

ANNUAL REPORT

XIE Shares FTSE Chimerica ETF (Stock Code: 3161)
XIE Shares FTSE Gold Miners ETF (Stock Code: 3116)
For the year ended 31 December 2018

(Sub-Funds of XIE Shares Trust II)

XIE Shares Trust II

	Pages
CONTENTS	
MANAGEMENT AND ADMINISTRATION	1
REPORT OF THE MANAGER TO THE UNITHOLDERS	2 - 3
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	4
INDEPENDENT AUDITOR'S REPORT	5 - 9
AUDITED FINANCIAL STATEMENTS	
Statement of financial position	10 - 11
Statement of comprehensive income	12 - 13
Statement of changes in net assets attributable to unitholders	14
Statement of cash flows	15
Notes to financial statements	16 - 49
XIE Shares FTSE Chimerica ETF	50 - 53
- Investment portfolio (Unaudited)	
- Movements in investment portfolio (Unaudited)	
- Performance record (Unaudited)	
XIE Shares FTSE Gold Miners ETF	54 - 57
- Investment portfolio (Unaudited)	
- Movements in investment portfolio (Unaudited)	
- Performance record (Unaudited)	

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

BLAND Tobias Christopher James
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 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
8 Connaught Place
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

Commerz Securities Hong Kong Ltd
Deutsche Securities Asia Limited

Market Makers for XIE Shares FTSE Gold Miners ETF

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 2018, the dealing Net Asset Value (“NAV”) per unit of the XIE Shares FTSE Chimerica was HK\$9.2553 with a total of 4,000,000 units outstanding, aggregating a total dealing NAV of approximately HK\$37,021,114.

A summary of the performance of the XIE Shares FTSE Chimerica is given below (as at 31 December 2018).^(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)	-7.80%	-17.50%	-31.83%	-29.59%
XIE Shares FTSE Chimerica NAV-to-NAV ^(c)	-7.94%	-17.87%	-32.28%	-30.40%
XIE Shares FTSE Chimerica Market-to-Market ^(d)	-4.40%	-16.81%	-31.49%	-29.05%

- (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 2018 to 31 December 2018.
- (f) Represents performance figures for the period from 1 December 2018 to 31 December 2018.
- (g) Represents performance figures for the period from 1 October 2018 to 31 December 2018.
- (h) Represents performance figures for the period from 1 July 2018 to 31 December 2018.

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 2018, the dealing Net Asset Value (“NAV”) per unit of the XIE Shares FTSE Gold Miners was HK\$7.5682 with a total of 1,500,000 units outstanding, aggregating a total dealing NAV of approximately HK\$11,352,270.

A summary of the performance of the XIE Shares FTSE Gold Miners is given below (as at 31 December 2018).^(a)

	1 Month ^(f)	3 Months ^(g)	6 Months ^(h)	12 Months ^(e)
FTSE Gold Mines Net Tax Index Total Return (Net) ^(b)	10.33%	16.11%	-4.54%	-10.06%
XIE Shares FTSE Gold Miners NAV-to-NAV ^(c)	9.93%	15.31%	-5.28%	-11.36%
XIE Shares FTSE Gold Miners Market-to-Market ^(d)	6.21%	11.89%	-7.04%	-13.55%

- (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 1 January 2018 to 31 December 2018.
- (f) Represents performance figures for the period from 1 December 2018 to 31 December 2018.
- (g) Represents performance figures for the period from 1 October 2018 to 31 December 2018.
- (h) Represents performance figures for the period from 1 July 2018 to 31 December 2018.

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 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 and 14 October 2016 for the year ended 31 December 2018.

Cititrust Limited
26 April 2019

Independent auditor's report

To the unitholders of XIE Shares FTSE Chimerica ETF and XIE Shares FTSE Gold Miners ETF
(sub-funds of XIE Shares Trust II)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of XIE Shares FTSE Chimerica ETF and XIE Shares FTSE Gold Miners ETF (each a separate sub-fund of XIE Shares Trust II and collectively referred to as the "Sub-Funds") set out on pages 10 to 49, which comprise the statements of financial position as at 31 December 2018, and the statements of comprehensive income, the statements of changes in net assets attributable to unitholders and the statements of cash flows for the year 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 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Sub-Funds in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the 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 period. 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 the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent auditor's report (continued)

To the unitholders of XIE Shares FTSE Chimerica 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 2018, the financial assets at fair value through profit or loss amounted to HK\$37.31 million and HK\$11.33 million in XIE Shares FTSE Chimerica ETF 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 recognised stock exchanges, which were measured at fair value in accordance with International Financial Reporting Standard 13 <i>Fair Value Measurement</i>.</p>	<p>We obtained independent confirmation from the custodian and counterparties of the investment portfolio held at 31 December 2018, 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 2018.</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 year ended 31 December 2018, the net realised gain/(loss) on sale of financial assets at fair value through profit or loss of the Sub-funds amounted to HK\$15.89 million and (HK\$2.20 million) in XIE Shares FTSE Chimerica ETF 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>

Emphasis of matter

We draw attention to note 2.1 to the financial statements which describes that the financial statements for the year ended 31 December 2018 have not been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Independent auditor's report (continued)

To the unitholders of XIE Shares FTSE Chimerica 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 the Trustee are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Manager and the Trustee for the financial statements

The Manager and the Trustee are responsible for the preparation of the 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 is 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 the 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 the 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 a supplemental deed dated 25 March 2015 and 14 October 2016 (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 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. When such use is inappropriate and the Manager and the Trustee use an alternative basis of accounting, we conclude on the appropriateness of the Manager's and the Trustee's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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 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 of 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
26 April 2019

XIE Shares Trust II

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK\$	XIE Shares FTSE Chimerica ETF 2017 HK\$	2018 HK\$	XIE Shares FTSE Gold Miners ETF 2017 HK\$
Assets					
Financial assets at fair value through profit or loss	5, 10, 11	37,314,529	187,713,526	11,334,877	43,544,715
Dividends receivable		9,855	–	37,166	1,722
Amount due from brokers		–	–	2,542,712	–
Cash and cash equivalents	5, 13	322,646	500,271	14,355,748	84,969
Total assets		<u>37,647,030</u>	<u>188,213,797</u>	<u>28,270,503</u>	<u>43,631,406</u>
Liabilities					
Management fee payable	5	96,717	107,444	31,140	21,406
Amounts due to brokers		–	–	1,216,572	–
Amounts payable on redemption		–	–	15,559,908	–
Other payables		1,020,629	271,676	509,686	78,716
Total liabilities		<u>1,117,346</u>	<u>379,120</u>	<u>17,317,306</u>	<u>100,122</u>
Equity					
Net assets attributable to unitholders	9	<u>36,529,684</u>	<u>187,834,677</u>	<u>10,953,197</u>	<u>43,531,284</u>
Number of units in issue	9	<u>4,000,000</u>	<u>14,000,000</u>	<u>1,500,000</u>	<u>5,000,000</u>
Net asset value per unit		<u>HK\$9.1324</u>	<u>HK\$13.4168</u>	<u>HK\$7.3021</u>	<u>HK\$8.7063</u>

XIE Shares Trust II

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2018

The financial statements on pages 10 to 49 were approved by the Manager on 26 April 2019.

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 2018

		XIE Shares FTSE Chimerica ETF	XIE Shares FTSE Gold Miners ETF		
	Notes	For the year ended 31 December 2018 HK\$	For the year ended 31 December 2017 HK\$		
			For the year ended 31 December 2018 HK\$		
			For the period from 14 November 2016 (date of inception) to 31 December 2017 HK\$		
Income					
Dividend income		445,657	447,437	539,737	446,169
Interest income		15,135	2,010	131	123
Net (loss)/gain on investments	12	(44,557,853)	101,347,891	(5,830,852)	4,211,347
Net foreign exchange (loss)/gain		817	2,561	(794)	(46,083)
Total net (loss)/income		<u>(44,096,244)</u>	<u>101,799,899</u>	<u>(5,291,778)</u>	<u>4,611,556</u>
Operating expenses					
Management fees	5	1,047,664	1,259,454	230,622	266,214
Audit fees		201,473	147,405	41,186	42,090
Preliminary expenses	5	–	55,145	–	742,575
Legal and professional fees		9,151	9,984	2,850	2,154
Transaction costs on investments		19,169	39,721	2,281	37,295
Financial statements preparation fee	5	35,273	35,123	35,273	35,123
Registration fees		7,001	7,012	7,001	7,000
Bank charges		1,740	38,093	1,607	1,339
Interest expense		7	–	417	11
Other operating expenses		759,902	108,415	441,539	93,706
Total operating expenses		<u>2,081,380</u>	<u>1,700,352</u>	<u>762,776</u>	<u>1,227,507</u>

XIE Shares Trust II

STATEMENT OF COMPREHENSIVE INCOME (continued)

For the year/period ended 31 December 2018

		XIE Shares FTSE Chimerica ETF		XIE Shares FTSE Gold Miners ETF
	Notes	For the year ended 31 December 2018 HK\$	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$
				For the period from 14 November 2016 (date of inception) to 31 December 2017 HK\$
Operating (loss)/profit		(46,177,624)	100,099,547	(6,054,554)
(Loss)/profit before taxation		(46,177,624)	100,099,547	(6,054,554)
Dividend withholding tax	7	5,169	8,299	64,049
Total comprehensive (loss)/income for the year/period		<u>(46,182,793)</u>	<u>100,091,248</u>	<u>(6,118,603)</u>
				<u>3,322,449</u>

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 2018

		XIE Shares FTSE Chimerica ETF		XIE Shares FTSE Gold Miners ETF
	For the year ended 31 December 2018 HK\$	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 November 2016 (date of inception) to 31 December 2017 HK\$
Balance at the beginning of the year/period	187,834,677	147,214,129	43,531,284	—
Proceeds on issue of units	24,858,000	—	—	49,360,616
Payment on redemption of units	(129,980,200)	(59,470,700)	(26,459,484)	(9,151,781)
Net (decrease)/increase from unit transactions	(105,122,200)	(59,470,700)	(26,459,484)	40,208,835
Total comprehensive (loss)/income for the year/period	(46,182,793)	100,091,248	(6,118,603)	3,322,449
Balance at the end of the year/period	<u>36,529,684</u>	<u>187,834,677</u>	<u>10,953,197</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 2018

	XIE Shares FTSE Chimerica ETF		XIE Shares FTSE Gold Miners ETF	
	For the year ended 31 December 2018 HK\$	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 November 2016 (date of inception) to 31 December 2017 HK\$
Operating activities				
Payments for purchase of investments	(59,665,987)	(71,262,293)	(2,550,414)	(51,098,441)
Proceeds from sale of investments	165,507,131	132,180,952	27,603,260	11,765,073
Dividends received	435,802	447,437	504,293	444,447
Interest received	15,135	2,010	131	123
Management fee paid	(1,058,391)	(1,248,543)	(220,888)	(244,808)
Dividend withholding tax paid	(5,169)	(8,299)	(64,049)	(61,600)
Transaction fee paid	(19,169)	(39,721)	(2,281)	(37,295)
Preliminary expenses paid	—	(70,145)	—	(742,575)
Interest expense paid	(7)	—	(417)	(11)
Other receipts and payments	(265,587)	(295,063)	(98,486)	(102,696)
Cash generated from/(used in) operating activities	104,943,758	59,706,335	25,171,149	(40,077,783)
Financing activities				
Proceeds from issue of units	24,858,000	—	—	49,360,616
Redemption paid on redemption of units	(129,980,200)	(59,470,700)	(10,899,576)	(9,151,781)
Cash (used in)/generated from financing activities	(105,122,200)	(59,470,700)	(10,899,576)	40,208,835
Net (decrease)/increase in cash and cash equivalents	(178,442)	235,635	14,271,573	131,052
Cash and cash equivalents at beginning of year/period	500,271	262,075	84,969	—
Net foreign exchange gain/(loss)	817	2,561	(794)	(46,083)
Cash and cash equivalents at end of year/period	322,646	500,271	14,355,748	84,969
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents	322,646	500,271	14,355,748	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 2018

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 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 2018, the Trust had established two 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 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 2018 and 2017.

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 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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

1. THE TRUST (continued)

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.

Pursuant to the written resolution of the Board of Directors of the Manager dated 21 March 2019, the Manager has decided to exercise its power under clause 34.6(A) of the Trust Deed and proposed to seek the termination, delisting and deauthorisation of XIE Shares FTSE Chimerica ETF and XIE Shares FTSE Gold Miners ETF on or around 5 July 2019 (the "termination date"). The Manager has given written notice to the Trustee notifying the Trustee of its proposal to terminate the Sub-Funds pursuant to clause 34.6(A) of the Trust Deed and the Trustee does not object to this proposal.

The last trading day of the units of the Sub-Funds will be on 3 May 2019 or the last day on which investors may buy or sell units on the SEHK and the last day for creation and redemption of units in accordance with the usual trading arrangements currently in place. The units of the Sub-Funds will cease trading from the trading cessation date which means it shall not be possible for investors to buy or sell units on the SEHK and no creation and redemption of units will be possible from the trading cessation date onwards.

The Manager will aim to realise all of the assets of the Sub-Funds effective from the trading cessation date. Accordingly, from the trading cessation date onwards:

- (i) There will be no further trading units of Sub-funds and no further creation and redemption of units of the Sub-Funds;
- (ii) The manager will start to realise all the assets of the Sub-Funds and the Sub-Funds will therefore cease to track the index and will not be able to meet its investment objective of tracking the performance of the index;
- (iii) The Sub-Funds will no longer be marketed to the public;
- (iv) The Sub-Funds will mainly hold cash; and
- (v) The Sub-Funds will only be operated in a limited manner

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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 ("FVPL") 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.

As mentioned in note 1 to the financial statements, the Board of Directors of the Manager has resolved to terminate and delist the Sub-Funds on or around 5 July 2019 by the resolution dated 21 March 2019. Accordingly, the going concern basis of accounting was no longer appropriate and the financial statements have been prepared on a liquidation basis. Under a liquidation basis, all assets of the Sub-Funds have been written down to their estimated net realisable values. All expenses associated with termination of XIE Shares FTSE Chimerica ETF and XIE Shares FTSE Gold Miners ETF amounting to HK\$492,532 and HK\$372,623, have been accrued in the statement of financial position of the respective Sub-Fund.

Due to the change of basis of preparation in the current year, amounts presented in the financial statements and related notes for the year ended 31 December 2018 are not entirely comparable with amounts presented for the year ended 31 December 2017 which were extracted from the financial statements for the year ended 31 December 2017 that were prepared on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Sub-Funds applied, for the first time, certain standards and amendments, which are effective for annual periods on or after 1 January 2018.

The nature and the impact of each new standard and amendment is described below

IFRS 9 Financial Instruments

(a) Classification and measurement

The Sub-Funds have assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- (i) All financial assets previously held at fair value continue to be measured at fair value.
- (ii) Debt instruments and equity instruments are acquired for the purpose of generating short-term profit. Therefore, they meet the held-for-trading criteria and are required to be measured at "FVPL".
- (iii) Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 9 Financial Instruments (continued)

(a) *Classification and measurement* (continued)

(iv) The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Sub-Funds have not designated any financial liabilities at FVPL. Therefore, this requirement has not had an impact on the Sub-Funds.

(b) *Impairment*

IFRS 9 requires the Sub-Funds to record expected credit losses (ECLs) on all of their debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the Sub-Funds to credit risk, this amendment has not had a material impact on the financial statements. The Sub-Funds only hold receivables with no financing component and that have maturities of less than 12 months at amortised cost. Therefore, it has adopted an approach similar to the simplified approach to ECLs.

(c) *Hedge accounting*

The Sub-Funds have not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Sub-Funds have chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Sub-Funds' financial assets and financial liabilities as at 1 January 2018.

XIE Shares FTSE Chimerica ETF

1 January 2018		IAS 39 measurement		IFRS 9 measurement
	Classification	HK\$	Classification	HK\$
Financial assets				
Financial assets at fair value through profit or loss	Held for trading at FVPL	187,713,526	FVPL	187,713,526
Cash and cash equivalents	Loans and receivables	500,271	Financial assets at amortised cost	500,271
Financial liabilities				
Management fee payable	Other financial liabilities	107,444	Financial liabilities at amortised cost	107,444
Other payables	Other financial liabilities	271,676	Financial liabilities at amortised cost	271,676

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Impact of adoption of IFRS 9 (continued)

XIE Shares FTSE Gold Miners ETF

1 January 2018	Classification	IAS 39 measurement HK\$	Classification	IFRS 9 measurement HK\$
Financial assets				
Financial assets at fair value through profit or loss	Held for trading at FVPL	43,544,715	FVPL	43,544,715
Dividends receivable	Loans and receivables	1,722	Financial assets at amortised cost	1,722
Cash and cash equivalents	Loans and receivables	84,969	Financial assets at amortised cost	84,969
Financial liabilities				
Management fee payable	Other financial liabilities	21,406	Financial liabilities at amortised cost	21,406
Other payables	Other financial liabilities	78,716	Financial liabilities at amortised cost	78,716

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than as adjusted for the adoption of the liquidation basis in the current year as further explained in note 2.1 to the financial statements, the principal accounting policies applied in the preparation of the financial statements are set out below.

Financial instruments

In the current year, the Sub-Funds have adopted IFRS 9 Financial Instruments. See note 2.2 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39.

(i) Classification

Policy effective from 1 January 2018 (IFRS 9)

In accordance with IFRS 9, the Sub-Funds classify their financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for trading if:

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

Financial assets

The Sub-Funds classify their financial assets as subsequently measured at amortised cost or measured at FVPL on the basis of both:

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Classification (continued)

Policy effective from 1 January 2018 (IFRS 9) (continued)

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding. The Sub-Fund include in this category cash and cash equivalents held by brokers and dividends receivables.

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

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

The Sub-Funds include in this category, equity instruments, debt instruments and derivative contracts that are classified as financial instruments held for trading.

Financial liabilities

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. The Sub-Funds include in this category, derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Sub-Funds include in this category its short-term payables.

Policy effective before 1 January 2018 (IAS 39)

The Sub-Funds classify their investments as financial assets and financial liabilities at initial recognition into the following categories in accordance with IAS 39.

Financial assets and liabilities held for trading

Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equity instruments, fixed income instruments, equity options, futures contracts, and contract for differences. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading.

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 amounts due from brokers and dividend receivables.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Classification (continued)

Policy effective before 1 January 2018 (IAS 39) (continued)

Other financial liabilities

This category includes all financial liabilities, other than those classified as held for trading. The Sub-Funds include in this category amounts relating to other short-term payables.

(ii) Recognition

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

All purchases and sales of financial instruments that require delivery within the timeframe established by regulation or market convention are recognised on the trade date, which is the date on which the Sub-Funds commit to purchase or sell the investment.

(iii) Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such investments are recognised in the statement of comprehensive income.

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

Realised gains and losses on disposals of financial instruments are calculated using the first-in, first-out basis and are recorded in the statement of comprehensive income as “net realised gains/ (losses) on investments at fair value through profit or loss”.

(iv) Subsequent measurement

After initial measurement, the Sub-Funds measure financial instruments which are classified as at FVPL. Subsequent changes of those financial instruments are recorded in “net unrealised gains or losses on investments at fair value through profit or loss”. Interest and dividend earned or paid of these instruments are recorded separately in “Interest income” and “Dividend income”, respectively. Dividend expenses related to short positions are recognised in ‘Dividends on securities sold but not yet purchased’. The fair value of investments is based on their quoted market prices on a recognised exchange at the statement of financial position date without any deduction for estimated future selling costs.

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Subsequent measurement (continued)

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss 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 asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Sub-Funds estimate cash flows considering all contractual terms of the financial instruments, but does not consider expected 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.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a 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 their rights to receive cash flows from the asset, or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Sub-Funds have:

(a) Transferred substantially all the risks and rewards of the asset; or

(b) 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 their right to receive cash flows from an asset (or has entered into a pass-through arrangement), and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Funds' continuing involvement in the asset. In that case, the Sub-Funds also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Funds have retained.

The Sub-Funds derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

Policy effective from 1 January 2018 (IFRS 9)

The Sub-Funds hold only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for ECL under IFRS 9 to all its trade receivables. Therefore, the Sub-Funds do not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Sub-Funds' approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Sub-Funds use the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Policy effective before 1 January 2018 (IAS 39)

The Sub-Funds assess at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is 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 ECLs that have not yet been incurred) discounted using the asset's original EIR. 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 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 a previous write-off is later recovered, the recovery is credited to the credit loss expense.

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

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amounts reported in the statement of financial position if, and only if, there is 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. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Sub-Funds measure their financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible 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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

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

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Sub-Funds operate. The majority of the Sub-Funds' returns are HK dollar-based, the capital is raised in HK dollar, the performance is evaluated and its liquidity is managed in HK dollar. Therefore, the Sub-Funds conclude that HK dollar is its functional currency.

The Sub-Funds' presentation currency is also in HK dollar.

Foreign currency translations

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translations (continued)

Foreign currency transaction gains and losses on financial instruments classified as at FVPL are included in the statement of comprehensive income as part of the net gain or loss on financial assets and liabilities at fair value through profit or loss. Realised and unrealised exchange gains or losses on other foreign currency transactions are dealt with in the statement of comprehensive income as “net foreign exchange gain or losses”.

Amounts due to and from brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for financial liabilities, other than those classified as at FVPL, for recognition and measurement.

Amounts due from brokers include cash, cash collateral, margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for loans and receivables for recognition and measurement. Margin account represents cash deposits held with brokers as collateral against open derivatives and investment securities.

Share capital

Classification of redeemable shares

Redeemable shares are classified as equity instruments when:

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

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

- total cash flows based substantially on the profit or loss, the change in the recognised net assets of the change in the fair value of the recognised and unrecognised net assets of the Sub-Funds; and
- the effect of substantially restricting or fixing the residual return to redeemable shareholders.

The Sub-Funds continuously assess the classification of the redeemable shares. If the redeemable shares 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 shares 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 shares are accounted for as equity transactions.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital (continued)

Classification of redeemable shares (continued)

Upon the issuance of shares, 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 deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Distribution to shareholders

Dividends are at the discretion of the Sub-Funds. A dividend to the Sub-Funds' shareholders is accounted for as a deduction from retained earnings. An interim dividend is recognised as a liability in the period in which it is irrevocable declared by the Board of Directors. A final dividend is recognised as a liability in the period in which it is approved by the annual general meeting of shareholders.

Cash and cash equivalents

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

Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

Dividend income and expense

Dividend income is recognised on the date when the Sub-Funds' right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which is disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the first-in, first-out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Expenses

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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Preliminary expense

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

Other payables

Other payables include accrued expenses.

Taxation

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-Fund presents 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. Liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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-Fund 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-Fund 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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

As discussed in note 1, the Sub-Funds will be terminated and delisted on the SEHK on or around 5 July 2019. In the opinion of the Manager, the going concern basis is no longer applicable and the financial statements for the year ended 31 December 2018 have therefore been prepared on a liquidation basis.

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 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 2018 and 2017.

	XIE Shares FTSE Chimerica ETF		XIE Shares FTSE Gold Miners ETF	
	For the year ended 31 December 2018 HK\$	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 November 2016 to 31 December 2017 HK\$
Management fees	1,047,664	1,259,454	230,622	266,214
Management fee payable as at year end	96,717	107,444	31,140	21,406

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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 2018 and 2017 were as follows:

Sub-Funds	2018 HK\$	2017 HK\$
<u>XIE Shares FTSE Chimerica ETF</u>		
Bank balances	322,646	500,271
Equity investments	37,314,529	187,713,526
	<u> </u>	<u> </u>
<u>XIE Shares FTSE Gold Miners ETF</u>		
Bank balances	14,355,748	84,969
Equity investments	11,334,877	43,544,715
	<u> </u>	<u> </u>

Transaction fee

Pursuant to the prospectus, the Sub-Funds receive a transaction fee of HK\$7,500 (year/period ended 31 December 2017: HK\$7,500) per total aggregate issue and redemption order from the Participating Dealer on behalf of the Trustee.

No transaction fee payable to the Trustee was recorded for the year/period ended 31 December 2018 and 2017. The following are the transaction fee of the Sub-Funds for the year ended 31 December 2018 and 2017.

	XIE Shares FTSE Chimerica ETF		XIE Shares FTSE Gold Miners ETF	
	For the year ended 31 December 2018 HK\$	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 November 2016 to 31 December 2017 HK\$
Transaction fee	37,500	54,604	30,000	22,500

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

Transaction with the Directors of the Manager

As at 31 December 2018 and 2017, the Directors of the Manager held units of the following Sub-Funds:

	2018		
	Number of units	% of NAV	Fair value HK\$
XIE Shares FTSE Chimerica ETF	20,000	0.51%	185,112
XIE Shares FTSE Gold Miners ETF	79,200	5.46%	598,000
	2017		
	Number of units	% of NAV	Fair value HK\$
XIE Shares FTSE Chimerica ETF	–	–	–
XIE Shares FTSE Gold Miners ETF	188,400	3.77%	1,640,267

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.

No preliminary expenses payable to the Trustee was recorded for the year ended 31 December 2018 and 2017. The following are the preliminary expenses of the Sub-Funds for the year ended 31 December 2018 and 2017.

	XIE Shares FTSE Chimerica ETF		XIE Shares FTSE Gold Miners ETF	
	For the year ended 31 December 2018 HK\$	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the period from 14 November 2016 to 31 December 2017 HK\$
Preliminary expenses	–	55,145	–	742,575

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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 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 2018 and 2017.

	XIE Shares FTSE Chimerica ETF		XIE Shares FTSE Gold Miners ETF	
	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 14 November 2016 to 31 December 2017
	HK\$	HK\$	HK\$	HK\$
Financial statements preparation fee	35,273	35,123	35,273	35,123
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Financial statements preparation fee payable	70,396	22,149	70,396	–

6. SOFT COMMISSION ARRANGEMENTS

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

7. TAXATION

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

(b) Withholding tax was charged on certain dividend income received during the year.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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.

9. THE REDEEMABLE UNITS

The movements of the redeemable units of the Sub-Funds for the year ended 31 December 2018 and 2017 were as follows:

XIE Shares FTSE Chimerica ETF

	2018 Number of units	2017 Number of units
Units in issue at the beginning of the year	14,000,000	19,000,000
Issue of units	2,000,000	–
Redemption of units	(12,000,000)	(5,000,000)
	<hr/>	<hr/>
Units in issue at the end of the year	4,000,000	14,000,000
	<hr/>	<hr/>
	At last trade market price 2018 HK\$	At last trade market price 2017 HK\$
Dealing net asset value at the end of the year	37,021,114	188,639,054
Dealing net asset value per unit at the end of the year	9.2553	13.4742

XIE Shares Gold Miners ETF

	For the year ended 31 December 2018 Number of units	For the period from 14 November to 31 December 2017 Number of units
Units in issue at the beginning of the year/period	5,000,000	–
Issue of units	–	6,000,000
Redemption of units	(3,500,000)	(1,000,000)
	<hr/>	<hr/>
Units in issue at the end of the year/period	1,500,000	5,000,000
	<hr/>	<hr/>

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

9. THE REDEEMABLE UNITS (continued)

XIE Shares Gold Miners ETF

	At last trade market price 2018 HK\$	At last trade market price 2017 HK\$
Dealing net asset value at the end of the year/period	11,352,270	44,273,859
Dealing net asset value per unit at the end of the year/period	7.5682	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 2018 and 2017 were reconciled below:

	2018 HK\$	XIE Shares FTSE Chimerica ETF 2017 HK\$	2018 HK\$	XIE Shares FTSE Gold Miners ETF 2017 HK\$
Dealing NAV	37,021,114	188,639,054	11,352,270	44,273,859
Adjustment for preliminary expenses	(491,430)	(804,377)	(399,072)	(742,575)
Accounting NAV as reported in the statement of financial position	<u>36,529,684</u>	<u>187,834,677</u>	<u>10,953,197</u>	<u>43,531,284</u>

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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

9. THE REDEEMABLE UNITS (continued)

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	2018 HK\$	2017 HK\$
<u>XIE Shares FTSE Chimerica ETF</u>		
Financial assets at fair value through profit or loss:		
- Listed equity securities	<u>37,314,529</u>	<u>187,713,526</u>
<u>XIE Shares FTSE Gold Miners ETF</u>		
Financial assets at fair value through profit or loss:		
- Listed equity securities	<u>11,334,877</u>	<u>43,544,715</u>

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).

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

- Inputs for the asset or liability that are unobservable inputs (Level 3).

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

The following table shows an analysis of the Sub-Funds' financial assets measured at fair value at 31 December 2018 and 2017:

XIE Shares FTSE Chimerica ETF

As at 31 December 2018	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss				
- Listed securities	37,314,529	–	–	37,314,529
	<u>37,314,529</u>	<u>–</u>	<u>–</u>	<u>37,314,529</u>
As at 31 December 2017				
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>

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

XIE Shares FTSE Gold Miners ETF

As at 31 December 2018	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets at fair value through profit or loss				
-Listed securities	11,334,877	–	–	11,334,877
	<u>11,334,877</u>	<u>–</u>	<u>–</u>	<u>11,334,877</u>
As at 31 December 2017				
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 2018 and 2017, 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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

12. NET (LOSS)/GAIN ON INVESTMENTS

	XIE Shares For the year 31 December 2018 HK\$	FTSE Chimerica ETF For the year ended 31 December 2017 HK\$
Net realised gain on financial assets at fair value through profit or loss		
- Listed securities	15,889,754	34,142,032
Net change in unrealised gain/loss on financial assets at fair value through profit or loss		
- Listed securities	(60,447,607)	67,205,859
	<u>(44,557,853)</u>	<u>101,347,891</u>

	XIE Shares For the year ended 31 December 2018 HK\$	FTSE Gold Miners ETF For the period from 14 November 2016 to 31 December 2017 HK\$
Net realised (loss)/gain on financial assets at fair value through profit or loss		
- Listed securities	(2,203,865)	1,127,391
Net change in unrealised gain/loss on financial assets at fair value through profit or loss		
- Listed securities	(3,626,987)	3,083,956
	<u>(5,830,852)</u>	<u>4,211,347</u>

13. CASH AND CASH EQUIVALENTS

	XIE Shares 2018 HK\$	XIE Shares FTSE Chimerica ETF 2017 HK\$	XIE Shares 2018 HK\$	XIE Shares FTSE Gold Miners ETF 2017 HK\$
Cash at bank	<u>322,646</u>	<u>500,271</u>	<u>14,355,748</u>	<u>84,969</u>

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 2018

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 2018 and 2017 for XIE Shares FTSE Chimerica 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 2018 and 2017:

Constituent securities	Respective weighting in FTSE China N Shares All Cap Capped Net Tax Index		% of net assets	
	2018	2017	2018	2017
JD.com Inc	10.05%	10.40%	10.26%	10.40%
NetEase Inc	10.10%	10.24%	10.32%	10.24%

During the year ended 31 December 2018, the FTSE China N Shares All Cap Capped Net Tax Index decreased by 29.59% (2017: increased by 74.83%), while the net asset value per unit of the Sub-Fund decreased by 31.93% (2017: increased by 72.73%).

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 2018 and 2017:

Constituent securities	Respective weighting in FTSE Gold Mines Net Tax Index		% of net assets	
	2018	2017	2018	2017
Barrick Gold Corp	18.81%	11.67%	19.41%	11.70%
Newmont Mining Corp	14.80%	13.83%	15.36%	13.81%

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

During the year ended 31 December 2018, the FTSE Gold Mines Net Tax Index decreased by 10.06% (2017: increased by 6.33%), while the net asset value per unit of the Sub-Funds decrease by 16.13% (2017: N/A).

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.

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 2018 and 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 2018		
Equity		
- Listed equities		
The United States	37,314,529	102.15%
	<hr/>	<hr/>
As at 31 December 2017		
Equity		
- Listed equities		
The United States	187,713,526	99.94%
	<hr/>	<hr/>

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

Risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

XIE Shares FTSE Chimerica ETF (continued)

As at 31 December 2018, the Sub-Fund had two industry exposures exceeding 10% of NAV, of which communications represents 39% and consumer discretionary represents 46%.

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 2018, if the FTSE China N Shares All Cap Capped Net Tax Index had increased by 3% (2017: 3%) with all other variables held constant, this would have increased the net asset value of the Sub-Fund by approximately HK\$1,110,667 (2017: HK\$5,635,040). Conversely, if the FTSE China N Shares All Cap Capped Net Tax Index had decreased by 3% (2017: 3%), this would have decreased the net asset value of the Sub-Fund by equal amounts.

XIE Shares FTSE Gold Miners ETF

As at 31 December 2018 and 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 2018		
Equity		
- Listed equities		
Australia	2,133,032	19.48%
Canada	6,003,882	54.83%
Hong Kong	87,450	0.80%
South Africa	901,203	8.23%
The United States	1,755,467	16.03%
United Kingdom	453,843	4.14%
	<hr/>	
	11,334,877	<hr/>
	<hr/>	<hr/>
		103.51%

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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 (continued)

	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/>	
	43,544,715	100.03%
	<hr/> <hr/>	

As at 31 December 2018, if the FTSE Gold Mines Net Tax Index had increased by 3% (2017: 3%) with all other variables held constant, this would have increased the net asset value of the Sub-Fund by approximately HK\$339,775 (2017: HK\$1,305,939). Conversely, if the FTSE Gold Mines Net Tax Index had decreased by 3% (2017: 3%), this would have decreased the net asset value of the Sub-Fund by equal amounts.

The Manager has made assumptions of what would constitute a “reasonable shift” in the relevant market 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 2018 and 2017, 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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

Risk management (continued)

(a) Market risk (continued)

(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 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 2018. 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.

	2018		2017	
	Net direct exposure	Estimated increase had respective foreign currency weakened by 2%	Net direct exposure	Estimated increase had respective foreign currency weakened by 2%
	HK\$	HK\$	HK\$	HK\$
Australian dollar	2,133,032	42,661	6,681,008	133,620
Canadian dollar	6,004,260	120,085	20,633,294	412,666
British pound	453,843	9,077	5,756,335	115,127
Mexican peso	498	10	501	10
South African rand	901,204	18,024	3,175,889	63,518
TOTAL:	9,492,837	189,857	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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

Risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

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.

(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 2018 and 2017 together with their credit ratings of senior long-term debt by Standard & Poor's (S&P) rating services:

XIE Shares FTSE Chimerica ETF

	2018		2017	
	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		37,314,529		187,713,526
-Cash and cash equivalents		322,646		500,271
		<u>37,637,175</u>		<u>188,213,797</u>

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

Risk management (continued)

(b) Credit and counterparty risk (continued)

XIE Shares FTSE Gold Miners ETF

	2018		2017	
	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		11,334,877		43,544,715
-Cash and cash equivalents		14,355,748		84,969
		25,690,625		43,629,684

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.

As at 31 December 2018 and 2017, all of the Sub-Funds' financial liabilities have contractual maturities not later than one month. As at 31 December 2018 and 2017, 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 Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

Risk management (continued)

(c) Liquidity risk (continued)

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 2018				
Financial assets at fair value through profit or loss	–	–	37,314,529	37,314,529
Dividend receivables	9,855	–	–	9,855
Cash and cash equivalents	322,646	–	–	322,646
Total financial assets	322,501	–	37,314,529	37,647,030
Management fee payable	96,717	–	–	96,717
Other payables	1,020,629	–	–	1,020,629
Total financial liabilities	1,117,346	–	–	1,117,346
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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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 2018	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	–	–	11,334,877	11,334,877
Dividends receivable	37,166	–	–	37,166
Amount due from brokers	2,542,712	–	–	2,542,712
Cash and cash equivalents	14,355,748	–	–	14,355,748
Total financial assets	16,935,626	–	11,334,877	28,270,503
Amounts due to brokers	1,216,572	–	–	1,216,572
Amounts payable on redemption	15,559,908	–	–	15,559,908
Management fee payable	31,140	–	–	31,140
Other payables	509,686	–	–	509,686
Total financial liabilities	17,317,306	–	–	17,317,306
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

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

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

Risk management (continued)

(c) Liquidity risk (continued)

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.

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.

XIE Shares Trust II

NOTES TO FINANCIAL STATEMENTS

For the year/period ended 31 December 2018

17. EVENTS AFTER THE REPORTING PERIOD

As explained in note 1 to the financial statements, the Board of the Directors of the Manager resolved to terminate and delist the Sub-funds on or around 5 July 2019 by the resolution dated 21 March 2019. Redemption requests for all shares have been made and expect to be paid during 2019.

Other than the material subsequent events disclosed above, there were no other events after the reporting period to be disclosed.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 26 April 2019.

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

**Investment portfolio (Unaudited)
As at 31 December 2018**

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
The United States			
21Vianet Group Inc	2,931	198,269	0.54%
51job Inc	822	401,846	1.10%
58.com Inc	3,471	1,473,188	4.03%
Alibaba Group Holding Ltd	3,403	3,651,981	10.00%
Autohome Inc	1,991	1,219,463	3.34%
Baidu Inc	2,856	3,546,382	9.71%
Baozun Inc	843	192,789	0.53%
BeiGene Ltd	1,177	1,292,511	3.54%
BEST Inc	6,383	205,395	0.56%
Bilibili Inc	1,508	172,259	0.47%
Bitauto Holdings Ltd	1,028	199,362	0.55%
Canadian Solar Inc	1,608	180,534	0.49%
Changyou.com Ltd	632	90,452	0.25%
China Biologic Products Holdings Inc	952	565,796	1.55%
Ctrip.com International Ltd	13,679	2,898,052	7.93%
Fang Holdings Ltd	7,217	80,801	0.22%
Fanhua Inc	1,399	240,423	0.66%
GDS Holdings Ltd	1,543	278,942	0.76%
Global Cord Blood Corp	1,487	75,092	0.21%
Hollysys Automation Technologies Ltd	1,559	213,726	0.59%
Huazhu Group Ltd	3,702	829,816	2.27%
iKang Healthcare Group Inc	1,714	273,489	0.75%
iQIYI Inc	4,578	532,980	1.46%
JD.com Inc	22,874	3,748,309	10.26%
JinkoSolar Holding Co Ltd	992	76,813	0.21%
Momo Inc	3,541	658,436	1.80%
NetEase Inc	2,045	3,768,500	10.32%
New Oriental Education & Technology Group Inc	4,916	2,109,579	5.77%
Noah Holdings Ltd	376	127,526	0.35%
Pinduoduo Inc	3,073	539,895	1.48%
Qudian Inc	2,337	78,495	0.21%
SINA Corp	2,215	930,222	2.55%
Sogou Inc	1,696	69,712	0.19%
Sohu.com Ltd	1,101	150,162	0.41%
TAL Education Group	11,432	2,387,988	6.54%
Vipshop Holdings Ltd	15,208	650,113	1.78%
Weibo Corp	1,839	841,282	2.30%
Xunlei Ltd	1,057	28,137	0.08%
YY Inc	1,474	690,809	1.89%
Zai Lab Ltd	1,032	187,614	0.51%
ZTO Express Cayman Inc	11,759	1,457,389	3.99%

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

Investment portfolio (Unaudited) (continued)
As at 31 December 2018

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
Total investments		37,314,529	102.15%
Other net assets		(784,845)	(2.15%)
Net assets attributable to unitholders at 31 December 2018		36,529,684	100.00%
Total investment, at cost		41,610,345	

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

Movements in investment portfolio (Unaudited)
For the year ended 31 December 2018

Investments - listed equities	Holdings	Additions	Corporate action	Disposals	Holdings
	as at				as at
	1 January 2018				31 December 2018
21Vianet Group Inc	13,472	1,751	-	(12,292)	2,931
51job Inc	3,258	704	-	(3,140)	822
58.com Inc	14,286	2,393	-	(13,208)	3,471
Alibaba Group Holding Ltd	12,910	3,052	-	(12,559)	3,403
Autohome Inc	9,052	1,137	-	(8,198)	1,991
Baidu Inc	9,775	1,787	-	(8,706)	2,856
Baozun Inc	4,343	518	-	(4,018)	843
BeiGene Ltd	3,795	3,196	-	(5,814)	1,177
BEST Inc	-	26,272	-	(19,889)	6,383
Bilibili Inc	-	4,096	-	(2,588)	1,508
Bitauto Holdings Ltd	6,114	721	-	(5,807)	1,028
Canadian Solar Inc	7,290	953	-	(6,635)	1,608
Changyou.com Ltd	2,847	370	-	(2,585)	632
China Biologic Products Holdings Inc	3,662	699	-	(3,409)	952
China Cord Blood Corp	-	6,439	(6,439)	-	-
Ctrip.com International Ltd	53,352	7,180	-	(46,853)	13,679
Fang Holdings Ltd	32,459	5,387	-	(30,629)	7,217
Fanhua Inc	-	3,801	-	(2,402)	1,399
GDS Holdings Ltd	-	4,569	-	(3,026)	1,543
Global Cord Blood Corp	-	367	6,439	(5,319)	1,487
Hollysys Automation Technologies Ltd	6,415	1,155	-	(6,011)	1,559
Huazhu Group Ltd	4,041	1,202	10,599	(12,140)	3,702
iKang Healthcare Group Inc	7,807	980	-	(7,073)	1,714
iQIYI Inc	-	12,189	-	(7,611)	4,578
JD.com Inc	60,328	23,431	-	(60,885)	22,874
JinkoSolar Holding Co Ltd	2,804	1,675	-	(3,487)	992
Momo Inc	15,678	1,991	-	(14,128)	3,541
NetEase Inc	7,132	4,077	-	(9,164)	2,045
New Oriental Education & Technology Group Inc	22,143	2,792	-	(20,019)	4,916
Noah Holdings Ltd	2,895	314	-	(2,833)	376
Pinduoduo Inc	-	10,629	-	(7,556)	3,073
Qudian Inc	-	9,443	-	(7,106)	2,337
SINA Corp	10,153	1,270	-	(9,208)	2,215
Sogou Inc	-	6,855	-	(5,159)	1,696
Sohu.com Inc	5,084	362	(4,445)	(1,001)	-
Sohu.com Ltd	-	272	4,445	(3,616)	1,101
TAL Education Group	46,502	7,177	-	(42,247)	11,432
Vipshop Holdings Ltd	56,339	13,650	-	(54,781)	15,208
Weibo Corp	5,558	1,893	-	(5,612)	1,839
Xunlei Ltd	-	4,839	-	(3,782)	1,057
YY Inc	6,384	819	-	(5,729)	1,474
Zai Lab Ltd	-	2,439	-	(1,407)	1,032
ZTO Express Cayman Inc	49,099	7,220	-	(44,560)	11,759

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

**Performance record (Unaudited)
For the year ended 31 December 2018**

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 2016	7.8008	148,214,538
31 December 2017	13.4742	188,639,054
31 December 2018	9.2553	37,021,114

Highest and lowest net asset value per unit

	Lowest HK\$	Highest HK\$
For the period ended 31 December 2016	<u>6.7080</u>	<u>9.3039</u>
For the year ended 31 December 2017	<u>7.9301</u>	<u>13.8750</u>
For the year ended 31 December 2018	<u>9.1277</u>	<u>15.3587</u>

During the year ended 31 December 2018, the Underlying Index decrease by 29.59% (2017: increased by 74.83%), while the net asset value per unit of the Sub-Fund decrease by 31.93%^(a) (2017: increased by 72.73%^(a)).

The following lists the constituent securities that individually accounted for more than 10% of FTSE China N Shares All Cap Capped Net Tax Index as at 31 December 2018 and 2017 and its weighting of the FTSE China N Shares All Cap Capped Net Tax Index as at 31 December 2018 and 2017:

Constituent securities	Respective weighting in FTSE China N Shares All Cap Capped Net Tax Index	
	2018	2017
JD.com Inc	10.05%	10.40%
NetEase Inc	<u>10.10%</u>	<u>10.24%</u>

(a) This is the annualised return of the Sub-Fund (net of fees and expenses) from 1 January 2018 to 31 December 2018.

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

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

Investment portfolio (Unaudited)
As at 31 December 2018

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
Australia			
Evolution Mining Ltd	12,215	248,437	2.27%
Newcrest Mining Ltd	8,935	1,073,613	9.80%
Northern Star Resources Ltd	7,199	366,641	3.35%
Regis Resources Ltd	5,406	143,920	1.31%
Saracen Mineral Holdings Ltd	8,859	143,070	1.31%
St Barbara Ltd	6,074	157,351	1.44%
		2,133,032	19.48%
Canada			
Agnico Eagle Mines Ltd	2,674	844,598	7.71%
Alamos Gold Inc	4,500	126,658	1.16%
B2Gold Corp	11,200	256,170	2.34%
Barrick Gold Corp	20,123	2,126,002	19.41%
Centerra Gold Inc	2,500	83,980	0.77%
Detour Gold Corp	2,000	132,189	1.21%
Eldorado Gold Corp	1,780	40,815	0.37%
Endeavour Mining Corp	900	115,256	1.05%
Goldcorp Inc	10,000	766,423	7.00%
IAMGOLD Corp	5,400	155,085	1.42%
Kinross Gold Corp	14,400	363,205	3.32%
Kirkland Lake Gold Ltd	2,200	448,962	4.10%
New Gold Inc	6,600	39,726	0.36%
OceanaGold Corp	7,100	202,687	1.85%
Tahoe Resources Inc	3,500	99,715	0.91%
Yamana Gold Inc	11,000	202,411	1.85%
		6,003,882	54.83%
Hong Kong			
Zhaojin Mining Industry Co Ltd	11,000	87,450	0.80%
Zijin Mining Group Co Ltd		-	-
		87,450	0.80%

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

Investment portfolio (Unaudited) (continued)
As at 31 December 2018

Investments

Listed equities	Holdings	Fair value HK\$	% of net assets
South Africa			
AngloGold Ashanti Ltd	4,707	465,622	4.25%
Gold Fields Ltd	9,367	251,544	2.30%
Harmony Gold Mining Co Ltd	5,078	69,648	0.64%
Sibanye Gold Ltd	20,975	114,389	1.04%
		901,203	8.23%
The United States			
Coeur Mining Inc	2,100	73,494	0.67%
Newmont Mining Corp	6,200	1,681,973	15.36%
		1,755,467	16.03%
United Kingdom			
Acacia Mining PLC	1,721	31,456	0.29%
Centamin PLC	12,562	136,284	1.24%
Petropavlovsk PLC	33,628	21,192	0.19%
Polymetal International PLC	3,232	264,911	2.42%
		453,843	4.14%
Total investments		11,334,877	103.51%
Other net assets		(381,680)	(3.51%)
Net assets attributable to unitholders at 31 December 2018		10,953,197	100.00%
Total investment, at cost		11,325,820	

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

Movements in investment portfolio (Unaudited)
For the year ended 31 December 2018

Investments - listed equities	Holdings as at 1 January 2018	Additions	Corporate action	Disposals	Holdings as at 31 December 2018
Acacia Mining PLC	5,698	171	–	(4,148)	1,721
Agnico Eagle Mines Ltd	8,924	300	–	(6,550)	2,674
Alamos Gold Inc	14,500	900	–	(10,900)	4,500
AngloGold Ashanti Ltd	15,510	544	–	(11,347)	4,707
B2Gold Corp	36,400	1,200	–	(26,400)	11,200
Barrick Gold Corp	44,900	1,400	6,673	(32,850)	20,123
Centamin PLC	41,501	1,345	–	(30,284)	12,562
Centerra Gold Inc	8,300	200	–	(6,000)	2,500
Coeur Mining Inc	7,100	200	–	(5,200)	2,100
Detour Gold Corp	6,700	200	–	(4,900)	2,000
Eldorado Gold Corp	30,400	1,000	(7,120)	(22,500)	1,780
Endeavour Mining Corp	2,700	200	–	(2,000)	900
Evolution Mining Ltd	40,209	1,453	–	(29,447)	12,215
Fresnillo PLC	7,099	–	–	(7,099)	–
Gold Fields Ltd	31,030	919	–	(22,582)	9,367
Goldcorp Inc	33,100	1,100	–	(24,200)	10,000
Harmony Gold Mining Co Ltd	14,441	628	–	(9,991)	5,078
IAMGOLD Corp	17,900	400	–	(12,900)	5,400
Kinross Gold Corp	47,600	1,500	–	(34,700)	14,400
Kirkland Lake Gold Ltd	7,000	400	–	(5,200)	2,200
New Gold Inc	22,100	400	–	(15,900)	6,600
Newcrest Mining Ltd	29,563	913	–	(21,541)	8,935
Newmont Mining Corp	20,500	600	–	(14,900)	6,200
Northern Star Resources Ltd	22,388	1,140	–	(16,329)	7,199
OceanaGold Corp	23,700	600	–	(17,200)	7,100
Petropavlovsk PLC	111,347	3,351	–	(81,070)	33,628
Polymetal International PLC	9,904	–	–	(6,672)	3,232
Randgold Resources Ltd	3,591	122	(1,089)	(2,624)	–
Regis Resources Ltd	17,780	658	–	(13,032)	5,406
Resolute Mining Ltd	21,083	768	–	(21,851)	–
Saracen Mineral Holdings Ltd	–	30,217	–	(21,358)	8,859
Sibanye Gold Ltd	64,998	3,944	2,600	(50,567)	20,975
St Barbara Ltd	19,488	1,372	–	(14,786)	6,074
Tahoe Resources Inc	11,700	400	–	(8,600)	3,500
Yamana Gold Inc	36,400	1,100	–	(26,500)	11,000
Zhaojin Mining Industry Co Ltd	36,500	3,000	–	(28,500)	11,000
Zijin Mining Group Co Ltd	220,000	–	–	(220,000)	–

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

**Performance record (Unaudited)
For the year ended 31 December 2018**

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
31 December 2018	7.5682	11,724,892

Highest and lowest net asset value per unit

	Lowest HK\$	Highest HK\$
For the period ended 31 December 2017	7.1561	9.7021
For the year ended 31 December 2018	<u>9.3772</u>	<u>6.4583</u>

During the year to 31 December 2018 and 2017, the Underlying Index decrease by 10.06% (increased by 2017: 8.28%), while the net asset value per unit of the Sub-Fund decrease by 16.13% (increased by 2017: 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 2018 and 2017 its weighting of the FTSE Gold Mines Net Tax Index as at 31 December 2018 and 2017:

Constituent securities	Respective weighting in FTSE Gold Mines Net Tax Index	
	2018	2017
Barrick Gold Corp	18.81%	11.70%
Newmont Mining Corp	<u>14.80%</u>	<u>13.81%</u>

(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.