

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 2019

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

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.

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 2019 (unaudited)

	Notes	As at 30 September 2019 (unaudited) HK\$	As at 31 March 2019 (audited) HK\$
ASSETS			
Financial assets at fair value through profit or loss	10	-	5,319,597
Amount due from a broker	6	8,944,291	6,429,605
Amount due from the Manager	5(g)	8,339	72,382
Interest receivables		95,698	71,254
Cash and cash equivalents	5(e)	23,628,015	23,621,779
TOTAL ASSETS		<u>32,676,343</u>	<u>35,514,617</u>
LIABILITIES			
Financial liabilities at fair value through profit or loss	10	1,283,153	-
Management fee payable	5(a)	21,009	22,275
Trustee fee payable	5(b)	11,500	11,737
Formation fee payable	5(c)(i)	1,608,633	1,704,010
Administration fee payable	5(c)(ii)	127,366	84,398
TOTAL LIABILITIES		<u>3,051,661</u>	<u>1,822,420</u>
EQUITY			
Net assets value attributable to unitholders	3(a)	<u>29,624,682</u>	<u>33,692,197</u>
TOTAL LIABILITIES AND EQUITY		<u>32,676,343</u>	<u>35,514,617</u>
Number of units in issue	3(b)	<u>7,250,000</u>	<u>7,250,000</u>
Net asset value per unit	3(b)	<u>4.0862</u>	<u>4.6472</u>

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

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019 (unaudited)

	Notes	For the six months ended 30 September 2019 (unaudited) HK\$	For the six months ended 30 September 2018 (unaudited) HK\$
INCOME			
Interest income		178,952	165,120
Net (loss)/gain on financial assets at fair value through profit or loss	4	(4,048,895)	8,626,002
Net exchange loss		(4,258)	(57,110)
		<u>(3,874,201)</u>	<u>8,734,012</u>
EXPENSES			
Management fee	5(a)	(126,436)	(197,611)
Trustee fee	5(b)	(20,229)	(31,618)
Transaction costs on financial assets at fair value through profit or loss		(34,848)	(48,371)
Administration fee	5(c)(ii)	(11,801)	(18,444)
		<u>(193,314)</u>	<u>(296,044)</u>
(Loss)/profit and total comprehensive income for the period		<u>(4,067,515)</u>	<u>8,437,968</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 CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 September 2019 (unaudited)

	For the six months ended 30 September 2019 (unaudited) HK\$	For the six months ended 30 September 2018 (unaudited) HK\$
Net assets attributable to unitholders at the beginning of the period	33,692,197	50,512,146
Redemption of units during the period	-	(14,648,500)
Net redemption of units	-	(14,648,500)
(Loss)/profit and total comprehensive income for the period	(4,067,515)	8,437,968
Net assets attributable to unitholders at the end of period	29,624,682	44,301,614

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 2019 (unaudited)

	Note	For the six months ended 30 September 2019 (unaudited) HK\$	For the six months ended 30 September 2018 (unaudited) HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit and total comprehensive income for the period		(4,067,515)	8,437,968
Adjustments for:			
Interest income		(178,952)	(165,120)
Decrease/(increase) in financial assets and financial liabilities at fair value through profit or loss		6,602,750	(534,259)
Increase in amounts due from a broker		(2,514,686)	(7,992,515)
Decrease/(increase) in amount due from the Manager		64,043	(48,165)
(Decrease)/increase in management fee payable		(1,266)	197,610
Decrease in trustee fee payable		(237)	(1,114)
Decrease in formation fee payable		(95,377)	-
(Decrease)increase in administration fee payable		42,968	(40,476)
Increase in other payables and accruals		-	59,040
Cash used in operations		<u>(148,272)</u>	<u>(87,031)</u>
Interest received		154,508	125,899
Net cash flows from operating activities		<u>6,236</u>	<u>38,868</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on redemption of units		-	(14,648,500)
Net cash flows used in financing activities		<u>-</u>	<u>(14,648,500)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		23,621,779	40,675,937
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>23,628,015</u>	<u>26,066,305</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	5(e)	3,000,988	2,778,880
Time deposits	5(e)	20,627,027	23,287,425
Cash and cash equivalents as stated in the statement of cash flows		<u>23,628,015</u>	<u>26,066,305</u>

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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 2019, 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 (“FVPL”) 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.

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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.

STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE 1ST JANUARY 2019.

The Sub-Fund has not applied the following new and revised IFRS that have been issued and are effective for reporting periods beginning on or after 1st January 2019.

- IFRIC 23 - Uncertainty over Income tax treatments
- Annual Improvements to IFRS Standards 2015-2017 Cycle

None of these are expected to have a material impact on the financial statements of the Fund.

(b) Financial instruments

(i) ***Classification***

In accordance with IFRS 9, the Sub-Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(i) *Classification (continued)*

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets

The Sub-Fund classifies its financial assets as subsequently measured at amortised cost or measured at FVPL on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Sub-Fund includes in this category short-term non-financing receivables including amount due from a broker, amount due from the Manager, interest receivables and cash and cash equivalents.

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Sub-Fund includes in this category:

- Instruments held for trading. This category includes derivative contracts in an asset position.

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(i) ***Classification (continued)***

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities. The Sub-Fund includes in this category management fee payable, trustee fee payable, formation fee payable and administration fee payable.

(ii) ***Recognition***

The Sub-Fund recognises a financial asset or a financial liability when, and only when, it becomes 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.

(iii) ***Initial measurement***

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) ***Subsequent measurement***

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in “Net change in unrealised gain/loss on financial assets at fair value through profit or loss”. Interest earned on these instruments are recorded separately in “interest income” in the statement of profit or loss and other comprehensive income.

Financial liabilities, other than those classified as at fair value through profit or loss, 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.

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(v) *Derecognition (continued)*

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 or cancelled, or expires.

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 its 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 that are within the bid-ask spread.

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.

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

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. 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 changes in fair value, and realised gains and losses are recognised in profit or loss.

(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 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.

(f) 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

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is determined.

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Translation of foreign currencies (continued)

Transactions and balances (continued)

Foreign currency transaction gains and losses on financial instruments classified as at FVPL are included in profit or loss in the statement of profit or loss and other comprehensive income.

(g) 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;
- (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 unit holders.

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.

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Redeemable units (continued)

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.

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.

(h) 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.

(i) Amount due from a broker

The amount due from a broker includes margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for loans and receivables for recognition and measurement.

Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

(j) Impairment of financial assets

The Sub-Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Sub-Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Sub-Fund may also consider a financial asset to be in default when internal or external information indicates that the Sub-Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Sub-Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (k) 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.

- (l) 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.

- (m) 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.

- (n) 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.

- (o) 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.

- (p) Formation fee

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

- (q) 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.

- (r) 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

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NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Related parties (continued)

- (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.

Reconciliation between accounting NAV and dealing NAV

The formation fee for establishing the Sub-Fund was HK\$1,736,116. Per the prospectus of the Sub-Fund, the formation fee is amortised over the first 5 financial periods 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 profit or loss as incurred.

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

(a) Net assets attributable to unitholders (continued)

The difference between the Accounting NAV reported in the statement of net assets and the Dealing NAV as at 30 September 2019 and 31 March 2019 is reconciled below:

	As at 30 September 2019 (unaudited) HK\$	As at 31 March 2019 (audited) HK\$
Accounting NAV as reported in the statement of net assets	29,624,682	33,692,197
Adjustment for formation fee	1,649,056	1,657,485
Dealing NAV	<u>31,273,738</u>	<u>35,349,682</u>

(b) Movement of units

The table below summarises the movement of units for the period/year ended 30 September 2019 and 31 March 2019, and the Accounting NAV per unit and the Dealing NAV per unit of the Sub-Fund as at 30 September 2019 and 31 March 2019.

	As at 30 September 2019 (unaudited) Number of units	As at 31 March 2019 (audited) Number of units
Units in issue at beginning of period/year	7,250,000	9,750,000
Creation during the period/year	-	-
Redemption during the period/year	-	(2,500,000)
Units in issue at end of period/year	<u>7,250,000</u>	<u>7,250,000</u>
	Net assets attributable to unitholders	Net assets attributable to unitholders
	<u>HK\$</u>	<u>HK\$</u>
Accounting NAV per unit at period/year end	4.0862	4.6472
Dealing NAV per unit at period/year end	4.3136	4.8758

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NOTES TO THE FINANCIAL STATEMENTS

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

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

	For the six months ended 30 September 2019 (unaudited) HK\$	For the six months ended 30 September 2018 (unaudited) HK\$
Net realised gain/(loss) on sale of financial assets at fair value through profit or loss	2,553,855	8,091,743
Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>(6,602,750)</u>	<u>534,259</u>
	<u>(4,048,895)</u>	<u>8,626,002</u>

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

Related parties are those as defined in note 2(r). 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% (2018: 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% (2019: 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 (16 June 2016) to 15 June 2017. No waiver of minimum fee was provided from 16 June 2017 to 30 September 2017. The minimum fee was waived for another 12 months from 1 October 2017 to 30 September 2018. Effective from 1 October 2018, the monthly minimum was reduced to HK\$11,500 for 12 months to 30 September 2019. The trustee fee is 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. The registrar fee incurred by the Sub-Fund has been borne by the Manager during the period ended 30 September 2019 (30 September 2018: nil).

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NOTES TO THE FINANCIAL STATEMENTS

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

(b) Trustee and Registrar fees (continued)

The Registrar is also entitled to receive 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. The transaction fee would be paid by the participating dealer to the Sub-Fund and the Sub-Fund would pay the transaction fee to the Trustee on behalf of the participating dealer. As at 30 September 2019 and 31 March 2019, no transaction fee was due to the Trustee by the Sub-Fund.

(c) Other expenses

(i) *Formation fee*

During the period ended 30 September 2019 and 2018, the formation fee for establishing the Sub-Fund were HK\$Nil. As of 30 September 2019, the formation fee payable for the Sub-Fund is HK\$1,608,633 (31 March 2019: HK\$1,704,010), which 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 2019 (unaudited)		
	Portion borne by the Sub-Fund	Portion borne by the Manager	Total
	HK\$	HK\$	HK\$
Audit fee	1,406	31,794	33,200
Index licensing fee	5,058	150,942	156,000
Other administration fee	5,337	120,662	125,999
	<u>11,801</u>	<u>303,398</u>	<u>315,199</u>

	For the six months ended 30 September 2018 (unaudited)		
	Portion borne by the Sub-Fund	Portion borne by the Manager	Total
	HK\$	HK\$	HK\$
Audit fee	2,685	28,375	31,060
Index licensing fee	7,904	148,096	156,000
Other administration fee	7,854	82,994	90,848
	<u>18,443</u>	<u>259,465</u>	<u>277,908</u>

(d) Bank charges

No Bank charges were charged for the Sub-Fund for the six months ended 30 September 2019 and 30 September 2018.

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NOTES TO THE FINANCIAL STATEMENTS

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

(e) Cash and cash equivalents

	Notes	As at 30 September 2019 (unaudited) HK\$	As at 31 March 2019 (audited) HK\$
Bank balances	(i)	3,000,988	3,146,789
Time deposits	(ii)	20,627,027	20,474,990
Cash and cash equivalents		<u>23,628,015</u>	<u>23,621,779</u>

Notes

- (i) As at 30 September 2019 and 31 March 2019, 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 2019 the time deposits at a fixed interest rate of 2.04% p.a. (as on 31 March 2019: 1.56%) were placed with Bank of China (Hong Kong) Limited with a maturity of less than one month.

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/year ended 30 September 2019 and 31 March 2019.

(f) Holdings of units

As at 30 September 2019, Mirae Asset Securities (HK) Ltd, a related company of the Manager, held 2,572,000 (31 March 2019: 2,572,000) units of the Sub-Fund and The Hong Kong and Shanghai Banking Corporation Limited, a related company of the Trustee, held 211,000 (31 March 2019: 182,500) units of the Sub-Fund. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

(g) Amount due from the Manager

As at 30 September 2019 and 2018, the amount due from the Manager is related to certain trustee fee and administration fees paid by the Sub-Fund on behalf of the Manager. The balance is unsecured, interest-free and repayable on demand.

6. AMOUNT DUE FROM A BROKER

As at 30 September 2019, the amount due from a broker amounted to HK\$8,944,291 (31 March 2019: HK\$ 6,429,605) which represent cash held with KGI Securities (Singapore) Pte. Ltd.

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.

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NOTES TO THE FINANCIAL STATEMENTS

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 periods ended 30 September 2019 and 2018.

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.

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

At 30 September 2019 (unaudited)

Type of contract	Position	Underlying Investment	Expiration date	Contracts	Nominal amount HK\$	Fair value HK\$
Futures	Long	Crude oil	30/11/2019	73	30,942,974	(1,283,153)

At 31 March 2019 (audited)

Type of contract	Position	Underlying Investment	Expiration date	Contracts	Nominal amount HK\$	Fair value HK\$
Futures	Long	Crude oil	31/12/2019	74	34,981,575	5,319,597

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NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The SFC code states that not more than 10% of the NAV of the Sub-Fund may be invested in securities issued by any single issuer, subject to certain provisions of the SFC code. There were no securities that individually accounted for more than 10% of the NAV of the Sub-Fund as at 30 September 2019 and 31 March 2019.

As per Chapter 8.4A(e) of the SFC Code, that the Sub-Fund may not hold open positions in any futures contract month for which the combined margin requirement represents 5% or more of the NAV of the Sub-Fund. However, as the Manager expects that the applicable margin requirement for WTI Futures Contracts will be higher than 10%, the Manager has applied to the SFC, and the SFC has granted, a waiver in respect of the Sub-Fund from the requirement under Chapter 8.4A(e) of the SFC Code, subject to certain conditions as stated in the prospectus of the Sub-Fund. Details of the Sub-Fund's margin requirements as at 30 September 2019 and 31 March 2019 are disclosed below:

	<u>30 September 2019 (unaudited)</u>	
	HK\$	% of net asset value
Initial margin requirement	2,832,767	9.56
Maintenance margin requirement	2,575,243	8.69

	<u>31 March 2019 (audited)</u>	
	HK\$	% of net asset value
Initial margin requirement	2,108,654	6.26
Maintenance margin requirement	1,916,958	5.69

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 ended 30 September 2019 and year ended 31 March 2019.

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 (2019: nil) assets classified as non-current assets.

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NOTES TO THE FINANCIAL STATEMENTS

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period and up to the date of releasing this interim report, the names of the Trust and the Sub-Funds were changed as below with effect from 1 November 2019.

Current Name

Mirae Asset Horizons S&P Crude Oil Futures
Enhanced ER ETF

New Name

Global X S&P Crude Oil Futures Enhanced ER
ETF

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

As at 30 September 2019

			Market value	% of net
			HK\$	assets
Futures contracts	Expiration date	Contracts		
WTI CRUDE FUTURE NOV19	30/11/2019	73	(1,283,153)	(4.33%)
Total investments, at fair value			<u>(1,283,153)</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 2019 to 30 September 2019

	Holdings			30 September 2019
	1 April 2019	Additions	Disposals	
Futures contracts				
USA				
WTI CRUDE FUTURE JUN19	-	74	74	-
WTI CRUDE FUTURE JUL19	-	73	73	-
WTI CRUDE FUTURE AUG19	-	73	73	-
WTI CRUDE FUTURE SEP19	-	73	73	-
WTI CRUDE FUTURE OCT19	-	73	73	-
WTI CRUDE FUTURE NOV19	-	73	-	73
WTI CRUDE FUTURE DEC19	74	-	74	-

MIRAE ASSET HORIZONS S&P CRUDE OIL FUTURES ENHANCED ER ETF
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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 2019	31,273,738	4.3136
As at 31 March 2019	35,349,682	4.8758
As at 31 March 2018	52,191,702	5.3530

HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$
For the period ended 30 September 2019	5.2953	4.0620
For the year ended 31 March 2019	6.6176	3.6701
For the year ended 31 March 2018	5.4302	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 %
For the period ended 30 September 2019	(11.53)	(11.41)
For the year ended 31 March 2019	(8.92)	(8.43)
For the year ended 31 March 2018	11.81	12.28
Period from 10 June 2016 to 31 March 2017	(4.00)	(3.86)

*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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(A Sub-Fund of Mirae Asset Horizons Exchange Traded Funds Series II)

MANAGEMENT AND ADMINISTRATION

Manager

Mirae Asset Global Investments (Hong Kong) Limited
Level 15, Three Pacific Place
1 Queen's Road East, Hong Kong

Directors of the Manager

Mr. Srinivasa Rao Kapala
Mr. Jung Ho Rhee
Mr. Byung Ha Kim

Trustee and Registrar

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

Service Agent

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

Legal Counsel to the Manager

Simmons & Simmons
30/F, One Taikoo Place
979 King's Road
Hong Kong

Auditors

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Hong Kong

Listing Agent

KGI Capital Asia Limited
41/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Initial Participating Dealers

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

CIMB Securities (HK) Limited
Units 7706-08, Level 77
1 Austin Road West, Kowloon
Hong Kong

Initial Participating Dealers (continued)

Commerz Securities Hong Kong Limited
15/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Goldman Sachs (Asia) Securities Limited
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KGI Securities (Hong Kong) Limited
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