

ANNUAL REPORT

XIE Shares FTSE Chimerica ETF (Stock Code: 3161)
XIE Shares CLSA GARY ETF (Stock Code: 3102)

For the year ended 31 December 2017

XIE Shares FTSE Gold Miners ETF (Stock Code: 3116)

For the period from 14 November 2016 (date of inception) to 31 December 2017

(Sub-Funds of XIE Shares Trust II)

XIE Shares Trust II

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XIE Shares Trust II

MANAGEMENT AND ADMINISTRATION

Manager and Listing Agent

Enhanced Investment Products Limited
337 New Henry House
10 Ice House Street
Central
Hong Kong

Directors of the Manager

BEATTIE Nigel John (resigned on 09 November 2017)
BLAND Tobias Christopher James
GLADSTONE Xenophon Thomas (resigned on 09 November 2017)
LAU Che Loon David

Trustee

Cititrust Limited
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Administrator and Custodian

Citibank N.A.
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Participating Dealers for XIE Shares FTSE Chimerica ETF

Bank of America Merrill Lynch Limited
BNP Paribas Securities Services
China International Capital Corporation Hong Kong Securities Limited
CITIC Securities Brokerage (HK) Limited
CLSA Limited
Deutsche Securities Asia Limited
Goldman Sachs (Asia) Securities Limited
Nomura International (Hong Kong) Limited

Participating Dealers for XIE Shares CLSA GARY ETF

BNP Paribas Securities Services
CLSA Limited

Participating Dealers for XIE Shares FTSE Gold Miners ETF

BNP Paribas Securities Services
CLSA Limited

Registrar

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre
183 Queen's Road East
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
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Market Makers for XIE Shares FTSE Chimerica ETF

CLSA Limited
Commerz Securities Hong Kong Ltd
Deutsche Securities Asia Limited

Market Makers for XIE Shares CLSA GARY ETF

CLSA Limited
Commerz Securities Hong Kong Ltd

Market Makers for XIE Shares FTSE Gold Miners ETF

CLSA Limited
Commerz Securities Hong Kong Ltd

XIE Shares Trust II

REPORT OF THE MANAGER TO THE UNITHOLDERS

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

Introduction

XIE Shares FTSE Chimerica ETF ("XIE Shares FTSE Chimerica") seeks to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE China N Shares All Cap Capped Net Tax Index (the "Index") in Hong Kong dollar ("HK\$") terms.

Performance of the Sub-Fund

As of 31 December 2017, the dealing Net Asset Value ("NAV") per unit of the XIE Shares FTSE Chimerica was HK\$13.4742 with a total of 14,000,000 units outstanding, aggregating a total dealing NAV of approximately HK\$188,639,054.

A summary of the performance of the XIE Shares FTSE Chimerica is given below (as at 31 December 2017).^(a)

	1 Month ^(f)	3 Months ^(g)	6 Months ^(h)	12 Months ^(e)
FTSE China N Shares All Cap Capped Net Tax Index Total Return (Net) ^(b)	4.72%	3.04%	22.08%	74.83%
XIE Shares FTSE Chimerica NAV-to-NAV ^(c)	4.56%	2.73%	21.40%	72.73%
XIE Shares FTSE Chimerica Market-to-Market ^(d)	4.34%	3.54%	21.04%	69.74%

- (a) Past performance figures shown are not indicative of the future performance of XIE Shares FTSE Chimerica.
- (b) Calculated on total return (net of tax) basis in HK\$.
- (c) Unit's NAV in HK\$. Units in XIE Shares FTSE Chimerica can be created and redeemed at their NAV in exchange for cash at the primary market.
- (d) Market closing price in HK\$. Market returns are calculated using historical market closing prices of XIE Shares FTSE Chimerica in the secondary market. They do not represent the returns you would receive if you trade units at other times.
- (e) Represents performance figures for the period from 1 January 2017 to 31 December 2017.
- (f) Represents performance figures for the period from 1 December 2017 to 31 December 2017.
- (g) Represents performance figures for the period from 1 October 2017 to 31 December 2017.
- (h) Represents performance figures for the period from 1 July 2017 to 31 December 2017.

Source: Enhanced Investment Products Limited, Bloomberg

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

XIE Shares Trust II

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

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

Introduction

XIE Shares CLSA GARY ETF ("XIE Shares CLSA GARY") seeks to provide investment results that, before fees and expenses, closely correspond to the performance of the CLSA GARY Net Total Return Index (the "Index") in Hong Kong dollar ("HK\$") terms.

Performance of the Sub-Fund

As of 31 December 2017, the dealing Net Asset Value ("NAV") per unit of the XIE Shares CLSA GARY was HK\$10.9481 with a total of 6,500,000 units outstanding, aggregating a total dealing NAV of approximately HK\$71,162,715.

A summary of the performance of the XIE Shares CLSA GARY is given below (as at 31 December 2017).^(a)

	1 Month ^(f)	3 Months ^(g)	6 Months ^(h)	12 Months ^(e)
CLSA GARY Net Total Return Index Total Return (Net) ^(b)	1.96%	7.00%	16.87%	38.26%
XIE Shares CLSA GARY NAV-to-NAV ^(c)	1.83%	6.36%	15.24%	34.34%
XIE Shares CLSA GARY Market-to-Market ^(d)	0.93%	5.64%	14.20%	33.25%

- (a) Past performance figures shown are not indicative of the future performance of XIE Shares CLSA GARY.
- (b) Calculated on total return (net of tax) basis in HK\$.
- (c) Unit's NAV in HK\$. Units in XIE Shares CLSA GARY can be created and redeemed at their NAV in exchange for cash at the primary market.
- (d) Market closing price in HK\$. Market returns are calculated using historical market closing prices of XIE Shares CLSA GARY in the secondary market. They do not represent the returns you would receive if you trade units at other times.
- (e) Represents performance figures for the period from 1 January 2017 to 31 December 2017.
- (f) Represents performance figures for the period from 1 December 2017 to 31 December 2017.
- (g) Represents performance figures for the period from 1 October 2017 to 31 December 2017.
- (h) Represents performance figures for the period from 1 July 2017 to 31 December 2017.

Source: Enhanced Investment Products Limited, Bloomberg

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

XIE Shares Trust II

REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

XIE Shares FTSE Gold Miners ETF (a Sub-Fund of XIE Shares Trust II)

Introduction

XIE Shares FTSE Gold Miners ETF ("XIE Shares FTSE Gold Miners") seeks to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Gold Mines Net Tax Index (the "Index") in Hong Kong dollar ("HK\$") terms.

Performance of the Sub-Fund

As of 31 December 2017, the dealing Net Asset Value ("NAV") per unit of the XIE Shares FTSE Gold Miners was HK\$8.8548 with a total of 5,000,000 units outstanding, aggregating a total dealing NAV of approximately HK\$44,273,859.

A summary of the performance of the XIE Shares FTSE Gold Miners is given below (as at 31 December 2017).^(a)

	1 Month ^(f)	3 Months ^(g)	6 Months ^(h)	Since Inception ^(e)
FTSE Gold Mines Net Tax Index Total Return (Net) ^(b)	4.99%	6.27%	1.59%	10.95%
XIE Shares FTSE Gold Miners NAV-to-NAV ^(c)	4.90%	5.65%	1.41%	9.63%
XIE Shares FTSE Gold Miners Market-to-Market ^(d)	4.06%	4.94%	-0.46%	5.96%

- (a) Past performance figures shown are not indicative of the future performance of XIE Shares FTSE Gold Miners.
- (b) Calculated on total return (net of tax) basis in HK\$.
- (c) Unit's NAV in HK\$. Units in XIE Shares FTSE Gold Miners can be created and redeemed at their NAV in exchange for cash at the primary market.
- (d) Market closing price in HK\$. Market returns are calculated using historical market closing prices of XIE Shares FTSE Gold Miners in the secondary market. They do not represent the returns you would receive if you trade units at other times.
- (e) Represents performance figures for the period from 14 November 2016 (date of inception) to 31 December 2017.
- (f) Represents performance figures for the period from 1 December 2017 to 31 December 2017.
- (g) Represents performance figures for the period from 1 October 2017 to 31 December 2017.
- (h) Represents performance figures for the period from 1 July 2017 to 31 December 2017.

Source: Enhanced Investment Products Limited, Bloomberg

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

XIE Shares Trust II

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of XIE Shares FTSE Chimerica ETF, XIE Shares CLSA GARY ETF and XIE Shares FTSE Gold Miners ETF, the sub-funds (the "Sub-Funds") of XIE Shares Trust II (the "Trust") has, in all material respects, managed the Sub-Funds in accordance with the provisions of the Trust Deed dated 25 March 2015, as amended by supplemental deeds dated 25 March 2015, 12 October 2015 and 14 October 2016 for the year/period ended 31 December 2017.

Cititrust Limited
25 April 2018

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF XIE SHARES FTSE CHIMERICA ETF, XIE SHARES CLSA GARY ETF AND
XIE SHARES FTSE GOLD MINERS ETF
(Sub-funds of XIE Shares Trust II)**

Opinion

We have audited the financial statements of XIE Shares FTSE Chimerica ETF, XIE Shares CLSA GARY ETF and XIE Shares FTSE Gold Miners ETF (each a separate sub-fund of XIE Shares Trust II and referred to individually or collectively as the "Sub-Funds") set out on pages 11 to 54, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year/period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Funds as at 31 December 2017, and of each of their financial performance and cash flows for the year/period 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") issued by the International Auditing and Assurance Standards Board. 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 ("the 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.

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 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.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE UNITHOLDERS OF XIE SHARES FTSE CHIMERICA ETF, XIE SHARES CLSA GARY ETF AND
XIE SHARES FTSE GOLD MINERS ETF
(Sub-funds of XIE Shares Trust II)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Existence and valuation of financial assets at fair value through profit or loss</i>	
<p>As at 31 December 2017, the financial assets at fair value through profit or loss amounted to HK\$187.71 million, HK\$70.06 million and HK\$43.54 million in XIE Shares FTSE Chimerica ETF, XIE Shares CLSA GARY and XIE Shares FTSE Gold Miners ETF, respectively.</p> <p>They represented approximately 100% of the net asset value of each Sub-Fund.</p> <p>The financial assets at fair value through profit or loss included shares listed in recognized stock exchanges, which were measured at fair value in accordance with International Financial Reporting Standard 13 Fair Value Measurement.</p>	<p>We obtained independent confirmation from the custodian and counterparties of the investment portfolio held at 31 December 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 at fair value through profit or loss that are quoted in active markets by independently agreeing the valuation of financial assets to third party vendor sources such as Reuters or Bloomberg at 31 December 2017.</p> <p>In addition, we reviewed the financial statement disclosures regarding fair value hierarchy as set out in the note 10 and 11 to the financial statements.</p>
<i>Net realised gain/(loss) on sale of financial assets at fair value through profit or loss</i>	
<p>For the period/year ended 31 December 2017, the net realised gain/(loss) on sale of financial assets at fair value through profit or loss of the Sub-funds amounted to HK\$101.35 million, HK\$22.13 million and HK\$4.21 million in XIE Shares FTSE Chimerica ETF, XIE Shares CLSA GARY and XIE Shares FTSE Gold Miners ETF, respectively.</p> <p>We focused on this area because the net realised gain/(loss) on sale of financial assets at fair value through profit or loss represented the key component of the financial statements.</p> <p>Disclosures of the net realised gain/(loss) on sale of financial assets at fair value through profit or loss are set out in the summary of significant accounting policies and note 12 to the financial statements.</p>	<p>We tested the net realised gain/(loss) on sale of financial assets at fair value through profit or loss by tracing the proceeds of the sale from the realised gain/loss report to bank statements.</p> <p>We performed recalculation and agreed the details of the net realised gain/loss to the accounting records.</p>

**INDEPENDENT AUDITOR'S REPORT (continued)
TO THE UNITHOLDERS OF XIE SHARES FTSE CHIMERICA ETF, XIE SHARES CLSA GARY ETF AND
XIE SHARES FTSE GOLD MINERS ETF
(Sub-funds of XIE Shares Trust II)**

Other information included in the Annual Report

The Manager and Trustee are responsible for the other information. The other information comprises all the information included in this 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 the Manager and the Trustee for the financial statements

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

In preparing the financial statements, the Manager and Trustee are responsible for assessing the Sub-Funds' ability 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 Trustee 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 the Trustee are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 25 March 2015 as amended by supplemental deeds dated 25 March 2015, 12 October 2015 and 14 October 2016 (the "Trust Deed") and the relevant disclosure provisions of Appendix E to 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.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE UNITHOLDERS OF XIE SHARES FTSE CHIMERICA ETF, XIE SHARES CLSA GARY ETF AND
XIE SHARES FTSE GOLD MINERS ETF
(Sub-funds of XIE Shares Trust II)

Auditor's responsibilities for the audit of the financial statements (continued)

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.
- Conclude on the appropriateness of the Manager's 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' ability 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 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 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, 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.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE UNITHOLDERS OF XIE SHARES FTSE CHIMERICA ETF, XIE SHARES CLSA GARY ETF AND
XIE SHARES FTSE GOLD MINERS ETF
(Sub-funds of XIE Shares Trust II)

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 of Appendix E to the SFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Tsang Yu Heng, Alpha.

Certified Public Accountants
Hong Kong
25 April 2018

XIE Shares Trust II

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	XIE Shares FTSE Chimerica ETF 2017 HK\$	XIE Shares FTSE Chimerica ETF 2016 HK\$	XIE Shares CLSA GARY ETF 2017 HK\$	XIE Shares CLSA GARY ETF 2016 HK\$	XIE Shares FTSE Gold Miners ETF 2017 HK\$
Assets						
Financial assets at fair value through profit or loss	5, 10, 11	187,713,526	147,284,294	70,064,305	100,889,610	43,544,715
Dividends receivable		–	–	90,123	107,732	1,722
Cash and cash equivalents	5, 13	500,271	262,075	340,584	178,058	84,969
Total assets		<u>188,213,797</u>	<u>147,546,369</u>	<u>70,495,012</u>	<u>101,175,400</u>	<u>43,631,406</u>
Liabilities						
Management fee payable	5	107,444	96,533	41,422	60,526	21,406
Transaction fee payable	5	–	38,806	–	30,000	–
Preliminary expenses payable	5	–	15,000	–	302,345	–
Other payables		271,676	181,901	188,460	121,211	78,716
Total liabilities		<u>379,120</u>	<u>332,240</u>	<u>229,882</u>	<u>514,082</u>	<u>100,122</u>
Equity						
Net assets attributable to unitholders	9	<u>187,834,677</u>	<u>147,214,129</u>	<u>70,265,130</u>	<u>100,661,318</u>	<u>43,531,284</u>
Number of units in issue	9	<u>14,000,000</u>	<u>19,000,000</u>	<u>6,500,000</u>	<u>12,500,000</u>	<u>5,000,000</u>
Net asset value per unit		<u>HK\$13.4168</u>	<u>HK\$7.7481</u>	<u>HK\$10.8100</u>	<u>HK\$8.0529</u>	<u>HK\$8.7063</u>

XIE Shares Trust II

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2017

The financial statements on pages 11 to 54 were approved by the Manager on 25 April 2018.

Enhanced Investment Products Limited
as Manager of the Trust

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

XIE Shares Trust II

STATEMENT OF COMPREHENSIVE INCOME

For the year/period ended 31 December 2017

		XIE Shares FTSE Chimerica ETF	XIE Shares CLSA GARY ETF	XIE Shares FTSE Gold Miners ETF Period from 14 November 2016 (date of inception) to 31 December 2017		
	Notes	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	2017 HK\$
Income						
Dividend income		447,437	375,057	2,826,470	3,722,529	446,169
Interest income		2,010	70	279	244	123
Net gain/(loss) on investments	12	101,347,891	(13,270,049)	22,127,279	1,754,402	4,211,347
Net foreign exchange gain/(loss)		2,561	(7,759)	(85,363)	(121,764)	(46,083)
Total net income/(loss)		101,799,899	(12,902,681)	24,868,665	5,355,411	4,611,556
Operating expenses						
Management fees	5	1,259,454	1,295,202	528,338	701,323	266,214
Audit fees		147,405	145,613	99,711	105,977	42,090
Preliminary expenses	5	55,145	177,861	57,052	161,245	742,575
Legal and professional fees		9,984	–	90,210	4,516	2,154
Transaction costs on investments		39,721	28,184	265,647	238,799	37,295
Financial statements preparation fee	5	35,123	119,525	35,123	72,379	35,123
Registration fees		7,012	8,246	7,000	3,750	7,000
Bank charges		38,093	–	755	–	1,339
Interest expense		–	839	6,412	11,386	11
Other operating expenses		108,415	62,359	92,378	77,433	93,706
Total operating expenses		1,700,352	1,837,829	1,182,626	1,376,808	1,227,507
Operating profit/(loss)		100,099,547	(14,740,510)	23,686,039	3,978,603	3,384,049
Profit/(loss) before taxation		100,099,547	(14,740,510)	23,686,039	3,978,603	3,384,049
Dividend withholding tax	7	8,299	1,148	212,708	215,267	61,600
Capital gains tax	7	–	–	308,605	259,125	–
Total comprehensive income/(loss) for the year/period		100,091,248	(14,741,658)	23,164,726	3,504,211	3,322,449

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

XIE Shares Trust II

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year/period ended 31 December 2017

	XIE Shares FTSE Chimerica ETF		XIE Shares CLSA GARY ETF		XIE Shares FTSE Gold Miners ETF Period from 14 November 2016 (date of inception) to 31 December 2017
	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	HK\$
Balance at the beginning of the year/period	147,214,129	186,173,787	100,661,318	97,157,107	–
Proceeds on issue of units	–	55,431,400	–	–	49,360,616
Payment on redemption of units	(59,470,700)	(79,649,400)	(53,560,914)	–	(9,151,781)
Net (decrease)/increase from unit transactions	(59,470,700)	(24,218,000)	(53,560,914)	–	40,208,835
Total comprehensive income/(loss) for the year/period	100,091,248	(14,741,658)	23,164,726	3,504,211	3,322,449
Balance at the end of the year/period	<u>187,834,677</u>	<u>147,214,129</u>	<u>70,265,130</u>	<u>100,661,318</u>	<u>43,531,284</u>

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

XIE Shares Trust II

STATEMENT OF CASH FLOWS

For the year/period ended 31 December 2017

	XIE Shares FTSE Chimera ETF	XIE Shares FTSE Chimera ETF	XIE Shares CLSA GARY ETF	XIE Shares CLSA GARY ETF	XIE Shares FTSE Gold Miners ETF Period from 14 November 2016 (date of inception) to 31 December 2017 HK\$
	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	
Operating activities					
Payments for purchase of investments	(71,262,293)	(125,867,968)	(91,454,871)	(124,861,849)	(51,098,441)
Proceeds from sale of investments	132,180,952	151,303,051	144,407,455	123,734,239	11,765,073
Dividends received	447,437	391,352	2,844,079	3,784,185	444,447
Interest received	2,010	70	279	244	123
Management fee paid	(1,248,543)	(1,312,472)	(547,442)	(703,075)	(244,808)
Dividend withholding tax paid	(8,299)	(1,148)	(212,708)	(215,267)	(61,600)
Capital gains tax paid	–	–	(308,605)	(259,125)	–
Transaction fee paid	(39,721)	(20,384)	(265,647)	(268,799)	(37,295)
Preliminary expenses paid	(70,145)	(258,481)	(359,397)	(1,322,955)	(742,575)
Interest expense paid	–	(839)	(6,412)	(11,386)	(11)
Other receipts and payments	(295,063)	(329,342)	(287,928)	(213,702)	(102,696)
Cash generated from/(used in) operating activities	59,706,335	23,903,839	53,808,803	(337,490)	(40,077,783)
Financing activities					
Proceeds from issue of units	–	55,431,400	–	–	49,360,616
Redemption paid on redemption of units	(59,470,700)	(79,649,400)	(53,560,914)	–	(9,151,781)
Cash (used in)/generated from financing activities	(59,470,700)	(24,218,000)	(53,560,914)	–	40,208,835
Net increase/(decrease) in cash and cash equivalents	235,635	(314,161)	247,889	(337,490)	131,052
Cash and cash equivalents at beginning of year/period	262,075	583,995	178,058	637,312	–
Net foreign exchange gain/(loss)	2,561	(7,759)	(85,363)	(121,764)	(46,083)
Cash and cash equivalents at end of year/period	500,271	262,075	340,584	178,058	84,969
Analysis of balances of cash and cash equivalents					
Cash and cash equivalents	500,271	262,075	340,584	178,058	84,969

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

1. THE TRUST

XIE Shares Trust II (the "Trust") is an umbrella unit trust governed by its trust deed dated 25 March 2015, as amended by the supplemental deeds dated 25 March 2015, 12 October 2015 and 14 October 2016 ("Trust Deed"). It is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") pursuant to Section 104(1) of the Securities and Futures Ordinance of Hong Kong.

As at 31 December 2017, the Trust had established three sub-funds (referred to individually or collectively as the "Sub-Fund(s)"):

<u>Name of Sub-Fund</u>	<u>Underlying Index</u>	<u>Listing Date on the Stock Exchange of Hong Kong Limited (The "SEHK")</u>	<u>Date of inception</u>
XIE Shares FTSE Chimerica ETF	FTSE China N Shares All Cap Capped Net Tax Index	22 April 2015	16 April 2015
XIE Shares CLSA GARY ETF	CLSA GARY Net Total Return Index	11 November 2015	5 November 2015
XIE Shares FTSE Gold Miners ETF	FTSE Gold Mines Net Tax Index	18 November 2016	14 November 2016

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

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

These financial statements relate to the following Sub-Funds of the Trust for the year/period ended 31 December 2017 and 2016.

XIE Shares FTSE Chimerica ETF

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

XIE Shares CLSA GARY ETF

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

1. THE TRUST (continued)

XIE Shares FTSE Gold Miners ETF

The investment objective of XIE Shares FTSE Gold Miners ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Gold Mines Net Tax Index.

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

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standard 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").

They have been prepared under the historical cost basis, except for financial assets classified at fair value through profit or loss that have been measured at fair value. These financial statements are presented in Hong Kong Dollar ("HKD") and all values are rounded to the nearest HKD except when otherwise indicated.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

2.2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND INTERNATIONAL ACCOUNTING STANDARDS ("IAS")

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a significant impact on the Sub-Funds.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Sub-Funds have not early applied any of the new and revised IFRSs that have been issued but are not yet effective for the accounting year/period ended 31 December 2017, in these financial statements. Among the new and revised IFRSs, the following is expected to be relevant to the Sub-Fund's financial statements upon becoming effective:

IFRS 9 *Financial Instruments*¹

¹ Effective for annual periods beginning on or after 1 January 2018

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

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Sub-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 analysis 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 their statement of net assets.

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial instruments

(i) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

(ii) Classification

The Sub-Funds classify their financial assets and liabilities into the categories below in accordance with IAS 39.

Financial assets at fair value through profit or loss

Financial assets designated as at fair value through profit or loss upon initial recognition: these include equity securities. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment 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 dividends receivables and cash and cash equivalents.

Financial liabilities

This category includes all financial liabilities. The Sub-Funds include in this category amounts relating to management fee payable, transaction fee payable, preliminary expenses payable and other payables.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Recognition

The Sub-Funds recognise a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Funds commit to purchase or sell the financial asset.

(iv) Initial measurement

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

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

(v) Subsequent measurement

After initial measurement, the Sub-Funds measure financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gains/losses on financial assets at fair value through profit or loss. Interest and dividend earned on these instruments are recorded separately as interest income and dividend income.

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a 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 through 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, Sub-Funds estimate cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees 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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(vi) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Sub-Funds have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either

- the Sub-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 asset, but has transferred control of the asset.

When the Sub-Funds have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of 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.

Fair value measurement

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 to the Sub-Funds.

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.

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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Sub-Funds assess at the end of each reporting period 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 has been incurred, 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 incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as 'credit loss expense'.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Sub-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 to discount the future cash flows for the purpose of measuring the impairment loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only 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 asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits, short-term deposits in banks and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as cash and cash equivalents.

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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- (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 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 or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Own equity instruments that 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 the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Sub-Funds' own equity instruments.

Dividend income

Dividend income is recognised when the Sub-Funds' right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding income taxes, which are disclosed separately in the statement of comprehensive income.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income as it accrues, using the effective interest method.

Expenses

All expenses are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

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

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

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period.

Net realised gains or losses on disposal of financial investment

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

Foreign currency

These financial statements are presented in HKD, which is the Sub-Funds' functional and presentation currency. Foreign currency transactions recorded by the Sub-Funds are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

Functional currency

The Sub-Funds' functional currency is HKD, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance is evaluated and its liquidity is managed in HKD. Moreover, the net asset value per unit at the time of issue or redemption is determined and units quoted on the SEHK are denominated in HKD.

Therefore, the HKD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Sub-Funds' presentation currency is also HKD.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

In some jurisdictions, dividend income, interest income and capital gains are subject to withholding income tax deducted at the source of the income. The Sub-Funds present the withholding income tax and capital gains tax separately from gross investment gains in the statement of comprehensive income.

For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding income taxes and capital gains taxes, when applicable.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGES IN ACCOUNTING ESTIMATES

The preparation of the Sub-Funds' financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Going concern

The Manager has made an assessment of the Sub-Funds' ability to continue as a going concern and is satisfied that the Sub-Funds have the intention and resources to continue in business for the 12 months after the year end date. Furthermore, the Manager 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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND CHANGES IN ACCOUNTING ESTIMATES (continued)

Taxation

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

5. TRANSACTIONS WITH THE TRUSTEE AND MANAGER AND THEIR CONNECTED PERSONS

The following is a summary of significant related party transactions entered into during the year/period between the Sub-Funds, the Trustee and the Manager and their connected persons. Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year/period between the Sub-Funds, the Manager and their connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Funds do not have any other transactions with connected persons except for those disclosed below:

Management fees

The Manager is entitled to receive a management fees, currently at the annual rate of 0.65% of the NAV for XIE Shares FTSE Chimerica ETF, 0.70% of the NAV for XIE Shares CLSA GARY ETF, and 0.60% of the NAV for XIE Shares FTSE Gold Miners ETF. The fee is accrued daily and calculated as at each dealing day and payable monthly in arrears. Pursuant to the prospectus, management fees includes trustee fee and administration fee only and the registrar fee and audit fee have to be borne by each of the Sub-Funds.

The following are the management fees and management fee payable to the Manager of the Sub-Funds for the year/period ended 31 December 2017 and 2016.

	XIE Shares FTSE Chimerica ETF		XIE Shares CLSA GARY ETF		XIE Shares FTSE Gold Miners ETF
	2017	2016	2017	2016	2017
	HK\$	HK\$	HK\$	HK\$	HK\$
Management fees	1,259,454	1,295,202	528,338	701,323	266,214
Management fee payable as at year/period end	107,444	96,533	41,422	60,526	21,406

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

5. TRANSACTIONS WITH THE TRUSTEE AND MANAGER AND THEIR CONNECTED PERSONS (continued)

Bank balances and securities held by the Custodian

Bank balances are maintained in interest bearing accounts with Citibank N.A., the Administrator and Custodian of the Sub-Funds. Equity investments are held with Citibank N.A. as the Custodian of the Trust. Bank balances and securities held by the Custodian as at 31 December 2017 and 2016 were as follows:

Sub-Funds	2017 HK\$	2016 HK\$
<u>XIE Shares FTSE Chimerica ETF</u>		
Bank balances	500,271	262,075
Equity investments	187,713,526	147,284,294
	<hr/>	<hr/>
<u>XIE Shares CLSA GARY ETF</u>		
Bank balances	340,584	178,058
Equity investments	70,064,305	100,889,610
	<hr/>	<hr/>
<u>XIE Shares FTSE Gold Miners ETF</u>		
Bank balances	84,969	
Equity investments	43,544,715	
	<hr/>	

Transaction fee

Pursuant to the prospectus, the Sub-Funds receive a transaction fee of HK\$7,500 (prior to 1 October 2016: HK\$15,000) per total aggregate issue and redemption order from the Participating Dealer on behalf of the Trustee.

The following are the transaction fee and transaction fee payable to the Trustee of the Sub-Funds for the year/period ended 31 December 2017 and 2016.

	XIE Shares FTSE Chimerica ETF		XIE Shares CLSA GARY ETF		XIE Shares FTSE Gold Miners ETF
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$	2017 HK\$
Transaction fee	54,604	46,502	22,500	—	22,500
Transaction fee payable	—	38,806	—	30,000	—

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

**5. TRANSACTIONS WITH THE TRUSTEE AND MANAGER AND THEIR CONNECTED PERSONS
(continued)**

Transaction with the Directors of the Manager

As at 31 December 2017 and 2016, the Directors of the Manager held units of the following Sub-Funds:

	2017		
	Number of units	% of NAV	Fair value HK\$
XIE Shares FTSE Chimerica ETF	–	–	–
XIE Shares CLSA GARY ETF	–	–	–
XIE Shares FTSE Gold Miners ETF	188,400	3.77%	1,640,267

	2016		
	Number of units	% of NAV	Fair value HK\$
XIE Shares FTSE Chimerica ETF	–	–	–
XIE Shares CLSA GARY ETF	150,000	1.20%	1,222,500

Preliminary expenses

The preliminary expenses payable included the preliminary expenses paid by the Manager on behalf of the Sub-Funds. These balances were unsecured, non-interest bearing and repayable on demand.

The following are the preliminary expenses and preliminary expenses payable to the Manager of the Sub-Funds for the year/period ended 31 December 2017 and 2016.

	XIE Shares FTSE Chimerica ETF		XIE Shares CLSA GARY ETF		XIE Shares FTSE Gold Miners ETF
	2017	2016	2017	2016	2017
	HK\$	HK\$	HK\$	HK\$	HK\$
Preliminary expenses	55,145	177,861	57,052	161,245	742,575
Preliminary expenses payable	–	15,000	–	302,345	–

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

5. TRANSACTIONS WITH THE TRUSTEE AND MANAGER AND THEIR CONNECTED PERSONS (continued)

Financial statements preparation fee

The Administrator is entitled to receive financial statements preparation fee for XIE Shares FTSE Chimerica ETF, XIE Shares CLSA GARY ETF and XIE Shares FTSE Gold Miners ETF respectively. The fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

The following are the financial statements preparation fee and financial statements preparation fee payable to the Administrator of the Sub-Funds for the year/period ended 31 December 2017 and 2016.

	XIE Shares FTSE Chimerica ETF		XIE Shares CLSA GARY ETF		XIE Shares FTSE Gold Miners ETF
	2017	2016	2017	2016	2017
	HK\$	HK\$	HK\$	HK\$	HK\$
Financial statements preparation fee	35,123	119,525	35,123	72,379	35,123
Financial statements preparation fee payable	22,149	21,967	22,149	21,967	–

6. SOFT COMMISSION ARRANGEMENTS

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

7. TAXATION

- (a) No provision for Hong Kong profits tax has been made for the Sub-Fund 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.
- (b) Depending on the period for which the shares are held, the gains arising to the XIE Shares CLSA GARY ETF on the transfer of such shares would be taxable as short-term or long-term capital gains under the India tax laws. The same is discussed below:

Type of instrument	Period of holding immediately preceding the date of transfer	
Listed shares	More than 12 months	Long Term Capital Asset
	12 months or less	Short Term Capital Asset
Unlisted shares sold on or before 31 March 2016	More than 36 months	Long Term Capital Asset
	36 months or less	Short Term Capital Asset
Unlisted shares sold on or after 1 April 2016	More than 24 months	Long Term Capital Asset
	24 months or less	Short Term Capital Asset

Under the current laws, the Sub-Fund are subject to the following rates of tax on the gains earned from transfer of shares:

Nature of income		Rates of tax (%)
Capital gains on sale of listed equity shares on-market (where securities transaction tax is paid)	Long-term	Nil*
	Short-term	15
Capital gains on sale of listed equity shares off-market (where securities transaction tax is not paid) or in case of sale of unlisted shares	Long-term	10
	Short-term	30

*For transfers/sale on or after 1 April 2018 the rate of tax shall be 10%

The aforementioned rates are to be increased by applicable surcharge and education cess.

Under current practice, capital gains tax is charged on net realised gains (i.e. realised gains offset by realised losses subject to satisfying certain conditions) and is reported and settled on an ongoing basis i.e. whenever the sales are executed. To fairly reflect the taxation impact in the Fund's daily valuation, the Manager has engaged an independent tax advisor to calculate daily capital gains tax accruals at prevailing tax rates. For this purpose, daily realised and unrealised gains are treated as taxable, and daily realised and unrealised losses are treated as deductible. This practice of treating daily realised and unrealised gains as taxable and daily realised and unrealised losses as deductible is followed consistently by the independent tax advisor for the Sub-Fund as well as other foreign investors who have engaged them for calculating capital gains tax accruals.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

7. TAXATION (continued)

- (b) Depending on the period for which the shares are held, the gains arising to the XIE Shares CLSA GARY ETF on the transfer of such shares would be taxable as short-term or long-term capital gains under the India tax laws. The same is discussed below (continued):

Prior to 1 April 2018, the long term capital gains arising from transfer of equity shares, units of equity oriented mutual funds, units of Real Estate Investment Trusts (REITs) and units of Infrastructure Investment Trusts (INVITs) are exempt from tax provided the transactions are subject to securities transaction tax (STT) as prescribed. The Ministry of Finance of India has introduced the Finance Bill, 2018 (FB 2018) in the Parliament on 1 February 2018 wherein, it is proposed to levy concessional tax at the rate of 10% (plus applicable surcharge and cess) on long-term capital gains exceeding INR 100,000 from these securities. The change is to be implemented on transfers executed on or after 1 April 2018. The capital gains shall be computed without any benefit of indexation or foreign currency fluctuations and the transaction should have been subject to payment of Securities Transaction Tax as under:

- In case of equity shares – at the time of acquisition and transfer (subject to the negative list provided vide notification number 43/2017 dated 5 June 2017); and
- In case of units of equity oriented mutual fund/ REITs / INVITs – at the time of time transfer.

The amount of capital gain tax charged to the statement of comprehensive income represents:

XIE Shares CLSA GARY ETF

	2017 HK\$	2016 HK\$
Capital gains tax		
Capital gains tax on realised gains on investments	308,605	259,125

- (c) Withholding tax was charged on certain dividend income received during the year/period.

8. DISTRIBUTION

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

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

9. THE REDEEMABLE UNITS

The movements of the redeemable units of the Sub-Funds for the year/period ended 31 December 2017 and 2016 were as follows:

XIE Shares FTSE Chimerica ETF

	2017 Number of units	2016 Number of units
Units in issue at the beginning of the year	19,000,000	22,000,000
Issue of units	–	7,000,000
Redemption of units	(5,000,000)	(10,000,000)
	<hr/>	<hr/>
Units in issue at the end of the year	14,000,000	19,000,000
	<hr/>	<hr/>
	At last trade market price 2017 HK\$	At last trade market price 2016 HK\$
Dealing net asset value at the end of the year	188,639,054	148,214,538
Dealing net asset value per unit at the end of the year	13.4742	7.8008

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

9. THE REDEEMABLE UNITS (continued)

The movements of the redeemable units of the Sub-Funds for the year/period ended 31 December 2017 and 2016 were as follows: (continued)

XIE Shares CLSA GARY ETF

	2017 Number of units	2016 Number of units
Units in issue at the beginning of the year	12,500,000	12,500,000
Issue of units	—	—
Redemption of units	(6,000,000)	—
	<hr/>	<hr/>
Units in issue at the end of the year	6,500,000	12,500,000
	<hr/>	<hr/>
	At last trade market price 2017 HK\$	At last trade market price 2016 HK\$
Dealing net asset value at the end of the year	71,162,715	101,870,407
Dealing net asset value per unit at the end of the year	10.9481	8.1496

XIE Shares Gold Miners ETF

	2017 Number of units
Units in issue at the beginning of the period	—
Issue of units	6,000,000
Redemption of units	(1,000,000)
	<hr/>
Units in issue at the end of the period	5,000,000
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XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

9. THE REDEEMABLE UNITS (continued)

The movements of the redeemable units of the Sub-Funds for the year/period ended 31 December 2017 and 2016 were as follows: (continued)

XIE Shares Gold Miners ETF (continued)

	At last trade market price 2017 HK\$
Dealing net asset value at the end of the period	44,273,859
Dealing net asset value per unit at the end of the period	8.8548

As stated in note 3, redeemable units of the Sub-Funds, which are represented by assets less liabilities, are classified as equity and accounted for in accordance with IFRS (the "Accounting NAV"). For the purpose of determining the NAV per unit for subscriptions and redemptions and for various fee calculations (the "Dealing NAV"), the Management ensures that the calculation of the Dealing NAV is in accordance with the provisions of the Sub-Funds' Trust Deed, which may be different from the accounting policies under IFRS.

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

The difference between the Accounting NAV reported in the statement of financial position and the Dealing NAV for the purpose of calculating the net asset value per unit for processing subscriptions and redemptions and for various fee calculations as at 31 December 2017 and 2016 were reconciled below:

	XIE Shares FTSE Chimerica ETF		XIE Shares CLSA GARY ETF		XIE Shares FTSE Gold Miners ETF
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$	2017 HK\$
Dealing NAV	188,639,054	148,214,538	71,162,715	101,870,407	44,273,859
Adjustment for preliminary expenses	(804,377)	(997,788)	(870,505)	(1,161,178)	(742,575)
Other expenses	–	(2,621)	(27,080)	(47,911)	–
Accounting NAV as reported in the statement of financial position	<u>187,834,677</u>	<u>147,214,129</u>	<u>70,265,130</u>	<u>100,661,318</u>	<u>43,531,284</u>

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

9. THE REDEEMABLE UNITS (continued)

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 from the participating dealers for the creation of units and pay redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed.

Units are denominated in HKD and no fractions of a unit shall be created or issued by the Trustee. Units of the Sub-Funds are offered and issued at their dealing net asset value only in aggregations of a specified number of application units (the "Application Unit"). Units are redeemable only in an Application Unit or multiple thereof at the dealing net asset value. Currently, creation and redemption of units are effected in cash.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Sub-Funds	2017 HK\$	2016 HK\$
<u>XIE Shares FTSE Chimerica ETF</u>		
Financial assets designated as at fair value through profit or loss:		
-Listed equity securities	<u>187,713,526</u>	<u>147,284,294</u>
<u>XIE Shares CLSA GARY ETF</u>		
Financial assets designated as at fair value through profit or loss:		
-Listed equity securities	<u>70,064,305</u>	<u>100,889,610</u>
<u>XIE Shares FTSE Gold Miners ETF</u>		
Financial assets designated as at fair value through profit or loss:		
-Listed equity securities	<u>43,544,715</u>	

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of the Sub-Funds' financial assets measured at fair value at 31 December 2017 and 31 December 2016:

XIE Shares FTSE Chimerica ETF

As at 31 December 2017	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss				
-Listed securities	187,713,526	–	–	187,713,526
	<u>187,713,526</u>	<u>–</u>	<u>–</u>	<u>187,713,526</u>
As at 31 December 2016				
Financial assets at fair value through profit or loss				
-Listed securities	147,284,294	–	–	147,284,294
	<u>147,284,294</u>	<u>–</u>	<u>–</u>	<u>147,284,294</u>

XIE Shares CLSA GARY ETF

As at 31 December 2017	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss				
-Listed securities	70,064,305	–	–	70,064,305
	<u>70,064,305</u>	<u>–</u>	<u>–</u>	<u>70,064,305</u>
As at 31 December 2016				
Financial assets at fair value through profit or loss				
-Listed securities	100,889,610	–	–	100,889,610
	<u>100,889,610</u>	<u>–</u>	<u>–</u>	<u>100,889,610</u>

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of the Sub-Funds' financial assets measured at fair value at 31 December 2017 and 31 December 2016 (continued):

XIE Shares FTSE Gold Miners ETF

As at 31 December 2017	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss				
-Listed securities	43,544,715	–	–	43,544,715
	<u>43,544,715</u>	<u>–</u>	<u>–</u>	<u>43,544,715</u>

During the year/period ended 31 December 2017 and 31 December 2016, there were no transfers between Level 1 and Level 2 of fair value measurements, and no transfers into and out of Level 3.

Valuation techniques

Listed equity securities traded in active market with quoted market prices

When fair values of listed equity securities at the reporting date are based on quoted market prices or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Sub-Funds value these investments at last trade prices.

12. NET GAIN/(LOSS) ON INVESTMENTS

	XIE Shares FTSE Chimerica ETF 2017 HK\$	2016 HK\$
Net realised gain on financial assets designated at fair value through profit or loss		
-Investments in listed securities	34,142,032	8,520,357
Net change in unrealised gain/(loss) on financial assets designated at fair value through profit or loss		
-Investments in listed securities	67,205,859	(21,790,406)
	<u>101,347,891</u>	<u>(13,270,049)</u>

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

12. NET GAIN/(LOSS) ON INVESTMENTS (continued)

	XIE Shares CLSA GARY ETF	
	2017	2016
	HK\$	HK\$
Net realised gain on financial assets designated at fair value through profit or loss		
-Investments in listed securities	13,136,902	3,447,713
Net change in unrealised gain/(loss) on financial assets designated at fair value through profit or loss		
-Investments in listed securities	8,990,377	(1,693,311)
	<u>22,127,279</u>	<u>1,754,402</u>

	XIE Shares FTSE Gold Miners ETF	
	2017	2016
	HK\$	HK\$
Net realised gain on financial assets designated at fair value through profit or loss		
-Investments in listed securities		1,127,391
Net change in unrealised gain on financial assets designated at fair value through profit or loss		
-Investments in listed securities		3,083,956
		<u>4,211,347</u>

13. CASH AND CASH EQUIVALENTS

	XIE Shares FTSE Chimerica ETF		XIE Shares CLSA GARY ETF		XIE Shares FTSE Gold Miners ETF
	2017	2016	2017	2016	2017
	HK\$	HK\$	HK\$	HK\$	HK\$
Cash at bank	500,271	262,075	340,584	178,058	84,969

The cash at bank held with the Administrator and Custodian was placed into interest bearing accounts.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

14. 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 asset value provided that:

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

The SFC Code further provides that, if the investment limits stated above are breached, the management company should take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the unitholders. The Trust Deed of the Trust also contains provisions mirroring the above provisions of the SFC Code.

The Manager and the Trustee have confirmed that the Sub-Funds have complied with this limit during the year/period ended 31 December 2017 and 2016 for XIE Shares FTSE Chimerica ETF, XIE Shares CLSA GARY ETF and XIE Shares FTSE Gold Miners ETF.

XIE Shares FTSE Chimerica ETF

The following lists the constituent securities that individually accounted for more than 10% of FTSE China N Shares All Cap Capped Net Tax Index as at 31 December 2017 and 2016:

Constituent securities	Respective weighting in FTSE China N Shares All Cap Capped Net Tax Index		% of net assets	
	2017	2016	2017	2016
Alibaba Group Holding Ltd	–	10.06%	–	10.08%
Baidu Inc	–	10.29%	–	10.30%
JD.com Inc	10.40%	10.13%	10.40%	10.14%
NetEase Inc	10.24%	10.30%	10.24%	10.31%
New Oriental Education & Technology Group Inc	–	10.36%	–	10.37%

During the year ended 31 December 2017, the FTSE China N Shares All Cap Capped Net Tax Index increased by 74.83% (2016: decreased by 7.49%), while the net asset value per unit of the Sub-Fund increased by 72.73% (2016: decreased by 8.37%).

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

14. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (continued)

XIE Shares CLSA GARY ETF

There were no constituent securities that individually accounted for more than 10% of their respective weightings of the CLSA GARY Net Total Return Index as at 31 December 2017 and 2016.

During the year ended 31 December 2017, the CLSA GARY Net Total Return Index increased by 38.26% (2016: increased by 5.75%), while the net asset value per unit of the Sub-Fund increased by 34.34% (2016: increased by 3.37%).

XIE Shares FTSE Gold Miners ETF

The following lists the constituent securities that individually accounted for more than 10% of FTSE Gold Mines Net Tax Index as at 31 December 2017:

Constituent securities	Respective weighting in	% of net assets
	FTSE Gold Mines Net Tax Index 2017	
Barrick Gold Corp	11.67%	11.70%
Newmont Mining Corp	13.83%	13.81%

During the period from 14 November 2016 (date of inception) to 31 December 2017, the FTSE Gold Mines Net Tax Index increased by 6.33% since inception.

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk management

Risk is inherent in the Sub-Funds' activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling risks. In perspective of risk management, the Sub-Funds' objective is to create and protect value for unitholders.

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

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

- (a) Market risk
- (i) Equity 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, either 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 Underlying Indices, therefore the exposures to market risk in the Sub-Funds will be substantially the same as those tracked indices. The Manager manages the Sub-Funds' exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned with the characteristics of the tracked Underlying Indices.

XIE Shares FTSE Chimerica ETF

As at 31 December 2017 and 2016, the Sub-Fund's fair value of investments exposed to price risk was as follows:

	Fair value HK\$	% of NAV
As at 31 December 2017		
Equity		
- Listed equities		
The United States	187,713,526	99.94%
	<u> </u>	<u> </u>
As at 31 December 2016		
Equity		
- Listed equities		
The United States	147,284,294	100.05%
	<u> </u>	<u> </u>

As at 31 December 2017, the Sub-Fund had three industry exposures exceeding 10% of NAV, of which communications represents 62.40%, consumer discretionary represents 20.09% and technology represents 12.28%.

As at 31 December 2016, the Sub-Fund had three industry exposures exceeding 10% of NAV, of which communications represents 66.17%, consumer discretionary represents 21.28% and technology represents 10.31%.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

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

XIE Shares FTSE Chimerica ETF (continued)

As at 31 December 2017, if the FTSE China N Shares All Cap Capped Net Tax Index had increased by 3% (2016: 3%) with all other variables held constant, this would have increased the net asset value of the Sub-Fund by approximately HK\$5,635,040 (2016: HK\$4,416,424). Conversely, if the FTSE China N Shares All Cap Capped Net Tax Index had decreased by 3% (2016: 3%), this would have decreased the net asset value of the Sub-Fund by equal amounts.

XIE Shares CLSA GARY ETF

As at 31 December 2017 and 2016, the Sub-Fund's fair value of investments exposed to price risk was as follows:

	Fair value HK\$	% of NAV
As at 31 December 2017		
Equity		
- Listed equities		
Australia	13,716,263	19.52%
Hong Kong	19,450,679	27.68%
India	1,088,369	1.55%
Indonesia	1,795,077	2.55%
Malaysia	2,040,215	2.90%
New Zealand	1,821,697	2.59%
Philippines	825,552	1.17%
Singapore	9,084,492	12.94%
South Korea	4,750,547	6.76%
Taiwan	12,623,639	17.97%
Thailand	2,867,775	4.08%
	<hr/>	<hr/>
	70,064,305	99.71%
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XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

XIE Shares CLSA GARY ETF (continued)

	Fair value HK\$	% of NAV
As at 31 December 2016		
Equity		
- Listed equities		
Australia	26,907,909	26.73%
Hong Kong	23,986,535	23.83%
India	1,371,299	1.36%
Indonesia	8,831,418	8.78%
Malaysia	4,291,601	4.26%
New Zealand	2,756,355	2.74%
Singapore	11,768,675	11.69%
South Korea	3,988,109	3.96%
Taiwan	15,354,904	15.26%
Thailand	1,632,805	1.62%
	<u>100,889,610</u>	<u>100.23%</u>

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

As at 31 December 2017, if the CLSA GARY Net Total Return Index had increased by 3% (2016: 3%) with all other variables held constant, this would have increased the net asset value of the Sub-Fund by approximately HK\$2,107,954 (2016: HK\$3,019,840). Conversely, if the CLSA GARY Net Total Return Index had decreased by 3% (2016: 3%), this would have decreased the net asset value of the Sub-Fund by equal amounts.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

XIE Shares FTSE Gold Miners ETF

As at 31 December 2017, the Sub-Fund's fair value of investments exposed to price risk was as follows:

	Fair value HK\$	% of NAV
As at 31 December 2017		
Equity		
- Listed equities		
Australia	6,681,003	15.35%
Canada	20,632,622	47.40%
Hong Kong	869,825	2.00%
South Africa	3,175,883	7.30%
The United States	6,429,047	14.77%
United Kingdom	5,756,335	13.21%
	<hr/>	<hr/>
	43,544,715	100.03%
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Sensitivity analysis in the event of a possible change in the index by 3% as assumed by the Manager

As at 31 December 2017, if the FTSE Gold Mines Net Tax Index had increased by 3% with all other variables held constant, this would have increased the net asset value of the Sub-Fund by approximately HK\$1,305,939. Conversely, if the FTSE Gold Mines Net Tax Index had decreased by 3%, this would have decreased the net asset value of the Sub-Fund by equal amounts.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

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

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

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates. As at 31 December 2017 and 2016, interest rate risk arises only from bank balances. As these interest bearing assets are short-term in nature, the Manager considers that changes in their future cash flows in the event of a change in market interest rates will not be material. Therefore, no sensitivity analysis has been disclosed for these bank balances.

(iii) Currency risk

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

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

XIE Shares FTSE Chimerica ETF

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

XIE Shares CLSA GARY ETF

The Sub-Fund is exposed to currency risk related to the HKD against the Australian dollar, Indian rupee, Indonesian rupiah, Korean won, Malaysian ringgit, New Taiwan dollar, New Zealand dollar, Philippine peso, Singapore dollar and Thai baht.

The table below summarises the sensitivity of the Sub-Fund's net exposure, which is denominated in a currency other than the HKD and the USD, to changes in foreign exchange movements as at 31 December 2017 and 2016. The analysis is based on the assumptions that the relevant foreign exchange rates increased/decreased by 2% (2016: 2%) with respect to the HKD, with all other variables held constant. This represents the Manager's best estimate of a reasonable possible shift in the foreign exchange rates and the possible impact to the Sub-Fund's net asset value and total comprehensive income.

	2017	Estimated increase had respective foreign currency weakened by 2%	2016	Estimated increase had respective foreign currency weakened by 2%
	Net direct exposure HK\$	HK\$	Net direct exposure HK\$	HK\$
Australian dollar	13,762,518	275,250	27,041,656	540,833
Indian rupee	1,097,189	21,944	1,396,616	27,932
Indonesian rupiah	1,795,077	35,901	8,836,849	176,737
Korean won	4,758,864	95,177	3,988,108	79,762
Malaysian ringgit	2,047,687	40,954	4,291,601	85,832
New Taiwan dollar	12,623,638	252,473	15,354,903	307,098
New Zealand dollar	1,821,703	36,434	2,756,355	55,127
Philippine peso	825,803	16,516	—	—
Singapore dollar	9,107,541	182,151	11,794,185	235,884
Thai baht	2,867,775	57,356	1,632,805	32,656
TOTAL:	50,707,795	1,014,156	77,093,078	1,541,861

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

XIE Shares FTSE Gold Miners ETF

The Sub-Fund is exposed to currency risk related to the HKD against the Australian dollar, Canadian dollar, British pound, Mexican peso and South African rand.

The table below summarises the sensitivity of the Sub-Fund's net exposure, which is denominated in a currency other than the HKD and the USD, to changes in foreign exchange movements as at 31 December 2017. The analysis is based on the assumptions that the relevant foreign exchange rates increased/decreased by 2% with respect to the HKD, with all other variables held constant. This represents the Manager's best estimate of a reasonable possible shift in the foreign exchange rates and the possible impact to the Sub-Fund's net asset value and total comprehensive income.

	2017	Estimated increase had respective foreign currency weakened by 2%
	Net direct exposure	
	HK\$	HK\$
Australian dollar	6,681,008	133,620
Canadian dollar	20,633,294	412,666
British pound	5,756,335	115,127
Mexican peso	501	10
South African rand	3,175,889	63,518
TOTAL:	36,247,027	724,941

The Manager has used their view of what would be a "reasonable shift" in exchange rates to estimate the change for use in currency risk sensitivity analysis above.

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(b) Credit and counterparty risk

Credit risk is the risk of loss to the Sub-Funds that may arise on outstanding financial instruments should a counterparty default on its obligations. The Sub-Funds minimize exposure to credit risk by only dealing with creditworthy counterparties.

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

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

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

The following tables set out the net exposure of the Sub-Funds to counterparties as at 31 December 2017 and 2016 together with their credit ratings of senior long-term debt by Standard & Poor's (S&P) rating services:

XIE Shares FTSE Chimerica ETF

	2017		2016	
	S&P credit rating	Net exposure to counterparties HK\$	S&P credit rating	Net exposure to counterparties HK\$
Bank / Custodian				
Citibank N.A.	A+		A+	
-Listed equities		187,713,526		147,284,294
-Cash and cash equivalents		500,271		262,075
		<u>188,213,797</u>		<u>147,546,369</u>

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(b) Credit and counterparty risk (continued)

XIE Shares CLSA GARY ETF

	2017		2016
	S&P credit rating	Net exposure to counterparties HK\$	S&P credit rating
			Net exposure to counterparties HK\$
Bank / Custodian			
Citibank N.A.	A+		A+
-Listed equities		70,064,305	100,889,610
-Cash and cash equivalents		340,584	178,058
		<u>70,404,889</u>	<u>101,067,668</u>

XIE Shares FTSE Gold Miners ETF

		2017
		S&P credit rating
		Net exposure to counterparties HK\$
Bank / Custodian		
Citibank N.A.		A+
-Listed equities		43,544,715
-Cash and cash equivalents		84,969
		<u>43,629,684</u>

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

(c) Liquidity risk

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(c) Liquidity risk (continued)

As at 31 December 2017 and 2016, all of the Sub-Funds' financial liabilities have contractual maturities not later than one month. As at 31 December 2017 and 2016, each Sub-Fund held liquid assets, comprising bank balances and other receivables that are expected to readily generate cash inflows for managing liquidity risk within one month.

XIE Shares FTSE Chimerica ETF

	Maturity less than 1 month HK\$	Maturity 1 to 3 months HK\$	No stated maturity HK\$	Total HK\$
As at 31 December 2017				
Financial assets at fair value through profit or loss	–	–	187,713,526	187,713,526
Cash and cash equivalents	500,271	–	–	500,271
Total financial assets	500,271	–	187,713,526	188,213,797
Management fee payable	107,444	–	–	107,444
Other payables	271,676	–	–	271,676
Total financial liabilities	379,120	–	–	379,120
As at 31 December 2016				
Financial assets at fair value through profit or loss	–	–	147,284,294	147,284,294
Cash and cash equivalents	262,075	–	–	262,075
Total financial assets	262,075	–	147,284,294	147,546,369
Management fee payable	96,533	–	–	96,533
Transaction fee payable	38,806	–	–	38,806
Preliminary expenses payable	15,000	–	–	15,000
Other payables	181,901	–	–	181,901
Total financial liabilities	332,240	–	–	332,240

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(c) Liquidity risk (continued)

XIE Shares CLSA GARY ETF

As at 31 December 2017	Maturity less than 1 month HK\$	Maturity 1 to 3 months HK\$	No stated maturity HK\$	Total HK\$
Financial assets at fair value through profit or loss	–	–	70,064,305	70,064,305
Dividends receivable	90,123	–	–	90,123
Cash and cash equivalents	340,584	–	–	340,584
Total financial assets	430,707	–	70,064,305	70,495,012
Management fee payable	41,422	–	–	41,422
Other payables	188,460	–	–	188,460
Total financial liabilities	229,882	–	–	229,882
As at 31 December 2016				
Financial assets at fair value through profit or loss	–	–	100,889,610	100,889,610
Dividends receivable	107,732	–	–	107,732
Cash and cash equivalents	178,058	–	–	178,058
Total financial assets	285,790	–	100,889,610	101,175,400
Management fee payable	60,526	–	–	60,526
Transaction fee payable	30,000	–	–	30,000
Preliminary expenses payable	302,345	–	–	302,345
Other payables	121,211	–	–	121,211
Total financial liabilities	514,082	–	–	514,082

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

15. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management (continued)

(c) Liquidity risk (continued)

XIE Shares FTSE Gold Miners ETF

As at 31 December 2017	Maturity less than 1 month HK\$	Maturity 1 to 3 months HK\$	No stated maturity HK\$	Total HK\$
Financial assets at fair value through profit or loss	–	–	43,544,715	43,544,715
Dividends receivable	1,722	–	–	1,722
Cash and cash equivalents	84,969	–	–	84,969
Total financial assets	86,691	–	43,544,715	43,631,406
Management fee payable	21,406	–	–	21,406
Other payables	78,716	–	–	78,716
Total financial liabilities	100,122	–	–	100,122

Capital management

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

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

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2017

16. SEGMENT INFORMATION

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

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

The Manager considers that each Sub-Fund has a single operating segment which is investing in securities. The objectives of the Sub-Funds are to track the performance of its respective indices and invest in substantially all the indices constituents with security weight and industry weight that are closely aligned to the characteristics of the tracked indices.

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

The Sub-Funds are domiciled in Hong Kong. All of the Sub-Funds' income is from investments in securities which constitute its tracked indices. The Sub-Funds' investments have been categorised by relevant geography. Refer to note 15(a)(i) for details.

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

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, there was a subscription of XIE Shares FTSE Chimerica ETF of 1,000,000 units on 7 March 2018.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 25 April 2018.

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

Investment portfolio (Unaudited)
As at 31 December 2017

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
The United States			
21Vianet Group Inc	13,472	840,414	0.46
51job Inc	3,258	1,549,779	0.83
58.com Inc	14,286	7,992,816	4.26
Alibaba Group Holding Ltd	12,910	17,401,922	9.26
Autohome Inc	9,052	4,576,206	2.44
Baidu Inc	9,775	17,897,005	9.53
Baozun Inc	4,343	1,071,482	0.57
BeiGene Ltd	3,795	2,899,035	1.54
Bitauto Holdings Ltd	6,114	1,519,885	0.81
Canadian Solar Inc	7,290	960,823	0.51
Changyou.com Ltd	2,847	810,783	0.43
China Biologic Products Holdings Inc	3,662	2,254,952	1.20
China Lodging Group Ltd	4,041	4,562,516	2.43
Ctrip.com International Ltd	53,352	18,392,783	9.79
Fang Holdings Ltd	32,459	1,415,883	0.75
Hollysys Automation Technologies Ltd	6,415	1,116,799	0.59
iKang Healthcare Group Inc	7,807	964,272	0.51
JD.com Inc	60,328	19,533,820	10.40
JinkoSolar Holding Co Ltd	2,804	527,171	0.28
Momo Inc	15,678	3,000,269	1.60
NetEase Inc	7,132	19,238,743	10.24
New Oriental Education & Technology Group Inc	22,143	16,271,308	8.66
Noah Holdings Ltd	2,895	1,047,370	0.56
SINA Corp	10,153	7,961,534	4.24
Sohu.com Inc	5,084	1,722,871	0.92
TAL Education Group	46,502	10,800,216	5.75
Vipshop Holdings Ltd	56,339	5,161,725	2.75
Weibo Corp	5,558	4,495,202	2.39
YY Inc	6,384	5,642,350	3.00
ZTO Express Cayman Inc	49,099	6,083,592	3.24
Total investments		187,713,526	99.94
Other net assets		121,151	0.06
Net assets attributable to unitholders at 31 December 2017		187,834,677	100.00
Total investment, at cost		131,561,734	

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

Movements in investment portfolio (Unaudited)
For the year ended 31 December 2017

Investments - listed equities	Holdings as at 1 January 2017	Additions	Corporate action	Disposals	Holdings as at 31 December 2017
21Vianet Group Inc	41,472	1,748	–	(29,748)	13,472
51job Inc	6,894	689	–	(4,325)	3,258
58.com Inc	28,373	1,872	–	(15,959)	14,286
Alibaba Group Holding Ltd	21,774	157	–	(9,021)	12,910
Autohome Inc	13,321	7,244	–	(11,513)	9,052
Baidu Inc	11,890	2,946	–	(5,061)	9,775
Baozun Inc	–	4,963	–	(620)	4,343
BeiGene Ltd	–	4,347	–	(552)	3,795
Bitauto Holdings Ltd	6,864	4,629	–	(5,379)	6,114
Canadian Solar Inc	15,101	8,357	–	(16,168)	7,290
Changyou.com Ltd	–	3,263	–	(416)	2,847
China Biologic Products Holdings Inc	–	63	5,999	(2,400)	3,662
China Biologic Products Inc	–	8,088	(5,999)	(2,089)	–
China Lodging Group Ltd	4,119	2,639	–	(2,717)	4,041
Ctrip.com International Ltd	46,767	20,954	–	(14,369)	53,352
Fang Holdings Ltd	47,665	17,500	–	(32,706)	32,459
Hollysys Automation Technologies Ltd	14,160	594	–	(8,339)	6,415
iKang Healthcare Group Inc	–	8,615	–	(808)	7,807
JD.com Inc	75,674	9,777	–	(25,123)	60,328
JinkoSolar Holding Co Ltd	–	3,215	–	(411)	2,804
Momo Inc	–	17,961	–	(2,283)	15,678
NetEase Inc	9,086	3,179	–	(5,133)	7,132
New Oriental Education & Technology Group Inc	46,756	214	–	(24,827)	22,143
Noah Holdings Ltd	–	3,319	–	(424)	2,895
Qunar Cayman Islands Ltd	23,331	–	(23,331)	–	–
SINA Corp	20,775	1,311	–	(11,933)	10,153
Sohu.com Inc	10,539	732	–	(6,187)	5,084
TAL Education Group	16,448	1,265	61,630	(32,841)	46,502
Vipshop Holdings Ltd	80,746	29,205	–	(53,612)	56,339
Weibo Corp	–	6,367	2,135	(2,944)	5,558
YY Inc	11,290	1,890	–	(6,796)	6,384
ZTO Express Cayman Inc	–	56,329	–	(7,230)	49,099

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

**Performance record (Unaudited)
For the year ended 31 December 2017**

Net asset value attributable to unitholders

	Dealing net asset value per unit HK\$	Dealing net asset value of the Sub-Fund HK\$
At end of financial period/year dated		
31 December 2015	8.5135	187,296,106
31 December 2016	7.8008	148,214,538
31 December 2017	13.4742	188,639,054

Highest and lowest net asset value per unit

	Lowest HK\$	Highest HK\$
Period ended 31 December 2015	<u>6.1061</u>	<u>8.9861</u>
Year ended 31 December 2016	<u>6.7080</u>	<u>9.3039</u>
Year ended 31 December 2017	<u>7.9301</u>	<u>13.8750</u>

During the year ended 31 December 2017, the Underlying Index increased by 74.83% (2016: decreased by 7.49%), while the net asset value per unit of the Sub-Fund increased by 72.73%^(a) (2016: decreased by 8.37%^(b)).

The following lists the constituent securities that individually accounted for more than 10% of FTSE China N Shares All Cap Capped Net Tax Index as at 31 December 2017 and 2016 and its weighting of the FTSE China N Shares All Cap Capped Net Tax Index as at 31 December 2017 and 2016:

Constituent securities	Respective weighting in FTSE China N Shares All Cap Capped Net Tax Index	
	2017	2016
Alibaba Group Holding Ltd	—	10.06%
Baidu Inc	—	10.29%
JD.com Inc	10.40%	10.13%
NetEase Inc	10.24%	10.30%
New Oriental Education & Technology Group Inc	—	10.36%

(a) This is the annualised return of the Sub-Fund (net of fees and expenses) from 1 January 2017 to 31 December 2017.

(b) This is the annualised return of the Sub-Fund (net of fees and expenses) from 1 January 2016 to 31 December 2016.

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

Investment portfolio (Unaudited)
As at 31 December 2017

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
Australia			
Aurizon Holdings Ltd	28,296	858,134	1.21
Australian Pharmaceutical Industries Ltd	84,511	870,686	1.24
BT Investment Management Ltd	12,796	883,317	1.26
Caltex Australia Ltd	4,320	899,392	1.28
CIMIC Group Ltd	3,098	974,574	1.39
Credit Corp Group Ltd	7,092	967,423	1.38
Downer EDI Ltd	20,272	858,970	1.22
Greencross Ltd	25,883	995,436	1.42
InvoCare Ltd	8,282	815,285	1.16
NIB holdings Ltd	23,265	961,608	1.37
Orora Ltd	43,948	910,934	1.30
Seven Group Holdings Ltd	11,391	1,066,314	1.52
Stockland	32,597	892,902	1.27
Suncorp Group Ltd	10,387	880,241	1.25
Super Retail Group Ltd	17,445	881,047	1.25
		13,716,263	19.52
Hong Kong			
ANTA Sports Products Ltd	27,000	957,150	1.37
BOC Hong Kong Holdings Ltd	23,000	910,800	1.30
China Lesso Group Holdings Ltd	163,000	824,780	1.17
China Resources Land Ltd	36,000	828,000	1.18
China State Construction International Holdings Ltd	78,000	853,320	1.21
China Telecom Corp Ltd	220,000	818,400	1.16
China Vanke Co Ltd	33,400	1,042,080	1.48
CIFI Holdings Group Co Ltd	206,000	970,260	1.38
Guangzhou Automobile Group Co Ltd	46,000	851,920	1.21
Guotai Junan International Holdings Ltd	345,000	845,250	1.20
K Wah International Holdings Ltd	191,000	815,570	1.16
Kingboard Chemical Holdings Ltd	20,500	866,125	1.23
Kingboard Laminates Holdings Ltd	73,000	889,140	1.27
Lee & Man Paper Manufacturing Ltd	92,000	850,080	1.21
Link REIT	13,500	978,075	1.39
Luk Fook Holdings International Ltd	28,000	939,400	1.34
Man Wah Holdings Ltd	106,400	790,552	1.13
Nine Dragons Paper Holdings Ltd	60,000	751,200	1.07
Shenzhen Investment Ltd	247,783	802,817	1.14
Shenzhen International Group Holdings Ltd	14,000	1,041,600	1.48
Sun Hung Kai Properties Ltd	7,000	912,800	1.30
Yuexiu Real Estate Investment Trust	178,000	911,360	1.30
		19,450,679	27.68

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

Investment portfolio (Unaudited) (continued)
As at 31 December 2017

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
India			
Manappuram Finance Ltd	72,014	1,088,369	1.55
		<hr/>	<hr/>
		1,088,369	1.55
		<hr/>	<hr/>
Indonesia			
Adaro Energy Tbk PT	814,100	872,520	1.24
Telekomunikasi Indonesia Persero Tbk PT	360,600	922,557	1.31
		<hr/>	<hr/>
		1,795,077	2.55
		<hr/>	<hr/>
Malaysia			
Inari Amertron Bhd	168,200	1,104,665	1.57
Petronas Chemicals Group Bhd	62,900	935,550	1.33
		<hr/>	<hr/>
		2,040,215	2.90
		<hr/>	<hr/>
New Zealand			
Air New Zealand Ltd	47,107	835,461	1.19
Trade Me Group Ltd	36,651	986,236	1.40
		<hr/>	<hr/>
		1,821,697	2.59
		<hr/>	<hr/>
Philippines			
DMCI Holdings Inc	366,100	825,552	1.17
		<hr/>	<hr/>
		825,552	1.17
		<hr/>	<hr/>
Singapore			
CDL Hospitality Trusts	93,800	927,281	1.32
DBS Group Holdings Ltd	7,000	1,017,527	1.45
Mapletree Industrial Trust	80,200	952,340	1.36
Singapore Exchange Ltd	19,800	861,707	1.23
Singapore Technologies Engineering Ltd	45,300	863,848	1.23
Singapore Telecommunications Ltd	40,200	839,491	1.19
Thai Beverage PCL	158,700	854,056	1.22
United Overseas Bank Ltd	6,342	981,236	1.40
Venture Corp Ltd	8,300	993,843	1.41
Yanlord Land Group Ltd	83,700	793,163	1.13
		<hr/>	<hr/>
		9,084,492	12.94
		<hr/>	<hr/>

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

Investment portfolio (Unaudited) (continued)
As at 31 December 2017

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
South Korea			
Hana Financial Group Inc	2,675	972,758	1.38
KB Financial Group Inc	2,212	1,024,061	1.46
NH Investment & Securities Co Ltd	8,834	896,652	1.28
POSCO	373	905,633	1.29
SK Telecom Co Ltd	488	951,443	1.35
		4,750,547	6.76
Taiwan			
Accton Technology Corp	35,000	974,593	1.39
Advanced Ceramic X Corp	9,000	943,332	1.34
Advanced Semiconductor Engineering Inc	91,000	911,979	1.30
Chicony Electronics Co Ltd	45,000	886,590	1.26
Chipbond Technology Corp	61,000	903,770	1.29
Chroma ATE Inc	27,000	1,149,021	1.64
Elite Material Co Ltd	26,000	693,248	0.99
Global Unichip Corp	11,000	736,855	1.05
Hu Lane Associate Inc	19,000	761,154	1.08
Primax Electronics Ltd	43,000	892,369	1.27
Sinbon Electronics Co Ltd	41,000	929,488	1.32
Sunny Friend Environmental Technology Co Ltd	18,000	1,205,763	1.72
Taiwan Union Technology Corp	41,000	902,562	1.28
Tripod Technology Corp	30,000	732,915	1.04
		12,623,639	17.97
Thailand			
PTT PCL	8,900	939,318	1.34
Thanachart Capital PCL	72,600	979,556	1.39
Tisco Financial Group PCL	44,700	948,901	1.35
		2,867,775	4.08
Total investments		70,064,305	99.71
Other net assets		200,825	0.29
Net assets attributable to unitholders at 31 December 2017		70,265,130	100.00
Total investment, at cost		61,198,409	

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

Movements in investment portfolio (Unaudited)
For the year ended 31 December 2017

Investments - listed equities	Holdings as at 1 January 2017	Additions	Corporate action	Disposals	Holdings as at 31 December 2017
Abacus Property Group	91,270	1,917	–	(93,187)	–
Accton Technology Corp	–	43,000	–	(8,000)	35,000
Adaro Energy Tbk PT	–	814,100	–	–	814,100
Advanced Ceramic X Corp	–	9,000	–	–	9,000
Advanced Semiconductor Engineering Inc	–	91,000	–	–	91,000
Agile Group Holdings Ltd	–	138,000	–	(138,000)	–
AGL Energy Ltd	13,159	526	–	(13,685)	–
Air New Zealand Ltd	–	47,107	–	–	47,107
ANTA Sports Products Ltd	74,000	10,000	–	(57,000)	27,000
Aurizon Holdings Ltd	–	28,296	–	–	28,296
Australian Pharmaceutical Industries Ltd	–	144,881	–	(60,370)	84,511
Bank of Queensland Ltd	22,961	–	–	(22,961)	–
Bank Pembangunan Daerah Jawa Barat Dan Banten Tbk PT	1,470,300	–	–	(1,470,300)	–
Bank Pembangunan Daerah Jawa Timur Tbk PT	4,779,000	395,000	–	(5,174,000)	–
Bizlink Holding Inc	–	16,000	–	(16,000)	–
Blackmores Ltd	2,260	–	–	(2,260)	–
BOC Hong Kong Holdings Ltd	–	31,000	–	(8,000)	23,000
Boral Ltd	41,195	8,801	–	(49,996)	–
BT Investment Management Ltd	–	27,281	–	(14,485)	12,796
BWP Trust	82,437	–	–	(82,437)	–
Caltex Australia Ltd	–	5,626	–	(1,306)	4,320
CapitaLand Mall Trust	128,600	8,500	–	(137,100)	–
CDL Hospitality Trusts	–	98,100	–	(4,300)	93,800
Champion REIT	340,000	6,000	–	(346,000)	–
Charter Hall Group	52,475	3,028	–	(55,503)	–
Chicony Electronics Co Ltd	–	45,000	–	–	45,000
Chicony Power Technology Co Ltd	–	126,000	–	(126,000)	–
China Lesso Group Holdings Ltd	259,000	40,000	–	(136,000)	163,000
China Resources Land Ltd	76,000	8,000	–	(48,000)	36,000
China State Construction International Holdings Ltd	–	78,000	–	–	78,000
China Telecom Corp Ltd	–	240,000	–	(20,000)	220,000
China Vanke Co Ltd	75,600	6,900	–	(49,100)	33,400
Chin-Poon Industrial Co Ltd	96,000	1,000	–	(97,000)	–

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

Movements in investment portfolio (Unaudited) (continued)
For the year ended 31 December 2017

Investments - listed equities	Holdings as at 1 January 2017	Additions	Corporate action	Disposals	Holdings as at 31 December 2017
Chipbond Technology Corp	–	68,000	–	(7,000)	61,000
Chroma ATE Inc	–	35,000	–	(8,000)	27,000
CIFI Holdings Group Co Ltd	–	324,000	–	(118,000)	206,000
CIMIC Group Ltd	8,423	800	–	(6,125)	3,098
ComfortDelGro Corp Ltd	–	68,400	–	(68,400)	–
Contact Energy Ltd	57,400	6,676	–	(64,076)	–
Country Garden Holdings Co Ltd	–	128,000	–	(128,000)	–
Credit Corp Group Ltd	12,874	3,057	–	(8,839)	7,092
DBS Group Holdings Ltd	18,100	1,400	–	(12,500)	7,000
DMCI Holdings Inc	–	1,095,700	–	(729,600)	366,100
Downer EDI Ltd	–	20,272	–	–	20,272
Elite Material Co Ltd	–	65,000	–	(39,000)	26,000
Fairfax Media Ltd	295,439	–	–	(295,439)	–
Feng TAY Enterprise Co Ltd	46,800	–	–	(46,800)	–
Fletcher Building Ltd	–	25,380	–	(25,380)	–
Fraser & Neave Holdings Bhd	33,200	5,700	–	(38,900)	–
Fuyao Glass Industry Group Co Ltd	–	31,600	–	(31,600)	–
Getac Technology Corp	143,000	–	–	(143,000)	–
Global Unichip Corp	–	11,000	–	–	11,000
Greencross Ltd	–	25,883	–	–	25,883
Guangdong Investment Ltd	130,000	20,000	–	(150,000)	–
Guangzhou Automobile Group Co Ltd	140,000	10,000	–	(104,000)	46,000
Gudang Garam Tbk PT	39,200	–	–	(39,200)	–
Guotai Junan International Holdings Ltd	515,000	445,000	–	(615,000)	345,000
Hana Financial Group Inc	–	2,675	–	–	2,675
Harvey Norman Holdings Ltd	48,401	15,010	–	(63,411)	–
Henderson Land Development Co Ltd	–	34,000	–	(34,000)	–
Hite Jinro Co Ltd	10,341	205	–	(10,546)	–
Home Product Center PCL	–	408,000	–	(408,000)	–
Hu Lane Associate Inc	–	19,000	–	–	19,000
Inari Amertron Bhd	–	168,200	–	–	168,200
Indian Oil Corp Ltd	–	18,507	–	(18,507)	–
InvoCare Ltd	–	10,193	–	(1,911)	8,282
IRPC PCL	–	1,298,000	–	(1,298,000)	–
JB Hi-Fi Ltd	8,788	2,203	–	(10,991)	–

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

Movements in investment portfolio (Unaudited) (continued)
For the year ended 31 December 2017

Investments - listed equities	Holdings as at 1 January 2017	Additions	Corporate action	Disposals	Holdings as at 31 December 2017
Jiangsu Expressway Co Ltd	142,000	4,000	–	(146,000)	–
K Wah International Holdings Ltd	–	191,000	–	–	191,000
Kangwon Land Inc	–	7,027	–	(7,027)	–
KB Financial Group Inc	–	2,212	–	–	2,212
Kingboard Chemical Holdings Ltd	–	55,000	–	(34,500)	20,500
Kingboard Laminates Holdings Ltd	213,500	78,500	–	(219,000)	73,000
KT&G Corp	1,971	232	–	(2,203)	–
KWG Property Holding Ltd	322,500	4,500	–	(327,000)	–
Lee & Man Paper Manufacturing Ltd	250,000	39,000	–	(197,000)	92,000
LendLease Group	18,818	1,592	–	(20,410)	–
Link REIT	–	14,500	–	(1,000)	13,500
Luk Fook Holdings International Ltd	–	30,000	–	(2,000)	28,000
Macquarie Korea Infrastructure Fund	25,032	2,170	–	(27,202)	–
Man Wah Holdings Ltd	285,600	7,200	–	(186,400)	106,400
Manappuram Finance Ltd	–	163,135	–	(91,121)	72,014
Mapletree Commercial Trust	176,500	23,100	–	(199,600)	–
Mapletree Industrial Trust	–	83,600	–	(3,400)	80,200
Micro-Star International Co Ltd	75,000	25,000	–	(100,000)	–
Mirvac Group	–	131,650	–	(131,650)	–
Mitac Holdings Corp	207,000	–	–	(207,000)	–
National Australia Bank Ltd	9,209	–	–	(9,209)	–
Navitas Ltd	48,127	4,280	–	(52,407)	–
NH Investment & Securities Co Ltd	–	11,598	–	(2,764)	8,834
NIB holdings Ltd	–	24,454	–	(1,189)	23,265
Nine Dragons Paper Holdings Ltd	–	60,000	–	–	60,000
Orora Ltd	–	43,948	–	–	43,948
Petronas Chemicals Group Bhd	–	70,300	–	(7,400)	62,900
POSCO	–	528	–	(155)	373
Premier Investments Ltd	16,434	4,235	–	(20,669)	–
President Chain Store Corp	25,000	1,000	–	(26,000)	–
Primax Electronics Ltd	–	56,000	–	(13,000)	43,000

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

Movements in investment portfolio (Unaudited) (continued)
For the year ended 31 December 2017

Investments - listed equities	Holdings as at		Corporate action	Disposals	Holdings as at
	1 January 2017	Additions			
PTT PCL	–	8,900	–	–	8,900
Public Bank Bhd	–	27,000	–	(27,000)	–
QBE Insurance Group Ltd	–	13,348	–	(13,348)	–
Retail Food Group Ltd	37,692	–	–	(37,692)	–
SATS Ltd	57,200	8,500	–	(65,700)	–
Semirara Mining & Power Corp	–	35,060	105,180	(140,240)	–
Sercomm Corp	87,000	–	–	(87,000)	–
Seven Group Holdings Ltd	–	16,486	–	(5,095)	11,391
Shenzhen Investment Ltd	–	285,783	–	(38,000)	247,783
Shenzhou International Group Holdings Ltd	–	19,000	–	(5,000)	14,000
Sinbon Electronics Co Ltd	–	41,000	–	–	41,000
Singapore Exchange Ltd	37,800	4,500	–	(22,500)	19,800
Singapore Technologies Engineering Ltd	–	48,700	–	(3,400)	45,300
Singapore Telecommunications Ltd	69,900	11,000	–	(40,700)	40,200
SK Telecom Co Ltd	–	488	–	–	488
South Indian Bank Ltd	–	352,253	–	(352,253)	–
Stockland	–	32,597	–	–	32,597
Sun Hung Kai Properties Ltd	13,000	2,000	–	(8,000)	7,000
Sun TV Network Ltd	24,379	–	–	(24,379)	–
Suncorp Group Ltd	–	10,387	–	–	10,387
Sunny Friend Environmental Technology Co Ltd	–	22,000	–	(4,000)	18,000
Super Retail Group Ltd	23,884	6,314	–	(12,753)	17,445
Swire Properties Ltd	68,800	–	–	(68,800)	–
Taiwan Semiconductor Manufacturing Co Ltd	33,000	–	–	(33,000)	–
Taiwan Union Technology Corp	–	41,000	–	–	41,000
Telekomunikasi Indonesia Persero Tbk PT	608,700	118,200	–	(366,300)	360,600
Thai Beverage PCL	–	181,900	–	(23,200)	158,700
Thanachart Capital PCL	171,400	72,600	–	(171,400)	72,600
Tisco Financial Group PCL	–	57,000	–	(12,300)	44,700
Top Glove Corp Bhd	165,800	29,100	–	(194,900)	–
Trade Me Group Ltd	–	36,651	–	–	36,651
Tripod Technology Corp	83,000	30,000	–	(83,000)	30,000
TTY Biopharm Co Ltd	49,000	10,000	–	(59,000)	–

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

Movements in investment portfolio (Unaudited) (continued)
For the year ended 31 December 2017

Investments - listed equities	Holdings as at 1 January 2017	Additions	Corporate action	Disposals	Holdings as at 31 December 2017
Uni-President Enterprises Corp	102,000	7,000	–	(109,000)	–
United Overseas Bank Ltd	14,500	1,342	–	(9,500)	6,342
United Tractors Tbk PT	127,500	–	–	(127,500)	–
Venture Corp Ltd	29,500	–	–	(21,200)	8,300
Vita Group Ltd	53,463	–	–	(53,463)	–
Westports Holdings Bhd	189,900	9,800	–	(199,700)	–
Xtep International Holdings Ltd	419,000	22,500	–	(441,500)	–
Yanlord Land Group Ltd	–	83,700	–	–	83,700
Yue Yuen Industrial Holdings Ltd	51,500	500	–	(52,000)	–
Yuexiu Real Estate Investment Trust	–	209,000	–	(31,000)	178,000
Z Energy Ltd	33,383	2,265	–	(35,648)	–

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

Performance record (Unaudited)
For the year ended 31 December 2017

Net asset value attributable to unitholders

	Dealing net asset value per unit HK\$	Dealing net asset value of the Sub-Fund HK\$
At end of financial period/year dated		
31 December 2015	7.8840	98,549,764
31 December 2016	8.1496	101,870,407
31 December 2017	10.9481	71,162,715

Highest and lowest net asset value per unit

	Lowest HK\$	Highest HK\$
Period ended 31 December 2015	7.5622	8.0254
Year ended 31 December 2016	6.9481	8.8381
Year ended 31 December 2017	8.1914	10.9486

During the year ended 31 December 2017, the Underlying Index increased by 38.26% (2016: increased by 5.75%), while the net asset value per unit of the Sub-Fund increased by 34.34%^(a) (2016: decreased by 3.37%^(b))

There were no constituent securities of that CLSA GARY Net Total Return Index that accounted for more than 10% of the weighting of CLSA GARY Net Total Return Index as at 31 December 2017 and 2016.

(a) This is the annualised return of the Sub-Fund (net of fees and expenses) from 1 January 2017 to 31 December 2017.

(b) This is the annualised return of the Sub-Fund (net of fees and expenses) from 1 January 2016 to 31 December 2016.

XIE Shares FTSE Gold Miners ETF
(a Sub-Fund of XIE Shares Trust II)

Investment portfolio (Unaudited)
As at 31 December 2017

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
Australia			
Evolution Mining Ltd	40,209	651,505	1.50
Newcrest Mining Ltd	29,563	4,124,890	9.47
Northern Star Resources Ltd	22,388	835,013	1.92
Regis Resources Ltd	17,780	467,464	1.07
Resolute Mining Ltd	21,083	146,955	0.34
St Barbara Ltd	19,488	455,176	1.05
		6,681,003	15.35
Canada			
Agnico Eagle Mines Ltd	8,924	3,231,552	7.42
Alamos Gold Inc	14,500	740,928	1.70
B2Gold Corp	36,400	881,165	2.02
Barrick Gold Corp	44,900	5,092,891	11.70
Centerra Gold Inc	8,300	333,494	0.77
Detour Gold Corp	6,700	617,836	1.42
Eldorado Gold Corp	30,400	345,199	0.79
Endeavour Mining Corp	2,700	431,754	0.99
Goldcorp Inc	33,100	3,310,440	7.60
IAMGOLD Corp	17,900	818,618	1.88
Kinross Gold Corp	47,600	1,609,646	3.70
Kirkland Lake Gold Ltd	7,000	841,597	1.93
New Gold Inc	22,100	569,464	1.31
OceanaGold Corp	23,700	477,612	1.11
Tahoe Resources Inc	11,700	440,177	1.01
Yamana Gold Inc	36,400	890,249	2.05
		20,632,622	47.40
Hong Kong			
Zhaojin Mining Industry Co Ltd	36,500	220,825	0.51
Zijin Mining Group Co Ltd	220,000	649,000	1.49
		869,825	2.00

XIE Shares FTSE Gold Miners ETF
(a Sub-Fund of XIE Shares Trust II)

Investment portfolio (Unaudited) (continued)
As at 31 December 2017

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
South Africa			
AngloGold Ashanti Ltd	15,510	1,259,666	2.89
Gold Fields Ltd	31,030	1,060,020	2.44
Harmony Gold Mining Co Ltd	14,441	206,903	0.48
Sibanye Gold Ltd	64,998	649,294	1.49
		3,175,883	7.30
The United States			
Coeur Mining Inc	7,100	416,273	0.96
Newmont Mining Corp	20,500	6,012,774	13.81
		6,429,047	14.77
United Kingdom			
Acacia Mining PLC	5,698	119,608	0.27
Centamin PLC	41,501	694,729	1.60
Fresnillo PLC	7,099	1,072,766	2.46
Petropavlovsk PLC	111,347	91,255	0.21
Polymetal International PLC	9,904	964,073	2.21
Randgold Resources Ltd	3,591	2,813,904	6.46
		5,756,335	13.21
Total investments		43,544,715	100.03
Other net assets		(13,431)	(0.03)
Net assets attributable to unitholders at 31 December 2017		43,531,284	100.00
Total investment, at cost		40,460,758	

XIE Shares FTSE Gold Miners ETF
(a Sub-Fund of XIE Shares Trust II)

Movements in investment portfolio (Unaudited)
For the period ended 31 December 2017

Investments - listed equities	Holdings as at 14 November 2016 (date of inception)	Additions	Corporate action	Disposals	Holdings as at 31 December 2017
Acacia Mining PLC	–	7,368	–	(1,670)	5,698
Agnico Eagle Mines Ltd	–	11,124	–	(2,200)	8,924
Alamos Gold Inc	–	17,900	–	(3,400)	14,500
AngloGold Ashanti Ltd	–	19,857	–	(4,347)	15,510
B2Gold Corp	–	46,600	–	(10,200)	36,400
Barrick Gold Corp	–	57,100	–	(12,200)	44,900
Centamin PLC	–	52,730	–	(11,229)	41,501
Centerra Gold Inc	–	10,500	–	(2,200)	8,300
Coeur Mining Inc	–	7,100	–	–	7,100
Detour Gold Corp	–	8,400	–	(1,700)	6,700
Eldorado Gold Corp	–	37,700	–	(7,300)	30,400
Endeavour Mining Corp	–	3,600	–	(900)	2,700
Evolution Mining Ltd	–	50,159	–	(9,950)	40,209
Fresnillo PLC	–	8,616	–	(1,517)	7,099
Gold Fields Ltd	–	39,944	–	(8,914)	31,030
Goldcorp Inc	–	42,600	–	(9,500)	33,100
Harmony Gold Mining Co Ltd	–	18,291	–	(3,850)	14,441
IAMGOLD Corp	–	22,200	–	(4,300)	17,900
Kinross Gold Corp	–	60,700	–	(13,100)	47,600
Kirkland Lake Gold Ltd	–	7,000	–	–	7,000
Minera Frisco SAB de CV	–	26,400	–	(26,400)	–
New Gold Inc	–	27,700	–	(5,600)	22,100
Newcrest Mining Ltd	–	37,429	–	(7,866)	29,563
Newmont Mining Corp	–	25,900	–	(5,400)	20,500
Nord Gold SE	–	2,209	–	(2,209)	–
Northern Star Resources Ltd	–	28,420	–	(6,032)	22,388
OceanaGold Corp	–	29,800	–	(6,100)	23,700
Petropavlovsk PLC	–	141,709	–	(30,362)	111,347
Polymetal International PLC	–	12,666	–	(2,762)	9,904
Randgold Resources Ltd	–	4,540	–	(949)	3,591
Regis Resources Ltd	–	22,602	–	(4,822)	17,780
Resolute Mining Ltd	–	26,892	–	(5,809)	21,083
Sibanye Gold Ltd	–	46,353	27,847	(9,202)	64,998
St Barbara Ltd	–	24,594	–	(5,106)	19,488
Tahoe Resources Inc	–	11,700	–	–	11,700
Yamana Gold Inc	–	46,200	–	(9,800)	36,400
Yamana Gold Inc - RTS	–	–	2,206	(2,206)	–
Zhaojin Mining Industry Co Ltd	–	44,500	–	(8,000)	36,500
Zijin Mining Group Co Ltd	–	280,000	–	(60,000)	220,000

**XIE Shares FTSE Gold Miners ETF
(a Sub-Fund of XIE Shares Trust II)**

**Performance record (Unaudited)
For the period ended 31 December 2017**

Net asset value attributable to unitholders

	Dealing net asset value per unit HK\$	Dealing net asset value of the Sub-Fund HK\$
At end of financial period dated		
31 December 2017	8.8185	44,092,379

Highest and lowest net asset value per unit

	Lowest HK\$	Highest HK\$
Period ended 31 December 2017	7.1561	9.7021

During the period from 14 November 2016 (date of inception) to 31 December 2017, the Underlying Index increased by 8.28%, while the net asset value per unit of the Sub-Fund increased by 6.33%^(a).

The following lists the constituent securities that individually accounted for more than 10% of FTSE Gold Mines Net Tax Index as at 31 December 2017 and its weighting of the FTSE Gold Mines Net Tax Index as at 31 December 2017:

Constituent securities	Respective weighting in FTSE Gold Mines Net Tax Index 2017
Barrick Gold Corp	11.67%
Newmont Mining Corp	13.83%

(a) This is the annualised return of the Sub-Fund (net of fees and expenses) from 14 November 2016 (date of inception) to 31 December 2017.