

**GLOBAL X ETF SERIES II**

**AUDITED FINANCIAL STATEMENTS**

GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF

FOR THE YEAR ENDED 31 MARCH 2021

(A SUB-FUND OF GLOBAL X ETF SERIES II)

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

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**IMPORTANT:**

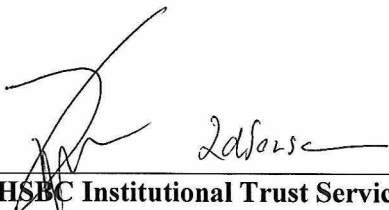
Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about Global X ETF Series II, please refer to the prospectus of Global X ETF Series II which is available at our website: [www.globalxetfshk.com](http://www.globalxetfshk.com).

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

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

We hereby confirm that, in our opinion, Mirae Asset Global Investments (Hong Kong) Limited, the Manager of Global X S&P Crude Oil Futures Enhanced ER ETF (the “Sub-Fund”) has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 25 May 2016 as amended by supplemental deeds dated 25 May 2016, 1 November 2019 and 31 December 2019 (collectively, the “Trust Deed”) for the year ended 31 March 2021.

A handwritten signature in black ink, appearing to read 'Ldsawse', is written over a horizontal line. The signature is stylized and cursive.

**HSBC Institutional Trust Services (Asia) Limited (the “Trustee”)**  
30 July 2021



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## **Independent auditor's report**

### **To the unitholders of Global X S&P Crude Oil Futures Enhanced ER ETF of Global X ETF Series II (the "Trust")**

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

## **Report on the audit of the financial statements**

### **Opinion**

We have audited the financial statements of Global X S&P Crude Oil Futures Enhanced ER ETF (the "Sub-Fund") of the Trust set out on pages 6 to 41, which comprise the statement of net assets as at 31 March 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and statement 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-Fund as at 31 March 2021, and of its financial transactions and its 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-Fund 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 these requirements and 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**

We have determined that there are no key audit matters to be communicated in our report.

### **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.



**Independent auditor's report (continued)**

**To the unitholders of Global X S&P Crude Oil Futures Enhanced ER ETF of Global X ETF Series II (the "Trust")**

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

**Responsibilities of the Manager and the Trustee for the financial statements**

The Manager of the Sub-Fund is 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 of the Sub-Fund are responsible for assessing the Sub-Fund's 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 of the Sub-Fund either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund 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 May 2016 as amended by the supplemental deeds dated 25 May 2016, 1 November 2019 and 31 December 2019 (collectively, the "Trust Deed") and the relevant disclosure provisions of Appendix E of the *Code on Unit Trusts and Mutual Funds* (the "UT Code") issued by the Hong Kong Securities and Futures Commission.

**Auditor's responsibilities for the audit of the financial statements**

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





**Independent auditor's report (continued)**

**To the unitholders of Global X S&P Crude Oil Futures Enhanced ER ETF of Global X ETF Series II (the "Trust")**

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

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

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-Fund 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 UT Code.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's 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 and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



**Independent auditor's report (continued)**

**To the unitholders of Global X S&P Crude Oil Futures Enhanced ER ETF of Global X ETF Series II (the "Trust")**

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

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

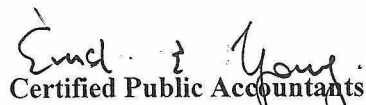
We also provide the Manager and the Trustee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

**Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the UT 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 UT Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Au Chi Pang, Ivan.

  
Certified Public Accountants  
Hong Kong  
30 July 2021

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**STATEMENT OF NET ASSETS**

As at 31 March 2021

|  | Notes             | 2021<br>HK\$       | 2020<br>HK\$      |
|--|-------------------|--------------------|-------------------|
| <b>ASSETS</b>  |                   |                    |                   |
| Amount due from a broker                                   | 6                 | 19,561,018         | 44,917,452        |
| Subscription receivables                                   |                   | -                  | 11,986,880        |
| Amount due from the Manager                                | 5(f)              | 65,407             | 93,700            |
| Interest receivables                                       |                   | 4,829              | 28,927            |
| Cash and cash equivalents                                  | 5(d),7            | 85,795,831         | 19,157,341        |
| <b>TOTAL ASSETS</b>  |                   | <u>105,427,085</u> | <u>76,184,300</u> |
| <b>LIABILITIES</b>   |                   |                    |                   |
| Financial liabilities at fair value through profit or loss | 11,13(b)(i),13(e) | 5,218,988          | 24,934,568        |
| Management fee payable                                     | 5(a)              | 73,165             | 58,903            |
| Trustee fee payable  | 5(b)              | 11,706             | 11,500            |
| Formation fee payable                                      | 5(c)(i)           | 1,704,010          | 1,704,010         |
| Administration fee payable                                 | 5(c)(ii)          | 191,566            | 107,510           |
| Registrar fee payable                                      | 5(b)              | 4,160              | 45,760            |
| Other payables and accruals                                |                   | 120                | 840               |
| <b>TOTAL LIABILITIES</b>                                   |                   | <u>7,203,715</u>   | <u>26,863,091</u> |
| <b>EQUITY</b>  |                   |                    |                   |
| Net assets attributable to unitholders                     | 3(a)              | <u>98,223,370</u>  | <u>49,321,209</u> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                        |                   | <u>105,427,085</u> | <u>76,184,300</u> |
| Number of units in issue                                   | 3(b)              | <u>31,000,000</u>  | <u>31,000,000</u> |
| Net asset value per unit                                   | 3(b)              | <u>3.1685</u>      | <u>1.5910</u>     |

Mirae Asset Global Investments (Hong Kong) Limited

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



**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2021

|   | Notes    | Year ended<br>31 March<br>2021<br>HK\$ | Year ended<br>31 March<br>2020<br>HK\$ |
|---|----------|--|--|
| <b>INCOME</b>   |          |  |  |
| Interest income   |          | 290,751                                | 302,337                                |
| Net gain/(loss) on financial assets and financial liabilities<br>at fair value through profit or loss   | 4        | 87,046,881                             | (33,730,504)                           |
| Net exchange gain/(loss)  |          | 18,484                                 | (194,579)                              |
|   |          | <u>87,356,116</u>                      | <u>(33,622,746)</u>                    |
| <b>EXPENSES</b>   |          |  |  |
| Management fee  | 5(a)     | (900,602)                              | (247,631)                              |
| Trustee fee   | 5(b)     | (144,096)                              | (39,621)                               |
| Transaction costs on financial assets and financial liabilities<br>at fair value through profit or loss |          | (204,798)                              | (79,528)                               |
| Auditor's remuneration  | 5(c)(ii) | (10,335)                               | (2,759)                                |
| Other administration fees   | 5(c)(ii) | (73,721)                               | (20,353)                               |
|   |          | <u>(1,333,552)</u>                     | <u>(389,892)</u>                       |
| Operating profit/(loss)   |          | 86,022,564                             | (34,012,638)                           |
| <b>FINANCE COSTS</b>  |          |  |  |
| Interest expense  |          | (1,528)                                | -                                      |
| <b>Profit/(loss) and total comprehensive income for the year</b>  |          | <u>86,021,036</u>                      | <u>(34,012,638)</u>                    |

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

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

For the year ended 31 March 2021

|  | Note | 2021<br>HK\$         | 2020<br>HK\$         |
|--|------|----------------------|----------------------|
| <b>Net assets attributable to unitholders at the beginning of the year</b> |      | 49,321,209           | 33,692,197           |
| Issue of units during the year   | 3(b) | 105,066,450          | 49,641,650           |
| Redemption of units during the year  | 3(b) | <u>(142,185,325)</u> | <u>-</u>             |
| Net issue of units   |      | (37,118,875)         | 49,641,650           |
| Profit/(loss) and total comprehensive income for the year                  |      | <u>86,021,036</u>    | <u>(34,012,638)</u>  |
| <b>Net assets attributable to unitholders at the end of the year</b>       |      | <u>98,223,370</u>    | <u>49,321,209</u>    |
| <b>Number of units in issue</b>  |      | <b>2021</b><br>Units | <b>2020</b><br>Units |
| Units in issue at beginning of year  |      | 31,000,000           | 7,250,000            |
| Issue during the year  | 3(b) | 59,500,000           | 23,750,000           |
| Redemption during the year   | 3(b) | <u>(59,500,000)</u>  | <u>-</u>             |
| Units in issue at end of year  |      | <u>31,000,000</u>    | <u>31,000,000</u>    |

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

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**STATEMENT OF CASH FLOWS**

For the year ended 31 March 2021

|   | Notes   | 2021<br>HK\$         | 2020<br>HK\$        |
|---|---------|----------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |         |                      |                     |
| Profit/(loss) and total comprehensive income for the year                         |         | 86,021,036           | (34,012,638)        |
| Adjustments for:  |         |                      |                     |
| Interest income   |         | (290,751)            | (302,337)           |
| Interest expense  |         | 1,528                | -                   |
| Decrease in financial assets at fair value through profit or loss                 |         | -                    | 5,319,597           |
| Decrease/(increase) in an amount due from a broker                                |         | 25,356,434           | (38,487,847)        |
| Decrease/(increase) in an amount due from the Manager                             |         | 28,293               | (21,318)            |
| (Decrease)/increase in financial liabilities at fair value through profit or loss |         | (19,715,580)         | 24,934,568          |
| Increase in management fee payable  |         | 14,262               | 36,628              |
| Increase/(decrease) in trustee fee payable  |         | 206                  | (237)               |
| Increase in administration fee payable  |         | 84,056               | 23,112              |
| (Decrease)/increase in registrar fee payable                                      |         | (41,600)             | 45,760              |
| (Decrease)/increase in other payables and accruals                                |         | (720)                | 840                 |
| Cash generated from/(used in) operations  |         | <u>91,457,164</u>    | <u>(42,463,872)</u> |
| Interest received   |         | 314,849              | 344,664             |
| Interest paid   |         | <u>(1,528)</u>       | <u>-</u>            |
| <b>Net cash flows generated from/(used in) operating activities</b>               |         | <u>91,770,485</u>    | <u>(42,119,208)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |         |                      |                     |
| Proceeds from issue of units  |         | 117,053,330          | 37,654,770          |
| Payments on redemption of units   |         | <u>(142,185,325)</u> | <u>-</u>            |
| <b>Net cash flows (used in)/generated from financing activities</b>               |         | <u>(25,131,995)</u>  | <u>37,654,770</u>   |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                       |         |                      |                     |
| Cash and cash equivalents at the beginning of the year                            |         | <u>19,157,341</u>    | <u>23,621,779</u>   |
|   |         | 66,638,490           | (4,464,438)         |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                           |         |                      |                     |
|   |         | <u>85,795,831</u>    | <u>19,157,341</u>   |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                          |         |                      |                     |
| Bank balances   | 5(d), 7 | 37,409,484           | 4,157,341           |
| Time deposits   | 5(d), 7 | <u>48,386,347</u>    | <u>15,000,000</u>   |
| Cash and cash equivalents as stated in the statement of cash flows                |         | <u>85,795,831</u>    | <u>19,157,341</u>   |

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

## GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF

(A Sub-Fund of Global X ETF Series II)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2021

#### 1. GENERAL INFORMATION

Global X ETF Series II is an umbrella unit trust (the “Trust”), governed by its trust deed dated 25 May 2016 as amended by the supplemental deeds dated 25 May 2016, 1 November 2019 and 31 December 2019 (collectively the “Trust Deed”) between Mirae Asset Global Investments (Hong Kong) Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee” and “Registrar”). The Trust Deed is governed by Hong Kong law.

As at 31 March 2021, the Trust has established Global X S&P Crude Oil Futures Enhanced ER ETF, a sub-fund (the “Sub-Fund”) of the Trust, which is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to section 104(1) of the Securities and Futures Ordinance. The Sub-Fund is listed on the Stock Exchange of Hong Kong Limited (a subsidiary of The Hong Kong Exchanges and Clearing Limited) on 16 June 2016.

The Manager is responsible for the preparation of the financial statements.

The investment objective of the Sub-Fund (Stock code: 3097) is to provide investment results that, before fees and expenses, closely correspond to the performance of the S&P GSCI Crude Oil Enhanced Index Excess Return (the “Index”). The Index tracks the prices of the West Texas Intermediate crude oil (also known as Texas light sweet crude oil) Futures Contracts (the “WTI Futures Contracts”) with different expiration dates traded on the New York Mercantile Exchange, which is an exchange of the Chicago Mercantile Exchange Group Inc.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (a)(i) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the *Code on Unit Trusts and Mutual Funds* of the SFC (the “UT Code”).

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities classified as at fair value through profit or loss (“FVPL”) that have been measured at fair value. The financial statements are presented in Hong Kong dollars (“HK\$”) for the Sub-Fund. All values are rounded to the nearest HK\$ except where otherwise indicated.

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a)(ii) Significant accounting judgements, estimates and assumptions

The preparation of financial statements, in conformity with IFRSs, requires the Manager and the Trustee (collectively, the “Management”) to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts recognised in the financial statements and disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense that is already recorded. The Sub-Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which the Sub-Fund invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investments’ domiciles.

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

(a)(iii) Changes in accounting policies and disclosures

The accounting principles adopted in the current year are consistent with those adopted in the prior year; except that the Sub-Funds have adopted the following revised IFRSs:

Amendments to IAS 1 and IAS 8 *Definition of Material*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

The amendments to IAS 1 and IAS 8 were issued in January 2019 to align the definition of “material” across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and have had no significant impact on the Sub-Fund’s financial statements upon adoption.



**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a)(iv) Issued but not yet effective IFRSs

There are no new and revised IFRSs, that have been issued but not yet effective applicable to the Sub-Fund's financial statements.

(b) Financial instruments

(i) ***Classification***

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

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

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

***Financial assets***

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

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

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(i) **Classification** (continued)

**Financial assets** (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 (“SPPI”) on the principal amount outstanding. The Sub-Fund includes in this category short-term non-financing receivables including amount due from a broker, subscription receivables, amount due from the Manager, interest receivables and cash and cash equivalents.

*Financial assets measured at FVPL*

A financial asset is measured at FVPL if:

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

The Sub-Fund includes in this category derivative contracts in an asset position held for trading.

**Financial liabilities**

*Financial liabilities measured at amortised cost*

This category includes all financial liabilities other than those measured at FVPL. The Sub-Fund includes in this category management fee payable, trustee fee payable, formation fee payable, administration fee payable, registrar fee payable and other payables and accruals.

*Financial liabilities measured at FVPL*

The Sub-Fund includes in this category derivative contracts in a liability position held for trading.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) **Recognition**

The Sub-Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets at FVPL are accounted for on the trade date basis.

(iii) **Initial measurement**

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

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

(iv) **Subsequent measurement**

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

Debt instruments, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial 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-Fund estimates 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.

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(v) *Derecognition*

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired, or where the Sub-Fund has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either the Sub-Fund has transferred substantially all the risks and rewards of the asset or the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained. The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged or cancelled, or expired.

(c) Fair value measurement

The Sub-Fund measures its investments in financial instruments at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Sub-Fund.

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

The fair value for financial instruments that are listed or traded on an exchange is based on quoted last traded market prices, that are within the bid-ask spread.

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Fair value measurement (continued)

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

##### (d) Derivative financial instruments

Derivative financial instruments are recorded on a mark-to-market basis. Fair values are determined by using quoted market prices that are within the bid-ask spread for futures contracts. All derivatives are carried as assets when amounts are receivable by the Sub-Fund and as liabilities when amounts are payable by the Sub-Fund.

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

##### (e) Income

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

##### (f) Expenses

Expenses are recognised on an accrual basis.

##### (g) Cash and cash equivalents

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

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



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

Transactions during the 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 translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

(i) Redeemable units

Redeemable units are classified as an equity instrument when:

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

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (i) Redeemable units (continued)

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

- (a) Total cash flows based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund; and
- (b) The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

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

The Sub-Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Sub-Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of redeemable units, the consideration received is included in equity.

Transaction costs incurred by the Sub-Fund in issuing its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

The Sub-Fund's own equity instruments which are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

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

Redeemable units can be redeemed in cash equal to a proportionate share of the Sub-Fund's net asset value. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units of the Sub-Fund.

##### (j) Segmental reporting

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

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Amount due from a broker

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

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

(l) Impairment of financial assets

Impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Sub-Fund is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Sub-Fund considers a default has occurred when a financial asset is more than 90 days past due unless the Sub-Fund has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(m) Net change in unrealised gains or losses on financial assets/liabilities at FVPL

This item includes changes in the fair value of financial assets/liabilities as at FVPL.

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

(n) Net realised gains or losses on disposal of financial assets/liabilities at FVPL

Net realised gains or losses on disposal of financial assets/liabilities classified as at FVPL are calculated using the weighted average method. They represent the difference between an instrument's average cost and disposal amount.

(o) Offsetting financial instruments

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

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Taxes

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

(q) Distributions to unitholders

Distributions are at the discretion of the Manager. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. A proposed distribution is recognised as a liability in the period in which it is approved by the Manager. The Manager does not intend to pay or make any distribution or dividends to the Sub-Funds' unitholders.

(r) Formation fee

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

(s) Transaction costs

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

(t) Related parties

A party is considered to be related to the Sub-Fund if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Sub-Fund;
  - (ii) has significant influence over the Sub-Fund; or
  - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Sub-Fund are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties (continued)

- (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.

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND MOVEMENT OF UNITS

(a) Net assets attributable to unitholders

The creation and redemption of units of the Sub-Fund can only be facilitated by or through participating dealers. Investors other than the participating dealers make a request to create or redeem units through a participating dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a participating dealer. Units are created or redeemed at a minimum of 250,000 units or in multiples thereof for the Sub-Fund.

The Trustee shall receive subscription proceeds from the participating dealers for the creation of units and pay redemption proceeds for the redemption of units to the relevant participating dealer in such form and manner as prescribed by the Trust Deed. Subscriptions and redemptions of units during the year are shown on the statement of changes in net assets attributable to unitholders.

As stated in note 2(i), units of the Sub-Fund, which are represented by assets less liabilities, are classified as equity and accounted for in accordance with IFRSs (the "Accounting NAV"). For the purpose of determining the net asset value per unit for subscriptions and redemptions and for various fee calculations (the "Dealing NAV"), the Trustee calculates the Dealing NAV in accordance with the provisions of the Trust Deed, which may be different from the accounting policies under IFRSs.

Reconciliation between the Accounting NAV and Dealing NAV

The formation fee for establishing the Sub-Fund was HK\$1,736,116. Per the prospectus of the Sub-Fund, the formation fee is amortised over the first 5 financial periods of the Sub-Fund. However, with respect to the Sub-Fund for the purpose of financial statements preparation in compliance with IFRSs, its accounting policy is to expense the formation fee in profit or loss as incurred.

The unamortised amount was HK\$1,580,007 (2020: HK\$1,640,976) and the remaining amortisation period was 2 months as at 31 March 2021 (2020: 14 months).



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

(a) Net assets attributable to unitholders (continued)

The difference between the Accounting NAV reported in the statement of net assets and the Dealing NAV as at 31 March 2021 and 31 March 2020 is reconciled below:

|  | 2021<br>HK\$      | 2020<br>HK\$      |
|--|-------------------|-------------------|
| Accounting NAV as reported in the statement<br>of net assets | 98,223,370        | 49,321,209        |
| Adjustment for the formation fee                             | 1,580,007         | 1,640,976         |
| Dealing NAV  | <u>99,803,377</u> | <u>50,962,185</u> |

(b) Movement of units

The table below summarises the movement of units for the years ended 31 March 2021 and 2020, and the Accounting NAV per unit and the Dealing NAV per unit of the Sub-Fund as at 31 March 2021 and 2020.

|                                     | 2021<br>Number of units | 2020<br>Number of units |
|-------------------------------------|-------------------------|-------------------------|
| Units in issue at beginning of year | 31,000,000              | 7,250,000               |
| Issue during the year               | 59,500,000              | 23,750,000              |
| Redemption during the year          | (59,500,000)            | -                       |
| Units in issue at end of year       | <u>31,000,000</u>       | <u>31,000,000</u>       |

|  | 2021<br>Net assets<br>attributable to<br>unitholders<br>HK\$ | 2020<br>Net assets<br>attributable to<br>unitholders<br>HK\$ |
|--|--|--|
| Accounting NAV per unit at end of year | 3.1685   | 1.5910   |
| Dealing NAV per unit at end of year    | 3.2195   | 1.6439   |

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

The following is a breakdown of the net gain(loss) on financial assets and financial liabilities at FVPL:

|  | 2021<br>HK\$      | 2020<br>HK\$        |
|--|-------------------|---------------------|
| Net realised gain/(loss) on sale of financial assets and financial liabilities at FVPL     | 67,331,301        | (30,254,165)        |
| Net change in unrealised gain/(loss) on financial assets and financial liabilities at FVPL | 19,715,580        | (3,476,339)         |
|  | <u>87,046,881</u> | <u>(33,730,504)</u> |

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

Related parties are those as defined in note 2(t). Related parties of the Sub-Fund also include the Manager of the Sub-Fund and its connected persons. Connected persons of the Manager are those as defined in the UT Code. All transactions entered into during the year between the Sub-Fund and its related parties, including the Manager and its connected persons, were carried out in the ordinary course of business and on normal commercial terms.

To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with its related parties, including the Manager and its connected persons except for those disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee of up to 0.99% per year of the net asset value of the Sub-Fund. The current management fee in respect of the Sub-Fund is 0.75% (2020: 0.75%) of the net asset value and is accrued daily and calculated as at each dealing day and payable monthly in arrears with no fixed terms. The management fee for the year ended 31 March 2021 was HK\$900,602 (2020: HK\$247,631). As at 31 March 2021, management fee of HK\$73,165 (2020: HK\$58,903) was payable to the Manager.

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

##### (b) Trustee and registrar fees

The Trustee is entitled to receive a trustee fee of up to 1% per year of the net asset value of the Sub-Fund, currently at the rate of 0.12% (2020: 0.12%) per annum of net asset value of Sub-Fund. For the years ended 31 March 2021 and 2020, the trustee fee was subject to a minimum of HK\$11,500 per month, while such minimum fee in excess of the 0.12% per annum of net asset value of the Sub-Fund was borne by the Manager.

The trustee fee is calculated as at each dealing day, accrued daily and payable monthly in arrears with no fixed terms. The Trustee is also entitled to receive a transaction fee of HK\$120 on each open and closed WTI Futures Contract of the Sub-Fund. The trustee fee is borne by both the Sub-Fund and the Manager as follows:

|      | Portion borne by the Sub-Fund<br>HK\$ | Portion borne by the Manager<br>HK\$ | Total<br>HK\$ |
|------|---------------------------------------|--------------------------------------|---------------|
| 2021 | 144,096                               | 9,349                                | 153,445       |
| 2020 | 39,621                                | 98,379                               | 138,000       |

As at 31 March 2021, trustee fee of HK\$11,706 (2020: HK\$11,500) was payable to the Trustee.

The Trustee shall also be entitled to be reimbursed out of the assets of the Sub-Fund all out-of-pocket expenses incurred.

The Registrar is entitled to a registrar fee and a transaction fee for any creation and redemption of units of the Sub-Fund. The Registrar is entitled to receive from the Sub-Fund a registrar fee of HK\$160 (2020: HK\$160) per participating dealer per transaction for updating of the register record. The registrar fee incurred by the Sub-Fund amounting to HK\$4,000 (2020: HK\$2,080) has been fully borne by the Manager during the year ended 31 March 2021.

The Registrar is also entitled to receive from the participating dealer a transaction fee of HK\$4,000 (2020: HK\$4,000) per participating dealer per transaction for handling any cash creation and redemption of units of the Sub-Fund. The transaction fee would be paid by the participating dealer to the Sub-Fund and the Sub-Fund would pay the transaction fee to the Trustee on behalf of the participating dealer. As at 31 March 2021, total registrar fee amounting to HK\$4,160 (2020: HK\$45,760) was due to the Trustee.

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

(c) Other expenses

(i) *Formation fee*

As of 31 March 2021, the formation fee payable for the Sub-Fund was HK\$1,704,010 (2020: HK\$1,704,010), which is payable to the Manager. The amount is interest-free, unsecured and payable on demand.

(ii) *Administration fee*

The Manager is responsible for the payment of several fees, such as auditor's remuneration, index licensing fee, and other administration fee of the Sub-Fund. The Manager is entitled to receive a recharge of the administration fee, calculated at 0.07% per annum on the net asset value of the Sub-Fund at each dealing day and payable monthly in arrears.

The auditor's remuneration is borne by both the Sub-Fund and the Manager as follows:

|      | Portion borne by the Sub-Fund<br>HK\$ | Portion borne by the Manager<br>HK\$ | Total<br>HK\$ |
|------|---------------------------------------|--------------------------------------|---------------|
| 2021 | 10,335                                | 58,665                               | 69,000        |
| 2020 | 2,759                                 | 63,641                               | 66,400        |

The tables below list the breakdown of other administration fees incurred by the Sub-Fund.

|                     | 2021                                     |   |                |
|---------------------|--|---|----------------|
|                     | Portion borne by the<br>Sub-Fund<br>HK\$ | Portion borne by<br>the Manager<br>HK\$ | Total<br>HK\$  |
| Index licensing fee | 36,024                                   | 119,460                                 | 155,484        |
| Others              | 37,697                                   | 213,987                                 | 251,684        |
|                     | <u>73,721</u>                            | <u>333,447</u>                          | <u>407,168</u> |
|                     | 2020                                     |   |                |
|                     | Portion borne by the<br>Sub-Fund<br>HK\$ | Portion borne by<br>the Manager<br>HK\$ | Total<br>HK\$  |
| Index licensing fee | 9,905                                    | 146,095                                 | 156,000        |
| Others              | 10,448                                   | 240,996                                 | 251,444        |
|                     | <u>20,353</u>                            | <u>387,091</u>                          | <u>407,444</u> |

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

(c) Other expenses (continued)

(ii) *Administration fee* (continued)

As at 31 March 2021, the administration fee payable for the Sub-Fund was HK\$191,566 (2020: HK\$107,510), which is payable to the Manager. The amount is interest-free, unsecured and payable on demand.

(iii) *Bank charges*

During the year ended 31 March 2021, bank charges of HK\$9,304 (2020: HK\$1,699) were charged by The Hongkong and Shanghai Banking Corporation Limited, the immediate holding company of the Trustee, which have been fully borne by the Manager.

(d) Cash and cash equivalents

As at 31 March 2021 and 2020, part of the interest-bearing bank balances were held with the Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee. Details refer to note 7 for cash and cash equivalents.

(e) Holdings of units

As at 31 March 2021, Mirae Asset Securities (HK) Ltd., a related company of the Manager, acting as a market intermediary, held 2,572,000 units (2020: 2,572,000 units) of the Sub-Fund and The Hongkong and Shanghai Banking Corporation Limited, acting as a market intermediary, a related company of the Trustee, held 7,247,002 units (2020: 2,829,002 units) of the Sub-Fund. There are no profits from transactions in units/shares being entitled for the Trustee, Manager and their connected persons for the years ended 31 March 2021 and 2020.

(f) Amount due from the Manager

As at 31 March 2021, the amount due from the Manager of HK\$65,407 (2020: HK\$93,700) is related to certain trustee fee and administration fees paid by the Sub-Fund on behalf of the Manager. The balance is unsecured, interest-free and receivable on demand.

#### 6. AMOUNT DUE FROM A BROKER

As at 31 March 2021, the amount due from a broker was HK\$19,561,018 (2020: HK\$44,917,452) which represents the margin account held with a broker, KGI Securities (Singapore) Pte. Ltd. Refer to note 12 for margin requirements on cash held at a broker.

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**7. CASH AND CASH EQUIVALENTS**

|                           | Notes | As at 31 March 2021<br>HK\$ | As at 31 March 2020<br>HK\$ |
|---------------------------|-------|-----------------------------|-----------------------------|
| Bank balances             | (i)   | 37,409,484                  | 4,157,341                   |
| Time deposits             | (ii)  | 48,386,347                  | 15,000,000                  |
| Cash and cash equivalents |       | <u>85,795,831</u>           | <u>19,157,341</u>           |

Notes:

- (i) As at 31 March 2021, the interest-bearing bank balances were held with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee, Standard Chartered Bank (Hong Kong) Limited, Citibank N.A. Hong Kong Branch and Industrial and Commercial Bank of China (Asia) Limited. As at 31 March 2020, the interest-bearing bank balances were held with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee, Standard Chartered Bank (Hong Kong) Limited and Citibank N.A. Hong Kong Branch.
- (ii) As at 31 March 2021, the time deposits at fixed interest rates ranging between 0.03% to 0.37% p.a. were placed with Bank of China (Hong Kong) Limited, China Construction Bank (Asia) Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited and Agricultural Bank of China Limited Hong Kong Branch with a maturity of less than three months. As at 31 March 2020, the time deposits at fixed interest rates ranging between 0.32% to 1.97% p.a. were placed with Bank of China (Hong Kong) Limited, China Construction Bank (Asia) Corporation Limited and Industrial and Commercial Bank of China (Asia) Limited with a maturity of less than three months.

**8. SOFT COMMISSION ARRANGEMENTS**

The Manager may effect transactions, provided that any such transaction is consistent with standards of “best execution”, by or through the agency of another person for the account of the Sub-Fund with whom the Manager or any of its connected persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its connected persons goods, services or other benefits (such as advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Sub-Fund as a whole and may contribute to an improvement in the performance of the Sub-Fund. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees’ salaries or direct money payments. Since the inception of the Sub-Fund, the Manager has not participated in any soft commission arrangements in respect of any transactions for the account of the Sub-Fund.

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#### 9. TAXATION

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

#### 10. DISTRIBUTIONS TO UNITHOLDERS

The Manager may in its absolute discretion distribute income to unitholders annually (usually in March of each financial year) or determine that no distribution shall be made in any financial year. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the yield from management of the Sub-Fund's cash and holdings of investments. The Sub-Fund did not make any distribution for the year (2020: nil).

#### 11. DERIVATIVE FINANCIAL INSTRUMENTS

##### Futures contracts

Futures contracts are commitments to make or take future delivery of various commodities, currencies or financial instruments at a specified time and place. These commitments can be discharged by making or taking delivery of an approved grade of commodity, currency and financial instrument by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same (or a linked) exchange prior to the designated date of delivery.

The following futures contracts were unsettled at the end of the reporting period:

##### As at 31 March 2021

| Type of contract | Position | Underlying investment                           | Expiration date | Contracts | Notional amount<br>HK\$ | Fair value<br>HK\$ |
|------------------|----------|---|-----------------|-----------|-------------------------|--------------------|
| Futures          | Long     | S&P GSCI Crude Oil Enhanced Index Excess Return | 31/05/2021      | 217       | 99,805,570              | (5,218,988)        |

##### As at 31 March 2020

| Type of contract | Position | Underlying investment                           | Expiration date | Contracts | Notional amount<br>HK\$ | Fair value<br>HK\$ |
|------------------|----------|---|-----------------|-----------|-------------------------|--------------------|
| Futures          | Long     | S&P GSCI Crude Oil Enhanced Index Excess Return | 31/05/2020      | 320       | 50,796,298              | (24,934,568)       |

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12. INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE UT CODE

Upon the new UT Code adopted by the Sub-Fund from 1 April 2020, the initial and maintenance margin requirements are no longer required for financial statements disclosure.

As per Chapter 8.4A(c) of the UT Code that the Sub-Fund adopted up to 31 March 2020, the Sub-Fund with investments in futures may not hold open positions in any futures contract month for which the combined margin requirement represents 5% or more of the NAV of the Sub-Fund. However, as the Manager expects that the aggregate margin requirement for the futures contracts that the Sub-Fund will invest in may be as high as 10% in order to obtain the required exposure to the respective index, the Manager has applied to the SFC, and the SFC has granted, a waiver in respect of the Sub-Fund from the requirement under Chapter 8(c)(e) of the UT Code, subject to certain conditions as stated in the prospectus of the Sub-Fund. As at 31 March 2020, the initial and maintenance margin requirements for futures were as follows:

|                                | <u>2020</u> | % of net    |
|--------------------------------|-------------|-------------|
|                                | HK\$        | asset value |
| Initial margin requirement     | 15,278,574  | 30.98       |
| Maintenance margin requirement | 13,889,613  | 28.16       |

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Strategy in using financial instruments

Investment objective and investment policies

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index relevant to the Sub-Fund by adopting a replication strategy and investing all, or substantially all, of the assets of such Sub-Fund in WTI Futures Contracts in substantially the same weightings as constituted in the underlying index. Refer to note 1 for details.

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



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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk

(i) *Market price risk*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund is designated to track the performance of the Index, and therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposure 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 index.

The Sub-Fund primarily invests in WTI Futures Contracts. There is only one type of commodities (i.e. crude oil).

The Sub-Fund's financial liabilities at FVPL were concentrated in the following country:

|  | As at 31 March 2021 |                            | As at 31 March 2020 |                            |
|--|---------------------|----------------------------|---------------------|----------------------------|
|  | Fair value<br>HK\$  | % of net<br>asset<br>value | Fair value<br>HK\$  | % of net<br>asset<br>value |
| <u>Futures contracts</u>               |                     |                            |                     |                            |
| United States                          | (5,218,988)         | (5.31)                     | (24,934,568)        | (50.56)                    |
| Total financial liabilities at<br>FVPL | <u>(5,218,988)</u>  | <u>(5.31)</u>              | <u>(24,934,568)</u> | <u>(50.56)</u>             |

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

As at 31 March 2021, if the Index increases by 95.62% (2020: 66.51%) with all other variables held constant, this would increase the net asset value of the Sub-Fund by HK\$93,921,186 (2020: HK\$32,803,536). Conversely, if the tracked index decreases by the same sensitivity threshold, this would decrease the net asset value of the Sub-Fund by approximately equal amounts.

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

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#### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) *Interest rate risk*

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

The only financial assets subject to floating interest rates are bank balances. Given that the interest arising from the bank balances is immaterial, the Manager considers the interest rate risk to be low.

(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-Fund holds assets and liabilities denominated in United States dollars, a currency other than its functional currency, which is Hong Kong dollar. The Manager considers that there is no currency risk to the United States dollar which is a currency pegged with the Hong Kong dollar, and therefore the Sub-Fund is not exposed to significant currency risk.

(c) *Credit risk*

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

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

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

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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Financial assets subject to IFRS 9's impairment requirements

The Sub-Fund's financial assets subject to the ECL model within IFRS 9 are an amount due from a broker, subscription receivables, an amount due from the Manager, interest receivables, and cash and cash equivalents. At 31 March 2021, the total amount of these financial assets was HK\$105,427,085 (2020: HK\$76,184,300) for the Sub-Fund, on which no loss allowance had been provided. No (2020: no) assets were considered impaired and no (2020: no) amounts have been written off during the year.

For financial assets measured at amortised cost, the Sub-Fund applies the general approach for impairment, and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. The financial assets therefore are classified at stage 1.

Financial assets not subject to IFRS 9's impairment requirements

The Sub-Fund is exposed to credit risk on derivative financial instruments. They are not subject to IFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under IFRS 9 represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

The Sub-Fund's financial assets which are potentially subject to concentrations of counterparty risk consist principally of amount due from brokers held with KGI Securities (Singapore) Pte. Ltd., bank balances held with The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Citibank, N.A. Hong Kong Branch and Industrial and Commercial Bank of China (Asia) Limited and time deposits held with Bank of China (Hong Kong) Limited, China Construction Bank (Asia) Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited and Agricultural Bank of China Limited Hong Kong Branch. In the event of the bankruptcy of the exchange's clearing house, the Sub-Fund could be exposed to a risk of loss with respect to its assets that are posted as margin.

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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

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

|  | Net exposure to counterparty |                   |
|--|------------------------------|-------------------|
|  | 2021                         | 2020              |
|  | HK\$                         | HK\$              |
| Subscription receivables                               |                              |                   |
| ABN AMRO Clearing Hong Kong Limited                    | -                            | 11,986,880        |
| Rating   | -                            | A                 |
| Source of rating                                       | -                            | Standard & Poor's |
| Amount due from a broker                               |                              |                   |
| KGI Securities (Singapore) Pte. Ltd.                   | 19,561,018                   | 44,917,452        |
| Rating   | A-2                          | A-2               |
| Source of rating                                       | Standard & Poor's            | Standard & Poor's |
| Bank balances  |                              |                   |
| The Hongkong and Shanghai Banking Corporation Limited  | 10,755,564                   | 1,155,070         |
| Rating   | AA-                          | AA-               |
| Source of rating                                       | Standard & Poor's            | Standard & Poor's |
| Standard Chartered Bank (Hong Kong) Limited            | 8,547,952                    | 3,000,000         |
| Rating   | A+                           | A+                |
| Source of rating                                       | Standard & Poor's            | Standard & Poor's |
| Citibank, N.A. Hong Kong Branch                        | 14,002,222                   | 2,271             |
| Rating   | A+                           | A+                |
| Source of rating                                       | Standard & Poor's            | Standard & Poor's |
| Industrial and Commercial Bank of China (Asia) Limited | 4,103,746                    | -                 |
| Rating   | A                            | -                 |
| Source of rating                                       | Standard & Poor's            | -                 |

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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

|   | Net exposure to counterparty |                   |
|---|------------------------------|-------------------|
|   | 2021<br>HK\$                 | 2020<br>HK\$      |
| Time deposits   |                              |                   |
| Bank of China (Hong Kong) Limited                         | 13,752,526                   | 5,000,000         |
| Rating  | A+                           | A+                |
| Source of rating  | Standard & Poor's            | Standard & Poor's |
| China Construction Bank (Asia)<br>Corporation Limited     | 13,266,049                   | 5,000,000         |
| Rating  | A1                           | A1                |
| Source of rating  | Moody's                      | Moody's           |
| Industrial and Commercial Bank of<br>China (Asia) Limited | 8,059,984                    | 5,000,000         |
| Rating  | A                            | A                 |
| Source of rating  | Standard & Poor's            | Standard & Poor's |
| Agricultural Bank of China Limited<br>Hong Kong Branch    | 13,307,788                   | -                 |
| Rating  | A                            | -                 |
| Source of rating  | Standard & Poor's            | -                 |

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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request. The Sub-Fund invests the majority of its assets in WTI Futures Contracts. The Sub-Fund's securities are considered readily realisable, as they are listed. It is the intent of the Manager to monitor the Sub-Fund's liquidity position on a daily basis. The following table illustrates the expected liquidity of financial assets held and gives the contractual undiscounted cash-flow projection of the Sub-Fund's financial liabilities as at 31 March 2021 and 2020. The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 1 month or less. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| <u>As at 31 March 2021</u>    | On demand<br>HK\$ | Less than 1<br>month<br>HK\$ | 1 to 3<br>months<br>HK\$ | 3 to 12 months<br>HK\$ | More than<br>12 months<br>HK\$ | Total<br>HK\$      |
|-------------------------------|-------------------|------------------------------|--------------------------|------------------------|--------------------------------|--------------------|
| <b>Financial assets</b>       |                   |                              |                          |                        |                                |                    |
| Amount due from a broker      | 19,561,018        | -                            | -                        | -                      | -                              | 19,561,018         |
| Amount due from the Manager   | 65,407            | -                            | -                        | -                      | -                              | 65,407             |
| Interest receivables          | -                 | 4,829                        | -                        | -                      | -                              | 4,829              |
| Cash and cash equivalents     | 37,409,484        | 38,113,909                   | 10,272,438               | -                      | -                              | 85,795,831         |
| Total                         | <u>57,035,909</u> | <u>38,118,738</u>            | <u>10,272,438</u>        | <u>-</u>               | <u>-</u>                       | <u>105,427,085</u> |
| <b>Financial liabilities</b>  |                   |                              |                          |                        |                                |                    |
| Financial liabilities at FVPL | -                 | 5,218,988                    | -                        | -                      | -                              | 5,218,988          |
| Management fee payable        | -                 | 73,165                       | -                        | -                      | -                              | 73,165             |
| Trustee fee payable           | -                 | 11,706                       | -                        | -                      | -                              | 11,706             |
| Formation fee payable         | 1,704,010         | -                            | -                        | -                      | -                              | 1,704,010          |
| Administration fee payable    | 191,566           | -                            | -                        | -                      | -                              | 191,566            |
| Registrar fee payable         | -                 | -                            | 4,160                    | -                      | -                              | 4,160              |
| Other payables and accruals   | -                 | 120                          | -                        | -                      | -                              | 120                |
| Total                         | <u>1,895,576</u>  | <u>5,303,979</u>             | <u>4,160</u>             | <u>-</u>               | <u>-</u>                       | <u>7,203,715</u>   |

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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

| <u>As at 31 March 2020</u>    | On demand<br>HK\$ | Less than 1<br>month<br>HK\$ | 1 to 3<br>months<br>HK\$ | 3 to 12 months<br>HK\$ | More than<br>12 months<br>HK\$ | Total<br>HK\$     |
|-------------------------------|-------------------|------------------------------|--------------------------|------------------------|--------------------------------|-------------------|
| <b>Financial assets</b>       |                   |                              |                          |                        |                                |                   |
| Amount due from a broker      | 44,917,452        | -                            | -                        | -                      | -                              | 44,917,452        |
| Subscription receivable       | -                 | 11,986,880                   | -                        | -                      | -                              | 11,986,880        |
| Amount due from the Manager   | 93,700            | -                            | -                        | -                      | -                              | 93,700            |
| Interest receivables          | -                 | 7,304                        | 21,623                   | -                      | -                              | 28,927            |
| Cash and cash equivalents     | 4,157,341         | 5,000,000                    | 10,000,000               | -                      | -                              | 19,157,341        |
| Total                         | <u>49,168,493</u> | <u>16,994,184</u>            | <u>10,021,623</u>        | <u>-</u>               | <u>-</u>                       | <u>76,184,300</u> |
| <b>Financial liabilities</b>  |                   |                              |                          |                        |                                |                   |
| Financial liabilities at FVPL | -                 | 24,934,568                   | -                        | -                      | -                              | 24,934,568        |
| Management fee payable        | -                 | 29,733                       | 29,170                   | -                      | -                              | 58,903            |
| Trustee fee payable           | -                 | 11,500                       | -                        | -                      | -                              | 11,500            |
| Formation fee payable         | 1,704,010         | -                            | -                        | -                      | -                              | 1,704,010         |
| Administration fee payable    | 107,510           | -                            | -                        | -                      | -                              | 107,510           |
| Registrar fee payable         | -                 | -                            | 45,760                   | -                      | -                              | 45,760            |
| Other payables and accruals   | -                 | 840                          | -                        | -                      | -                              | 840               |
| Total                         | <u>1,811,520</u>  | <u>24,976,641</u>            | <u>74,930</u>            | <u>107,510</u>         | <u>-</u>                       | <u>26,863,091</u> |

As at 31 March 2021, three (2020: four) unitholders respectively held 23%, 15% and 12% (2020: 23%, 20%, 12% and 11%) of the Sub-Fund's total net assets.

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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation

The fair values of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The Sub-Fund uses last traded market prices as its fair valuation inputs for financial assets.

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

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

IFRS 13 requires the Sub-Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the assets or liabilities.

The determination of what constitutes "observable" requires significant judgement by the Sub-Fund. The Sub-Fund considers 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 markets.

Financial liabilities carried at fair value

The following tables analyse within the fair value hierarchy the Sub-Fund's financial liabilities within the fair value hierarchy measured at fair value:

| <u>As at 31 March 2021</u>                | Quoted<br>prices in<br>active<br>markets<br>Level 1<br>HK\$ | Significant<br>observable<br>inputs<br>Level 2<br>HK\$ | Significant<br>unobservable<br>inputs<br>Level 3<br>HK\$ | Total<br>HK\$    |
|---|---|--|--|------------------|
| <b>Financial liabilities at<br/>FVPL:</b> |   |  |  |                  |
| <i>Futures contracts</i>                  | 5,218,988   | -  | -  | 5,218,988        |
|   | <u>5,218,988</u>  | <u>-</u>   | <u>-</u>   | <u>5,218,988</u> |



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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

Financial liabilities carried at fair value

| <u>As at 31 March 2020</u>            | Quoted prices<br>in active<br>markets<br>Level 1<br>HK\$ | Significant<br>observable<br>inputs<br>Level 2<br>HK\$ | Significant<br>unobservable<br>inputs<br>Level 3<br>HK\$ | Total<br>HK\$     |
|---------------------------------------|--|--|--|-------------------|
| <b>Financial liabilities at FVPL:</b> |  |  |  |                   |
| <i>Futures contracts</i>              | 24,934,568   | -  | -  | 24,934,568        |
|                                       | <u>24,934,568</u>  | <u>-</u>   | <u>-</u>   | <u>24,934,568</u> |

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include futures contracts. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

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

There were no transfers between levels during the years ended 31 March 2021 and 2020.

Other financial assets and financial liabilities

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

(f) Capital risk management

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund's objective is to provide investment results that correspond generally to the performance of the index. The Manager may:

- redeem and issue new units in accordance with the constitutive documents of the Sub-Fund;
- exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- suspend the creation and redemption of units under certain circumstances stipulated in the Trust Deed.

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13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

The Sub-Fund presents the fair value of its derivative assets and liabilities on a gross basis, no such assets or liabilities have been offset in the statement of net assets. Certain derivative financial instruments are subject to enforceable master netting arrangements.

The arrangements allow for offsetting following an event of default, but not in the ordinary course of business, and the Sub-Fund does not intend to settle these transactions on a net basis or settle the assets and liabilities on a simultaneous basis.

The tables below set out the carrying amounts of recognised financial assets and liabilities that are subject to the above arrangement, together with collateral held or pledged against these assets and liabilities as at 31 March 2021 and 2020:

As at 31 March 2021

|                            | Gross carrying amounts<br>before offsetting<br>HK\$ | Amount offset in<br>accordance with<br>offsetting criteria<br>HK\$ | Net amount presented<br>in statement of<br>financial position<br>HK\$ | Effect of remaining<br>rights of set-off that do<br>not meet criteria for<br>offsetting in the<br>statement of financial<br>position – cash and non-<br>cash held as collateral<br>HK\$ | Net exposure<br>HK\$ |
|----------------------------|---|--|---|---|----------------------|
| <b>Financial asset</b>     |   |  |   |   |                      |
| Margin account             | 19,561,018  | -  | 19,561,018  | (5,218,988)   | 14,342,030           |
| <b>Total</b>               | <u>19,561,018</u>                                   | <u>-</u>   | <u>19,561,018</u>   | <u>(5,218,988)</u>  | <u>14,342,030</u>    |
| <b>Financial liability</b> |   |  |   |   |                      |
| Futures contracts          | (5,218,988)   | -  | (5,218,988)   | 5,218,988   | -                    |
| <b>Total</b>               | <u>(5,218,988)</u>                                  | <u>-</u>   | <u>(5,218,988)</u>  | <u>5,218,988</u>  | <u>-</u>             |

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**  
(A Sub-Fund of Global X ETF Series II)

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2021**

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

As at 31 March 2020

|                            | Gross carrying amounts<br>before offsetting<br>HK\$ | Amount offset in<br>accordance with<br>offsetting criteria<br>HK\$ | Net amount presented<br>in statement of<br>financial position<br>HK\$ | Effect of remaining<br>rights of set-off that do<br>not meet criteria for<br>offsetting in the<br>statement of financial<br>position – cash and non-<br>cash held as collateral<br>HK\$ | Net exposure<br>HK\$ |
|----------------------------|---|--|---|---|----------------------|
| <b>Financial asset</b>     |   |  |   |   |                      |
| Margin account             | 44,917,452  | -  | 44,917,452  | (24,934,568)  | 19,982,884           |
| <b>Total</b>               | <u>44,917,452</u>                                   | <u>-</u>   | <u>44,917,452</u>   | <u>(24,934,568)</u>   | <u>19,982,884</u>    |
| <b>Financial liability</b> |   |  |   |   |                      |
| Futures contracts          | (24,934,568)  | -  | (24,934,568)  | 24,934,568  | -                    |
| <b>Total</b>               | <u>(24,934,568)</u>                                 | <u>-</u>   | <u>(24,934,568)</u>   | <u>24,934,568</u>   | <u>-</u>             |

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**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2021**

**14. SEGMENT INFORMATION**

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

The Manager considers that the Sub-Fund has a single operating segment which is investing in crude oil futures. The objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Index.

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the statement of net assets and statement of profit or loss and other comprehensive income.

There were no changes in the reportable segment during the years ended 31 March 2021 and 2020.

The Sub-Fund is domiciled in Hong Kong. Majority of the Sub-Fund's income is derived from investments in futures contracts of the tracked Index.

The Sub-Fund has no (2020: no) assets and no (2020: no) liabilities classified as non-current.

**15. EVENT AFTER THE REPORTING PERIOD**

During the period between the end of the reporting period and the date of authorisation of these financial statements, there were redemption of units amounting to HK\$32,431,550.

**16. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Manager and the Trustee on 30 July 2021.

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**

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**INVESTMENT PORTFOLIO (UNAUDITED)**

As at 31 March 2021

|                                  |                        |                  | <b>Market value<br/>HK\$</b> | <b>% of net<br/>assets</b> |
|----------------------------------|------------------------|------------------|------------------------------|----------------------------|
|                                  | <b>Expiration date</b> | <b>Contracts</b> |                              |                            |
| <b>Listed futures contracts</b>  |                        |                  |                              |                            |
| <b>United States</b>             |                        |                  |                              |                            |
| WTI CRUDE FUTURE MAY21           | 31/05/2021             | 217              | (5,218,988)                  | (5.31)                     |
| Total investments, at fair value |                        |                  | <u>(5,218,988)</u>           |                            |
| Total investments, at cost       |                        |                  | <u>-</u>                     |                            |

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**

(A Sub-Fund of Global X ETF Series II)

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)**

For the year ended 31 March 2021

|                          | <b>1 April 2020</b> | <b>Additions</b> | <b>Holdings<br/>Disposals</b> | <b>31 March 2021</b> |
|--------------------------|---------------------|------------------|-------------------------------|----------------------|
| <b>Futures contracts</b> |                     |                  |                               |                      |
| <b>United States</b>     |                     |                  |                               |                      |
| WTI CRUDE FUTURE MAY20   | 320                 | 160              | 480                           | -                    |
| WTI CRUDE FUTURE SEP20   | -                   | 409              | 409                           | -                    |
| WTI CRUDE FUTURE DEC20   | -                   | 700              | 700                           | -                    |
| WTI CRUDE FUTURE FEB21   | -                   | 262              | 262                           | -                    |
| WTI CRUDE FUTURE MAR21   | -                   | 230              | 230                           | -                    |
| WTI CRUDE FUTURE APR21   | -                   | 230              | 230                           | -                    |
| WTI CRUDE FUTURE MAY21   | -                   | 231              | 14                            | 217                  |
| WTI CRUDE FUTURE DEC21   | -                   | 337              | 337                           | -                    |

**GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**

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**DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED)**Futures

The details of futures contracts held by the Sub-Fund as at 31 March 2021 are as follows:

| Description               | Underlying assets  | Contract Size | Notional amount<br>HK\$ | Position | Counter party                              | Fair value<br>HK\$ |
|---------------------------|--|---------------|-------------------------|----------|--|--------------------|
| <b>Financial assets:</b>  |  |               |                         |          |  |                    |
| WTI CRUDE FUTURE<br>MAY21 | S&P GSCI<br>Crude Oil<br>Enhanced Index<br>Excess Return | 217           | 99,805,570              | Long     | KGI Securities<br>(Singapore) Pte.<br>Ltd. | (5,218,988)        |
|                           |  |               |                         |          |  | (5,218,988)        |

## **GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**

(A Sub-Fund of Global X ETF Series II)

### **INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED)**

The table below analyses the lowest, highest and average gross exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Sub-Fund's total net asset value for the year ended 31 March 2021.

2021  
% of Net asset value

#### **Global X S&P Crude Oil Futures Enhanced ER ETF**

|                        |         |
|------------------------|---------|
| Lowest gross exposure  | 84.14%  |
| Highest gross exposure | 185.65% |
| Average gross exposure | 99.73%  |

The table below analyses the lowest, highest and average net exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Sub-Fund's total net asset value for the year ended 31 March 2021.

2021  
% of Net asset value

#### **Global X S&P Crude Oil Futures Enhanced ER ETF**

|                      |         |
|----------------------|---------|
| Lowest net exposure  | 84.14%  |
| Highest net exposure | 185.65% |
| Average net exposure | 99.73%  |



## GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF

(A Sub-Fund of Global X ETF Series II)

### PERFORMANCE RECORD (UNAUDITED)

#### NET ASSET VALUE

|                     | Dealing net asset value<br>HK\$ | Dealing net asset<br>value per unit<br>HK\$ |
|---------------------|---------------------------------|---|
| As at 31 March 2021 | 99,803,377                      | 3.2195                                      |
| As at 31 March 2020 | 50,962,185                      | 1.6439                                      |
| As at 31 March 2019 | 35,349,682                      | 4.8758                                      |

#### HIGHEST ISSUE PRICE AND LOWEST REDEMPTION PRICE PER UNIT

|  | Highest issue price<br>per unit<br>HK\$ | Lowest redemption<br>price per unit<br>HK\$ |
|--|---|---|
| For the year ended 31 March 2021                                 | 3.5922                                  | 1.5830                                      |
| For the year ended 31 March 2020                                 | 5.2953                                  | 1.6132                                      |
| For the year ended 31 March 2019                                 | 6.6176                                  | 3.6701                                      |
| For the year ended 31 March 2018                                 | 5.4302                                  | 4.0126                                      |
| Period from 10 June 2016 (date of inception) to<br>31 March 2017 | 5.2713                                  | 4.3237                                      |

#### COMPARISON OF THE SCHEME PERFORMANCE AND THE ACTUAL INDEX PERFORMANCE

The table below illustrates the comparison between the Sub-Fund's performance (market-to-market) and that of the Index:

|  | Sub-Fund performance<br>% | Index* performance<br>% |
|--|---------------------------|-------------------------|
| For the year ended 31 March 2021                                 | 95.88                     | 95.62                   |
| For the year ended 31 March 2020                                 | (66.28)                   | (66.51)                 |
| For the year ended 31 March 2019                                 | (8.92)                    | (8.43)                  |
| For the year ended 31 March 2018                                 | 11.81                     | 12.28                   |
| Period from 10 June 2016 (date of inception) to<br>31 March 2017 | (4.00)                    | (3.86)                  |

\*The tracking index of the Sub-Fund is an excess return index ("Excess Return" does not mean any additional return on the ETF's performance), which means the Index measures the returns accrued from investing in uncollateralised WTI Futures Contracts (i.e. the sum of the price return and the roll return associated with an investment in WTI Futures Contracts).

## **GLOBAL X S&P CRUDE OIL FUTURES ENHANCED ER ETF**

(A Sub-Fund of Global X ETF Series II)

### **MANAGEMENT AND ADMINISTRATION**

#### **Manager**

Mirae Asset Global Investments (Hong Kong) Limited  
Room 1101, 11th Floor  
Lee Garden Three, 1 Sunning Road  
Causeway Bay, Hong Kong

#### **Directors of the Manager**

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

#### **Trustee and Registrar**

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

#### **Service Agent**

HK Conversion Agency Services Limited  
8th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

#### **Legal Counsel to the Manager**

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

#### **Auditors**

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Hong Kong

#### **Listing Agent**

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

#### **Initial Participating Dealers**

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

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

#### **Initial Participating Dealers (continued)**

Goldman Sachs (Asia) Securities Limited  
68th Floor, Cheung Kong Center  
2 Queen's Road  
Central, Hong Kong

KGI Securities (Hong Kong) Limited  
41/F Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

Mirae Asset Securities (HK) Limited  
Units 8501, 8507-08, Level 85,  
International Commerce Centre,  
1 Austin Road West, Kowloon,  
Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
27/F, Low Block, Grand Millennium Plaza,  
No. 181 Queen's Road Central,  
Hong Kong

#### **Initial Market Makers**

Bluefin HK Limited  
8/F, Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

Flow Traders Hong Kong Limited  
Room 2803 Hysan Place,  
500 Hennessy Road,  
Causeway Bay Hong Kong

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

SG Securities (HK) Ltd.  
Level 34, Three Pacific Place,  
1 Queen's Road East  
Hong Kong