRIL 2016 (DATE OF ESTABLISHMENT) TO 30  
SEPTEMBER 2016**

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## **AMUNDI ETF SERIES**

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### **IMPORTANT:**

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about AMUNDI ETF Series, please refer to the prospectus of AMUNDI ETF Series which is available at our website: <http://www.amundietf.com.hk>

Investors should not rely on the information contained in this report for their investment decisions.

## **AMUNDI ETF SERIES**

### **MANAGEMENT AND ADMINISTRATION**

#### **Manager**

Amundi Hong Kong Limited  
901-908, One Pacific Place  
88 Queensway  
Hong Kong

#### **Legal Counsel to the Manager**

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

#### **Directors of the Manager**

Pascal Blanque  
Bernard Carayon  
Jean Yves Glain  
Laurent Bertiau  
Zhong Xiao Feng

#### **Participating Dealers**

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

#### **Trustee**

BOCI-Prudential Trustee Limited  
12/F & 25/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

BNP Paribas Securities Services  
21-23/F, PCCW Tower  
Tai Koo Place  
979 King's Road  
Quarry Bay  
Hong Kong

#### **Custodian**

Bank of China (Hong Kong) Limited  
14/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

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

Deutsche Securities Asia Limited  
Level 52, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

#### **Registrar**

Computershare Hong Kong Investor  
Services Limited  
1712-1716, 17/F, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

The Hongkong and Shanghai Banking  
Corporation Limited  
Level 18, HSBC Main Building  
1 Queen's Road Central  
Central  
Hong Kong

#### **Conversion Agent or Service Agent**

HK Conversion Agency Services Limited  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Merrill Lynch Far East Limited  
55/F, Cheung Kong Center  
2 Queen's Road Central  
Central  
Hong Kong

#### **Auditor**

PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Central  
Hong Kong

## **AMUNDI ETF SERIES**

### **REPORT OF THE MANAGER**

#### ***Review for 2016***

Like global equities markets, Hong Kong equities market went through unexpected events in 2016. Despite volatilities and uncertainty, Hang Seng HK35 Index maintained its uptrend.

In first quarter of the year, escalating investors' concerns surrounding the health of Chinese economy coupled with ham-fisted efforts to manage falling markets and the currency served to deeply undermine global confidence. Meanwhile, the Bank of Japan unexpectedly announcing the introduction of a new framework "Quantitative and Qualitative Monetary Easing with a Negative Interest Rate". The three-tier system included a negative interest rate of -0.1% will be applied to newly increased financial institution's current account reserves. In addition, HKD weakness and higher HIBOR amid capital outflows also affected the market sentiments. In second half of 2016, US Federal Reserve Chairwoman Janet Yellen has indicated they will raise interest rate very soon and it gave strength to USD and weighted on Asia and emerging markets.

The China Securities Regulatory Commission and Hong Kong Exchange announced the details of Shenzhen-Hong Kong Stock Connect program in midst of August and official launched in early December. The aggregate quotas were abolished for SH-HK Connect and SZ-HK Connect while daily quotas remain in place. Moreover, Macau gross gaming revenue (GGR) finally turned positive in August and improved gradually throughout the year. The news helped Macau gaming stocks outperformed local market in 2016.

Regarding macroeconomic expected events, Britons voted by 51.9% to sever the country's 43-year membership of the European Union in June, sending tremors across Europe and triggering financial market turmoil across the globe. However, global markets have thus far taken Brexit in their stride and collectively marched higher in later months.

## **AMUNDI ETF SERIES**

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

We hereby confirm that, in our opinion, the Manager of AMUNDI Hang Seng HK 35 Index ETF, a sub-fund (the “Sub-Fund”) of AMUNDI ETF Series (the “Trust”) has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 16 March 2016 for the period from 7 April 2016 (date of establishment) to 30 September 2016.

For and on behalf of  
BOCI-Prudential Trustee Limited  
as the Trustee of the AMUNDI ETF SERIES

Hong Kong, 26 January 2017

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF AMUNDI HANG SENG HK 35 INDEX ETF,  
A SUB-FUND OF AMUNDI ETF SERIES**

**Report on the Financial Statements**

We have audited the financial statements of AMUNDI Hang Seng HK 35 Index ETF, a sub-fund (the "Sub-Fund") of Amundi ETF Series, set out on pages 6 to 24, which comprise the statement of financial position as at 30 September 2016, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the period from 7 April 2016 (date of establishment) to 30 September 2016, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 16 March 2016 (the "Trust Deed"), and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the "SFC Code"), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Sub-Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF AMUNDI HANG SENG HK 35 INDEX ETF,  
A SUB-FUND OF AMUNDI ETF SERIES (CONTINUED)**

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 30 September 2016, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

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

**Other Matter**

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 26 January 2017

**AMUNDI ETF SERIES**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016**

	Note	AMUNDI Hang Seng HK 35 Index ETF 2016 HK\$
<b>Assets</b>		
<b>Current assets</b>		
Investments	10(b)	220,852,166
Dividend receivable		522,697
Cash and cash equivalents	6(b)	210,665
<b>Total assets</b>		<u>221,585,528</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Management fee payable	6(a)	51,032
Other payables		5,510
<b>Total liabilities</b>		<u>56,542</u>
<b>EQUITY</b>		
<b>Net assets attributable to unitholders</b>	4	<u><u>221,528,986</u></u>

Signed for and on behalf of:

.....  
BOCI-Prudential Trustee Limited  
as the Trustee

.....  
Amundi Hong Kong Limited  
as the Manager

The notes on pages 10 to 24 form an integral part of these financial statements.

**AMUNDI ETF SERIES****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD FROM 7 APRIL 2016 (DATE OF ESTABLISHMENT) TO 30 SEPTEMBER  
2016**

	Note	<b>AMUNDI Hang Seng HK 35 Index ETF</b> For the period from 7 April 2016 to 30 September 2016 HK\$
<b>Revenue</b>		
Dividend income		5,611,408
Net gain on investments	3	25,061,944
Net exchange gains		17
Interest income		26
<b>Total net income</b>		<u>30,673,395</u>
<b>Expenses</b>		
Management fee	6(a)	292,322
Bank charges		350
Transaction costs on investments		34,087
<b>Total operating expenses</b>		<u>326,759</u>
<b>Total comprehensive income</b>		<u><u>30,346,636</u></u>

The notes on pages 10 to 24 form an integral part of these financial statements.

## AMUNDI ETF SERIES

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE PERIOD FROM 7 APRIL 2016 (DATE OF ESTABLISHMENT) TO 30 SEPTEMBER 2016

	Note	AMUNDI Hang Seng HK 35 Index ETF For the period from 7 April 2016 to 30 September 2016 HK\$
<b>Net assets attributable to unitholders at the beginning of the period</b>		-
Creation of units		
- in-kind	7	218,060,183
- cash component	7	217,267
Redemption of units		
- in-kind	7	(23,939,283)
- cash component	7	(155,817)
<b>Net creation of units</b>		<u>194,182,350</u>
Distribution to unitholders	11	<u>(3,000,000)</u>
<b>Total comprehensive income</b>		<u><u>30,346,636</u></u>
<b>Net assets attributable to unitholders at the end of the period</b>		<u><u>221,528,986</u></u>

The notes on pages 10 to 24 form an integral part of these financial statements.

**AMUNDI ETF SERIES**

**STATEMENT OF CASH FLOWS**

**FOR THE PERIOD FROM 7 APRIL 2016 (DATE OF ESTABLISHMENT) TO 30 SEPTEMBER 2016**

	Note	<b>AMUNDI Hang Seng HK 35 Index ETF</b> For the period from 7 April 2016 to 30 September 2016 HK\$
<b>Cash flows from operating activities</b>		
Total comprehensive income		30,346,636
<u>Adjustments for:</u>		
Interest income		(26)
Dividend income		(5,611,408)
Net exchange gains		(17)
		<hr/>
Operating gain before working capital changes		24,735,185
Increase in investments		(26,731,266)
Increase in management fee payable		51,032
Increase in other payables		5,510
		<hr/>
Cash used in operating activities		(1,939,539)
Interest received		26
Dividends received		5,088,711
		<hr/>
<b>Net cash generated from operating activities</b>		<b>3,149,198</b>
		<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	7	217,267
Cash paid on redemption of units	7	(155,817)
Distribution paid to unitholders	11	(3,000,000)
		<hr/>
<b>Net cash used in financing activities</b>		<b>(2,938,550)</b>
		<hr/>
<b>Net increase in cash and cash equivalents</b>		
		210,648
Net foreign exchange gains on cash and cash equivalents		17
		<hr/>
<b>Cash and cash equivalents at end of the period</b>		<b>210,665</b>
		<hr/> <hr/>
<b>Analysis of balance of cash and cash equivalents</b>		
Bank balances	6(b)	210,665
		<hr/> <hr/>

The notes on pages 10 to 24 form an integral part of these financial statements.

## **AMUNDI ETF SERIES**

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

#### **1 General information**

AMUNDI ETF SERIES (the “Trust”) is an umbrella unit trust established under the terms of the trust deed dated 16 March 2016 (the “Trust Deed”) between Amundi Hong Kong Limited (the “Manager”) and BOCI-Prudential Trustee Limited (the “Trustee”). The Trust Deed is governed by Hong Kong law.

The Trust has been established initially with only one sub-fund, AMUNDI Hang Seng HK 35 Index ETF (the “Sub-Fund”) which is authorised by the Securities & Futures Commission of Hong Kong (the “SFC”) pursuant to section 104(1) of the Securities and Futures Ordinance. The Sub-Fund is also listed on the Stock Exchange of Hong Kong Limited (a subsidiary of The Hong Kong Exchanges and Clearing Limited).

These financial statements relate to the above-mentioned Sub-Fund. The Manager and the Trustee (collectively, the “Management”) are responsible for the preparation of the financial statements.

The objective of the Sub-Fund (Stock code: 3012 (HKD)/83012 (RMB)) is to provide investment results that, before the deduction of fees and expenses, closely correspond to the performance of the Hang Seng HK 35 Index (the “Underlying Index”) by investing all, or substantially all, of the assets of the Sub-Fund in index securities in substantially the same weightings as constituted in the Underlying Index.

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

##### **(a) Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). 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 Trustee and Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

All references to net assets throughout the financial statements refer to net assets attributable to unitholders unless otherwise stated.

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

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

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

###### **New standards and amendments to standards that are relevant to the Sub-Fund and have been adopted by the Sub-Fund**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 7 April 2016 that would be expected to have a material impact on the Sub-Fund.

###### **New standards and amendments to standards that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund**

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Sub-Fund is yet to assess IFRS 9's full impact.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Sub-Fund.

##### (b) Financial assets at fair value through profit or loss

All investments have been classified as "financial assets at fair value through profit or loss".

Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are included in the statement of comprehensive income in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

Investments that are listed or traded on an exchange are fair valued based on quoted last traded prices.

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

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

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

##### **(c) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Sub-Fund currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### **(d) Income**

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

Dividend income on equity securities is recorded on the ex-dividend date. Dividend income on equity securities where no ex-dividend date is quoted is accounted for when the Sub-Fund's right to receive payment is established.

##### **(e) Expenses**

Expenses are accounted for on an accrual basis.

##### **(f) Cash component**

Cash issue component represents the amount being equal to the difference between the issue price on the relevant transaction date and the value of the securities exchanged in kind for those units.

Cash redemption component represents the amount being equal to the difference between the redemption values on the relevant transaction date on which such units are redeemed and the value of securities transferred in kind to the redeeming unitholder in respect of such units.

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

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

##### **(h) Translation of foreign currencies**

###### 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 performance of the Sub-Fund is measured and reported to the unitholders in Hong Kong dollar. The Management considers the Hong Kong dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong dollar, which is the Sub-Fund's functional and presentation currency.

###### Transactions and balances

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

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

## **AMUNDI ETF SERIES**

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

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

##### **(h) Translation of foreign currencies (Continued)**

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'net exchange gains/(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 gain/(loss) on investments'.

##### **(i) Redeemable Units**

The Sub-Fund issues redeemable units, which are redeemable at the holder's option and are classified as equity. Units can be redeemed in-kind and/or in cash equal to a proportionate share of the Sub-Fund's net asset value. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders with the total number of outstanding units. Units are created or redeemed in multiples of 500,000 units.

##### **(j) Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

##### **(k) Amounts due from and due to brokers**

Amounts due from and to brokers represent receivables for 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.

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

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

##### (1) Structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Sub-Fund considers all of its investments in other fund ("Investee Fund") to be investments in unconsolidated structured entities. The Sub-Fund invests in Investee Fund whose objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The Investee Fund applies various investment strategies to accomplish its respective investment objectives. The Investee Fund finances its operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable units in its Investee Fund.

The change in fair value of the Investee Fund is included in the statement of comprehensive income in "net gain/(loss) on investments".

##### 3 Net gain on investments

	2016 HK\$
Net change in unrealised gain on investments	24,990,321
Net realised gain on sale of investments	71,623
	<hr/> <u>25,061,944</u>

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Number of units in issue and net assets attributable to unitholders

The Sub-Fund's capital is represented by the net assets attributable to unitholders and is classified as equity. Units are issued and redeemed in-kind and/or in cash. Creations and redemptions of units during the period are shown on the statement of changes in net assets attributable to unitholders. In accordance with the objectives and risk management policies outlined in note 10, the Sub-Fund endeavours to invest in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of listed securities where necessary.

The Sub-Fund uses last traded market price for fair valuation of financial assets for financial statements purpose. This is consistent with the inputs prescribed in the Sub-Fund's prospectus for the calculation of its per unit trading value for creations and redemptions.

The movements of the units for the period ended 30 September 2016 are as follows:

	Number of units
Creation of units	13,500,000
Redemption of units	(1,500,000)
	<hr/>
Units in issue at the end of the period	12,000,000
	<hr/> <hr/>
	HK\$
Net assets attributable to unitholders	221,528,986
	<hr/> <hr/>
Net assets value per unit	18.4607
	<hr/> <hr/>

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 5 Taxation

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

#### 6 Transactions with the related parties/Manager and its Connected Persons

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. 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 (the "SFC Code"). All transactions entered into during the period between the Sub-Fund and its related parties, including 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 has the below transactions with its related parties, including the Manager and its Connected Persons.

##### (a) Management fee

Management fee is currently charged at a rate of 0.28% per annum of the net asset value of the Sub-Fund, accrued daily and paid as soon as practicable after the last dealing day in each month. The Manager is entitled to receive a management fee of up to 2% per annum of the net asset value of the Sub-Fund. The Sub-Fund has a single fee structure whereby a single flat fee (i.e. management fee) is paid to the Manager to cover the fees, costs and expenses of the Sub-Fund (including, but not limited to, the Manager's fee, the Trustee's fee, the Registrar's fee, Custodian's fee, fees and expenses of the auditors, ordinary out-of-pocket expenses incurred by the Trustee or the Manager, and the costs and expenses of licensing the Index). The Management fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

##### (b) Bank balances

Bank balances are maintained with Bank of China (Hong Kong) Limited, a related company of the Trustee. Bank balances held as at 30 September 2016 was HK\$210,665. Interest amounted to HK\$26 was earned on these bank balances for the period ended 30 September 2016.

#### 7 Major non-cash transactions

During the period from 7 April 2016 (date of establishment) to 30 September 2016, the Sub-Fund issued 13,500,000 units, totaling HK\$218,277,450 in exchange for Index Baskets consisting of investments valued at HK\$218,060,183 and cash components of HK\$217,267.

During the period from 7 April 2016 (date of establishment) to 30 September 2016, the Sub-Fund redeemed 1,500,000 units, totaling HK\$24,095,100 in exchange for Index Baskets consisting of investments valued at HK\$23,939,283 and cash components of HK\$155,817.

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 8 Soft commission

The Manager may effect transactions, provided that any such transaction is consistent with standards of “best execution”, by or through the agency of another person for the account of the Sub-Fund with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Sub-Fund as a whole and may contribute to an improvement in the performance of the Sub-Fund. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees’ salaries or direct money payments.

Since the inception of the Sub-Fund, the Manager had not participated in any soft commission arrangements in respect of any transactions for the account of the Sub-Fund.

#### 9 Investment limitations and prohibitions under the SFC Code

Pursuant to the SFC’s Guidelines for Regulating Index Tracking Exchange Traded 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 Sub-Fund and after consultation with the SFC. The maximum limit for the Sub-Fund has been disclosed in its prospectus.

The Manager and Trustee have confirmed that the Sub-Fund have complied with this limit during the period from 7 April 2016 (date of establishment) to 30 September 2016.

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).

Constituent securities that account for more than 10% of the net asset value of the Sub-Fund as at 30 September 2016 were as follows:

	Respective weighting in the Index (%) 2016	% of net asset value 2016
<b>Hang Seng HK 35 Index</b>		
AIA Group Ltd	10.27	10.24

Except as disclosed above, there were no other securities that individually accounted for more than 10% of the net asset value of the Sub-Fund as at 30 September 2016.

During the period from 7 April 2016 (date of establishment) to 30 September 2016, the Hang Seng HK 35 Index increased by 16.20%, while the net asset value per unit of the Sub-Fund increased by 14.18%.

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 10 Financial risk management

##### (a) Strategy in using financial instruments

Investment objectives and investment policies

The Sub-Fund's investment objective is to provide investment results, before fees and expenses that closely correspond to the performance of the Hang Seng HK 35 Index ("Index"). The Manager seeks to achieve this investment objective by primarily adopting a full replication strategy. Using a replication strategy, the Sub-Fund will invest in all, or substantially all, the securities constituting the Index in the same, or substantially the same, weightings (i.e. proportions) as those securities have in the Index.

##### (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 securities investments present a risk of loss of capital. The Sub-Fund's market price risk is managed through diversification of investment portfolio. The Manager monitors the investments on a daily basis and rebalances the portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Index.

As at period end, the overall market exposure of the Sub-Fund was as follows:

	2016 HK\$	% of net assets
Held for trading:		
Listed investments		
Hong Kong		
Equities	211,406,924	95.43
Real estate investment trust ("REIT")	9,445,242	4.26
	<u>220,852,166</u>	<u>99.69</u>

The following table shows the net market exposures of the Sub-Fund by industry:

	2016 HK\$	% of net assets
By industry		
Consumer Discretionary	21,435,980	9.68
Consumer Staples	2,319,620	1.05
Financials	79,994,912	36.11
Industrials	25,299,559	11.42
Information Technology	1,210,010	0.54
Real Estate	60,111,120	27.13
Utilities	30,480,965	13.76
	<u>220,852,166</u>	<u>99.69</u>

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 10 Financial risk management (Continued)

##### (b) Market price risk (Continued)

All the Sub-Fund's securities are listed on the Hong Kong Stock Exchange. As the Sub-Fund is an index tracking fund, movements in the Index would cause substantially the same percentage change in the Sub-Fund's investments and hence its net asset value.

	2016 Change in index %	Impact HK\$
Hong Kong Hang Seng HK 35	<u>16.20</u>	<u>35,778,051</u>

The Manager has used their view of what would be a "reasonable shift" in the Index to estimate the change for use in the market sensitivity analysis above. Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index % are revised annually depending on the Manager's current view of market volatility and other relevant factor.

##### (c) Interest rate risk

The majority of the Sub-Fund's financial assets and liabilities are non-interest bearing. As a result, the Sub-Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

##### (d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Sub-Fund's financial assets which are potentially subject to credit risk consist principally of its bank balances and dividends receivable as at 30 September 2016. During the period, the Sub-Fund has had buy/sell transactions with brokers. Receivables from brokers for investments are subject to credit risk of the broker concerned. As at 30 September 2016, there were no receivables due from brokers. The Sub-Fund limits its exposure to credit risk by transacting with well-established broker-dealers and banks with high credit ratings.

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

As at 30 September 2016, bank balances of HK\$210,665 and investments of HK\$220,852,166 were placed with Bank of China (Hong Kong) Limited, the custodian of the Sub-Fund. The credit rating issued by Moody's was as follows:

Bank of China (Hong Kong) Limited	2016 A1
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As at 30 September 2016, dividends of HK\$522,697 were receivable from the Sub-Fund's investments, all of which are listed on the Hong Kong Stock Exchange.

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 10 Financial risk management (Continued)

##### (d) Credit risk (Continued)

Accordingly, the Sub-Fund has no significant credit risk.

The maximum exposure to credit risk at period end is the carrying amount of the bank balances and dividends receivable shown on the statement of financial position.

None of the financial assets is impaired nor past due but not impaired.

Bank of China (Hong Kong) Limited also acts as custodian for all of the Sub-Fund's investments. It is expected that all investments deposited with a custodian will be clearly identified, and segregated, as being assets of the Sub-Fund; the Sub-Fund should not therefore be exposed to credit risk with a custodian. However, it may not always be possible to achieve this segregation, so the Sub-Fund's investments may experience increased exposure to credit risk associated with the applicable custodian.

##### (e) 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 has no significant currency risk as all assets and liabilities are denominated in Hong Kong dollars, the Sub-Fund's functional and presentation currency.

##### (f) Liquidity risk

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

The Sub-Fund's investments are traded in an active market and can be readily disposed of. It is the intent of the Manager to monitor the Sub-Fund's liquidity position on a daily basis.

As at 30 September 2016, all of the Sub-Funds' financial liabilities are due within twelve months and therefore equal their carrying balances, as the impact of discounting is not significant. As at 30 September 2016, the Sub-Fund held investments and other liquid assets as stated in the Statement of Financial Position that are expected to readily generate cash inflows, normally within one month, for managing liquidity risk.

As at 30 September 2016, 3 unitholders held 92.16% of the Sub-Fund's total net assets.

##### (g) Capital risk management

The Sub-Fund's objective is to provide investment results that closely correspond to the performance of the Hang Seng HK 35 Index. The Manager may:

- Redeem and issue new units in accordance with the constitutive documents of the Sub-Fund, which include the ability to amend the Creation Unit and Redemption Unit size upon the approval of the Trustee;
- Suspend the creation and redemption of units under certain circumstances stipulated in the Trust Deed.

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 10 Financial risk management (Continued)

##### (h) 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 period end date. The Sub-Fund used last traded market price as its fair valuation inputs for its investments.

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.

IFRS 13 requires the Sub-Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 10 Financial risk management (Continued)

##### (h) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Sub-Fund's investments (by class) measured at fair value as at 30 September:

<u>As at 30 September 2016</u>				
Assets	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss				
- Equities	211,406,924	-	-	211,406,924
- Real estate investment trust	9,445,242	-	-	9,445,242
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets at fair value through profit or loss	220,852,166	-	-	220,852,166
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As of 30 September 2016, the Sub-Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 30 September 2016, the Sub-Fund did not hold any investments classified in level 3. There is no level 3 investment held by the Sub-Fund as at 30 September 2016.

The financial assets and liabilities included in the statement of financial position, other than investments which are carried at fair value, are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

## **AMUNDI ETF SERIES**

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

#### **10 Financial risk management (Continued)**

##### **(h) Fair value estimation (Continued)**

As at 30 September 2016, the Sub-Fund invests in 1 Investee Fund which is a real estate investment trust and represents approximately 4.26% of the Sub-Fund's net assets attributable to unitholders.

The Sub-Fund's investments in Investee Fund is subject to the terms and conditions of the Investee Fund's offering documentation and is susceptible to market price risk arising from uncertainties about future values of its Investee Fund. The Manager makes investment decisions in line with the index constituent composition. The Investee Fund in the investment portfolio is managed by portfolio manager who is compensated by the Investee Fund for its services. Such compensation generally consists of an asset based fee and is reflected in the valuation of the Fund's investments in the Investee Fund.

The right of the Sub-Fund to request redemption of its investments in Investee Fund is on a daily basis. These investments are included in investments in the statement of financial position.

The Sub-Fund's holding in a third party Investee Fund, as a percentage of the Investee Fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the Investee Fund level. It is possible that the Sub-Fund may, at any point in time, hold a majority of an Investee Fund's total units in issue.

The Sub-Fund's maximum exposure to loss from its interests in Investee Fund is equal to the total fair value of its investments in Investee Fund.

Once the Sub-Fund has disposed of its units in an Investee Fund the Fund ceases to be exposed to any risk from that Investee Fund.

Total purchases in Investee Fund during the period from 7 April 2016 (date of establishment) to 30 September 2016 were HK\$8,559,248. As at 30 September 2016 there were no capital commitment obligations. There was no amount due to Investee Fund for unsettled purchases as at 30 September 2016.

During the period from 7 April 2016 (date of establishment) to 30 September 2016, total net gains incurred on investments in Investee Fund were HK\$2,012,080.

## AMUNDI ETF SERIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Distributions

The Manager may in its absolute discretion distribute income to the Sub-Fund's unitholders at such time or times as it may determine in each financial year or determine that no distribution shall be made in any financial year. The amount to be distributed to unitholders, if any, will be derived from the net income of the Sub-Fund.

During the period ended 30 September 2016, the following distributions were made:

#### AMUNDI Hang Seng HK 35 Index ETF

HK\$0.25 per unit on 12,000,000 units, on ex-date 29 June 2016	HK\$3,000,000
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#### 12 Segment information

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

The Manager is responsible for the Sub-Fund's entire portfolio and considers the business to have a single operating segment. The Manager's asset allocation decisions are based on a single, integrated investment strategy and the Sub-Fund's performance is evaluated on an overall basis.

The Sub-Fund trades in the constituent shares of the Hang Seng HK 35 Index with the objective to provide investment results that closely correspond to the performance of the Index.

The internal reporting provided to the Manager for the Sub-Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

There were no changes in the reportable segment during the period ended 30 September 2016.

The Sub-Fund is domiciled in Hong Kong. All of the Sub-Fund's income is derived from investments in equities and funds listed in Hong Kong.

The Sub-Fund has no assets classified as non-current assets. The Sub-Fund has a diversified portfolio of investments. During the period ended 30 September 2016, there were two investments which accounted for more than 10% of the Sub-Fund's income. As at 30 September 2016, there was one investment which accounted for more than 10% of the Sub-Fund's net assets.

#### 13 Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 26 January 2017.

**AMUNDI ETF SERIES**

**INVESTMENT PORTFOLIO - AMUNDI HANG SENG HK 35 INDEX ETF (UNAUDITED)  
AS AT 30 SEPTEMBER 2016**

	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of net assets</b>
<b>Listed investments</b>			
<b>Equities</b>			
<b>Hong Kong</b>			
AIA GROUP LTD	440,756	22,720,972	10.24
ASM PACIFIC TECHNOLOGY LTD	18,936	1,210,010	0.55
BANK OF EAST ASIA LTD	99,841	3,139,999	1.42
BOC HONG KONG (HLDGS) LTD	271,932	7,124,618	3.22
CATHAY PACIFIC AIRWAYS LTD	92,960	1,003,968	0.45
CHEUNG KONG INFRASTRUCTURE HLDGS LTD	48,781	3,253,693	1.47
CHEUNG KONG PROPERTY HLDGS LTD	199,552	11,294,643	5.10
CK HUTCHISON HLDGS LTD	200,109	19,730,747	8.91
CLP HLDGS LTD	139,559	11,185,654	5.05
GALAXY ENTERTAINMENT GROUP LTD	174,291	5,089,297	2.30
HANG LUNG PROPERTIES LTD	146,659	2,557,733	1.15
HANG SENG BANK LTD	56,203	7,784,116	3.51
HENDERSON LAND DEVELOPMENT CO LTD	81,369	3,742,974	1.69
HONG KONG & CHINA GAS CO LTD	567,990	8,315,374	3.75
HONG KONG EXCHANGES & CLEARING LTD	85,079	17,339,100	7.83
HSBC HLDGS PLC	382,959	21,886,107	9.88
HYSAN DEVELOPMENT CO LTD	45,672	1,660,177	0.75
LI & FUNG LTD	424,056	1,683,502	0.76
MGM CHINA HLDGS LTD	68,376	920,341	0.42
MTR CORP LTD	106,905	4,564,844	2.06
NEW WORLD DEVELOPMENT CO LTD	414,583	4,178,997	1.89
POWER ASSETS HLDGS LTD	102,199	7,726,244	3.49
SANDS CHINA LTD	177,910	5,986,672	2.70
SINO LAND CO LTD	229,162	3,144,103	1.42
SJM HLDGS LTD	162,888	928,462	0.42
SUN HUNG KAI PROPERTIES LTD	95,914	11,231,529	5.07
SWIRE PACIFIC LTD 'A'	36,931	3,085,585	1.39
SWIRE PROPERTIES LTD	87,416	1,984,343	0.90
TECHTRONIC INDUSTRIES CO LTD	115,867	3,510,770	1.58
WH GROUP LTD	371,734	2,319,620	1.05
WHARF HLDGS LTD	89,962	5,078,355	2.29
WHEELOCK & CO LTD	59,179	2,707,439	1.22
WYNN MACAU LTD	120,200	1,543,368	0.70
YUE YUEN INDUSTRIAL HLDG	55,424	1,773,568	0.80
		<hr/> 211,406,924 <hr/>	<hr/> 95.43 <hr/>
<b>REIT</b>			
<b>Hong Kong</b>			
LINK REAL ESTATE INVESTMENT TRUST	165,706	9,445,242	4.26
Total listed investments		<hr/> 220,852,166 <hr/>	<hr/> 99.69 <hr/>
Total investments, at cost		<hr/> <hr/> 195,861,845 <hr/> <hr/>	

**AMUNDI ETF SERIES**

**STATEMENT OF MOVEMENTS IN PORTFOLIO - AMUNDI HANG SENG HK 35 INDEX ETF  
(UNAUDITED)  
AS AT 30 SEPTEMBER 2016**

	<b>Percentage holdings of net assets 2016 %</b>
<b>Listed investments</b>	
Equities	95.43
REIT	4.26
Total listed investments	<u>99.69</u>

**AMUNDI ETF SERIES****PERFORMANCE RECORD (UNAUDITED)****Net asset values**

	Net asset value per unit	Net asset value of the Sub- Fund
	HK\$	HK\$
At end of financial period dated		
30 September 2016	18.4607	221,528,986

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

	Highest net asset value per unit	Lowest net asset value per unit
	HK\$	HK\$
Financial period ended		
30 September 2016	18.9424	15.8208

**Performance of the Sub-Fund**

	Index performance %	Sub-Fund performance %
Financial period ended		
30 September 2016	16.20	14.18