

**MIRAE ASSET HORIZONS LEVERAGED AND INVERSE
SERIES**

AUDITED FINANCIAL STATEMENTS

**MIRAE ASSET HORIZONS S&P 500 DAILY (-1x) INVERSE
PRODUCT**

**MIRAE ASSET HORIZONS S&P 500 DAILY (2x) LEVERAGED
PRODUCT**

**MIRAE ASSET HORIZONS TOPIX DAILY (-1x) INVERSE
PRODUCT**

**MIRAE ASSET HORIZONS TOPIX DAILY (2x) LEVERAGED
PRODUCT**

**FOR THE PERIOD FROM 5 OCTOBER 2016 (DATE OF INCEPTION)
TO 31 MARCH 2017**

**(SUB-FUNDS OF MIRAE ASSET HORIZONS LEVERAGED AND
INVERSE SERIES)**

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

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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 Leveraged and Inverse Series, please refer to the prospectus of the Mirae Asset Horizons Leveraged and Inverse Series which is available at our website: www.miraeasset.com.hk/li.

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

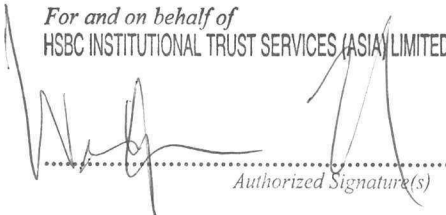
MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, Mirae Asset Global Investments (Hong Kong) Limited, the Manager of the Mirae Asset Horizons Leveraged And Inverse Series (the “Trust”) has, in all material respects, managed the Trust, in accordance with the provisions of the Trust Deed dated 1 September 2016 as amended by supplemental deeds dated 23 February 2017 (collectively, the “Trust Deed”).

1. Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product
2. Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product
3. Mirae Asset Horizons Topix Daily (-1x) Inverse Product; and
4. Mirae Asset Horizons Topix Daily (2x) Leveraged Product
for the period from 5 October 2016 (date of inception) to 31 March 2017.

For and on behalf of
HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED



.....
Authorized Signature(s)

HSBC Institutional Trust Services (Asia) Limited (the “Trustee”)

26 July 2017



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INDEPENDENT AUDITOR'S REPORT

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product, and Mirae Asset Horizons Topix Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")

(An umbrella unit trust established under the laws of Hong Kong)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product, and Mirae Asset Horizons Topix Daily (2x) Leveraged Product (collectively, the "Sub-Funds") of the Trust set out on pages 7 to 43, which comprise the statement of net assets as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders, statement of cash flows for the period from 5 October 2016 (date of inception) to 31 March 2017 then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Sub-Funds as at 31 March 2017, and of their financial transactions and the cash flows for the period from 5 October 2016 (date of inception) to 31 March 2017 then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Sub-Funds in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT (continued)

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product, and Mirae Asset Horizons Topix Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")

(An umbrella unit trust established under the laws of Hong Kong)

Key Audit Matters (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i></p> <p>For Mirae Asset Horizons Topix Daily (-1x) Inverse Product, and Mirae Asset Horizons Topix Daily (2x) Leveraged Product, the financial assets and financial liabilities at fair value through profit or loss represented the majority of the net assets of these Sub-Funds as at 31 March 2017. These financial assets and financial liabilities consist of investments in exchange traded fund and futures traded in Tokyo and Osaka Exchange respectively. They were measured at fair value as at 31 March 2017. We focused on this area because the financial assets and financial liabilities at fair value through profit or loss represented the principal element of the financial statements.</p> <p>Disclosures of the financial assets and financial liabilities at fair value through profit or loss are set out in the summary of significant accounting policies and notes 5(d), 11 and 12(b)(i).</p>	<p><i>Existence and valuation of financial assets and financial liabilities at fair value through profit or loss</i></p> <p>We obtained independent confirmations from the custodian and counterparties of the investment portfolio held as at 31 March 2017, agreeing the quantities held to the accounting records. We tested the design and operating effectiveness of controls for the valuation of financial instruments. In addition, we checked the valuation of the financial assets and financial liabilities at fair value through profit or loss that are quoted in active markets by independently agreeing the valuation of financial assets and financial liabilities to third party vendor sources such as Reuters or Bloomberg as at 31 March 2017.</p>
<p><i>Existence of cash and cash equivalents</i></p> <p>As at 31 March 2017, the cash and cash equivalents represented the majority of the net asset value of the Sub-Funds. We focused on this area because the cash and cash equivalents represented the principal element of the financial statements.</p> <p>Disclosures of the cash and cash equivalents are set out in the summary of significant accounting policies and note 5(d).</p>	<p><i>Existence of cash and cash equivalents</i></p> <p>We obtained independent confirmation from the banks which the Sub-Funds held accounts with as at 31 March 2017 and agreed the balances to the accounting records and bank statements.</p>

INDEPENDENT AUDITOR’S REPORT (continued)

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product, and Mirae Asset Horizons Topix Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the “Trust”)
 (An umbrella unit trust established under the laws of Hong Kong)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Net realised gain/(loss) on sale of financial assets and financial liabilities at fair value through profit or loss</i></p> <p>For the period ended 31 March 2017, the net realised gain/(loss) on sale of financial assets and financial liabilities classified as ‘at fair value through profit or loss’ of the Sub-Funds represented a significant amount of the total comprehensive income for the period. We focused on this area because the net realised gain/(loss) on sale of financial assets and financial liabilities at fair value through profit or loss represented the principal element of the financial statements.</p> <p>Disclosures of the net realised gain/(loss) on sale of financial assets and financial liabilities at fair value through profit or loss are set out in the summary of significant accounting policies and note 4.</p>	<p>We tested the net realised gain/(loss) on sale of financial assets and financial liabilities by obtaining the trade confirmations and bank statements of selected trades and agreeing the details of the disposal of financial assets and financial liabilities to the accounting records.</p>

Other information included in the Annual Report

The Manager and the Trustee of the Sub-Funds are responsible for the other information. The other information comprises the information included in the annual report (the “Annual Report”), other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Manager and Trustee for the Financial Statements

The Manager and the Trustee of the Sub-Funds are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (continued)

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product, and Mirae Asset Horizons Topix Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")

(An umbrella unit trust established under the laws of Hong Kong)

Responsibilities of Manager and Trustee of the Sub-Funds for the Financial Statements (continued)

In preparing the financial statements, the Manager and the Trustee of the Sub-Funds are responsible for assessing the Sub-Funds' abilities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee of the Sub-Funds either intend to liquidate the Sub-Funds or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and Trustee of the Sub-Funds are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 1 September 2016 as amended by supplemental deeds dated 23 February 2017 (collectively, the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Funds have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.

INDEPENDENT AUDITOR'S REPORT (continued)

To the unitholders of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product, and Mirae Asset Horizons Topix Daily (2x) Leveraged Product of Mirae Asset Horizons Leveraged and Inverse Series (the "Trust")

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Manager and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Funds' abilities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Manager and the Trustee of the Sub-Funds with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager and the Trustee of the Sub-Funds, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Christine Lin.


Certified Public Accountants
Hong Kong
26 July 2017

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

STATEMENT OF NET ASSETS

As at 31 March 2017

		<u>Mirae Asset</u> <u>Horizons S&P 500</u> <u>Daily (-1x) Inverse</u> <u>Product</u>	<u>Mirae Asset</u> <u>Horizons S&P 500</u> <u>Daily (2x)</u> <u>Leveraged Product</u>	<u>Mirae Asset</u> <u>Horizons Topix</u> <u>Daily (-1x)</u> <u>Inverse Product</u>	<u>Mirae Asset</u> <u>Horizons Topix</u> <u>Daily (2x)</u> <u>Leveraged</u> <u>Product</u>
	Notes	2017 US\$	2017 US\$	2017 HK\$	2017 HK\$
ASSETS					
Financial assets at fair value through profit or loss	5(d), 11, 12(b)(i)	-	-	217,796	1,114,425
Amount due from brokers	6	4,042	-	856,388	3,928,996
Amount due from the Manager	5(f)	-	-	70,018	78,578
Interest receivables		2,177	2,568	13,088	14,214
Other receivables		-	-	-	2,188
Cash and cash equivalents	5(d)	1,798,344	2,398,546	11,180,345	15,503,481
TOTAL ASSETS		<u>1,804,563</u>	<u>2,401,114</u>	<u>12,337,635</u>	<u>20,641,882</u>
LIABILITIES					
Financial liabilities at fair value through profit or loss	11, 12(b)(i)	-	-	-	718,345
Amount due to brokers	6	-	10,892	-	410,629
Management fee payable	5(a)	3,817	4,806	22,375	36,586
Trustee fee payable	5(b)	182	243	1,227	2,051
Formation fee payable	5(c)(i)	115,252	115,252	893,257	892,462
Administration fee payable	5(c)(ii)	1,636	2,159	3,764	5,482
Other payables and accruals		-	-	-	3,575
TOTAL LIABILITIES		<u>120,887</u>	<u>133,352</u>	<u>920,623</u>	<u>2,069,130</u>
EQUITY					
Net assets attributable to unitholders	3(a)	<u>1,683,676</u>	<u>2,267,762</u>	<u>11,417,012</u>	<u>18,572,752</u>
TOTAL LIABILITIES AND EQUITY		<u>1,804,563</u>	<u>2,401,114</u>	<u>12,337,635</u>	<u>20,641,882</u>
Number of units in issue	3(b)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,400,000</u>	<u>1,600,000</u>
Net asset value per unit	3(b)	<u>1.6837</u>	<u>2.2678</u>	<u>8.1550</u>	<u>11.6080</u>

Mirae Asset Global Investments (Hong Kong) Limited

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 5 October 2016 (date of inception) to 31 March 2017

	Notes	<u>Mirae Asset</u> <u>Horizons S&P 500</u> <u>Daily (-1x) Inverse</u> <u>Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	<u>Mirae Asset</u> <u>Horizons S&P 500</u> <u>Daily (2x)</u> <u>Leveraged Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	<u>Mirae Asset</u> <u>Horizons Topix</u> <u>Daily (-1x) Inverse</u> <u>Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 HK\$	<u>Mirae Asset</u> <u>Horizons Topix</u> <u>Daily (2x)</u> <u>Leveraged Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 HK\$
INCOME					
Interest income		4,494	6,301	19,503	23,210
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss	4	(192,123)	491,030	(1,763,140)	3,749,803
Net exchange gain/(loss)		-	-	(125,973)	(198,377)
		<u>(187,629)</u>	<u>497,331</u>	<u>(1,869,610)</u>	<u>3,574,636</u>
EXPENSES					
Management fee	5(a)	(7,767)	(10,107)	(48,146)	(67,936)
Trustee fee	5(b)	(1,096)	(1,427)	(7,703)	(10,870)
Brokerage and other transaction fees		(2,575)	(11,021)	(2,475)	(15,974)
Bank charges	5(c)	-	-	(3,276)	(3,831)
Registrar fee	5(c)	(40)	(100)	(480)	(320)
Formation fee	5(c)(i)	(115,252)	(115,252)	(893,257)	(892,462)
Administration fee	5(c)(ii)	(1,636)	(2,159)	(4,840)	(7,048)
Other expenses		(329)	(328)	-	(3,415)
		<u>(128,695)</u>	<u>(140,394)</u>	<u>(960,177)</u>	<u>(1,001,856)</u>
Operating profit/(loss)		(316,324)	356,937	(2,829,787)	2,572,780
FINANCE COSTS					
Interest expense		-	-	(41)	(28)
Total comprehensive income for the period		<u>(316,324)</u>	<u>356,937</u>	<u>(2,829,828)</u>	<u>2,572,752</u>

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 5 October 2016 (date of inception) to 31 March 2017

	<u>Mirae Asset</u> <u>Horizons S&P 500</u> <u>Daily (-1x) Inverse</u> <u>Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	<u>Mirae Asset</u> <u>Horizons S&P 500</u> <u>Daily (2x)</u> <u>Leveraged Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	<u>Mirae Asset</u> <u>Horizons Topix</u> <u>Daily (-1x)</u> <u>Inverse Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 HK\$	<u>Mirae Asset</u> <u>Horizons Topix</u> <u>Daily (2x)</u> <u>Leveraged Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 HK\$
Net assets attributable to unitholders at the beginning of the period	-	-	-	-
Issue of units during the period	2,000,000	3,535,025	16,000,000	16,000,000
Redemption of units during the period	-	(1,624,200)	(1,753,160)	-
Net issue of units	<u>2,000,000</u>	<u>1,910,825</u>	<u>14,246,840</u>	<u>16,000,000</u>
Total comprehensive income for the period	(316,324)	356,937	(2,829,828)	2,572,752
Net assets attributable to unitholders at the end of the period	<u>1,683,676</u>	<u>2,267,762</u>	<u>11,417,012</u>	<u>18,572,752</u>

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

STATEMENT OF CASH FLOWS

For the period from 5 October 2016 (date of inception) to 31 March 2017

	Note	<u>Mirae Asset Horizons S&P 500 Daily (-1x)</u> <u>Inverse Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income for the period		(316,324)
Adjustments for:		
Interest income		(4,494)
Increase in amount due from brokers		(4,042)
Increase in management fee payable		3,817
Increase in trustee fee payable		182
Increase in formation fee payable		115,252
Increase in administration fee payable		1,636
Cash used in operations		<u>(203,973)</u>
Interest received		2,317
Net cash flows used in operating activities		<u>(201,656)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units		2,000,000
Net cash flows generated from financing activities		<u>2,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,798,344
Cash and cash equivalents at the beginning of the period		<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>1,798,344</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	5(d)	796,223
Time deposits	5(d)	1,002,121
Cash and cash equivalents as stated in the statement of cash flows		<u><u>1,798,344</u></u>

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

STATEMENT OF CASH FLOWS (CONTINUED)

For the period from 5 October 2016 (date of inception) to 31 March 2017

	Note	<u>Mirae Asset Horizons S&P 500 Daily (2x)</u> <u>Leveraged Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income for the period		356,937
Adjustments for:		
Interest income		(6,301)
Increase in amount due to brokers		10,892
Increase in management fee payable		4,806
Increase in trustee fee payable		243
Increase in formation fee payable		115,252
Increase in administration fee payable		2,159
Cash generated from operations		<u>483,988</u>
Interest received		3,733
Net cash flows generated from operating activities		<u>487,721</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units		3,535,025
Cash paid on redemption of units		(1,624,200)
Net cash flows generated from financing activities		<u>1,910,825</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,398,546
Cash and cash equivalents at the beginning of the period		<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>2,398,546</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	5(d)	895,289
Time deposits	5(d)	1,503,257
Cash and cash equivalents as stated in the statement of cash flows		<u>2,398,546</u>

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

STATEMENT OF CASH FLOWS (CONTINUED)

For the period from 5 October 2016 (date of inception) 31 March 2017

	Note	<u>Mirae Asset Horizons Topix Daily (-1x) Inverse</u> <u>Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income for the period		(2,829,828)
Adjustments for:		
Interest income		(19,503)
Interest expense		41
Increase in financial assets at fair value through profit or loss		(217,796)
Increase in amount due from brokers		(856,388)
Increase in amount due from the Manager		(70,018)
Increase in management fee payable		22,375
Increase in trustee fee payable		1,227
Increase in formation fee payable		893,257
Increase in administration fee payable		3,764
Cash used in operations		<u>(3,072,869)</u>
Interest received		6,415
Interest paid		(41)
Net cash flows used in operating activities		<u>(3,066,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units		16,000,000
Cash paid on redemption of units		(1,753,160)
Net cash flows generated from financing activities		<u>14,246,840</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,180,345
Cash and cash equivalents at the beginning of the period		<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>11,180,345</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	5(d)	4,174,169
Time deposits	5(d)	7,006,176
Cash and cash equivalents as stated in the statement of cash flows		<u>11,180,345</u>

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

STATEMENT OF CASH FLOWS (CONTINUED)

For the period from 5 October 2016 (date of inception) 31 March 2017

	Note	<u>Mirae Asset Horizons Topix Daily (2x) Leveraged</u> <u>Product</u>
		For the period from 5 October 2016 (date of inception) to 31 March 2017 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income for the period		2,572,752
Adjustments for:		
Interest income		(23,210)
Interest expense		28
Increase in financial assets at fair value through profit or loss		(1,114,425)
Increase in amount due from brokers		(3,928,996)
Increase in amount due from the Manager		(78,578)
Increase in other receivables		(2,188)
Increase in financial liabilities at fair value through profit or loss		718,345
Increase in amount due to brokers		410,629
Increase in management fee payable		36,586
Increase in trustee fee payable		2,051
Increase in formation fee payable		892,462
Increase in administration fee payable		5,482
Increase in other payables and accruals		3,575
Cash used in operations		<u>(505,487)</u>
Interest received		8,996
Interest paid		(28)
Net cash flows used in operating activities		<u>(496,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units		16,000,000
Net cash flows generated from financing activities		<u>16,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,503,481
Cash and cash equivalents at the beginning of the period		<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>15,503,481</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	5(d)	6,494,730
Time deposits	5(d)	9,008,751
Cash and cash equivalents as stated in the statement of cash flows		<u><u>15,503,481</u></u>

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

1. GENERAL INFORMATION

Mirae Asset Horizons Leveraged and Inverse Series (the “Trust”) is an umbrella unit trust governed by its trust deed dated 1 September 2016 as amended by supplemental deeds dated 23 February 2017 (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 31 March 2017, the Trust has established eight sub-funds, each a separate sub-fund of the Trust, which are authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to section 104(1) of the Securities and Futures Ordinance. Out of the eight sub-funds, four sub-funds including Mirae Asset Horizons Hang Seng Index Daily (-1x) Inverse Product, Mirae Asset Horizons Hang Seng Index Daily (2x) Inverse Product, Mirae Asset Horizons Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Mirae Asset Horizons Hang Seng China Enterprises Index Daily (2x) Leveraged Product are not included in these financial statements. The remaining four sub-funds, including Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product are referred to individually or collectively as the “Sub-Fund(s)”. The Sub-Funds are listed on the Stock Exchange of Hong Kong Limited (a subsidiary of The Hong Kong Exchanges and Clearing Limited):

<u>Name of Sub-Funds</u>	<u>Listing date on the Stock Exchange of Hong Kong Limited (the “SEHK”)</u>
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product	11 October 2016
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product	11 October 2016
Mirae Asset Horizons Topix Daily (-1x) Inverse Product	11 October 2016
Mirae Asset Horizons Topix Daily (2x) Leveraged Product	11 October 2016

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

Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product (“S&P 500 Daily (-1x) Inverse Product”)
The objective of S&P 500 Daily (-1x) Inverse Product (Stock code: 07322) is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) daily performance of the S&P 500 Index (net of swap fees). The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product (“S&P 500 Daily (2x) Leveraged Product”)
The objective of S&P 500 Daily (2x) Leveraged Product (Stock code: 07222) is to provide investment results that, before fees and expenses, closely correspond to twice (2x) the daily performance of the S&P 500 Index (net of swap fees). The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

Mirae Asset Horizons Topix Daily (-1x) Inverse Product (“Topix Daily (-1x) Inverse Product”)
The objective of Topix Daily (-1x) Inverse Product (Stock code: 07315) is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) daily performance of the Tokyo Stock Price Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

1. GENERAL INFORMATION (CONTINUED)

Mirae Asset Horizons Topix Daily (2x) Leveraged Product (“Topix Daily (2x) Leveraged Product”)

The objective of Topix Daily (2x) Leveraged Product (Stock code: 07225) is to provide investment results that, before fees and expenses, closely correspond to twice (2x) the daily performance of the Tokyo Stock Price Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

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 (“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 Funds of the SFC (the “SFC Code”). The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities classified as at fair value through profit or loss that have been measured at fair value.

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

The Sub-Funds have adopted for the first time all the applicable and effective IFRSs.

Going concern

The Management has made an assessment of the Sub-Funds’ ability to continue as a going concern and is satisfied that the Sub-Funds have 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-Funds’ ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Assessment of fund investments as structured entities

Mirae Asset Horizons Topix Daily (2x) Leveraged Product has assessed whether the fund in which it invests should be classified as a structured entity. Mirae Asset Horizons Topix Daily (2x) Leveraged Product has considered the voting rights and other similar rights afforded to investors in this investee fund, including the rights to remove the fund manager or redeem holdings. Mirae Asset Horizons Topix Daily (2x) Leveraged Product has concluded as to whether these rights are the dominant factor in controlling the investee fund, or whether the contractual agreement with the investee fund manager is the dominant factor in controlling this investee fund. Mirae Asset Horizons Topix Daily (2x) Leveraged Product has concluded that Nomura Topix Exchange Traded Fund is a structured entity.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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-Funds establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which the Sub-Funds invest. 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 investments' domiciles.

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

ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9 *Financial Instruments*

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

The Sub-Funds plan to adopt the new standard on the required effective date. During 2017, the Sub-Funds have performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Sub-Funds in the future. Overall, the Sub-Funds expect no significant impact on the statement of net assets except for the effect of applying the impairment requirements of IFRS 9. The Sub-Funds expect a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments

Classification

The Sub-Funds classify their financial assets and liabilities into the following categories in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Funds include in this category amounts relating to amount due from brokers, amount due from the Manager and other receivables.

Other financial liabilities

This category includes all financial liabilities other than those classified as at fair value through profit or loss. The Sub-Funds include in this category amounts relating to management fee payable, trustee fee payable, formation fee payable, administration fee payable, amount due to brokers and other payables.

Recognition

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

Initial measurement

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

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

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

Subsequent measurement

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Subsequent measurement (continued)

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

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

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

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired, or where the Sub-Funds have transferred its rights to receive cash flows from the financial asset, or have 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-Funds have transferred substantially all the risks and rewards of the asset or the Sub-Funds have neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the asset.

When the Sub-Funds have transferred its rights to receive cash flows from an asset (or have entered into a pass-through arrangement), and have 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-Funds' continuing involvement in the asset. In that case, the Sub-Funds also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Funds have retained. The Sub-Funds derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

Fair value measurement

The Sub-Funds measure its investments in financial instruments at fair value at each balance sheet date.

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-Funds.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Fair value measurement (continued)

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

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

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

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

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

Derivative financial instruments

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

Unrealised gains and losses arising from change 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.

Dividend income on equity securities is recognised on the date on which the investments are quoted ex-dividend. Dividend income on equity securities where no ex-dividend date is quoted is accounted for when the Sub-Funds' right to receive payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss.

(d) Expenses

Expenses are recognised on an accrual basis.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash component

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

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of net assets comprise short-term deposits in banks and time deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(g) Translation of foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Funds operate (the “functional currency”). The performance of the Sub-Funds is measured and reported to the unitholders in Hong Kong dollar (“HK\$”) for Mirae Asset Horizons Topix Daily (-1X) Inverse Product and Mirae Asset Horizons Topix Daily (2X) Leveraged Product and in United States Dollar (“US\$”) for Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product and Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product. The Management considers the HK\$ and US\$ as the currencies that most faithfully represent the economic effects of the underlying transactions, events and conditions. The financial statements of the Sub-Funds are presented in HK\$ for Mirae Asset Horizons Topix Daily (-1X) Inverse Product and Mirae Asset Horizons Topix Daily (2X) Leveraged Product and in US\$ for Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product and Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, which are 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. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency using the exchange rate ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units

Redeemable units are classified as an equity instrument when:

- (a) The redeemable units entitle the holder to a pro-rata share of the Sub-Funds' net assets in the event of the Sub-Funds' 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-Funds' net assets; or
- (e) The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the 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-Funds over the life of the instrument.

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

- (a) Total cash flows based substantially on the 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-Funds; and
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

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

The Sub-Funds continuously assess 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-Funds 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-Funds 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-Funds in issuing their 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-Funds' own equity instruments which are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units (continued)

Redeemable units can be redeemed in cash equal to a proportionate share of the Sub-Funds' net asset value. The Sub-Funds' 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-Funds. Units are created or redeemed in multiples of 250,000 units for Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product and Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, and 200,000 units for Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product.

(i) Segmental reporting

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

(j) Amount due from and due to brokers

Amount due from brokers includes cash held at the brokers and receivables for unsettled trades. Amount due to brokers includes margin debt balances and payables for unsettled trades.

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

(k) Impairment of financial assets

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

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

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

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

This item includes changes in the fair value of financial assets and financial liabilities as at fair value through profit or loss and excludes interest and dividend income.

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

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

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

(n) Offsetting financial instruments

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

(o) Taxes

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

(p) Distributions to unitholders

The Manager does not intend to pay or make any distributions or dividends to the Sub-Funds' unitholders.

(q) Formation fee

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

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Transactions costs

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

(s) Related parties

A party is considered to be related to the Sub-Funds 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-Funds;
 - (ii) has significant influence over the Sub-Funds; or
 - (iii) is a member of the key management personnel of the Sub-Funds or of a parent of the Sub-Funds;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-Funds 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-Funds or an entity related to the Sub-Funds;
 - (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 a group of which it is a part, provides key management personnel services to the Sub-Funds or to the parent of the Sub-Funds.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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-Funds 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 or index securities constituting baskets plus remaining subscription proceeds from the participating dealers for the creation of units and pay redemption proceeds or index securities constituting baskets plus remaining 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-Funds, 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

Adjustment for formation fee

The formation fee of establishing Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product were US\$115,252, US\$115,252, HK\$893,257 and HK\$892,462 respectively. The formation fee will be amortised over the first 5 financial periods of the Sub-Funds. However, with respect to the Sub-Funds for the purpose of financial statements preparation in compliance with IFRSs, their accounting policy is to expense the formation fee in profit or loss as incurred.

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 March 2017 is reconciled below:

<u>As at 31 March 2017</u>	<u>Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product</u> US\$	<u>Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product</u> US\$	<u>Mirae Asset Horizons Topix Daily (-1x) Inverse Product</u> HK\$	<u>Mirae Asset Horizons Topix Daily (2x) Leveraged Product</u> HK\$
Accounting NAV as reported in the statement of net assets	1,683,676	2,267,762	11,417,012	18,572,752
Adjustment for formation fee	110,777	109,345	870,135	858,789
Dealing NAV	<u>1,794,453</u>	<u>2,377,107</u>	<u>12,287,147</u>	<u>19,431,541</u>

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

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

(b) Movement of units

The table below summarises the movement of units for the period from 5 October 2016 (date of inception) to 31 March 2017, and the Accounting NAV per unit and the Dealing NAV per unit for each of the Sub-Funds as at 31 March 2017.

As at 31 March 2017	Number of units				Net assets attributable to unitholders	
	Units in issue at beginning of period	Creation during the period	Redemption during the period	Units in issue at end of period	Accounting NAV	Dealing NAV
					Per unit at period end	Per unit at period end
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product	-	1,000,000	-	1,000,000	US\$1.6837	US\$1.7945
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product	-	1,750,000	750,000	1,000,000	US\$2.2678	US\$2.3771
Mirae Asset Horizons Topix Daily (-1x) Inverse Product	-	1,600,000	200,000	1,400,000	HK\$8.1550	HK\$8.7765
Mirae Asset Horizons Topix Daily (2x) Leveraged Product	-	1,600,000	-	1,600,000	HK\$11.6080	HK\$12.1447

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

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

	<u>Mirae Asset Horizons</u> <u>S&P 500 Daily (-1x)</u> <u>Inverse Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	<u>Mirae Asset Horizons</u> <u>S&P 500 Daily (2x)</u> <u>Leveraged Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 US\$	<u>Mirae Asset Horizons</u> <u>Topix Daily (-1x)</u> <u>Inverse Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 HK\$	<u>Mirae Asset Horizons</u> <u>Topix Daily (2x)</u> <u>Leveraged Product</u> For the period from 5 October 2016 (date of inception) to 31 March 2017 HK\$
Net realised gain/(loss) on sale of financial assets and financial liabilities at fair value through profit or loss	(192,123)	491,030	(1,980,936)	4,482,865
Net change in unrealised gain/(loss) on financial assets and financial liabilities at fair value through profit or loss	-	-	217,796	(733,062)
	<u>(192,123)</u>	<u>491,030</u>	<u>(1,763,140)</u>	<u>3,749,803</u>

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

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

Related parties are those as defined in note 2(s). Related parties of the Sub-Funds also include the Manager of the Sub-Funds 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-Funds and their 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-Funds do not have any other transactions with their 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 2% per year of the net assets of each Sub-Fund, accrued daily and calculated as at each dealing day and payable monthly in arrears. For each Sub-Fund, the Manager is entitled to receive management fee as below:

	<u>Maximum rate of the net assets in %</u>	<u>Annual rate of the net assets in % 2017</u>
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product ¹	2%	0.85%
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product ¹	2%	0.85%
Mirae Asset Horizons Topix Daily (-1x) Inverse Product ¹	2%	0.75%
Mirae Asset Horizons Topix Daily (2x) Leveraged Product ¹	2%	0.75%

¹The financial period of this Sub-Fund in 2017 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017.

(b) Trustee fees and Registrar fees

The Trustee receives out of the assets of each Sub-Fund a monthly trustee's fee, payable in arrears, accrued daily and calculated as at each dealing day of up to the greater of 1.00% per year of the net assets of a Sub-Fund or the applicable monthly minimum. For each sub-fund, trustee is entitled to trustee fee as below:

	<u>Annual rate² of the net assets in % 2017</u>
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product ¹	0.12%
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product ¹	0.12%
Mirae Asset Horizons Topix Daily (-1x) Inverse Product ¹	0.12%
Mirae Asset Horizons Topix Daily (2x) Leveraged Product ¹	0.12%

¹The financial period of this Sub-Fund in 2017 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017.

²The current standard annual rates for Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product and Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product are 0.12% per year of the net assets of each sub-fund, subject to a monthly minimum of US\$10,000 (waived for 12 months from (but excluding) the listing date) and for Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product are 0.12% per year of the net assets of each sub-fund, subject to a monthly minimum of HK\$78,000 (waived for 12 months from (but excluding) the listing date).

In respect of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product and Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, the Trustee acting as the Registrar, is also entitled to receive a registrar fees of US\$20 per participating dealer per transaction for updating the register record of the Sub-Funds and an administration transaction fee of US\$500 per participating dealer per transaction for handling any cash creation and redemption of units of the Sub-Funds.

In respect of Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product, the Trustee acting as the Registrar, is also entitled to receive a registrar fees of HK\$160 per participating dealer per transaction for updating the register record of the Sub Funds and an administration transaction fee of HK\$3,900 per participating dealer per transaction for handling any cash creation and redemption of units of the Sub-Funds.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

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

(c) Other expenses

(i) *Formation fee*

During the period ended 31 March 2017, the formation fee for establishing Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product, Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product, Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product which were newly launched, were US\$115,252, US\$115,252, HK\$893,257 and HK\$892,462 respectively. The formation fee for the Sub-Funds are payable to the Manager.

(ii) *Administration fee*

The Manager is responsible for the payment of several fees, such as audit fee, conversion agent fee and index licensing fee, for the administration of the Sub-Funds. The Manager is entitled to receive a recharge of the administration fee, calculated at an annual rate on the net assets of the Sub-Funds at each dealing day and payable monthly in arrears, as illustrated by the table below.

	<u>Annual rate of the net assets in %</u>
	2017
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product ¹	0.19%
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product ¹	0.09%
Mirae Asset Horizons Topix Daily (-1x) Inverse Product ¹	0.09%
Mirae Asset Horizons Topix Daily (2x) Leveraged Product ¹	0.09%

¹The financial period of this Sub-Fund in 2017 is referring to the period from 5 October 2016 (date of inception) to 31 March 2017.

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

Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product

	<u>For the period ended 31 March 2017</u>		
	Portion borne by the Sub-Fund US\$	Portion borne by the Manager US\$	Total US\$
Audit fee	295	7,884	8,179
Index licensing fee	689	11,435	12,124
Other administration fee	652	17,420	18,072
	<u>1,636</u>	<u>36,739</u>	<u>38,375</u>

Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product

	<u>For the period ended 31 March 2017</u>		
	Portion borne by the Sub-Fund US\$	Portion borne by the Manager US\$	Total US\$
Audit fee	389	7,790	8,179
Index licensing fee	910	11,214	12,124
Other administration fee	860	17,212	18,072
	<u>2,159</u>	<u>36,216</u>	<u>38,375</u>

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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

(c) Other expenses (continued)

(ii) *Administration fee* (continued)

Mirae Asset Horizons Topix Daily (-1x) Inverse Product

	For the period ended 31 March 2017		
	Portion borne by the Sub-Fund HK\$	Portion borne by the Manager HK\$	Total HK\$
Audit fee	1,173	62,627	63,800
Index licensing fee	1,075	32,614	33,689
Other administration fee	2,592	138,371	140,963
	<u>4,840</u>	<u>233,612</u>	<u>238,452</u>

Mirae Asset Horizons Topix Daily (2x) Leveraged Product

	For the period ended 31 March 2017		
	Portion borne by the Sub-Fund HK\$	Portion borne by the Manager HK\$	Total HK\$
Audit fee	1,708	62,092	63,800
Index licensing fee	1,566	32,123	33,689
Other administration fee	3,774	137,189	140,963
	<u>7,048</u>	<u>231,404</u>	<u>238,452</u>

(iii) *Bank charges*

Bank charges of the Sub-Funds for the period ended 31 March 2017 were charged by The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

(d) Cash and cash equivalents and certain financial assets at fair value through profit or loss held by the Trustee's related company

Cash and cash equivalents

<u>Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product</u>	Notes	As at 31 March 2017
		HK\$
Bank balances	(i)	796,223
Time deposits	(ii)	1,002,121
Cash and cash equivalents		<u>1,798,344</u>
<u>Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product</u>	Notes	As at 31 March 2017
		HK\$
Bank balances	(i)	895,289
Time deposits	(ii)	1,503,257
Cash and cash equivalents		<u>2,398,546</u>
<u>Mirae Asset Horizons Topix Daily (-1x) Inverse Product</u>	Notes	As at 31 March 2017
		HK\$
Bank balances	(i)	4,174,169
Time deposits	(ii)	7,006,176
Cash and cash equivalents		<u>11,180,345</u>

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

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

- (d) Cash and cash equivalents and certain financial assets at fair value through profit or loss held by the Trustee's related company (continued)

Cash and cash equivalents (continued)

<u>Mirae Asset Horizons Topix Daily (2x) Leveraged Product</u>	Notes	As at 31 March 2017
		HK\$
Bank balances	(i)	6,494,730
Time deposits	(ii)	9,008,751
Cash and cash equivalents		<u>15,503,481</u>

Notes

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

The carrying accounts of the cash and cash equivalents approximate to their fair values. Interest income was earned on these cash and cash equivalents during the period ended 31 March 2017.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss included in the statement of net assets amounting to HK\$1,114,425 for Mirae Asset Horizons Topix Daily (2x) Leveraged Product are held with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee as at 31 March 2017.

- (e) Holdings of units

Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product

As at 31 March 2017, Mirae Asset Securities (HK) Ltd, a related company of the Manager, held 500,000 units of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product respectively. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product

As at 31 March 2017, Mirae Asset Securities (HK) Ltd, a related company of the Manager held 450,000 units of Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

Mirae Asset Horizons Topix Daily (-1x) Inverse Product

As at 31 March 2017, Mirae Asset Securities (HK) Ltd, a related company of the Manager held 725,000 units of Mirae Asset Horizons Topix Daily (-1x) Inverse Product. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

Mirae Asset Horizons Topix Daily (2x) Leveraged Product

As at 31 March 2017, Mirae Asset Securities (HK) Ltd, a related company of the Manager held 773,000 units of Mirae Asset Horizons Topix Daily (2x) Leveraged Product. The units are held and transacted in the capacity of a nominee on behalf of the third parties.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

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

(f) Amount due from the Manager

As at 31 March 2017, the amount due from the Manager of Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product amounted to HK\$70,018 and HK\$78,578 respectively. These amounts relate to certain administration fees paid by Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product which will be reimbursed by the Manager.

6. Amount due from and due to brokers

As at 31 March 2017, the Sub-Funds have amount due from and amount due to brokers, which represent receivables and payables for securities sold/purchased that have been contracted for, but not yet delivered on the reporting date respectively. Amount due from brokers also include cash held at the brokers.

Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product

	2017
Amount due from brokers	US\$
- Cash held at brokers	4,042
	<hr/>

Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product

	2017
Amount due to brokers	US\$
- Payables for securities sold, but not yet delivered	10,892
	<hr/> <hr/>

Mirae Asset Horizons Topix Daily (-1x) Inverse Product

	2017
Amount due from brokers	HK\$
- Cash held at brokers	856,388
	<hr/>

Mirae Asset Horizons Topix Daily (2x) Leveraged Product

	2017
Amount due from brokers	HK\$
- Cash held at brokers	3,600,004
- Receivable for securities sold, but not yet delivered	328,992
	<hr/> <hr/>
Amount due to brokers	
- Payables for securities purchased, but not yet delivered	410,629
	<hr/> <hr/>

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 accounts of the Sub-Funds with whom the Manager or any of its connected persons has 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-Funds as a whole and may contribute to an improvement in the performance of the Sub-Funds. 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-Funds, the Manager has not participated in any soft commission arrangements in respect of any transactions for the account of the Sub-Funds.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

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8. TAXATION

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

9. DISTRIBUTIONS TO UNITHOLDERS

The Manager does not intend to pay or make any distributions or dividends.

10. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The SFC Code allows the Sub-Funds to invest in constituent securities issued by a single issuer for more than 10% of the Sub-Funds' net assets provided that:

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

The Sub-Funds did not hold any constituent securities that individually accounted for more than 10% of their respective net assets as at 31 March 2017.

11. DERIVATIVE FINANCIAL INSTRUMENTS

(i) *Futures contracts*

Futures contracts are a commitment to make or take future delivery of various commodities, currencies or financial instruments at a specified time and place. These commitments can be discharged by making or taking delivery of an approved grade of commodity, currency and financial instrument by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same (or a linked) exchange prior to the designated date of delivery. As at 31 March 2017, the initial margin requirements for futures amounted to US\$56,284 (equivalent to approximately HK\$437,410) and US\$184,201 (equivalent to approximately HK\$1,431,520) for Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product respectively.

(ii) *Swap agreements*

Swap agreements ("Swaps") represent agreements between two parties to make payments based upon the performance of certain underlying assets. The Sub-Fund is obligated to pay, or entitled to receive as the case may be, the net difference in the value determined at the onset of the Swaps versus the value determined at the termination or reset date of the Swaps. Therefore, amounts required for the future satisfaction of the Swaps may be greater or less than the amount recorded. The ultimate gain or loss depends upon the prices at which the underlying financial instrument of the Swaps is valued, at the Swap's settlement date.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(ii) *Swap agreements* (continued)

In managing a Sub-Fund, the Manager adopted a synthetic replication investment strategy, pursuant to which the relevant Sub-Fund will enter into one or more unfunded swaps (which are over-the counter financial derivative instruments entered into with one or more counterparties) whereby the relevant Sub-Fund will receive or pay the economic gain or loss in respectively the inverse or leveraged performance of the Index (net of swap fees).

The following derivative contracts were unsettled as at period ended 31 March 2017.

Mirae Asset Horizons Topix Daily (-1x) Inverse Product			
Type of contract	Expiration	Nominal amount	Fair value
		HK\$	HK\$
Futures	8 June 2017	(11,558,481)	217,796
Mirae Asset Horizons Topix Daily (2x) Leveraged Product			
Type of contract	Expiration	Nominal amount	Fair value
		HK\$	HK\$
Futures	8 June 2017	37,827,755	(718,345)
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product			
Type of contract	Expiration	Nominal amount	Fair value
		US\$	US\$
Swap	6 October 2017	1,816,449	-
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product			
Type of contract	Expiration	Nominal amount	Fair value
		US\$	US\$
Swap	6 October 2017	2,363,751	-

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Strategy in using financial instruments

Investment objectives and investment policies

The investment objectives of the Sub-Funds are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) or twice (2x) the daily performance of the underlying index relevant to respective Sub-Funds. The Sub-Funds will rebalance its position at or around the close of trading of the underlying market, by increasing exposure in response to the relevant index's daily gains or reducing exposure in response to the relevant index's daily losses, so that their daily inverse or leverage exposure ratio to the relevant index is consistent with the Sub-Funds' investment objectives.

The Sub-Funds themselves are subject to various risks. The main risks associated with the investments, assets and liabilities of the Sub-Funds are set out below:

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

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12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) 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, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Funds are designated to track the performance of their respective indices, and therefore the exposures to market risk in the Sub-Funds will be substantially the same as the 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 indices.

As at 31 March 2017, given that financial assets and financial liabilities at fair value through profit or loss of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product and Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product are subject to daily settlement, these financial assets and financial liabilities at fair value through profit or loss are not subject to any market price risk.

As at 31 March 2017, the Sub-Funds' financial assets and liabilities at fair value through profit or loss were concentrated in the following countries:

Mirae Asset Horizons Topix Daily (-1x) Inverse Product

	As at 31 March 2017	
	Fair value HK\$	% of net assets
<u>Futures</u>		
Japan	217,796	1.91
Total financial assets at fair value through profit or loss	<u>217,796</u>	<u>1.91</u>

Mirae Asset Horizons Topix Daily (2x) Leveraged Product

	As at 31 March 2017	
	Fair value HK\$	% of net assets
<u>Exchange traded fund</u>		
Japan	1,114,425	6.00
Total financial assets at fair value through profit or loss	<u>1,114,425</u>	<u>6.00</u>
<u>Futures</u>		
Japan	(718,345)	(3.87)
Total financial liabilities at fair value through profit or loss	<u>(718,345)</u>	<u>(3.87)</u>

Sensitivity analysis in the event of a possible change in the tracked indices by sensitivity threshold as estimated by the Manager

As at 31 March 2017, if the tracked index of Mirae Asset Horizons Topix Daily (-1x) Inverse Product would increase by the following sensitivity threshold with all other variables held constant, this would decrease the net assets of Mirae Asset Horizons Topix Daily (-1x) Inverse Product by the amounts stated in the following table. Conversely, if the tracked index would decrease by the same sensitivity threshold, this would increase the net assets of Mirae Asset Horizons Topix Daily (-1x) Inverse Product by approximately equal amounts.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk (continued)

(i) *Market price risk* (continued)

Sensitivity analysis in the event of a possible change in the tracked indices by sensitivity threshold as estimated by the Manager (continued)

As at 31 March 2017, if the tracked index of Mirae Asset Horizons Topix Daily (2x) Leveraged Product would increase by the following sensitivity threshold with all other variables held constant, this would increase the net assets of Mirae Asset Horizons Topix Daily (2x) Leveraged Product by the amounts stated in the following table. Conversely, if the tracked index would decrease by the same sensitivity threshold, this would decrease the net assets of Mirae Asset Horizons Topix Daily (2x) Leveraged Product by approximately equal amounts.

	<u>As at 31 March 2017</u>	
	Sensitivity threshold in %	Impact on net assets HK\$
Mirae Asset Horizons Topix Daily (-1x) Inverse Product	(4.32)	(9,410)
Mirae Asset Horizons Topix Daily (2x) Leveraged Product	6.86	27,190

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

(ii) *Interest rate risk*

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

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

(iii) *Currency risk*

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

All of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product’s and Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product’s assets and liabilities are denominated in their functional currency, United States Dollar. As a result, these Sub-funds’ were not exposed to significant currency risk as at 31 March 2017.

Mirae Asset Horizons Topix Daily (-1x) Inverse Product and Mirae Asset Horizons Topix Daily (2x) Leveraged Product hold assets and liabilities denominated in Japanese Yen, a currency other than their functional currency, Hong Kong dollar, and are therefore exposed to currency risk with respect to these currencies.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk (continued)

(iii) *Currency risk* (continued)

The tables below summarise the sensitivity of the Sub-Funds' net assets to changes in foreign exchange rates as at 31 March 2017. The analysis is based on the assumption that the relevant foreign exchange rate increased or decreased against the Hong Kong dollar by the percentage disclosed in the tables below with all other variables held constant. This represents the Management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

	<u>Mirae Asset Horizons Topix Daily (-1x) Inverse Product</u>	
	<u>As at 31 March 2017</u>	
Currency	Reasonably possible shift in %	Impact on net assets HK\$
Japanese Yen	1.2%	13,281

	<u>Mirae Asset Horizons Topix Daily (2x) Leveraged Product</u>	
	<u>As at 31 March 2017</u>	
Currency	Reasonably possible shift in %	Impact on net assets HK\$
Japanese Yen	1.2%	62,928

(c) Credit risk

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

The Sub-Funds' financial assets which are potentially subject to credit risk consist principally of securities and cash and cash equivalents. The Sub-Funds limit their exposure to credit risk by transacting with well-established broker-dealers and banks with high credit ratings.

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

The Sub-Funds' financial assets which are potentially subject to concentrations of counterparty risk consist principally of bank deposits and assets held with the Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

The tables below summarise the Sub-Funds' assets placed with banks and their related credit ratings:

	<u>Mirae Asset Horizons S&P 500</u> <u>Daily (-1x) Inverse Product</u> Net exposure to counterparty	<u>Mirae Asset Horizons S&P 500</u> <u>Daily (2x) Leveraged Product</u> Net exposure to counterparty	<u>Mirae Asset Horizons Topix</u> <u>Daily (-1x) Inverse Product</u> Net exposure to counterparty	<u>Mirae Asset Horizons Topix</u> <u>Daily (2x) Leveraged Product</u> Net exposure to counterparty
	2017 US\$	2017 US\$	2017 HK\$	2017 HK\$
Financial assets at fair value through profit or loss				
KGI Ong Capital Pte Ltd	-	-	217,796	-
Rating	-	-	A-2	-
Source of rating	-	-	Standard & Poor's	-
Financial assets at fair value through profit or loss				
The Hongkong and Shanghai Banking Corporation Limited	-	-	-	1,114,425
Rating	-	-	-	A-1
Source of rating	-	-	-	Standard & Poor's
Amount due from brokers				
Morgan Stanley & Co. International plc	-	-	-	328,992
Rating	-	-	-	A1
Source of rating	-	-	-	Moody's
BNP Paribas	4,042	-	-	-
Rating	A1	A1	A1	A1
Source of rating	Moody's	Moody's	Moody's	Moody's
KGI Ong Capital Pte Ltd	-	-	856,388	3,600,004
Rating	A-2	A-2	A-2	A-2
Source of rating	Standard & Poor's	Standard & Poor's	Standard & Poor's	Standard & Poor's
Bank balances				
The Hongkong and Shanghai Banking Corporation Limited	796,223	895,289	4,174,169	6,494,730
Rating	A-1	A-1	A-1	A-1
Source of rating	Standard & Poor's	Standard & Poor's	Standard & Poor's	Standard & Poor's
Time deposits				
Bank of China (Hong Kong) Limited	1,002,121	1,503,257	7,006,176	9,008,751
Rating	A1	A1	A1	A1
Source of rating	Moody's	Moody's	Moody's	Moody's

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Accordingly, the Sub-Funds have no significant credit risk. The maximum exposure to credit risk at period end is the carrying amount of the financial assets as shown on the statement of net assets. None of these financial assets is impaired nor past due but not impaired.

(d) Liquidity risk

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

The Sub-Funds invest the majority of their assets in investments that are traded in an active market and can be readily disposed of. The Sub-Funds' securities are considered readily realisable, as they are listed. It is the intent of the Manager to monitor the Sub-Funds' liquidity position on a daily basis.

The following table illustrates the expected liquidity of assets held at 31 March 2017 and gives the contractual undiscounted cash-flow projection of the Sub-Funds' financial liabilities. The Sub-Funds manage their liquidity risk by investing in securities that they expect to be able to liquidate within 1 month or less. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product

<u>As at 31 March 2017</u>	Less than 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	More than 12 months US\$	Total US\$
Financial assets					
Amount due from brokers	4,042	-	-	-	4,042
Interest receivable	2,177	-	-	-	2,177
Cash and cash equivalents	1,798,344	-	-	-	1,798,344
Total	<u>1,804,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,804,563</u>
Financial liabilities					
Management fee payable	3,817	-	-	-	3,817
Trustee fee payable	182	-	-	-	182
Formation fee payable	767	1,534	6,904	106,047	115,252
Administration fee payable	1,636	-	-	-	1,636
Total	<u>6,402</u>	<u>1,534</u>	<u>6,904</u>	<u>106,047</u>	<u>120,887</u>

As at 31 March 2017, three unitholders held respectively 50%, 22% and 10% of Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product's total net assets.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product

<u>As at 31 March 2017</u>	Less than 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	More than 12 months US\$	Total US\$
Financial assets					
Interest receivable	2,568	-	-	-	2,568
Cash and cash equivalents	2,398,546	-	-	-	2,398,546
Total	<u>2,401,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,401,114</u>
Financial liabilities					
Amount due to brokers	10,892	-	-	-	10,892
Management fee payable	4,806	-	-	-	4,806
Trustee fee payable	243	-	-	-	243
Formation fee payable	1,016	2,032	9,145	103,059	115,252
Administration fee payable	2,159	-	-	-	2,159
Total	<u>19,116</u>	<u>2,032</u>	<u>9,145</u>	<u>103,059</u>	<u>133,352</u>

As at 31 March 2017, two unitholder respectively held 45% and 41% of Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product's total net assets.

Mirae Asset Horizons Topix Daily (-1x) Inverse Product

<u>As at 31 March 2017</u>	Less than 1 month HK\$	1 to 3 months HK\$	3 to 12 months HK\$	More than 12 months HK\$	Total HK\$
Financial assets					
Financial assets at fair value through profit or loss	-	217,796	-	-	217,796
Amount due from brokers	856,388	-	-	-	856,388
Amount due from manager	70,018	-	-	-	70,018
Interest receivable	13,088	-	-	-	13,088
Cash and cash equivalents	11,180,345	-	-	-	11,180,345
Total	<u>12,119,839</u>	<u>217,796</u>	<u>-</u>	<u>-</u>	<u>12,337,635</u>
Financial liabilities					
Management fee payable	22,375	-	-	-	22,375
Trustee fee payable	1,227	-	-	-	1,227
Formation fee payable	4,343	8,686	39,085	841,143	893,257
Administration fee payable	3,764	-	-	-	3,764
Total	<u>31,709</u>	<u>8,686</u>	<u>39,085</u>	<u>841,143</u>	<u>920,623</u>

As at 31 March 2017, two unitholders respectively held 52% and 40% of Mirae Asset Horizons Topix Daily (-1x) Inverse Product's total net assets.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

Mirae Asset Horizons Topix Daily (2x) Leveraged Product

<u>As at 31 March 2017</u>	Less than 1 month HK\$	1 to 3 months HK\$	3 to 12 months HK\$	More than 12 months HK\$	Total HK\$
Financial assets					
Financial assets at fair value through profit or loss	1,114,425	-	-	-	1,114,425
Amount due from brokers	3,928,996	-	-	-	3,928,996
Amount due from manager	78,578	-	-	-	78,578
Interest receivable	14,214	-	-	-	14,214
Other receivables	2,188	-	-	-	2,188
Cash and cash equivalents	15,503,481	-	-	-	15,503,481
Total	20,641,882	-	-	-	20,641,882
Financial liabilities					
Financial liabilities at fair value through profit or loss	-	718,345	-	-	718,345
Amount due to brokers	410,629	-	-	-	410,629
Management fee payable	36,586	-	-	-	36,586
Trustee fee payable	2,051	-	-	-	2,051
Formation fee payable	6,868	13,736	61,811	810,047	892,462
Administration fee payable	5,482	-	-	-	5,482
Other payables and accruals	3,575	-	-	-	3,575
Total	465,191	732,081	61,811	810,047	2,069,130

As at 31 March 2017, two unitholders respectively held 48% and 47% of Mirae Asset Horizons Topix Daily (2x) Leveraged Product's total net assets.

(e) Fair value estimation

The fair value of financial assets and financial 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 period end date. The Sub-Funds used last traded market prices as their fair valuation inputs for financial assets.

An active market is a market in which transactions for the assets or liabilities 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.

IFRS 13 requires the Sub-Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

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

The determination of what constitutes “observable” requires significant judgement by the Sub-Funds. The Sub-Funds consider observable data as 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 markets.

Financial assets and financial liabilities carried at fair value

The following tables analyse within the fair value hierarchy the Sub-Funds’ financial assets and financial liabilities (by class) measured at fair value as at 31 March 2017:

<u>As at 31 March 2017</u>	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets at fair value through profit or loss at inception:				
<i>Futures contracts</i>				
Mirae Asset Horizons Topix Daily (-1x) Inverse Product (in HK\$)	217,796	-	-	217,796
<i>Equity securities</i>				
Mirae Asset Horizons Topix Daily (2x) Leveraged Product (in HK\$)	<u>1,114,425</u>	<u>-</u>	<u>-</u>	<u>1,114,425</u>
	<u>1,332,221</u>	<u>-</u>	<u>-</u>	<u>1,332,221</u>
Financial liabilities at fair value through profit or loss at inception:				
<i>Futures contracts</i>				
Mirae Asset Horizons Topix Daily (2x) Leveraged Product (in HK\$)	<u>718,345</u>	<u>-</u>	<u>-</u>	<u>718,345</u>
	<u>718,345</u>	<u>-</u>	<u>-</u>	<u>718,345</u>

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

Financial assets and financial liabilities carried at fair value (continued)

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

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently.

During the period from 5 October 2016 (date of inception) to 31 March 2017, there were no transfers between levels.

Other financial assets and financial liabilities

The Management has assessed that the fair values of the amount due from the Manager, amount due from brokers, interest receivable, cash and cash equivalents, amount due to brokers, management fee payable, trustee fee payable, formation fee payable, administration fee payable and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

(f) Capital risk management

The Sub-Funds' capital is represented by the net assets attributable to unitholders. The Sub-Funds' objective is to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) or twice (2x) the daily performance of the underlying index relevant to each Sub-Fund. The Manager may:

- redeem and issue new units in accordance with the constitutive documents of the Sub-Funds;
- suspend the creation and redemption of units under certain circumstance stipulated in the Trust Deed.

(g) Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 March 2017, the Sub-Funds were not subject to any master netting arrangement with their counterparties.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

NOTES TO FINANCIAL STATEMENTS

31 March 2017

13. STRUCTURED ENTITIES

As explained in Note 2(a), Mirae Asset Horizons Topix Daily (2x) Leveraged Product considers that Nomura Topix Exchange Traded Fund meets the definition of a structured entity. Mirae Asset Horizons Topix Daily (2x) Leveraged Product's interest in Nomura Topix Exchange Traded Fund as at 31 March 2017 amounted to HK\$1,114,425.

During the period, no dividend income was received and Mirae Asset Horizons Topix Daily (2x) Leveraged Product recognised a net change in unrealised loss on financial asset and financial liabilities of HK\$14,717 and net realised gain on sale of financial assets at fair value through profit or loss of HK\$64,614 on its investment in Nomura Topix Exchange Traded Fund. The maximum exposure to loss is equal to the interest shown above.

14. SEGMENT INFORMATION

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 swaps or futures as the Manager adopts a swap-based or futures-based replication investment strategy to achieve the investment objective of the respective Sub-Funds' segment. The objectives of the Sub-Funds are to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) or twice (2x) the daily performance of the underlying index relevant to each Sub-Fund.

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 net assets and statement of profit or loss and other comprehensive income.

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

The Sub-Funds are domiciled in Hong Kong. All of the Sub-Funds' income is derived from investments in financial assets and financial liabilities at fair value through profit or loss. The Sub-Funds have no assets or liabilities classified as non-current.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 26 July 2017.

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

INVESTMENT PORTFOLIO (UNAUDITED)

As at 31 March 2017

Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product

	Fair value US\$	% of net assets
Swap		
S&P 500 INVERSE DAILY INDEX PRICE RETURN EQUITY SWAP	-	0%
Total investments at fair value	<u>-</u>	
Total investments, at cost	<u>-</u>	

Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product

	Fair value US\$	% of net assets
Swap		
S&P 500 2x LEVERAGE DAILY INDEX (SPXT2LUN) PRICE RETURN EQUITY SWAP	-	0%
Total investments at fair value	<u>-</u>	
Total investments, at cost	<u>-</u>	

Mirae Asset Horizons Topix Daily (-1x) Inverse Product

	Fair value HK\$	% of net assets
Futures contracts		
TOPIX INDX FUTR JUN17 08/06/2017	217,796	1.91%
	(11)	
Total investments at fair value	<u>217,796</u>	<u>1.91%</u>
Total investments, at cost	<u>-</u>	

Mirae Asset Horizons Topix Daily (2x) Leveraged Product

	Fair value HK\$	% of net assets
Exchange traded fund		
NOMURA TOPIX EXCHANGE TRADED FUND	1,114,425	6.00%
	10,250	
Futures contracts		
TOPIX INDX FUTR JUN17 08/06/2017	(718,345)	(3.87%)
	36	
Total investments at fair value	<u>396,080</u>	<u>2.13%</u>
Total investments, at cost	<u>1,129,142</u>	

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the period from 5 October 2016 (date of inception) to 31 March 2017

Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product

Financial assets at fair value through profit or loss	5 October 2016 (date of inception)	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2017
Swap					
USA					
S&P 500 INVERSE DAILY INDEX PRICE RETURN EQUITY SWAP	-	11,582,831,196	-	11,489,421,267	93,409,929

Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product

Financial assets at fair value through profit or loss	5 October 2016 (date of inception)	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2017
Swap					
USA					
S&P 500 2x LEVARAGE DAILY INDEX (SPXT2LUN) PRICE RETURN EQUITY SWAP	-	631,151,890	-	626,728,703	4,423,187

Mirae Asset Horizons Topix Daily (-1x) Inverse Product

Financial assets at fair value through profit or loss	5 October 2016 (date of inception)	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2017
Futures Contracts					
Japan					
TOPIX INDX FUTR DEC16 08/12/2016	-	16	-	16	-
TOPIX INDX FUTR MAR17 09/03/2017	-	14	-	14	-
TOPIX INDX FUTR JUN17 08/06/2017	-	-	-	11	(11)

Mirae Asset Horizons Topix Daily (2x) Leveraged Product

Financial assets and financial liabilities at fair value through profit or loss	5 October 2016 (date of inception)	Additions	Corporate actions	Disposals	Closing holdings as at 31 March 2017
Exchange traded fund					
Japan					
NOMURA TOPIX EXCHANGE TRADED FUND	-	145,500	-	135,250	10,250
Futures Contracts					
Japan					
TOPIX INDX FUTR DEC16 08/12/2016	-	39	-	39	-
TOPIX INDX FUTR MAR17 09/03/2017	-	41	-	41	-
TOPIX INDX FUTR JUN17 08/06/2017	-	39	-	3	36

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

PERFORMANCE RECORD (UNAUDITED)

NET ASSET VALUE

As at 31 March 2017

	Dealing net asset value	Dealing net asset value per unit
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product (in US\$)	1,794,453	1.7945
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product (in US\$)	2,377,107	2.3771
Mirae Asset Horizons Topix Daily (-1x) Inverse Product (in HK\$)	12,287,147	8.7765
Mirae Asset Horizons Topix Daily (2x) Leveraged Product (in HK\$)	19,431,541	12.1447

HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT

For the period from 5 October 2016
(date of inception to 31 March 2017)

	Highest issue price per unit	Lowest redemption price per unit
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product (in US\$)	1.7651	2.0585
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product (in US\$)	1.8508	2.4395
Mirae Asset Horizons Topix Daily (-1x) Inverse Product (in HK\$)	8.4484	10.3450
Mirae Asset Horizons Topix Daily (2x) Leveraged Product (in HK\$)	9.0851	12.9787

PERFORMANCE OF THE SUB-FUNDS

For the period from 5 October 2016
(date of inception to 31 March 2017)

	Sub-Fund performance (%)	Index* performance (%)
Mirae Asset Horizons S&P 500 Daily (-1x) Inverse Product (in US\$)	(10.50)	9.35
Mirae Asset Horizons S&P 500 Daily (2x) Leveraged Product (in US\$)	19.00	9.35
Mirae Asset Horizons Topix Daily (-1x) Inverse Product (in HK\$)	(12.11)	11.72
Mirae Asset Horizons Topix Daily (2x) Leveraged Product (in HK\$)	21.52	11.72

*The respective tracking indices of these Sub-Funds are price return, float-adjusted market capitalisation weighted indices. A price return index calculates the performance of the index constituents on the basis that any dividends or distributions are not included in the index returns

MIRAE ASSET HORIZONS LEVERAGED AND INVERSE SERIES

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

Trustee and Registrar

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

Custodian

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

Service Agent

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

Legal Counsel to the Manager

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

Auditor

Ernst & Young
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1 Tim Mei Avenue
Hong Kong

Listing Agent

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Participating Dealers

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Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

CIMB Securities Ltd
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International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong

Participating Dealers (continued)

Guotai Junan Securities (Hong Kong) Limited
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Hong Kong

Haitong International Securities Company Limited
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KGI Securities (Hong Kong) Limited
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