

XIE Shares Trust II

REPORTS AND FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 16 APRIL 2015
(DATE OF INCEPTION) TO 31 DECEMBER 2015**

XIE Shares FTSE Chimerica ETF (Stock Code: 3161)

**FOR THE PERIOD FROM 5 NOVEMBER 2015
(DATE OF INCEPTION) TO 31 DECEMBER 2015**

XIE Shares CLSA GARY ETF (Stock Code: 3102)

(Sub-Funds of the XIE Shares Trust II)

XIE Shares Trust II

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XIE Shares Trust II

MANAGEMENT AND ADMINISTRATION

Manager and Listing Agent

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Central
Hong Kong

Legal Counsel to the Manager

Simmons & Simmons
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88 Queensway
Hong Kong

Directors of the Manager

BLAND Tobias Christopher James
BEATTIE Nigel John
GLADSTONE Xenophon Thomas
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Auditor

PricewaterhouseCoopers
22/F Prince's Building
10 Chater Road
Central
Hong Kong

Trustee

Cititrust Limited
50/F, Citibank Tower, Citibank Plaza
3 Garden Road
Central
Hong Kong

Administrator and Custodian

Citibank, N.A.
50/F, Citibank Tower, Citibank Plaza
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Central
Hong Kong

Participating Dealers

CLSA Limited
BNP Paribas Securities Services

Market Maker for XIE Shares FTSE

Chimerica ETF
Commerzbank AG
CLSA Limited
Deutsche Securities Asia Limited

Market Maker for XIE Shares CLSA GARY

ETF
Commerzbank AG

Registrar

Computershare Hong Kong Investor Services
Limited
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Service Agent

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

XIE Shares Trust II

REPORT OF THE MANAGER TO THE UNITHOLDERS

XIE Shares FTSE Chimerica ETF (A Sub-Fund of XIE Shares Trust II)

Fund performance

XIE Shares FTSE Chimerica ETF (“XIE Shares FTSE Chimerica”) seeks to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE China N Shares All Cap Capped Net Tax Index in Hong Kong dollar (“HK\$”) terms. As of 31 December 2015, the dealing Net Asset Value per unit of the XIE Shares FTSE Chimerica was HK\$8.5135 with a total of 22,000,000 units outstanding, aggregating a total dealing NAV of approximately HK\$187,296,106.

A summary of the performance of the XIE Shares FTSE Chimerica is given below (as at 31 December 2015).^(a)

	1 Month ^(f)	3 Months ^(g)	6 Months ^(h)	Since Inception ^(e)
FTSE China N Shares All Cap Capped Net Tax Index Total Return (Net) ^(b)	0.63%	35.43%	3.49%	7.20%
XIE Shares FTSE Chimerica NAV-to-NAV ^(c)	0.58%	26.67%	4.97%	6.42%
XIE Shares FTSE Chimerica Market-to-Market ^(d)	2.53%	37.76%	4.04%	6.25%

- (a) Past performance figures shown are not indicative of the future performance of XIE Shares FTSE Chimerica.
- (b) Calculated on total return (net of tax) basis in HK\$.
- (c) Unit's dealing NAV in HK\$. Units in XIE Shares FTSE Chimerica can be created and redeemed at their dealing NAV in exchange for cash at the primary market.
- (d) Market closing price in HK\$. Market returns are calculated using historical market closing prices of XIE Shares FTSE Chimerica in the secondary market. They do not represent the returns you would receive if you trade units at other times.
- (e) This is the annualised return since the inception of XIE Shares FTSE Chimerica. XIE Shares FTSE Chimerica inception date is 16 April 2015.
- (f) Represents performance figures for the period from 1 December 2015 to 31 December 2015.
- (g) Represents performance figures for the period from 1 October 2015 to 31 December 2015.
- (h) Represents performance figures for the period from 1 July 2015 to 31 December 2015.

Source: Enhanced Investment Products Limited, Bloomberg

TOBIAS BLAND
DIRECTOR
FOR AND ON BEHALF OF
ENHANCED INVESTMENT PRODUCTS LIMITED
AS MANAGER OF XIE SHARES TRUST II

XIE Shares Trust II

REPORT OF THE MANAGER TO THE UNITHOLDERS

XIE Shares CLSA GARY ETF (A Sub-Fund of XIE Shares Trust II)

Fund performance

XIE Shares CLSA GARY ETF (“XIE Shares CLSA GARY”) seeks to provide investment results that, before fees and expenses, closely correspond to the performance of the CLSA GARY Net Total Return Index in Hong Kong dollar (“HK\$”) terms. As of 31 December 2015, the dealing Net Asset Value per unit of the XIE Shares CLSA GARY was HK\$7.8840 with a total of 12,500,000 units outstanding, aggregating a total dealing NAV of approximately HK\$98,549,764.

A summary of the performance of the XIE Shares CLSA GARY is given below (as at 31 December 2015).^(a)

	1 Month ^(f)	Since Inception ^(e)
CLSA GARY Net Total Return Index Total Return (Net) ^(b)	0.39%	-0.76%
XIE Shares CLSA GARY NAV-to-NAV ^(c)	0.22%	-1.45%
XIE Shares CLSA GARY Market-to-Market ^(d)	-2.15%	-3.13%

- (a) Past performance figures shown are not indicative of the future performance of XIE Shares CLSA GARY.
- (b) Calculated on total return (net of tax) basis in HK\$.
- (c) Unit's dealing NAV in HK\$. Units in XIE Shares CLSA GARY can be created and redeemed at their dealing NAV in exchange for cash at the primary market.
- (d) Market closing price in HK\$. Market returns are calculated using historical market closing prices of XIE Shares CLSA GARY in the secondary market. They do not represent the returns you would receive if you trade units at other times.
- (e) This is the annualised return since the inception of XIE Shares CLSA GARY. XIE Shares CLSA GARY inception date is 5 November 2015.
- (f) Represents performance figures for the period from 1 December 2015 to 31 December 2015.

Source: Enhanced Investment Products Limited, Bloomberg

TOBIAS BLAND
DIRECTOR
FOR AND ON BEHALF OF
ENHANCED INVESTMENT PRODUCTS LIMITED
AS MANAGER OF XIE SHARES TRUST II

XIE Shares Trust II

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of XIE Shares FTSE Chimerica ETF and XIE Shares CLSA GARY ETF, the sub-funds (the “Sub-Funds”) of XIE Shares Trust II (the “Trust”) has, in all material respects, managed the Sub-Funds in accordance with the provisions of the Trust Deed dated 25 March 2015, as amended by the second supplemental deed dated 12 October 2015 for the period ended 31 December 2015.

Cititrust Limited

27 April 2016

XIE Shares Trust II

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of the XIE Shares FTSE Chimerica ETF and XIE Shares CLSA GARY ETF (the "Sub-Funds") is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong and the Trust Deed dated 25 March 2015, as amended by the second supplemental deed dated 12 October 2015 (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Funds at the end of that year and of the transactions for the period ended 31 December 2015. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Sub-Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Sub-Funds in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

XIE Shares Trust II is an umbrella unit trust governed by its Trust Deed. As at 31 December 2015, the Trust has established two Sub-Funds, namely, XIE Shares FTSE Chimerica ETF and XIE Shares CLSA GARY ETF.

TRUSTEE'S RESPONSIBILITIES

The Trustee of the Sub-Funds is required to:

- ensure that the Sub-Funds are managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-Funds and rights attaching thereto; and
- report to the Unitholders for each annual accounting period on the conduct of the Manager in the management of the Sub-Funds.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF XIE SHARES TRUST II (THE "TRUST")**

Report on the Financial Statements

We have audited the financial statements of XIE Shares FTSE Chimerica ETF and XIE Shares CLSA GARY ETF (each a separate sub-fund of XIE Shares Trust II and referred to individually or collectively as the "Sub-Funds") set out on pages 8 to 31, which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the period from 16 April 2015 (date of inception) to 31 December 2015 for XIE Shares FTSE Chimerica ETF and for the period from 5 November 2015 (date of inception) to 31 December 2015 for XIE Shares CLSA GARY ETF, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Trustee and the Manager (the "Management") of the Sub-Funds are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 25 March 2015, as amended by the second supplemental deed dated 12 October 2015 (the "Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the "SFC Code"), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF XIE SHARES TRUST II (THE "TRUST")
(CONTINUED)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of each of the Sub-Funds as at 31 December 2015, and of each of their financial transactions and cash flows for the period from 16 April 2015 (date of inception) to 31 December 2015 for XIE Shares FTSE Chimerica ETF and for the period from 5 November 2015 (date of inception) to 31 December 2015 for XIE Shares CLSA GARY ETF in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 April 2016

XIE Shares Trust II

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	XIE Shares FTSE Chimerica ETF 2015 HK\$	XIE Shares CLSA GARY ETF 2015 HK\$
Assets - current assets			
Financial assets at fair value through profit or loss	5(b), 10(a)(i), 10(b)	185,989,426	98,007,598
Dividends receivable		16,295	169,388
Cash and cash equivalents	5(b), 10(b)	583,995	637,312
Total assets		<u>186,589,716</u>	<u>98,814,298</u>
Liabilities - current liabilities			
Management fee payable	5(a)	113,803	62,278
Preliminary expenses payable	5(e)	95,620	1,464,055
Other payables		206,506	130,858
Total liabilities		<u>415,929</u>	<u>1,657,191</u>
Equity			
Net assets attributable to Unitholders	6	<u>186,173,787</u>	<u>97,157,107</u>

The financial statements on pages 8 to 31 were approved by the Manager on 27 April 2016.

Enhanced Investment Products Limited
as Manager of the Trust

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

XIE Shares Trust II

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

	Note	XIE Shares FTSE Chimerica ETF 16 April 2015 (Date of inception) to 31 December 2015 HK\$	XIE Shares CLSA GARY ETF 5 November 2015 (Date of inception) to 31 December 2015 HK\$
Income			
Dividend income		378,839	255,365
Interest income		33	4
Net gain on investments	4	15,162,250	1,568,829
Net foreign exchange loss		(855)	(55,289)
Total net income		<u>15,540,267</u>	<u>1,768,909</u>
Operating expenses			
Management fees	5(a)	930,593	62,278
Audit fees		171,000	62,573
Preliminary expenses		1,373,347	1,464,055
Transaction costs on investments		23,194	-
Bank charges		65	-
Other operating expenses		38,500	8,246
Total operating expenses		<u>2,536,699</u>	<u>1,597,152</u>
Operating profit		<u>13,003,568</u>	<u>171,757</u>
Profit before taxation		<u>13,003,568</u>	<u>171,757</u>
Dividend withholding tax	8	1,181	-
Total comprehensive income for the period attributable to unitholders		<u><u>13,002,387</u></u>	<u><u>171,757</u></u>

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

XIE Shares Trust II

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE PERIOD ENDED 31 DECEMBER 2015

	XIE Shares FTSE Chimerica ETF 16 April 2015 (Date of inception) to 31 December 2015 HK\$	XIE Shares CLSA GARY ETF 5 November 2015 (Date of inception) to 31 December 2015 HK\$
Balance at the beginning of the period	-	-
Proceeds on issue of units	222,857,600	96,985,350
Payment on redemption of units	(49,686,200)	-
Net increase from unit transactions	173,171,400	96,985,350
Total comprehensive income for the period	13,002,387	171,757
Balance at the end of the period	<u>186,173,787</u>	<u>97,157,107</u>

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

XIE Shares Trust II

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2015

	XIE Shares FTSE Chimerica ETF 16 April 2015 (Date of inception) to 31 December 2015 HK\$	XIE Shares CLSA GARY ETF 5 November 2015 (Date of inception) to 31 December 2015 HK\$
Operating activities		
Payments for purchase of investments	(261,353,136)	(96,438,769)
Proceeds from sale of investments	90,525,960	-
Dividends received	362,544	85,977
Interest received	33	4
Management fee paid	(816,790)	-
Dividend withholding tax paid	(1,181)	-
Preliminary expenses paid	(1,277,727)	-
Others receipts and payments	(26,253)	60,039
Cash used in operating activities	<u>(172,586,550)</u>	<u>(96,292,749)</u>
Financing activities		
Proceeds from issue of units	222,857,600	96,985,350
Redemption paid on redemption of units	(49,686,200)	-
Cash generated from financing activities	<u>173,171,400</u>	<u>96,985,350</u>
Net increase in cash and cash equivalents	<u>584,850</u>	<u>692,601</u>
Cash and cash equivalents at beginning of period	-	-
Net foreign exchange loss	(855)	(55,289)
Cash and cash equivalents at end of period	<u>583,995</u>	<u>637,312</u>
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	<u>583,995</u>	<u>637,312</u>

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

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

1 General information

XIE Shares Trust II (the “Trust”) is an umbrella unit trust governed by a trust deed (the “Trust Deed”) dated 25 March 2015, as amended by the second supplemental deed dated 12 October 2015 and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to section 104 (1) of the Securities and Futures Ordinance. The Trust was established in Hong Kong on 25 March 2015.

As at 31 December 2015, the Trust had established two sub-funds (referred to collectively as the “Sub-Funds”):

<u>Name of Sub-Fund</u>	<u>Underlying Index</u>	<u>Listing Date on the Stock Exchange of Hong Kong Limited (The “SEHK”)</u>	<u>Financial period</u>
XIE Shares FTSE Chimerica ETF	FTSE China N Shares All Cap Capped Net Tax Index	22 April 2015	16 April 2015 (date of inception) to 31 December 2015
XIE Shares CLSA GARY ETF	CLSA GARY Net Total Return Index	11 November 2015	5 November 2015 (date of inception) to 31 December 2015

The Sub-Funds adopt a “full replication” strategy through investing in substantially all the securities constituting the Underlying Indices in substantially the same weightings (i.e. proportions) as these securities have in the Underlying Indices.

The Sub-Funds may choose to use a “representative sampling strategy”. When the Sub-Funds adopt a “representative sampling strategy”, they may or may not hold all the securities comprised in the Underlying Indices, and may hold a portfolio of securities which are not included in the Underlying Indices, provided that these collectively feature a high correlation with the Underlying Indices.

XIE Shares FTSE Chimerica ETF

The investment objective of XIE Shares FTSE Chimerica ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE China N Shares All Cap Capped Net Tax Index on a total return basis.

XIE Shares CLSA GARY ETF

The investment objective of XIE Shares CLSA GARY ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of the CLSA GARY Net Total Return Index on a total return basis.

The trustee of the Trust is Cititrust Limited (the “Trustee”) and the manager is Enhanced Investment Products Limited (the “Manager”).

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

1 General information (Continued)

The Trustee shall establish a separate pool of assets within the Trust (each such separate pool of assets a “Sub-Fund”) and the Trustee may issue different classes of units for each Sub-Fund. The assets of a Sub-Fund will be invested and administered separately from the other assets of the Trust. The Manager reserves the right to establish other Sub-Funds and to issue further classes of units in the future.

The Trust’s investment activities are managed by the Manager. The Manager was incorporated in Hong Kong with limited liability in 2002 and is licensed by the SFC to conduct type 4 (advising in securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

Under the Trust Deed, the monies forming part of each Sub-Fund are invested, at the direction of the Manager, in accordance with the Trust Deed. The Manager is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of each Sub-Fund. The Manager is also the Listing Agent for each Sub-Fund.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager and the Trustee (collectively the “Management”) to exercise their judgment in the process of applying the Sub-Funds’ accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All references to net asset value (“NAV”) throughout these financial statements refer to net assets attributable to unitholders unless otherwise stated.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New standards, amendments and interpretations effective after 16 April 2015 and have not been early adopted

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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Sub-Funds.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Funds operate (the "functional currency"). The performance of the Sub-Funds is measured and reported to the unitholders in Hong Kong dollar. The Management considers the Hong Kong dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong dollars, which is the Sub-Funds' functional and presentation currency.

Transactions and balances

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

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

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

(b) Foreign currency translation (Continued)

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within “net foreign exchange loss”.

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

(c) Investments

i. Classification

The Sub-Funds classify their investments as financial assets at fair value through profit or loss. The investments are designated at fair value through profit or loss at inception.

Financial assets designated at fair value through profit or loss at inception

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Sub-Funds’ documented investment strategy.

ii. Recognition, derecognition and measurement

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

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Funds have transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income within other net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Sub-Funds’ right to receive payments is established.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

(c) Investments (Continued)

iii. Fair value estimation

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 of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Sub-Funds utilise the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Sub-Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, benchmarking to comparable market index and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Refer to note 10(d) for details.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Sub-Funds or the counterparty.

(e) Amounts due from/to brokers

Amounts due from and to brokers represent receivables for securities sold, and payables for securities purchased, that have been contracted for but not yet settled or delivered by the end of the reporting period.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Sub-Funds will not be able to collect all amounts due from the relevant broker.

Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amounts due from brokers are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income. Amounts due from brokers in the statement of financial position are stated net of such provision.

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-Funds estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

(f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts, if any, are shown in the current liabilities in the statement of financial position.

(g) Interest income and dividend income

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

Dividend income is rewarded on an ex-dividend basis and is recognised when the right to receive payment is established.

(h) Expenses

Expenses are accounted for on an accruals basis.

(i) Redeemable units

The Sub-Funds issue redeemable units which are redeemable at the holder's option and represents puttable financial instruments of the Sub-Funds. The Sub-funds classify their puttable financial instruments as equity in accordance with IAS 32 (Amendment), "Financial instruments: Presentation" as those puttable financial instruments meet all the following criteria:

- the puttable instruments entitle the holder to a pro-rata share of net assets;
- the puttable instruments are the most subordinated unit in issue and unit features are identical;
- there are no contractual obligations to deliver cash or another financial asset; and
- the total expected cash flows from the puttable instrument over its life are based substantially on the profit or loss of the Sub-Funds.

Units are issued and redeemed at the holder's option at a price based on the Sub-Funds' net asset value per unit at the time of issue or redemption. The Sub-Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of the units with total number of outstanding units. In accordance with the provisions of the Trust's regulations, investment positions are valued based on the official closing price, or if unavailable, the last traded price on the market.

(j) Distributions to unitholders

The Manager does not intend to distribute income to unitholders in accordance with the prospectus of the Trust.

(k) Taxation

The Sub-Funds currently incur withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included as taxation in the statement of comprehensive income.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

3 Critical accounting estimates and judgments

The Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Functional currency

The Trustee considers Hong Kong dollar to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Hong Kong dollar is the currency in which the Sub-Funds measure their performance and report their results, as well as the currency in which the Sub-Funds determine the net asset value per unit at the time of creation or redemption. This determination also considers that the Sub-Funds are all listed on The Stock Exchange of Hong Kong Limited (“SEHK”) and their shares are quoted in Hong Kong dollars.

4 Net gain on investments

	XIE Shares FTSE Chimerica ETF 16 April 2015 (Date of inception) to 31 December 2015 HK\$	XIE Shares CLSA GARY ETF 5 November 2015 (Date of inception) to 31 December 2015 HK\$
Net realised gain on financial assets designated at fair value through profit or loss at inception		
-Investments in listed securities	4,425,912	-
Net change in unrealised gain on financial assets designated at fair value through profit or loss at inception		
-Investments in listed securities	10,736,338	1,568,829
	<u>15,162,250</u>	<u>1,568,829</u>

5 Transactions with the Trustee, Manager and Connected Persons

The following is a summary of significant related party transactions entered into during the period between the Sub-Funds, the Trustee, the Manager and their Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the period between the Sub-Funds and the Manager and their 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-Funds do not have any other transactions with Connected Persons except for those disclosed below:

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

5 Transactions with the Trustee, Manager and Connected Persons (Continued)

(a) Management fee

The Manager is entitled to receive a management fee, currently at the annual rate of 0.65% of the NAV for XIE Shares FTSE Chimerica ETF and 0.70% of the NAV for XIE Shares CLSA GARY ETF. The fee is accrued daily and calculated as at each dealing day and payable monthly in arrears. Pursuant to the prospectus, management fee includes trustee fee and administration fee only and the registrar fee and audit fee have to be borne by each of the Sub-Funds. Refer to “Management fee payable” in statement of financial position and “Management fees” in statement of comprehensive income for details.

(b) Bank balances and securities held by the Custodian

Bank balances are maintained with Citibank N.A., which carry interest at normal commercial rates. Equity investments are held with Citibank N.A. as the Custodian of the Trust. Bank balances and securities held by the Custodian as at 31 December 2015 were as follows:

Sub-Funds

	2015 HK\$
<u>XIE Shares FTSE Chimerica ETF</u>	
Bank balances	583,995
Equity investments	185,989,426
	<hr/> <hr/>
<u>XIE Shares CLSA GARY ETF</u>	
Bank balances	637,312
Equity investments	98,007,598
	<hr/> <hr/>

(c) Transaction fee

Pursuant to the prospectus, the Sub-Funds receive a transaction fee of HK\$15,000 per total aggregate issue and redemption order from the Participating Dealer on behalf of the Trustee. As at 31 December 2015, the following are the outstanding transaction fees payable to the Trustee of the Sub-Funds.

	Transaction fee 2015 HK\$
XIE Shares FTSE Chimerica ETF	31,006
XIE Shares CLSA GARY ETF	60,000

(d) Transaction with the Directors of the Manager

As at 31 December 2015, the Directors of the Manager held units of the following Sub-Funds:

	2015		
	Number of units	% of NAV	Fair Value HK\$
XIE Shares FTSE Chimerica ETF	294,000	1.34%	2,487,959
XIE Shares CLSA GARY ETF	173,800	1.39%	1,350,872

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

5 Transactions with the Trustee, Manager and Connected Persons (Continued)

(e) Preliminary expenses payable

The preliminary expenses payable included the preliminary expenses paid by the Manager on behalf of the Sub-Funds. As at 31 December 2015, the preliminary expenses payable of HK\$95,620 and HK\$1,464,055 was payable to the Manager for XIE Shares FTSE Chimerica ETF and XIE Shares CLSA GARY ETF respectively. These balances are unsecured, non-interest bearing and repayable on demand.

6 Net assets attributable to unitholders and movement of redeemable units

(a) Net assets attributable to unitholders

As stated in Note 2(i), redeemable units of the Sub-Funds, which are represented by assets less liabilities, are classified as equity and accounted for in accordance with IFRS (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 Management ensures that the calculation of the Dealing NAV is in accordance with the provisions of the Sub-Funds' Trust Deed, which may be different from the accounting policies under IFRS.

In accordance with the prospectus of the Trust, the preliminary expenses of establishing the Trust will be allocated proportionately to the Sub-Funds. The preliminary expenses will be amortised over the first 5 accounting periods of the Trust. However, with respect to the Trust and the Sub-Funds for the purpose of financial statements preparation in compliance with IFRS, their accounting policy is to expense the preliminary expenses in the statement of comprehensive income as incurred.

During the period from 16 April 2015 (date of inception) to 31 December 2015 for XIE Shares FTSE Chimerica ETF and for the period from 5 November 2015 (date of inception) to 31 December 2015 for XIE Shares CLSA GARY ETF, no other comprehensive income has been incurred or recognised in the statement of comprehensive income. As at 31 December 2015, no other comprehensive income is recognised in the statement of changes in net assets attributable to unitholders.

The difference between the Accounting NAV reported in the statement of financial position 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 31 December 2015 is reconciled below:

	XIE Shares FTSE Chimerica ETF 2015 HK\$	XIE Shares CLSA GARY ETF 2015 HK\$
Accounting NAV as reported in the statement of financial position	186,173,787	97,157,107
Adjustment for preliminary expenses	1,122,319	1,392,657
Dealing NAV	<u>187,296,106</u>	<u>98,549,764</u>

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

6 Net assets attributable to unitholders and movement of redeemable units (Continued)

(b) Movement of the redeemable units

The movements of the redeemable units of the Sub-Funds for the period ended 31 December 2015 are as follows:

	XIE Shares FTSE Chimerica ETF 16 April 2015 (Date of inception) to 31 December 2015 Units	XIE Shares CLSA GARY ETF 5 November 2015 (Date of inception) to 31 December 2015 Units
Units in issue at the beginning of the period	-	-
Issue of units	28,000,000	12,500,000
Redemption of units	(6,000,000)	-
Units in issue at the end of the period	<u>22,000,000</u>	<u>12,500,000</u>
Net assets attributable to unitholders (Accounting NAV)	<u>HK\$186,173,787</u>	<u>HK\$97,157,107</u>
Net assets attributable to unitholders (Accounting NAV) per unit	<u>HK\$8.4624</u>	<u>HK\$7.7726</u>
Net assets attributable to unitholders (Dealing NAV)	<u>HK\$187,296,106</u>	<u>HK\$98,549,764</u>
Net assets attributable to unitholders (Dealing NAV) per unit	<u>HK\$8.5135</u>	<u>HK\$7.8840</u>

7 Distributions

The Manager does not intend to distribute income to unitholders in accordance with the prospectus of the Trust.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

8 Taxation

No provision for Hong Kong profits tax has been made as the Sub-Funds were authorised as a collective investment scheme under Section 104 of the Securities and Futures Ordinance and are therefore exempt from profits tax under Section 26A(1A) of the Inland Revenue Ordinance.

For the period from 16 April 2015 (date of inception) to 31 December 2015 for XIE Shares FTSE Chimerica ETF and for the period from 5 November 2015 (date of inception) to 31 December 2015 for XIE Shares CLSA GARY ETF, overseas withholding tax was charged on certain dividend income received by the Sub-Funds.

9 Soft commission arrangements

The Manager confirms that there has been no soft commission arrangement existing during the period in relation to directing transactions of the Sub-Funds through a broker or dealer.

10 Financial risk management

The objective of the Sub-Funds is to provide investment results that, before fees and expenses, closely correspond to the performance of their respective Underlying Indices. The Sub-Funds' activities may expose them to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Funds invest.

The following is a summary of the main risks and risk management policies.

(a) Market risk

(i) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether those changes were caused by factors specific to the individual investment or factors affecting all instruments in the market.

The Sub-Funds are designated to track the performance of their respective Underlying Indices, therefore the exposures to market risk in the Sub-Funds will be substantially the same as those tracked indices. The Manager manages the Sub-Funds' exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked Underlying Indices.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

10 Financial risk management (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

XIE Shares FTSE Chimerica ETF

As at 31 December 2015, the Sub-Fund's fair value of investments exposed to price risk was as follows:

XIE Shares FTSE Chimerica ETF

	Fair value 2015 HK\$	% of NAV
As at 31 December 2015		
Equity		
-Listed equities		
United States	185,989,426	99.90%
	<u>185,989,426</u>	<u>99.90%</u>

As at 31 December 2015, the Sub-Fund had three industry exposures exceeding 10% of NAV, of which communications represents 50.76%, consumer discretionary represents 33.38% and technology represents 10.26%.

Sensitivity analysis in the event of a possible change in the index by 3% as assumed by the Manager

As at 31 December 2015, if the FTSE China N Shares All Cap Capped Net Tax Index had increased by 3% with all other variables held constant, this would have increased the net asset value of the Sub-Fund by approximately HK\$5,582,759. Conversely, if the FTSE China N Shares All Cap Capped Net Tax Index had decreased by 3%, this would have decreased the net asset value of the Sub-Fund by equal amounts.

XIE Shares CLSA GARY ETF

As at 31 December 2015, the Sub-Fund's fair value of investments exposed to price risk was as follows:

XIE Shares CLSA GARY ETF

	Fair value 2015 HK\$	% of NAV
As at 31 December 2015		
Equity		
-Listed equities		
Australia	29,107,417	29.96%
Hong Kong	27,735,390	28.55%
Indonesia	5,801,529	5.97%
New Zealand	1,727,318	1.78%
Singapore	14,739,882	15.17%
Taiwan	16,027,870	16.50%
Thailand	2,868,192	2.95%
	<u>98,007,598</u>	<u>100.88%</u>

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

10 Financial risk management (Continued)

(a) Market risk (Continued)

(i) Market price risk (Continued)

Sensitivity analysis in the event of a possible change in the index by 3% as assumed by the Manager

As at 31 December 2015, if the CLSA GARY Net Total Return Index had increased by 3% with all other variables held constant, this would have increased the net asset value of the Sub-Fund by approximately HK\$2,895,718. Conversely, if the CLSA GARY Net Total Return Index had decreased by 3%, this would have decreased the net asset value of the Sub-Fund by equal amounts.

The Manager has made assumptions of what would constitute a “reasonable shift” in the relevant market index for use in the market sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index percentage are revised annually depending on the Manager’s current view of market volatility and other relevant factors.

(ii) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

As at 31 December 2015, interest rate risk arises only from bank balances. As these interest bearing assets are short-term in nature, the Manager considers that changes in their future cash flows in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis has been disclosed for these bank balances.

(iii) Currency risk

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

The Sub-Funds hold assets and liabilities denominated in currencies other than their functional currency, Hong Kong dollar (“HK dollar”), and are therefore exposed to currency risk with respect to these currencies. The Manager considers that there is insignificant currency risk to the United States dollar (“US dollar”) which is a linked currency with the HK dollar.

XIE Shares FTSE Chimerica ETF

The Sub-Fund holds assets and incurs liabilities which are mainly denominated in the US dollar. The Manager considers that there is insignificant currency risk to the US dollar which is a linked currency with the HK dollar.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

10 Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

XIE Shares CLSA GARY ETF

The Sub-Fund is exposed to currency risk related to the HK dollar against the Australian dollar, Indonesian rupiah, New Zealand dollar, Singapore dollar, Taiwan dollar and Thai baht.

The table below summarises the Sub-Fund's net exposure, monetary and non-monetary, which are denominated in a currency other than the HK dollar and the US dollar.

As at 31 December 2015

	Australian dollar (HK\$ equivalent)	Indonesian rupiah (HK\$ equivalent)	New Zealand dollar (HK\$ equivalent)	Singapore dollar (HK\$ equivalent)	Taiwan dollar (HK\$ equivalent)	Thai baht (HK\$ equivalent)	Total (HK\$)
Monetary	126,336	-	-	6,556	186	11	133,089
Non-Monetary	29,107,417	5,801,529	1,727,318	14,739,882	16,027,870	2,868,192	70,272,208
Net exposure	<u>29,233,753</u>	<u>5,801,529</u>	<u>1,727,318</u>	<u>14,746,438</u>	<u>16,028,056</u>	<u>2,868,203</u>	<u>70,405,297</u>

The table below summarises the sensitivity of the Sub-Fund's net exposure, both monetary and non-monetary, to changes in foreign exchange movements as at 31 December 2015. The analysis is based on the assumptions that the relevant foreign exchange rates increased/decreased by 2% with respect to the HK dollar, with all other variables held constant. This represents the Manager's assumption of a reasonable possible shift in the foreign exchange rates and the possible impact to the Sub-Fund's net asset value and total comprehensive income.

As at 31 December 2015

	Australian dollar (HK\$ equivalent)	Indonesian rupiah (HK\$ equivalent)	New Zealand dollar (HK\$ equivalent)	Singapore dollar (HK\$ equivalent)	Taiwan dollar (HK\$ equivalent)	Thai baht (HK\$ equivalent)	Total (HK\$)
Monetary	2,527	-	-	131	4	-	2,662
Non-Monetary	582,148	116,031	34,546	294,798	320,557	57,364	1,405,444
Net exposure	<u>584,675</u>	<u>116,031</u>	<u>34,546</u>	<u>294,929</u>	<u>320,561</u>	<u>57,364</u>	<u>1,408,106</u>

The Manager has made assumptions of what would constitute a "reasonable shift" in exchange rates for use in currency risk sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in exchange rate percentage are revised annually depending on the Manager's current view of exchange rates volatility and other relevant factors.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

10 Financial risk management (Continued)

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Funds.

The Sub-Funds limit their exposures to credit and counterparty risk by transacting the majority of their investments and contractual commitment activity with well-established broker-dealers, banks and regulated exchanges.

The exposure of the Sub-Funds to the Underlying Index is primarily achieved through the listed securities.

All transactions in listed investments are settled or paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of investments sold is only made once the Sub-Funds' custodians have received payment. On a purchase, payment is made once the investments have been received by the broker. If either party fails to meet their obligation, the trade will fail.

The following tables set out the net exposure of the Sub-Funds to counterparties as at 31 December 2015 together with their credit ratings of senior long-term debt by S&P's rating services:

XIE Shares FTSE Chimerica ETF

	2015 S&P credit rating	2015 Net exposure to counterparties HK\$
Bank / Custodian		
Citibank N.A. Hong Kong Branch	A	
- Listed equities		185,989,426
- Cash and cash equivalents		583,995
		<hr/>
		186,573,421
		<hr/> <hr/>

XIE Shares CLSA GARY ETF

	2015 S&P credit rating	2015 Net exposure to counterparties HK\$
Bank / Custodian		
Citibank N.A. Hong Kong Branch	A	
- Listed equities		98,007,598
- Cash and cash equivalents		637,312
		<hr/>
		98,644,910
		<hr/> <hr/>

The maximum exposure to credit risk at period end is the carrying amount of the financial assets as shown on the statement of financial position. None of the assets are impaired nor past due but not impaired.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

10 Financial risk management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Sub-Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

As at 31 December 2015, all of the Sub-Funds' financial liabilities have contractual maturities not later than one month. As at 31 December 2015, each Sub-Fund held liquid assets, comprising bank balances and other receivables that are expected to readily generate cash inflows for managing liquidity risk within one month.

XIE Shares FTSE Chimerica ETF

As at 31 December 2015	Maturity less than 1 month HK\$	Maturity 1 to 3 months HK\$	No stated maturity HK\$	Total HK\$
Total financial assets	<u>600,290</u>	<u>-</u>	<u>185,989,426</u>	<u>186,589,716</u>
Total financial liabilities	<u>415,929</u>	<u>-</u>	<u>-</u>	<u>415,929</u>

XIE Shares CLSA GARY ETF

As at 31 December 2015	Maturity less than 1 month HK\$	Maturity 1 to 3 months HK\$	No stated maturity HK\$	Total HK\$
Total financial assets	<u>806,700</u>	<u>-</u>	<u>98,007,598</u>	<u>98,814,298</u>
Total financial liabilities	<u>1,657,191</u>	<u>-</u>	<u>-</u>	<u>1,657,191</u>

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

10 Financial risk management (Continued)

(d) Fair value estimation

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

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

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

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

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

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

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

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

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

10 Financial risk management (Continued)

(d) Fair value estimation (Continued)

The following tables analyse within the fair value hierarchy the Sub-Funds' investments (by class) measured at fair value as at 31 December 2015:

XIE Shares FTSE Chimerica ETF

As at 31 December 2015	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss				
- Listed securities	185,989,426	-	-	185,989,426
	<u>185,989,426</u>	<u>-</u>	<u>-</u>	<u>185,989,426</u>

XIE Shares CLSA GARY ETF

As at 31 December 2015	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss				
- Listed securities	98,007,598	-	-	98,007,598
	<u>98,007,598</u>	<u>-</u>	<u>-</u>	<u>98,007,598</u>

Investments whose value are based on quoted market prices in active markets, and therefore classified within level 1, include active listed and quoted equity securities. The Sub-Funds do not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As of 31 December 2015, the Sub-Funds did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 31 December 2015, the Sub-Funds did not hold any investments classified in level 3.

The assets and liabilities included in the statement of financial position, except financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, are carried at amortised cost; their carrying values are a reasonable approximation of fair value. There are no other assets and liabilities not carried at fair value but for which fair value is disclosed.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

10 Financial risk management (Continued)

(e) Capital risk management

The Sub-Funds' capital is represented by the redeemable units outstanding. The Sub-Funds' objective is to provide investment results that correspond generally to the performance of the respective indices. The Manager may:

- Redeem and issue new units in accordance with the constitutive documents of the Sub-Funds;
- Exercise discretion when determining the amount of distributions of the Sub-Funds to the Unitholders; and
- Suspend the issue and redemption of units under certain circumstances stipulated in the prospectus.

The Sub-Funds do not have any internally and externally imposed capital requirements and therefore the Sub-Funds are not subject to significant capital risk.

(f) Financial instruments by category

Financial assets

Apart from financial assets of investments in listed securities as disclosed in the statement of financial position which are classified as fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including dividend receivable, amounts due from brokers, other receivables and cash and cash equivalents, are categorised as "loans and receivables".

Financial liabilities

All financial liabilities as disclosed in the statement of financial position, including amounts due to brokers, management fee payable and other payables, are categorised as "other financial liabilities".

11 Segment information

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.

The Manager makes the strategic resource allocations on behalf of the Sub-Funds 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 securities. The objective of the Sub-Funds is to track the performance of their respective indices and invest in substantially all the index constituents with security weight and industry weight that are closely aligned to the characteristics of the tracked indices.

The internal financial information used by the Manager for the Sub-Funds' assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

XIE Shares Trust II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

11 Segment information (Continued)

The Sub-Funds are domiciled in Hong Kong. The Sub-Funds' income is from investments in securities which constitute the relevant tracked indices. The Sub-Funds' investments have been categorised by relevant geography. Refer to note 10(a)(i) for details.

The Sub-Funds have no assets classified as non-current assets. The Sub-Funds have portfolios that closely correspond to the security weight and industry weight of the relevant tracked indices.

12 Investment limitation and prohibitions under the SFC Code

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Trade Funds (the "ETF Guidelines"), the Sub-Funds' holding of any such constituent securities may not exceed their respective weightings in the underlying index, except where the weightings are exceeded as a result of changes in the composition of the underlying index and the excess is only transitional and temporary in nature.

The Manager and the Trustee have confirmed that the Sub-Funds have complied with this limit during the period from 16 April 2015 (date of inception) to 31 December 2015 for XIE Shares FTSE Chimerica ETF and during the period from 5 November 2015 (date of inception) to 31 December 2015 for XIE Shares CLSA GARY ETF.

XIE Shares FTSE Chimerica ETF

The following lists the constituent securities that individually accounted for more than 10% of FTSE China N Shares All Cap Capped Net Tax Index at 31 December 2015:

Constituent securities	Respective weighting in	% of net assets
	FTSE China N Shares All Cap Capped Net Tax Index 2015	2015
JD.com Inc	10.33%	10.32%
NetEase Inc	10.27%	10.26%

During the period from 16 April 2015 (date of inception) to 31 December 2015, the FTSE China N Shares All Cap Capped Net Tax Index increased by 7.20%, while the net asset value per unit of the Sub-Fund increased by 6.42%.

XIE Shares CLSA GARY ETF

There were no constituent securities that individually accounted for more than 10% of their respective weightings of the CLSA GARY Net Total Return Index as at 31 December 2015.

During the period from 5 November 2015 (date of inception) to 31 December 2015, the CLSA GARY Net Total Return Index decreased by 0.76%, while the net asset value per unit of the Sub-Fund decreased by 1.45%.

13 Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 27 April 2016.

XIE Shares Trust II

XIE Shares FTSE Chimerica ETF

Investment portfolio (Unaudited)

As at 31 December 2015

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
The United States			
21VIANET GROUP INC	16,107	2,638,936	1.41%
51JOB INC	5,232	1,194,565	0.64%
58.COM INC	17,418	8,904,063	4.78%
ALIBABA GROUP HOLDING LTD	29,429	18,535,959	9.96%
AUTOHOME INC	9,574	2,591,057	1.39%
BAIDU INC	12,116	17,750,978	9.53%
BITAUTO HOLDINGS LTD	5,601	1,227,593	0.66%
CANADIAN SOLAR INC	11,229	2,520,281	1.35%
CHINA LODGING GROUP LTD	3,092	749,096	0.40%
CTRIIP.COM INTERNATIONAL LTD	48,196	17,305,438	9.30%
E-HOUSE CHINA HOLDINGS LTD	15,209	741,414	0.40%
HOLLYSYS AUTOMATION TECHNOLOGIES LTD	10,486	1,802,522	0.97%
HOMEINNS HOTEL GROUP	4,194	1,110,339	0.60%
JD.COM INC	76,814	19,207,965	10.32%
MINDRAY MEDICAL INTERNATIONAL LTD	24,661	5,183,340	2.78%
NETEASE INC	13,601	19,104,435	10.26%
NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC	43,259	10,517,204	5.65%
QIHOO 360 TECHNOLOGY CO LTD	22,494	12,693,080	6.82%
QUNAR CAYMAN ISLANDS LTD	14,873	6,079,222	3.27%
SINA CORP/CHINA	16,125	6,173,564	3.32%
SOHU.COM INC	7,998	3,544,956	1.90%
SOUFUN HOLDINGS LTD	29,779	1,705,548	0.92%
TAL EDUCATION GROUP	10,809	3,892,848	2.09%
VIPSHOP HOLDINGS LTD	68,587	8,116,899	4.36%
YOUKU TUDOU INC	41,787	8,786,184	4.72%
YY INC	8,080	3,911,940	2.10%
Total investments in listed US securities at fair value		185,989,426	99.90%
Total investments		185,989,426	99.90%
Other net assets		184,361	0.10%
Net assets attributable to unitholders at 31 December 2015		186,173,787	100.00%
Total investment, at cost		175,253,088	

XIE Shares Trust II

XIE Shares FTSE Chimerica ETF

Statement of movements in investment portfolio (Unaudited)

For the period ended 31 December 2015

Investments - listed equities	Holdings as at 16 April 2015 (Date of inception)	Additions	Corporate Action	Disposals	Holdings as at 31 December 2015
21VIANET GROUP INC	-	22,087	-	(5,980)	16,107
51JOB INC	-	7,172	-	(1,940)	5,232
58.COM INC	-	23,334	-	(5,916)	17,418
ALIBABA GROUP HOLDING LTD	-	41,249	-	(11,820)	29,429
AUTOHOME INC	-	13,129	-	(3,555)	9,574
BAIDU INC	-	16,448	-	(4,332)	12,116
BITAUTO HOLDINGS LTD	-	13,640	-	(8,039)	5,601
CANADIAN SOLAR INC	-	15,452	-	(4,223)	11,229
CHINA LODGING GROUP LTD	-	4,236	-	(1,144)	3,092
CTRIP.COM INTERNATIONAL LTD	-	50,056	28,923	(30,783)	48,196
E-HOUSE CHINA HOLDINGS LTD	-	20,859	-	(5,650)	15,209
HOLLYSYS AUTOMATION TECHNOLOGIES LTD	-	14,342	-	(3,856)	10,486
HOMEINNS HOTEL GROUP	-	5,754	-	(1,560)	4,194
JD.COM INC	-	99,661	-	(22,847)	76,814
MINDRAY MEDICAL INTERNATIONAL LTD	-	33,834	-	(9,173)	24,661
NETEASE INC	-	26,042	-	(12,441)	13,601
NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC	-	60,141	-	(16,882)	43,259
PERFECT WORLD CO LTD	-	15,753	(13,483)	(2,270)	-
QIHOO 360 TECHNOLOGY CO LTD	-	30,963	-	(8,469)	22,494
QUNAR CAYMAN ISLANDS LTD	-	17,526	-	(2,653)	14,873
SHANDA GAMES LTD	-	33,926	-	(33,926)	-
SINA CORP/CHINA	-	24,902	-	(8,777)	16,125
SOHU.COM INC	-	10,902	-	(2,904)	7,998
SOUFUN HOLDINGS LTD	-	40,845	-	(11,066)	29,779
TAL EDUCATION GROUP	-	14,878	-	(4,069)	10,809
VIPSHOP HOLDINGS LTD	-	94,395	-	(25,808)	68,587
YOUKU TUDOU INC	-	56,914	-	(15,127)	41,787
YY INC	-	11,672	-	(3,592)	8,080

XIE Shares Trust II

XIE Shares FTSE Chimerica ETF

Performance record (Unaudited)

For the period ended 31 December 2015

Net asset value attributable to unitholders

	Dealing net asset value per unit HK\$	Dealing net asset value of the Sub-Fund HK\$
At end of financial period dated		
31 December 2015	8.5135	187,296,106

Highest and lowest net asset value per unit

	Lowest HK\$	Highest HK\$
Period ended 31 December 2015	6.1061	8.9861

During the period from 16 April 2015 (date of inception) to 31 December 2015, the Underlying Index increased by 7.20%, while the net asset value per unit of the Sub-Fund increased by 6.42%^(a).

The following lists the constituent securities that individually accounted for more than 10% of FTSE China N Shares All Cap Capped Net Tax Index as at 31 December 2015 and its weighting of the FTSE China N Shares All Cap Capped Net Tax Index as at 31 December 2015:

Constituent securities	Respective weighting in FTSE China N Shares All Cap Capped Net Tax Index
JD.com Inc	10.33%
NetEase Inc	10.27%

(a) This is the annualised return of the Sub-Fund (net of fees and expenses) since its inception on 16 April 2015 to 31 December 2015.

XIE Shares Trust II

XIE Shares CLSA GARY ETF

Investment portfolio (Unaudited)

As at 31 December 2015

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
Australia			
AMP LTD	46,990	1,544,707	1.59%
AURIZON HOLDINGS LTD	52,484	1,296,203	1.33%
BANK OF QUEENSLAND LTD	20,618	1,620,621	1.67%
BORAL LTD	50,705	1,689,703	1.74%
BT INVESTMENT MANAGEMENT LTD	27,746	2,011,934	2.07%
CHARTER HALL GROUP	62,982	1,612,295	1.66%
GOOD MAN GROUP	46,058	1,628,339	1.68%
HARVEY NORMAN HOLDINGS LTD	70,672	1,665,696	1.71%
MACQUARIE GROUP LTD	3,311	1,545,270	1.59%
MAGELLAN FINANCIAL GROUP LTD	12,893	1,980,311	2.04%
PLATINUM ASSET MANAGEMENT LTD	39,097	1,781,258	1.83%
PREMIER INVESTMENTS LTD	21,215	1,698,648	1.75%
PRIMARY HEALTH CARE LTD	70,794	934,081	0.96%
STOCKLAND	70,066	1,619,807	1.67%
SUNCORP GROUP LTD	20,959	1,434,701	1.48%
TABCORP HOLDINGS LTD	56,068	1,489,046	1.53%
TREASURY WINE ESTATES LTD	42,132	1,971,798	2.03%
WESFARMERS LTD	6,747	1,582,999	1.63%
Total investments in listed Australian securities at fair value		29,107,417	29.96%
Hong Kong			
ANTA SPORTS PRODUCTS LTD	79,000	1,682,700	1.72%
BOC HONG KONG HOLDINGS LTD	59,000	1,398,300	1.44%
BOER POWER HOLDINGS LTD	127,000	1,772,920	1.82%
CHONGQING RURAL COMMERCIAL BANK CO LTD	314,000	1,472,660	1.52%
CP POKPHAND CO LTD	1,572,000	1,289,040	1.33%
FAR EAST HORIZON LTD	242,000	1,744,820	1.80%
GUOTAI JUNAN INTERNATIONAL HOLDINGS LTD	504,000	1,370,880	1.41%
HAITONG SECURITIES CO LTD	114,000	1,561,800	1.61%
JIANGSU EXPRESSWAY CO LTD	156,000	1,631,760	1.68%
LINK REIT	33,500	1,554,400	1.60%
MAN WAH HOLDINGS LTD	172,000	1,568,640	1.61%
SHENZHOU INTERNATIONAL GROUP HOLDINGS LTD	42,000	1,871,100	1.93%
SKYWORTH DIGITAL HOLDINGS LTD	240,000	1,214,400	1.25%
TEXWINCA HOLDINGS LTD	214,000	1,735,540	1.79%
WHARF HOLDINGS LTD	32,000	1,376,000	1.42%
WHEELLOCK & CO LTD	43,000	1,403,950	1.45%
YUEXIN REAL ESTATE INVESTMENT TRUST	379,000	1,576,640	1.62%
ZHEJIANG EXPRESSWAY CO LTD	162,000	1,509,840	1.55%
Total investments in listed Hong Kong securities at fair value		27,735,390	28.55%

XIE Shares Trust II

XIE Shares CLSA GARY ETF

Investment portfolio (Unaudited) (Continued)

As at 31 December 2015

	Holdings	Fair value HK\$	% of net assets
Indonesia			
ASTRA INTERNATIONAL TBK PT	425,800	1,436,295	1.47%
INDOFOOD SUKSES MAKMUR TBK PT	434,300	1,263,534	1.30%
TELEKOMUNIKASI INDONESIA PERSERO TBK PT	999,500	1,744,742	1.80%
UNITED TRACTORS TBK PT	142,400	1,356,958	1.40%
Total investments in listed Indonesian securities at fair value		5,801,529	5.97%
	Holdings	Fair value HK\$	% of net assets
New Zealand			
SKYCITY ENTERTAINMENT GROUP LTD	73,489	1,727,318	1.78%
Total investments in listed New Zealand securities at fair value		1,727,318	1.78%
	Holdings	Fair value HK\$	% of net Assets
Singapore			
CAPITALLAND COMMERCIAL TRUST LTD	193,800	1,429,293	1.47%
CAPITALLAND MALL TRUST	135,700	1,430,774	1.47%
COMFORTDELGRO CORP LTD	91,600	1,526,262	1.58%
DBS GROUP HOLDINGS LTD	15,300	1,395,023	1.44%
M1 LTD	95,100	1,413,133	1.45%
SATS LTD	74,100	1,554,473	1.60%
SINGAPORE EXCHANGE LTD	36,300	1,526,972	1.57%
THAI BEVERAGE PCL	402,700	1,517,974	1.56%
UNITED OVERSEAS BANK LTD	13,700	1,467,682	1.51%
VENTURE CORP LTD	33,000	1,478,296	1.52%
Total investments in listed Singaporean securities at fair value		14,739,882	15.17%

XIE Shares Trust II

XIE Shares CLSA GARY ETF

Investment portfolio (Unaudited) (Continued)

As at 31 December 2015

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
Taiwan			
CHICONY ELECTRONICS CO LTD	79,000	1,345,784	1.39%
ELITE MATERIAL CO LTD	94,000	1,275,283	1.31%
FAR EASTERN DEPARTMENT STORES LTD	363,000	1,563,077	1.61%
FLYTECH TECHNOLOGY CO LTD	61,000	1,367,302	1.41%
FOXCONN TECHNOLOGY CO LTD	70,000	1,149,525	1.18%
MERIDA INDUSTRY CO LTD	34,000	1,419,918	1.46%
MICRO-STAR INTERNATIONAL CO LTD	197,000	2,182,293	2.25%
SERCOMM CORP	82,000	1,677,428	1.73%
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	47,000	1,585,787	1.63%
YEONG GUAN ENERGY TECHNOLOGY GROUP CO LTD	29,000	1,245,318	1.28%
ZHEN DING TECHNOLOGY HOLDING LTD	68,000	1,216,155	1.25%
Total investments in listed Taiwanese securities at fair value		<u>16,027,870</u>	<u>16.50%</u>
	Holdings	Fair value HK\$	% of net assets
Thailand			
DELTA ELECTRONICS THAILAND PLC	71,700	1,181,307	1.22%
MAJOR CINEPLEX GROUP PCL	222,200	1,686,885	1.73%
Total investments in listed Thailand securities at fair value		<u>2,868,192</u>	<u>2.95%</u>
Total investments in listed securities at fair value		<u>98,007,598</u>	<u>100.88%</u>
Total investments		<u>98,007,598</u>	<u>100.88%</u>
Other net assets		<u>(850,491)</u>	<u>(0.88%)</u>
Net assets attributable to unitholders at 31 December 2015		<u>97,157,107</u>	<u>100.00%</u>
Total investment, at cost		<u>96,438,769</u>	

XIE Shares Trust II

XIE Shares CLSA GARY ETF

Statement of movements in investment portfolio (Unaudited)

For the period ended 31 December 2015

Investments - listed equities	Holdings as at 5 November 2015 (Date of inception)	Additions	Corporate Action	Disposals	Holdings as at 31 December 2015
AMP LTD	-	46,990	-	-	46,990
ANTA SPORTS PRODUCTS LTD	-	79,000	-	-	79,000
ASTRA INTERNATIONAL TBK PT	-	425,800	-	-	425,800
AURIZON HOLDINGS LTD	-	52,484	-	-	52,484
BANK OF QUEENSLAND LTD	-	20,618	-	-	20,618
BOC HONG KONG HOLDINGS LTD	-	59,000	-	-	59,000
BOER POWER HOLDINGS LTD	-	127,000	-	-	127,000
BORAL LTD	-	50,705	-	-	50,705
BT INVESTMENT MANAGEMENT LTD	-	27,746	-	-	27,746
CAPITALAND COMMERCIAL TRUST LTD	-	193,800	-	-	193,800
CAPITALAND MALL TRUST	-	135,700	-	-	135,700
CHARTER HALL GROUP	-	62,982	-	-	62,982
CHICONY ELECTRONICS CO LTD	-	79,000	-	-	79,000
CHONGQING RURAL COMMERCIAL BANK CO LTD	-	314,000	-	-	314,000
COMFORTDELGRO CORP LTD	-	91,600	-	-	91,600
CP POKPHAND CO LTD	-	1,572,000	-	-	1,572,000
DBS GROUP HOLDINGS LTD	-	15,300	-	-	15,300
DELTA ELECTRONICS THAILAND PCL	-	71,700	-	-	71,700
ELITE MATERIAL CO LTD	-	94,000	-	-	94,000
FAR EAST HORIZON LTD	-	242,000	-	-	242,000
FAR EASTERN DEPARTMENT STORES LTD	-	363,000	-	-	363,000
FLYTECH TECHNOLOGY CO LTD	-	61,000	-	-	61,000
FOXCONN TECHNOLOGY CO LTD	-	70,000	-	-	70,000

XIE Shares Trust II

XIE Shares CLSA GARY ETF

Statement of movements in investment portfolio (Unaudited) (Continued)

For the period ended 31 December 2015

Investments - listed equities	Holdings as at 5 November 2015 (Date of inception)	Additions	Corporate Action	Disposals	Holdings as at 31 December 2015
GOODMAN GROUP	-	46,058	-	-	46,058
GUOTAI JUNAN INTERNATIONAL HOLDINGS LTD	-	504,000	-	-	504,000
HAITONG SECURITIES CO LTD	-	114,000	-	-	114,000
HARVEY NORMAN HOLDINGS LTD	-	70,672	-	-	70,672
INDOFOOD SUKSES MAKMUR TBK PT	-	434,300	-	-	434,300
JIANGSU EXPRESS CO LTD	-	156,000	-	-	156,000
LINK REIT	-	33,500	-	-	33,500
M1 LTD	-	95,100	-	-	95,100
MACQUARIE GROUP LTD	-	3,311	-	-	3,311
MAGELLAN FINANCIAL GROUP LTD	-	12,893	-	-	12,893
MAJOR CINEPLEX GROUP PCL	-	222,200	-	-	222,200
MAN WAH HOLDINGS LTD	-	172,000	-	-	172,000
MERIDA INDUSTRY CO LTD	-	34,000	-	-	34,000
MICRO-STAR INTERNATIONAL CO LTD	-	197,000	-	-	197,000
PLATINUM ASSET MANAGEMENT LTD	-	39,097	-	-	39,097
PREMIER INVESTMENTS LTD	-	21,215	-	-	21,215
PRIMARY HEALTH CARE LTD	-	70,794	-	-	70,794
SATS LTD	-	74,100	-	-	74,100
SERCOMM CORP	-	82,000	-	-	82,000
SHENZHOU INTERNATIONAL GROUP HOLDINGS LTD	-	42,000	-	-	42,000
SINGAPORE EXCHANGE LTD	-	36,300	-	-	36,300
SKYCITY ENTERTAINMENT GROUP LTD	-	73,489	-	-	73,489
SKYWORTH DIGITAL HOLDINGS LTD	-	240,000	-	-	240,000
STOCKLAND	-	70,066	-	-	70,066
SUNCORP GROUP LTD	-	20,959	-	-	20,959

XIE Shares Trust II

XIE Shares CLSA GARY ETF

Statement of movements in investment portfolio (Unaudited) (Continued)

For the period ended 31 December 2015

Investments - listed equities	Holdings as at 5 November 2015 (Date of inception)	Additions	Corporate Action	Disposals	Holdings as at 31 December 2015
TABCORP HOLDINGS LTD	-	56,068	-	-	56,068
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	-	47,000	-	-	47,000
TELEKOMUNIKASI INDONESIA PERSERO TBK PT	-	999,500	-	-	999,500
TEXWINCA HOLDINGS LTD	-	214,000	-	-	214,000
THAI BEVERAGE PCL	-	402,700	-	-	402,700
TREASURY WINE ESTATES LTD	-	42,132	-	-	42,132
UNITED OVERSEAS BANK LTD	-	13,700	-	-	13,700
UNITED TRACTORS TBK PT	-	142,400	-	-	142,400
VENTURE CORP LTD	-	33,000	-	-	33,000
WESFARMERS LTD	-	6,747	-	-	6,747
WHARF HOLDINGS LTD	-	32,000	-	-	32,000
WHEELOCK & CO LTD	-	43,000	-	-	43,000
YEONG GUAN ENERGY TECHNOLOGY GROUP CO LTD	-	29,000	-	-	29,000
YUEXIU REAL ESTATE INVESTMENT TRUST	-	379,000	-	-	379,000
ZHEJIANG EXPRESSWAY CO LTD	-	162,000	-	-	162,000
ZHEN DING TECHNOLOGY HOLDING LTD	-	68,000	-	-	68,000

XIE Shares Trust II

XIE Shares CLSA GARY ETF

Performance record (Unaudited)

For the period ended 31 December 2015

Net asset value attributable to unitholders

	Dealing net asset value per unit HK\$	Dealing net asset value of the Sub-Fund HK\$
At end of financial period dated		
31 December 2015	7.8840	98,549,764

Highest and lowest net asset value per unit

	Lowest HK\$	Highest HK\$
Period ended 31 December 2015	<u>7.5622</u>	<u>8.0254</u>

During the period from 5 November 2015 (date of inception) to 31 December 2015, the Underlying Index decreased by 0.76%, while the net asset value per unit of the Sub-Fund decreased by 1.45%^(a).

There were no constituent securities of that CLSA GARY Net Total Return Index that accounted for more than 10% of the weighting of CLSA GARY Net Total Return Index as at 31 December 2015.

(a) This is the annualised return of the Sub-Fund (net of fees and expenses) since its inception on 5 November 2015 to 31 December 2015.