

MIRAE ASSET HORIZONS EXCHANGE TRADED FUND SERIES II

INTERIM FINANCIAL STATEMENTS

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

(A SUB-FUND OF MIRAE ASSET HORIZONS EXCHANGE TRADED FUNDS
SERIES II)

RESTRICTED

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
(A Sub-Fund of Mirae Asset Horizons Exchange Traded Funds Series II)

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IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and are subject to change. For more information about Mirae Asset Horizons Exchange Traded Funds Series II, please refer to the prospectus of the Mirae Asset Horizons Exchange Traded Funds Series II which is available at our website: www.horizonsetfs.com.hk.

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

RESTRICTED

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
(A Sub-Fund of Mirae Asset Horizons Exchange Traded Funds Series II)

STATEMENT OF NET ASSETS

As at 30 September 2017 (unaudited)

	Notes	As at 30 September 2017 (unaudited) HK\$	As at 31 March 2017 (audited) HK\$
ASSETS			
Financial assets at fair value through profit or loss	10	911,196	1,151,472
Amount due from a broker	6	6,941,262	6,844,632
Amount due from the Manager	5(h)	410,445	166,759
Interest receivables		30,502	44,146
Cash and cash equivalents	5(e)	41,478,364	37,512,142
TOTAL ASSETS		<u>49,771,769</u>	<u>45,719,151</u>
LIABILITIES			
Management fee payable	5(a)	267,787	87,422
Trustee fee payable	5(b)	78,000	4,584
Formation fee payable	5(c)(i)	1,704,010	1,704,010
Administration fee payable	5(c)(ii)	67,265	19,263
TOTAL LIABILITIES		<u>2,117,062</u>	<u>1,815,279</u>
EQUITY			
Net assets attributable to unitholders	3(a)	<u>47,654,707</u>	<u>43,903,872</u>
TOTAL LIABILITIES AND EQUITY		<u>49,771,769</u>	<u>45,719,151</u>
Number of units in issue	3(b)	<u>11,250,000</u>	<u>9,500,000</u>
Net asset value per unit	3(b)	<u>4.2360</u>	<u>4.6215</u>

The accompanying notes are an integral part of these financial statements.

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017 (unaudited)

	Notes	For the six months ended 30 September 2017 (unaudited) HK\$
INCOME		
Interest income		80,841
Net loss on financial assets at fair value through profit or loss	4	(4,049,227)
Net exchange loss		(53,626)
		<u>(4,022,012)</u>
EXPENSES		
Management fee	5(a)	(180,365)
Trustee fee	5(b)	(28,859)
Transaction costs on financial assets at fair value through profit or loss		(30,870)
Administration fee	5(c)(ii)	(16,834)
		<u>(256,928)</u>
Total comprehensive loss for the period		<u><u>(4,278,940)</u></u>

The accompanying notes are an integral part of these financial statements.

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
(A Sub-Fund of Mirae Asset Horizons Exchange Traded Funds Series II)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 September 2017 (unaudited)

	For the six months ended 30 September 2017 (unaudited) HK\$
Net assets attributable to unitholders at the beginning of the period	43,903,872
Issue of units during the period	8,029,775
Net issue of units	<u>8,029,775</u>
Total comprehensive loss for the period	(4,278,940)
Net assets attributable to unitholders at the end of period	<u><u>47,654,707</u></u>

The accompanying notes are an integral part of these financial statements.

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
(A Sub-Fund of Mirae Asset Horizons Exchange Traded Funds Series II)

STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017 (unaudited)

	Note	For the six months ended 30 September 2017 (unaudited) HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive loss for the period		(4,278,940)
Adjustments for:		
Interest income		(80,841)
Decrease in financial assets at fair value through profit or loss		240,276
Increase in amount due from the broker		(96,630)
Increase in amount due from the Manager		(243,686)
Increase in management fee payable		180,365
Increase in trustee fee payable		73,416
Increase in administration fee payable		48,002
Cash used in operations		<u>(4,158,038)</u>
Interest received		94,485
Net cash flows used in operating activities		<u>(4,063,553)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units		8,029,775
Net cash flows generated from financing activities		<u>8,029,775</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period		<u>37,512,142</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>41,478,364</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	5(e)	18,362,757
Time deposits	5(e)	23,115,607
Cash and cash equivalents as stated in the statement of cash flows		<u><u>41,478,364</u></u>

The accompanying notes are an integral part of these financial statements.

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
(A Sub-Fund of Mirae Asset Horizons Exchange Traded Funds Series II)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mirae Asset Horizons Exchange Traded Funds Series II (the “Trust”), is an umbrella unit trust, governed by its trust deed dated 25 May 2016 as amended by supplemental deed dated 25 May 2016 (collectively, the “Trust Deed”) between Mirae Asset Global Investments (Hong Kong) Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee” and “Registrar”). The Trust Deed is governed by Hong Kong law.

As at 30 September 2017, the Trust has established Mirae Asset Horizons S&P Crude Oil Futures Enhanced ER ETF, a sub-fund (the “Sub-Fund”) of the trust, which is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to section 104(1) of the Securities and Futures Ordinance. The Sub-Fund is listed on the Stock Exchange of Hong Kong Limited (a subsidiary of The Hong Kong Exchanges and Clearing Limited) on 16 June 2016.

The Manager and the Trustee (collectively, the “Management”) are responsible for the preparation of the financial statements.

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the S&P GSCI Crude Oil Enhanced Index Excess Return (the “Index”). The Index tracks the price of the West Texas Intermediate crude oil (also known as Texas light sweet crude oil) Futures Contracts (the “WTI Futures Contracts”) with different expiration dates traded on New York Mercantile Exchange, which is an exchange of the Chicago Mercantile Exchange Group Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements are unaudited and are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting and the relevant disclosure provisions of the Trust Deed, and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the “SFC Code”).

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements.

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

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Fund of the SFC (the “SFC Code”). The financial statements have been prepared under the historical cost convention, except for financial assets classified as fair value through profit or loss that have been measured at fair value.

The preparation of financial statements, in conformity with IFRSs, requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts recognised in the financial statements and disclosure of contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Going concern

The Management has made an assessment of the Sub-Fund's ability to continue as a going concern and is satisfied that the Sub-Fund has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Sub-Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense that is already recorded. The Sub-Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which the Sub-Fund invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile.

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

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with the financial statements as at 31 March 2017.

ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Sub-Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS 9 Financial Instruments (continued)

The Sub-Fund plans to adopt the new standard on the required effective date. During 2016, the Sub-Fund has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Sub-Fund in the future. Overall, the Sub-Fund expects no significant impact on the statement of net assets except for the effect of applying the impairment requirements of IFRS 9. The Sub-Fund expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

The Sub-Fund does not expect a significant impact on the statement of net assets on applying the classification and measurement requirements of IFRS 9. The Sub-Fund expects to continue measuring at fair value all financial assets currently held at fair value.

(b) Financial instruments

Classification

The Sub-Fund classifies its financial assets and liabilities into the following categories in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets at fair value through profit or loss

The Sub-Fund classifies its investments as “financial assets at fair value through profit or loss” in accordance with IAS 39. All financial assets at fair value through profit or loss are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategy of the Sub-Fund.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Fund includes in this category amounts relating to amount due from a broker, amount due from the Manager and interest receivable.

Financial liabilities

This category includes all financial liabilities, including management fee payable, trustee fee payable, formation fee payable, and administration fee payable.

Recognition

The Sub-Fund recognises a financial asset or a financial liability when, and only when, they become a party to the contractual provisions of the instrument. Purchases and sales of financial assets at fair value through profit or loss are accounted for on the trade date basis.

Initial measurement

Financial assets at fair value through profit or loss are initially recognised at fair value, excluding transaction costs which are expensed as incurred.

Loans and receivables and financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Initial measurement (continued)

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Sub-Fund recognises the difference in profit or loss, unless specified otherwise.

Subsequent measurement

After initial measurement, financial assets at fair value through profit or loss are subsequently re-measured at fair value. Realised gains and losses and change in unrealised gains and losses on financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

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

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired, or where the Sub-Fund has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either the Sub-Fund has transferred substantially all the risks and rewards of the asset or the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained. The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Fair value Measurement

The Sub-Fund measures its investments in financial instruments at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or,
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Sub-Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments that are listed or traded on an exchange is based on quoted last traded market prices.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivative financial instruments

Derivative financial instruments are recorded on a mark-to-market basis. Fair values are determined by using quoted market prices for futures contracts or calculated by reference to changes in specified prices of an underlying asset or otherwise determined notional amount for swap contracts. All derivatives are carried as assets when amounts are receivable by the Sub-Fund and as liabilities when amounts are payable by the Sub-Fund.

Unrealised gains and losses arising from change in fair value, and realised gains and losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income

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

(d) Expenses

Expenses are recognised on an accrual basis.

(e) Cash component

Cash component represents the aggregate net asset value of all the units in connection with a creation or a redemption application less the application basket value.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of net assets comprise short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

(g) 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 (“HK\$”). The Management considers the HK\$ as the currency that most faithfully represent the economic effects of the underlying transactions, events and conditions. The financial statements of the Sub-Fund are presented in HK\$, 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. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency using the exchange rate ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses arising from translation are included in profit or loss.

Foreign exchange gains and losses relating to cash and cash equivalents are included in profit or loss within “net exchange gain”.

Foreign exchange gains and losses relating to the financial instruments classified as at fair value through profit or loss are included in profit or loss within “net loss on financial assets at fair value through profit or loss”.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units

Redeemable units are classified as an equity instrument when:

- (a) The redeemable units entitle the holder to a pro-rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation;
- (b) The redeemable units are in the class of instruments that is subordinate to all other classes of instruments;
- (c) All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features;
- (d) The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro-rata share of the Sub-Fund's net assets; or
- (e) The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund over the life of the instrument.

In addition to the redeemable units having all the above features, the Sub-Fund must have no other financial instrument or contract that has:

- (a) Total cash flows based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund; and
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under the revised IAS 32 and are classified as equity.

The Sub-Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Sub-Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of redeemable units, the consideration received is included in equity.

Transaction costs incurred by the Sub-Fund in issuing of its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

The Sub-Fund's own equity instruments which are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

No gain or loss is recognised in profit or loss on the purchase, sale, issuance or cancellation of the Sub-Fund's own equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units (continued)

Redeemable units can be redeemed 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 unitholders with the total number of outstanding units of the respective Sub-Fund. Units are created or redeemed in minimum of 250,000 units or multiples thereof for the Sub-Fund.

(i) 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.

(j) Amount due from a broker

Amount due from a broker represent receivables for securities sold that have been contracted for but not yet delivered on the reporting date.

These amounts are measured initially at fair value plus any directly attributable incremental costs of acquisition or issue and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from the broker. Gains and losses are recognised in profit or loss when the amount due from a broker is derecognised or impaired.

(k) Impairment of financial assets

The Sub-Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been occurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as 'Credit loss expense'.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Sub-Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to profit or loss.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Net change in unrealised gains or losses on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets as 'at fair value through profit or loss'.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period unrealised gains and losses for financial instruments which were realised in the reporting period.

(m) Net realised gains or losses on disposal of financial instruments

Net realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the weighted average method. They represent the difference between an instrument's average cost and disposal amount.

(n) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of net assets if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(o) Taxes

In some jurisdictions, investment income and capital gains are subject to withholding tax deducted from the source of the income. The Sub-Fund presents the withholding tax separately from the gross investment income in profit or loss. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

(p) Distributions to unitholders

Distributions are at the discretion of the Manager. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. A proposed distribution is recognised as a liability in the period in which it is approved by the Manager. No distribution will be paid out of or effectively out of the Sub-Fund's capital.

(q) Formation fee

Formation fees are recognised as an expense in the period in which it is incurred.

(r) Transactions costs

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

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
(A Sub-Fund of Mirae Asset Horizons Exchange Traded Funds Series II)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties

A party is considered to be related to the Sub-Fund if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Sub-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-Fund are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of group of which it is a part, provides key management personnel services to the Sub-Fund or to the parent of the Sub-Fund.

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS

(a) Net assets attributable to unitholders

The creation and redemption of units of the Sub-Fund can only be facilitated by or through participating dealers. Investors other than the participating dealers make a request to create or redeem units through a participating dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a participating dealer.

The Trustee shall receive subscription proceeds from the participating dealers for the creation of units and pay redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed. Subscriptions and redemptions of units during the period are shown on the statement of changes in net assets attributable to unitholders.

As stated in note 2(h), units of the Sub-Fund, which are represented by assets less liabilities, are classified as equity and accounted for in accordance with IFRSs (the "Accounting NAV"). For the purpose of determining the NAV per unit for subscriptions and redemptions and for various fee calculations (the "Dealing NAV"), the Trustee calculates the Dealing NAV in accordance with the provisions of the Trust Deed, which may be different from the accounting policies under IFRSs.

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NOTES TO THE FINANCIAL STATEMENTS

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS
(CONTINUED)

(a) Net assets attributable to unitholders

Reconciliation between accounting NAV and dealing NAV

Adjustment for formation fee

The formation fee of establishing the Sub-Fund was HK\$1,736,116. The formation fee will be amortised over the first 5 financial years of the Sub-Fund. However, with respect to the Sub-Fund for the purpose of financial statements preparation in compliance with IFRSs, its accounting policy is to expense the formation fee in the profit or loss as incurred.

The difference between the Accounting NAV reported in the statement of net assets and the Dealing NAV for the purpose of calculating the net asset value per unit for processing subscriptions and redemptions and for various fee calculations as at 30 September 2017 and 31 March 2017 is reconciled below:

	As at 30 September 2017 (unaudited) HK\$	As at 31 March 2017 (audited) HK\$
Accounting NAV as reported in the statement of net assets	47,654,707	43,903,872
Adjustment for formation fee	1,787,363	1,704,010
Dealing NAV	<u>49,442,070</u>	<u>45,607,882</u>

(b) Movement of units

The table below summarises the movement of units for the period ended 30 September 2017 and 31 March 2017, and the Accounting NAV per unit and the Dealing NAV per unit of the Sub-Fund as at 30 September 2017 and 31 March 2017.

	As at 30 September 2017 (unaudited) Number of units	As at 31 March 2017 (audited) Number of units
Units in issue at beginning of period	9,500,000	-
Creation during the period	1,750,000	35,750,000
Redemption during the period	-	(26,250,000)
Units in issue at end of period	<u>11,250,000</u>	<u>9,500,000</u>
	Net assets attributable to unitholders	Net assets attributable to unitholders
	<u>HK\$</u>	<u>HK\$</u>
Accounting NAV per unit at period end	4.2360	4.6215
Dealing NAV per unit at period end	4.3949	4.8008

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4. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is a breakdown of net loss on financial assets at fair value through profit or loss:

	For the six months ended 30 September 2017 (unaudited) HK\$
Net realised loss on sale of financial assets at fair value through profit or loss	(240,276)
Net change in unrealised loss on financial assets at fair value through profit or loss	(3,808,951)
	<u>(4,049,227)</u>

5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS

Related parties are those as defined in note 2(s). Related parties of the Sub-Fund also include the Manager of the Sub-Fund and its connected persons. Connected persons of the Manager are those as defined in 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 does not have any other transactions with its related parties, including the Manager and its connected persons except for those disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee of up to 0.99% per year of the net asset value of the Sub-Fund. The current management fee in respect of the Sub-Fund is 0.75% of the net asset value and is accrued daily and calculated as at each dealing day and payable monthly in arrears.

(b) Trustee and Registrar fees

The Trustee is entitled to receive a trustee fee, of up to 1% per year of the net asset value of the Sub-Fund, currently at the rate of 0.12% per annum of net asset value of Sub-Fund, subject to a monthly minimum of HK\$78,000 and waived for 12 calendar months from the Listing Date, calculated as at each dealing day, accrued daily and payable monthly in arrears. The Trustee is also entitled to receive a transaction fee of HK\$120 on each open and closed WTI Futures Contract of the Sub-Fund.

The Trustee shall also be entitled to be reimbursed out of the assets of the Sub-Fund all out-of-pocket expenses incurred.

The Registrar is entitled to a registrar fee and a transaction fee for any creation and redemption of Units of the Sub-Fund. The Registrar is entitled to receive from the Sub-Fund a registrar fee of HK\$160 per participating dealer per transaction for updating of the register record of the Sub-Fund and from the participating dealer a transaction Fee of HK\$4,000 per participating dealer per transaction for handling any cash creation and redemption of units of the Sub-Fund.

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5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS
(CONTINUED)

(b) Trustee and Registrar fees (continued)

The tables below list the breakdown of the trustee fee incurred by the Sub-Fund.

	For the six months ended 30 September 2017 (unaudited)		
	Portion borne by the Sub-Fund HK\$	Portion borne by the Manager HK\$	Total HK\$
Trustee fee	28,859	258,444	287,303
	<u>28,859</u>	<u>258,444</u>	<u>287,303</u>
(c) Other expenses			

(i) *Formation fee*

During the period ended 31 March 2017, the formation fee for establishing the Sub-Fund, which was newly launched, was HK\$1,736,116. For the six months ended 30 September, 2017 there was no establishment fee incurred for the Sub-Fund. The formation fee for the Sub-Fund is payable to the Manager.

(ii) *Administration fee*

The Manager is responsible for the payment of several fees, such as audit fee, index licensing fee, and other administration fee of the Sub-Fund. The Manager is entitled to receive a recharge of the administration fee, calculated at 0.07% per annum on the net asset value of the Sub-Fund at each dealing day and payable monthly in arrears.

The tables below list the breakdown of the administration fee incurred by the Sub-Fund.

	For the six months ended 30 September 2017 (unaudited)		
	Portion borne by the Sub-Fund HK\$	Portion borne by the Manager HK\$	Total HK\$
Audit fee	1,930	29,130	31,060
Index licensing fee	7,215	70,572	77,786
Other administration fee	7,689	116,054	123,743
	<u>16,834</u>	<u>215,756</u>	<u>232,589</u>

(d) Bank charges

No Bank charges were charged for the Sub-Fund for the six months ended 30 September 2017.

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5. TRANSACTIONS WITH THE TRUSTEE/MANAGER AND ITS CONNECTED PERSONS
(CONTINUED)

(e) Cash and cash equivalents

	Notes	As at 30 September 2017 (unaudited) HK\$	As at 31 March 2017 (audited) HK\$
Bank balances	(i)	18,362,757	14,489,041
Time deposits	(ii)	23,115,607	23,023,101
Cash and cash equivalents		<u>41,478,364</u>	<u>37,512,142</u>

Notes

- (i) As at 30 September 2017 and 31 March 2017, the bank balances were held with The Hong Kong and Shanghai Banking Corporation Limited, a related company of the Trustee.
- (ii) As at 30 September 2017 and 31 March 2017, the time deposits were placed with Bank of China (Hong Kong) Limited with a maturity of less than three months.

The carrying amounts of the cash and cash equivalents approximate their fair value. Interest income was earned on these cash and cash equivalents during the period ended 30 September 2017 and 31 March 2017.

(f) Holdings of units

As at 30 September 2017, Mirae Asset Securities (HK) Ltd, a related company of the Manager, held 5,072,000 (31 March 2017: 5,072,000) units of the Sub-Fund and The Hong Kong and Shanghai Banking Corporation Limited, a related company of the Trustee, held 182,500 (31 March 2017: 68,000) units of the Sub-Fund. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

(g) Application fee payable

For each application of unit creation and unit redemption, the Trustee is entitled to transaction fee of HK\$4,000 which is borne by the participating dealer. The transaction fee would be paid to the Sub-Fund or may be set off and deducted against any cash components. The Sub-Fund would pay the transactions fee to the Trustee on behalf of the participating dealer.

As at six months ended 30 September 2017, no transaction fee was due to the Trustee by the Sub-Fund.

(h) Amount due from the Manager

As at 30 September 2017, the amount due from the Manager amounted to HK\$ 410,445 (31 March 2017: HK\$166,759). These amounts are relating to certain administration fees paid by the Sub-Fund which will be reimbursed by the Manager.

6. AMOUNT DUE FROM A BROKER

As at 30 September 2017, the amount due from a broker amounted to HK\$ 6,941,262 (31 March 2017: HK\$6,844,632) which represent cash held with KGI Asia Limited.

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7. SOFT COMMISSION ARRANGEMENTS

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 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 has not participated in any soft commission arrangements in respect of any transactions for the account of the Sub-Fund.

8. TAXATION

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

9. DISTRIBUTIONS TO UNITHOLDERS

The Manager may in its absolute discretion distribute income to unitholders annually (usually in March of each financial year) or determine that no distribution shall be made in any financial year. Distributions may not be paid if the cost of the Sub-Fund’s operations is higher than the yield from management of the Sub-Fund’s cash and holdings of investments. The Sub-Fund did not make any distribution for the period.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Futures contracts

Futures contracts are a commitment to make or take future delivery of various commodities, currencies or financial instruments at a specified time and place. These commitments can be discharged by making or taking delivery of an approved grade of commodity, currency and financial instrument by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same (or a linked) exchange prior to the designated date of delivery. As at 30 September 2017, the initial margin requirements for futures are met in cash or other instruments which amounted to USD275,110 (31 March 2017: USD338,800) (equivalent to approximately HK\$2,148,802) (31 March 2017: HK\$2,632,984)).

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10. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The following futures contracts were unsettled at the date of the statement of net assets:

At 30 September 2017 (unaudited)

Type of contract	Underlying Investment	Expiration date	Contracts	Nominal amount HK\$	Fair value HK\$
Futures	Crude oil	31/12/2018	122	49,093,686	911,196

At 31 March 2017 (audited)

Type of contract	Underlying Investment	Expiration date	Contracts	Nominal amount HK\$	Fair value HK\$
Futures	Crude oil	20/11/2017	112	45,330,849	1,151,472

11. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

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:

- (a) the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the tracked index and;
- (b) the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the tracked index, except where weightings are exceeded as a result of changes in the composition of the tracked index and the excess is only transitional and temporary in nature.

There were no constituent securities that individually accounted for more than 10% of the net asset value of the Sub-Fund and the respective weightings of the S&P GSCI Crude Oil Enhanced Index Excess Return as at 30 September 2017 and 31 March 2017.

12. SEGMENT INFORMATION

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

The Manager considers that each Sub-Fund has a single operating segment which is investing in crude oil futures. The objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Index.

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

There were no changes in the reportable segment during the period.

The Sub-Fund is domiciled in Hong Kong. All of the Sub-Fund's income is derived from investments in future contracts of the tracked Index.

The Sub-Fund has no assets classified as non-current assets.

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
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INVESTMENT PORTFOLIO (UNAUDITED)

As at 30 September 2017

			Market value	% of net
			HK\$	assets
Futures contracts	Expiration date	Contracts		
WTI CRUDE FUTURE DEC18	31/12/2018	122	911,196	1.91%
Total investments, at fair value			<u>911,196</u>	
Total investments, at cost			<u>-</u>	

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the period from 1 April 2017 to 30 September 2017

	Holdings			30 September 2017
	1 April 2017	Additions	Disposals	
Futures contracts				
USA				
WTI CRUDE FUTURE DEC17	112	20	132	-
WTI CRUDE FUTURE DEC18	-	248	126	122
WTI CRUDE FUTURE OCT17	-	128	128	-

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PERFORMANCE RECORD (UNAUDITED)

NET ASSET VALUE

	Dealing net asset value HK\$	Dealing net asset value per unit HK\$
As at 30 September 2017	49,442,070	4.3949
As at 31 March 2017	45,607,882	4.8008

HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$
As at 30 September 2017	5.0446	4.0126
Period from 10 June 2016 (date of inception) to 31 March 2017	5.2713	4.3237

COMPARISON OF THE SCHEME PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE

The table below illustrates the comparison between the Sub-Fund's performance (Market-to-Market) and that of the Index:

	Sub-Fund performance %	Index performance %
As at 30 September 2017	(8.45)	(8.38)

*The tracking index of the Sub-Fund is an excess return index ("Excess Return" does not mean any additional return on the ETF's performance), which means the Index measures the returns accrued from investing in uncollateralised WTI Futures Contracts (i.e. the sum of the price return and the roll return associated with an investment in WTI Futures Contracts).

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MANAGEMENT AND ADMINISTRATION

Manager

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Directors of the Manager

Mr. Hyeon Joo Park
Mr. Jung Ho Rhee
Mr. Wan Youn Cho
Mr. Byung Ha Kim

Trustee and Registrar

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Service Agent

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Legal Counsel to the Manager

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